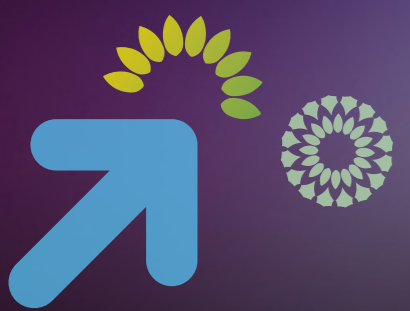




ANNUAL REPORT 2018

INSPIRING INNOVATION





HIS ROYAL HIGHNESS
PRINCE KHALIFA BIN SALMAN AL KHALIFA

Prime Minister of the Kingdom of Bahrain



HIS MAJESTY
KING HAMAD BIN ISA AL KHALIFA

King of the Kingdom of Bahrain



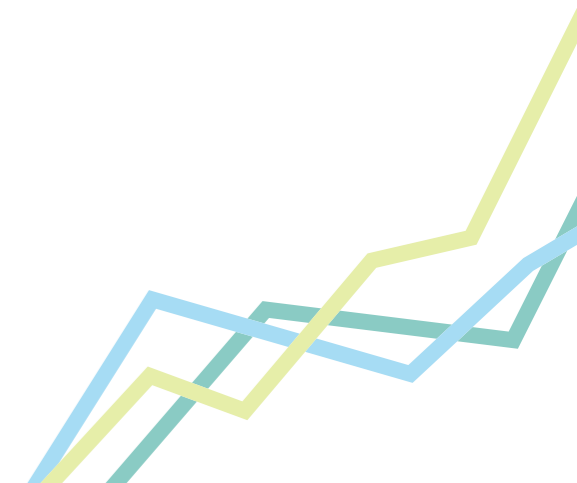
HIS ROYAL HIGHNESS
PRINCE SALMAN BIN HAMAD AL KHALIFA

Crown Prince, Deputy Supreme Commander and
First Deputy Prime Minister of the Kingdom of Bahrain

CONTENTS



A Thirst for Inspiring Innovation	6
Key Milestones	8
Key Highlights	10
Chairman's Statement	12
General Manager's Statement	14
Board of Directors	16
Strategy & Awards	20
Corporate Governance	24
Financial Statements	42



A THIRST FOR INSPIRING INNOVATION



A thirst for innovation lies at the heart of Zain Bahrain's story.

From the very beginning, Zain Bahrain has shown an appetite for breaking the mould, charting new paths and embarking on a fresh trajectory.

2003 marked Zain Bahrain's entry as the first mobile company to take advantage of Bahrain's newly liberalized telecommunications sector. It was a bold move that demonstrated confidence in Bahrain's vibrant economy, and the company's willingness to explore new opportunities in a dynamic market.

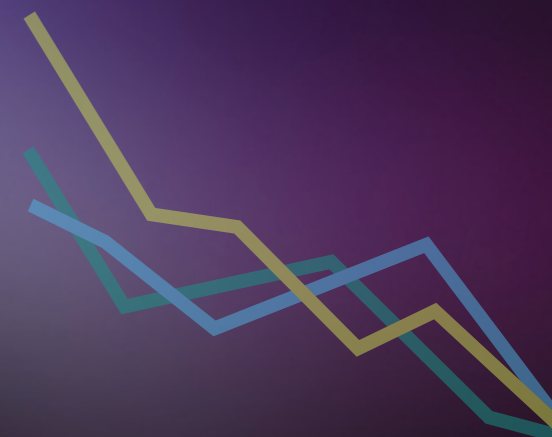
This pioneering step was the start of Zain's adventure in setting new benchmarks of excellence and delivering the kind of service that would make digitalization an integral part of everyone's life.

However, Zain has gone one step ahead. The company has opened new frontiers in customer interaction. Doing so, it has moved from being seen primarily as a telecom services provider to an organisation where the customer is at the heart of all operations.

Zain Bahrain is aware that the impact of technology touches every aspect of life. The introduction of any innovative product and service must recognize the critical role customers play in our successful deployment. What matters most is how effectively our product offerings integrate into a customers' life and provide a well-integrated architecture for customer satisfaction.

2018 has witnessed decisive steps in meeting this very goal, and today, Zain Bahrain continues to provide customers with robust and intuitive platforms to empower their world.... and enable them to be effective in whatever they do!

KEY 2018 MILESTONES



KEY HIGHLIGHTS

REVENUE
BD 66,198
Million

GROSS PROFIT
BD 44,319
Million

OPERATING PROFIT
BD 5,112
Million

NET PROFIT
BD 5,174
Million

EPS
14
FILS

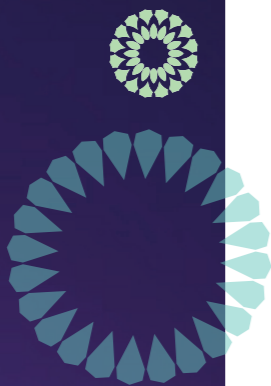
OVER 90%
INTERACTIONS THROUGH DIGITAL CHANNELS

BD 94,803
Million
TOTAL ASSETS

BD 70,213
Million
TOTAL EQUITY

5
FILS
PROPOSED DIVIDEND

CHAIRMAN'S MESSAGE



On behalf of the Board of Directors of Zain Bahrain, it is my pleasure to present the audited financial statements for the year ended 31st December, 2018.

For Zain Bahrain, 2018 marked 15 years of operations as the first mobile company to enter Bahrain's newly liberalised telecommunications sector. From the start, we made a strategic decision to focus on innovation as the guiding light for all that we do — challenging traditional business models, developing out-of-the-box solutions, simplifying processes, and delivering valued added products and services to our customers and stakeholders.

Next, we took the radical step of accelerating the digitalisation of processes, capabilities and initiatives. Soon enough, we helped in transforming the broad array of Zain's services and expertise into tangible opportunities for customers in Bahrain and across the region.

Business Overview

In 2018, several milestones were achieved this year, Zain Bahrain network has been expanded by almost 20 percent, Zain Bahrain's implementation of Artificial Intelligence (Zbot) and the 92 percent adoption of digital self-service channels further bolstered greater customer engagement.

What sets Zain apart is the priority given towards fulfilling its role as a responsible corporate citizen...

Zain Bahrain introduced the first ever chat robot — or ZBot — to support and handle customer queries and interactions through a powerfully intuitive interface available on both the web portal and mobile app. Our investments in digital channels continue to grow through the launch of new features that would enhance customer interactions in auto-payment, plan upgrade, enhanced bill viewing, device availability inquiry and others.

Financial Indicators

Zain Bahrain's operating profit for the year increased 12 percent year-on-year to BD 5.112 million. The company recorded a net profit of BD 5.174 million with 20 percent year-on-year growth in comparison to last year and consequently, Zain Bahrain earnings per share have raised 17 percent in 2018 to reach 14 fils. These impressive results were driven by the company's improved operational performance and profitable data monetization activities focusing on both the Enterprise (B2B) and individual customer. I am pleased to report that such positive results allow us to distribute to our shareholders a dividend payout for the fifth consecutive year since our public listing on the Bahrain Bourse. The Board of Directors will recommend to the Annual General Assembly of Shareholders a full year cash dividend of BD1.819 million at a value of 5 fils per share.

Corporate Social Responsibility

What sets Zain apart is the priority given towards fulfilling its role as a responsible corporate citizen and in ensuring that the impact of the company's long-term value creation is felt by the wider community as well.

Zain Youth was the new name given to Zain Bahrain's on-going youth empowerment initiative that has contributed towards

projects and activities that would enable young Bahrainis to acquire skills to succeed in their future careers.

Throughout the year there were many other programmes that Zain Bahrain was involved in that provided the company with avenues to demonstrate its social responsibilities. These programmes included support for workshops and training, sponsoring of projects, hosting school visits, and promoting entrepreneurship and gender equality at the workplace.

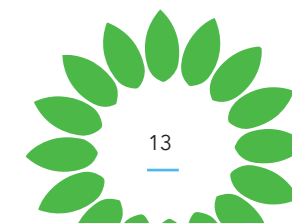
Zain Employees

Our employees are responsible for the success Zain Bahrain has achieved in the last 15 years of operation in the kingdom. We are proud of the work they do in raising Zain's profile across the vast demographics that constitute our customer base. We are truly thankful for their dedication and hard work in enabling Zain to achieve accolades.

We would like to thank our loyal customer base for their continued support, for our suppliers and other stakeholders for their confidence in us, and also for our shareholders for their trust in all that we do.



Shaikh Ahmed Bin Ali Al Khalifa
Chairman



GENERAL MANAGER'S MESSAGE



A combination of modern technologies, carefully crafted suite of advanced products and services along with new ways of pleasing our customers have enabled Zain in maintaining a clear edge.

It has been an eventful year for Zain Bahrain. A year that saw challenges but also opportunities to rise above pressures, and yet continue to remain strongly resilient in an evolving market environment.

2018 has been marked with steady but consistent growth across diverse segments of our business streams. Through the year, there has been a concerted move towards greater customer engagement in the deployment of products and services as well as in devising innovative approaches in developing solutions for both individuals and enterprises.

For Zain, however, a satisfied clientele is just the beginning of the journey, and as such, serves as an incentive to carve tangible directions to achieve our overarching business strategy, namely, placing customers at the heart of the digital ecosystem. This strategy envisages a customer-centric organisational culture where each and every development as well as processes are designed with the following goals: how is this going to empower our customers to be more effective? How will it enhance their life and make them better able to connect with others in their own network? How will it fulfill the promise of a digitalized world?

As Zain celebrates 15 years of operations in Bahrain in 2018, the answers to these questions have resonated through the myriad success stories that have helped define Zain's leadership in the telecommunications industry. With the opening up of this sector,

we were the first company to enter Bahrain's mobile market, and offered a powerful alternative for voice, data and broadband requirements.

Since then, Zain Bahrain's focus has moved towards concentrating on how best to transform our passion for innovation towards accelerating the dawn of a digitalized world. Over the year, we have strengthened moves that would enable Zain to be seen as a digital hub for all interaction, communication, entertainment and even commerce.

In 2018, significant measures were undertaken to examine how innovation could help in simplifying complex processes, and produce maximum impact in delivering an enriching customer experience.

For example, the first ever chat robot — or Zbot — was developed using artificial intelligence and natural language processing technologies to handle customer queries through an easy-to-use and responsive interface. New features were also added to some of the digital care channels that would make performing different transactions much easier for those who prefer self-service options while dealing with Zain.

Our eShop portal and app were greatly enhanced with new devices for sale, special deals, attractive plans and exclusive offers along with a smooth and seamless design that have made shopping online with Zain enjoyable for our customers. Compared to January 2018, Zain Bahrain witnessed an increase in overall general requests received through eshop by 260 percent. This leap was also accompanied by total increase in sales by 173 percent in which 90 percent of those requests were delivered within a single working day and delivered to the customer's most convenient location.

A combination of modern technologies, carefully crafted suite of advanced products and services along with new ways of pleasing our customers have enabled Zain in maintaining a clear edge. Results speak for themselves, and as per the latest TRA Quarterly Fixed Broadband Quality of Service Report, Zain Bahrain achieved the highest results for internet download speeds amongst fixed wireless broadband residential packages.

As far as customer experience is concerned, Zain Bahrain undertook practical steps to fulfill their expectations, and thus, witnessed an increase in usage and adoption of its digital and other self-service channels — that is, reaching as high as 92% of total customer interactions!

The telecom market remains strongly competitive and continues to strengthen Bahrain's position as a magnet for innovation, excellence and customer satisfaction. We are proud to have played our role as one of the earliest companies to have taken advantage of the liberalisation of this sector. Our history for the past 15 years in Bahrain is a good example of a company that is motivated by a genuine desire to please our customers and stakeholders, and offering new ways to enhance the digital world in which they inhabit.

Mohammed Zainalabedin
General Manager

BOARD OF DIRECTORS



Sheikh Ahmed Bin Ali Al Khalifa (Chairman)

Non-Executive / Non-Independent

Shaikh Ahmed Bin Ali Al Khalifa is the chairman of the Board of DHL International Bahrain W.L.L., DHL Aviation W.L.L. and MENA Aerospace Enterprises W.L.L. He has been acting as the chairman of the Board of MENA Aerospace Enterprises W.L.L. since its establishment in year 2004. Shaikh Ahmed Bin Ali Al Khalifa is also the Chairman of Muharraq Club since 1989 and prior to that he was the Vice Chairman of the club from 1978 to 1988.

Shaikh Rashid Bin Abdulrahman Al Khalifa

Non-Executive / Independent

Shaikh Rashid Bin Abdulrahman Al Khalifa is the Managing Director of Mi'mar Architecture & Engineering since 1992. Prior to that, he worked with the Bahrain Defense Force, holding the position of Director of Military Works from 1982 to 1991 and Head of Engineering Department from 1978 to 1980. Shaikh Rashid holds a BSc in Architectural Engineering from the University of Cairo, Egypt, a Master's degree in City Planning from Howard University, USA, and a certificate of Advanced Management program from Harvard University, USA. He is a registered member of the Council for Regulating the Practice of Engineering Professions (CRPEP - Bahrain), the American Institute of Architects and the American Planning Association.

Mr. Bader Nasser Al-Kharafi

Executive / Non-Independent

Mr. Bader Nasser Al-Kharafi is Vice-Chairman and Group CEO of the parent company MTC. Mr. Al-Kharafi holds office as Chairman, VP, MD and Board member in several businesses that form part of the Kharafi conglomerate, one of the largest privately owned, diversified groups based in Kuwait and operating across the GCC and MENA with more than 135 registered companies operating in more than 28 countries in various sectors.

Mr. Al-Kharafi is also the Chairman and Managing Director of Kuwait based Gulf Cables & Electrical Industries KSC; General Manager of Al-Khair National for Stocks and Real Estate Co; and a Board member of Refreshment Trading Company (Coca-Cola). Additionally, he is a Board member of Gulf Bank, Kuwait, one of the country's largest financial institutions, as well as a Board member of Foulath Holding B.S.C. (Bahrain Steel BSCC).

Mr. Al-Kharafi attained an Executive MBA from London Business School and holds a Bachelor's degree in Mechanical Engineering from Kuwait University.

Mr. Ahmed Tahous Al-Tahous

Non-Executive / Non-Independent

Mr. Al-Tahous was appointed Chairman of the Board of Directors of Zain Group on 28 March 2018, after previously appointed as a member of the Board on March 12, 2017 as representative of the Kuwait Investment Authority ("KIA"). Mr. Al-Tahous has over 34 years of experience in the banking and investment sectors. He began his career by joining the US Treasury Department in 1983 and moved to Morgan Stanley Asset Management in New York, where he was the portfolio manager of KIA.

Mr. Al-Tahous is the executive director of the Marketable Securities Sector at KIA, Kuwait, the world's oldest sovereign wealth fund, which he joined in 2006. He is the Chairman of the Board of Directors at Touristic Enterprises Company, a leading tourism development company in Kuwait. He has also been a member of the Board of Directors of the Industrial Bank of Kuwait since 2011.

He has served as a Board member of the Egyptian Kuwaiti Development and Investment Company, a company specialising in the management of real estate, tourism and housing projects. He has also served as a Board member of Jordan National Bank, as well as Housing Bank for Trade and Finance (Jordan).

Mr. Saud Ahmed Al-Nahari

Non-Executive / Non-Independent

Mr. Saud Al-Nahari officially appointed as a member of Zain Bahrain Board of Directors on 18 December 2018. Mr. Al-Nahari is a board member of Zain Group (MTC). He also holds the position of Chief Executive Officer of Port Services Corporation SAOG. He holds a Post-graduate Diploma in Port Management. He is a Deputy Chairman in Oman United Insurance Co. SAOG and board member in Oman Al Arabi Fund. He has extensive management experience and is familiar with corporate governance systems and a Board member licensed by the Capital Market Authority in Oman.



BOARD OF DIRECTORS



Mr. Yousef Khaled Al-Abdulrazzaq

Non-Executive / Non-Independent

Mr. Yousef Al-Abdulrazzaq appointed in Zain Bahrain Board of Directors on 27 November 2018. Mr. Yousef is a Board member in Zain Group as a representative of Kuwait Investment Authority. Joining the KIA in 2006, he is currently an investment manager within the General Reserve Sector under the local equities department.

Mr. Al-Abdulrazzaq holds office as Board Member and other key roles in several Kuwaiti entities. Since 2012, he is a member of the Board of Directors at Touristic Enterprises Company where he also serves as Member of the Executive Committee and Chairman of the Audit Committee. Established in 1996, Touristic Enterprises Company is a pioneer in Kuwait's entertainment and recreation business, through its various well-established facilities.

Since 2015, he also served as a member of the Board of Directors and Chairman of the Audit Committee and Chairman of the Human Resources Committee at the Public Utilities Management Company, Kuwait, a fully owned subsidiary of the KIA. The Company was founded in 1982, to diversify internal investment, development and income in Kuwait through the exploitation of lands and state assets.

In 2010, he was involved in the Kuwait Airways privatization project. Over the years, Mr. Al-Abdulrazzaq has attended numerous accredited training courses and conferences and attended an intensive on job training with Daiwa SB Investments – London.

Mr. Al-Abdulrazzaq holds a bachelor's degree in business administration with a major in Finance from Kuwait University.

Mr. Ali Hassan Al-Khaja

Non-Executive / Independent

Mr. Ali Hassan Al-Khaja is backed by a wealth of experience across various sectors, Mr. Al-Khaja was the driving force behind the launch of the world's first Customer Service Transparency Standard, an international qualification standard for the services sector. Mr. Al-Khaja is a technology entrepreneur and a holder of several patents in the areas of e-commerce and m-commerce across the USA and the EU. He is also a passionate innovator; developing a mobile transactional patent and innovative cloud services with an aim of further developing the customer care industry across the Middle East. Mr. Al-Khaja started his career in the hospitality industry before progressing to the telecommunications sector. He received his Diploma in Hospitality.

Mr. Martial Caratti

Non-Executive / Non-Independent

From November 2018 to December 2018

Mr. Caratti has joined Zain Bahrain Board of Directors in the period from 27 November 2018 to 18 December 2018. Mr. Caratti has over 30 years of experience in the telecommunications industry in the Middle East and Europe. He began his career in 1986 at NCR France, an Omni-channel technology solution provider. He continued his career in communications in France, where he served as Chief Financial Officer at a subsidiary of France Telecom from 1992 to 1996. In 1996, he became France Telecom Group's Contoller of customer branches and Financial Director at Itineris, part of the France Telecom / Orange Group. Between 2000-2006, he served as Vice President of Finance - Content Division at Orange Group France, along with the role of Orange International Finance Vice-President in London. In 2007 he joined KAZ Europe as CFO of EMEA region. Thereafter between 2008 and 2015 Mr Caratti served as CFO for a Tunisian telecom operator. He holds a Bachelors degree in Finance and Accounting from ESLSCA University in Paris.

Mr. Mohannad Mohammad Al-Kharafi

Non-Executive / Non-Independent

Vice Chairman up to November 2018

Mr. Mohannad Al-Kharafi was the Vice Chairman of Zain Bahrain until 27 November 2018. He holds the position of Vice-Chairman of Mohammed Abdul Mohsen Al-Kharafi & Sons Group, a company that has a strong footprint in finance, investment and business operations in more than 135 registered companies operating in 28 countries. He has a distinguished track record in the business and finance sector in Kuwait and the Arab region.

In addition, Mr. Al-Kharafi is Vice-Chairman of the National Investments Company, one of the largest investment asset management companies in Kuwait. He is also a member of the Board of Directors of Kuwait Food Company (Americana), one of the largest food companies in the Arab region. He was formerly a member of the Board of Directors of Al-Ali Fuel Company.

Mr. Al-Kharafi has extensive experience in the real estate sector, holding the position of General Manager of Al-Dorar Al-Arba'a Trading and Real Estate Company. Mr. Al-Kharafi holds a Bachelor's Degree in Business, Economics and Political Science from Kuwait University (1991).

Mr. Talal Jassem Al-Kharafi

Non-Executive / Non-Independent

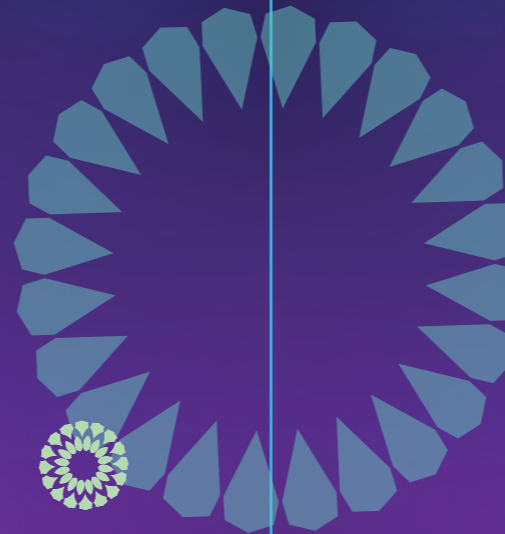
Up to November 2018

Mr. Al-Kharafi has extensive experience in the investment and industrial sectors, acquired through his work in many institutions over the last 17 years. He is the Chairman of the Gulf North Africa Holding Company and Vice-Chairman of Heavy Engineering Industries & Shipbuilding Co. He is Vice-Chairman of Kuwait Science Club, and a member of the Board of Directors of Asiya Capital Investment Company. Mr. Al-Kharafi has been a member of the Board of Directors of the Kuwait Chamber of Commerce and Industry since 2008.

Mr. Al-Kharafi has a proven track record in banking, being a member of the Board of Directors of the Industrial Bank of Kuwait for the past eight years.

He was a member of the Board of Directors of Kuwait Pipe Industries and Oil Services Company. He also served as a member of the Board of Directors of the Gulf Employment Company and the United Marketing & Organizing Exhibitions Company (UNIEXPO).

He holds a Bachelors degree in Political Science with a minor in Marketing from Kuwait University.



STRATEGY & AWARDS



INNOVATIVE STRATEGY

Zain Bahrain has opened new frontiers in customer engagement. It has dismantled barriers that once prevented meaningful interaction, and pushed the boundaries of innovation even further to introduce products and services that enrich the lives of Zain subscribers.

Doing so, the company moved from being seen primarily as a telecom services provider to an organization where the customer is at the heart of all operations.

This daring move has provided the necessary incentive to accelerate the digitalization of processes, capabilities and initiatives... and set in motion a strategic shift that transforms the en-tire broad array of Zain's services and expertise into tangible opportunities for customers in Bahrain and across the region.

Zain's focus has been clear right from the start. Not satisfied in pursuing technology for technology sake alone, Zain has remained determined to utilize customer experience and digitalization as a key differentiator in Bahrain's competitive environment.

Over the years, the company has taken decisive steps in improving its business model and fine-tuning its deliverables to help broaden its appeal across a wide and diverse demographic. These powerful goals have given way to tangible results.

The great progress that Zain Bahrain has made in strengthening its reach, and expanding its appeal has further helped the company to solidify its position as a bold innovator and people centric telecoms services provider. What this approach has done is to inspire Zain to continue investing in what matters most... enriching the customer experience.

AWARDS

Zain Bahrain continues to set new benchmarks in delivering quality services and superior products. 2018 has seen the company reap major awards from leading names in the corporate sector as well as governmental and non-governmental organizations. The awards are a clear pointer to Zain's success in being faithful to its customer driven focus and determination in maintaining its credentials as one of the kingdom's leading telecom provider.

Zain Group voted "Best Brand" at Telecom World Middle East Awards 2018

For the fifth consecutive year, the Zain Group is the proud recipient of the "Best Brand" for telecom award after being handed the accolade at the Telecoms World Middle East Awards gala event that was held in September 2018 in Dubai, UAE.

Zain was selected for this honor by an expert panel of judges assembled by Terrapinn, the organisers of the annual Telecoms World Middle East Conference and Awards. The awards recognise outstanding performance in key areas throughout the Middle East telecom industry and shine a spotlight on key players that have contributed towards making the sector one of the most dynamic globally.



Zain Bahrain — winner of the GCC Best Employer Brand Award

Zain Bahrain was awarded the 2017 GCC Best Employer Brand award in recognition of the company's outstanding human resources practices.

The GCC Best Employer Brand Award recognises organisations that have used marketing communications effectively in attracting, retaining, and developing talent. Some of the key criteria assessed included how well the company's vision is translated into action through HR strategies; the alignment of its HR strategy with business objectives; and the cultivation of competencies that enable readiness for the future.

Zain Bahrain amongst the first to achieve new ISO 9001:2015 Standard

Zain Bahrain became one of the first telecom operators in the region to update its Quality Management System to meet the new ISO 9001:2015 standard as well as conform to the existing ISO 27001:2013 standard. DNV GL, the international certification firm, conducted a detailed audit prior to handing the award and found that Zain complies to the certification's requirements in the areas of customer satisfaction, continuous improvement of processes and practices, information security and confidentiality. Zain Bahrain has held both ISO certifications since 2005.

Zain Bahrain voted the fastest network in Bahrain for the second consecutive quarter

Zain Bahrain was recognized for achieving super fast Internet speed for two consecutive quarters (Q4 2017 and Q1 2018) by the Telecommunication Regulatory Authority (TRA) of Bahrain. As per the TRA Quarterly Fixed Broadband Quality Service Report, Zain Bahrain achieved top results for download speeds for the fixed wireless broadband residential packages while also outperforming previous results in a number of key performance indicators.

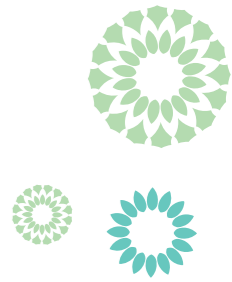
Zain Bahrain honoured for Social Media Contributions

The Social Media Club of Bahrain presented Zain Bahrain with a special award in recognition for the company's pioneering role in championing the growth of social media.

In its overall assessment, the Social Media Club recorded Zain Bahrain as having one of the highest levels of engagement on Facebook, Instagram, Twitter and other networks. It was stated that Zain Bahrain offers innovative content combined with a well thought out digital media strategy to engage with all of its stakeholders, keep them informed on new products and services along with developments in the company's corporate social responsibility activities.

CORPORATE GOVERNANCE





OVERVIEW

As a listed company on the Bahrain Bourse, Zain Bahrain BSC ("Zain Bahrain" or "Company") is committed to undertake global leading practices in corporate governance and in compliance with laws and regulatory requirements. The purpose of implementing the corporate governance framework is to protect the rights of all shareholders and stakeholders, and to ensure compliance with applicable laws and regulations. The Company's commitment to achieving the highest standards of corporate governance is reflected by its approach in embracing the governance principles outlined by the Central Bank of Bahrain ("CBB") and the Ministry of Industry, Commerce and Tourism ("MOICT").

In accordance with the Company's Corporate Governance guidelines, Zain Bahrain is in compliance with the CBB High Level Controls ("CBB Module") and the MOICT Corporate Governance Code ("CG Code") with the exception of the following:

- Shaikh Ahmed Bin Ali Al Khalifa was appointed by the Board of Directors as the Chairman of the Board. The CBB Module and the CG Code recommend that the Chairman should be an independent and non-executive Director and that he is not the Company's CEO. The Chairman is not Zain Bahrain's CEO, however as he owns 16.10% of the Company's shares,

he is not considered an independent Director. The Board has reviewed this recommendation and does not believe its non-compliance will affect the balance of power and greater capacity of the Board for its independent decision making.

- The CBB Module and the CG Code states that the Audit Committee and the Nomination and Remuneration Committee should each have a majority of independent Directors and that each Committees' chairman is an independent Director. Zain Bahrain's Board Audit Committee ("BAC") and Nomination and Remuneration Committee ("NRC") have a majority of independent Directors and where the chair of NRC is an independent Director in line with the CBB Module and the CG Code requirement however the chair of the BAC is a non-independent member. The Board has accomplished several reorganizations in recent years to enhance its corporate governance framework and have taken into consideration the most beneficial balance between best practice corporate governance and its reliance on the expertise of Mobile Telecommunications Company K.S.C.P ("MTC").

1. Ownership Structure

1.1 Ownership Structure by Nationality

The table and illustration shows the distribution of ownership of Zain Bahrain shares by nationality:

Nationality	Number of Shares	% of shares held
Bahrain	161,951,483	44%
GCC	203,773,633	55.4%
Others	2,274,884	0.6%

1.2 Ownership Structure by Size

The table and illustration show the distribution of ownership of Zain Bahrain shares by size (5% and above):

Owner	Number of Shares	% of shares held
Mobile Telecommunications Company K.S.C. (MTC)	201,600,000	54.78%
Shaikh Ahmed Bin Ali Al Khalifa	59,260,000	16.10%
Gulf International Bank B.S.C (Closed)	31,154,997	8.47%
Others (below 5%)	75,985,003	20.65%

1.3 Ownership Structure by Category

The table below shows the ownership distribution of Zain Bahrain's shares by government entities, Directors and executive management:

Government Entities	Number of Shares	% of shares held
Minors Estate Directorate	2,400,000	0.65%
Social Insurance Organisation (Pension) – Civil	7,500,000	2.04%
Social Insurance Organisation (Pension) – Military	7,500,000	2.04%

Directors As of 31 of December 2018	Form of Ownership	Number of Shares	% of shares held
Shaikh Ahmed Bin Ali Al Khalifa	Individual Shareholding	59,260,000	16.10%
Shaikh Rashid Bin Abdulrahman Al Khalifa	Corporate shareholding via AlBait Furnishing BSC (Closed)	1,200,000	0.32%
Mr. Ali Hasan Al-Khaja	Corporate Shareholding via OnAir Commerce WLL	1,440,000	0.39%
Mr. Bader Nasser Al-Kharafi	Corporate Shareholding via MTC	201,600,000	54.78%
Mr. Ahmed Tahous Al-Tahous	Corporate Shareholding via MTC	201,600,000	54.78%
Mr. Saud Ahmed Al-Nahari	Corporate Shareholding via MTC	201,600,000	54.78%
Mr. Yousef Khaled Al-Abdulrazzaq	Corporate Shareholding via MTC	201,600,000	54.78%

2. Board Function, Structure, Members and Management

2.1 Function

The Company is managed by its Board of Directors which has the ultimate responsibility for the overall conduct of the Company's business. The primary responsibility of the Board is to provide effective oversight over the Company's affairs for the benefit of its shareholders and to balance the interests of its stakeholders.

The Board has a fiduciary duty of care and loyalty to the Company and its shareholders and is accountable to them for the proper conduct of the business.

2.2 Structure

The shareholders have approved the appointment of the following members for the forthcoming three-year term on the Annual General Meeting ("AGM") held in 28th March 2018:

Members

Sh. Ahmed bin Ali Al Khalifa
 Sh. Rashid bin Abdulrahman Al Khalifa
 Mr. Mohannad Mohammed Al-Kharafi
 Mr. Bader Nasser Al-Kharafi
 Mr. Ahmed Tahous Al-Tahous
 Mr. Talal Jassem Al-Kharafi
 Mr. Ali Hasan Al-Khaja

On 27 November 2018, MTC replaced its appointed members in Zain Bahrain's Board. Previous members and newly appointed members are shown in the below table:

Previous Members

Mr. Mohannad Mohammed Al-Kharafi
 Mr. Talal Jassem Al-Kharafi

Newly Appointed Members

Mr. Martial Caratti
 Mr. Yousef Khaled Al-Abdulrazzaq

As Mr. Mohannad Al-Kharafi assumed the Vice Chairman role, the Board is required to elect its new Vice Chairman in its forthcoming meeting.

On 18 December 2018, another reappointment was assumed by MTC for the following members:

Previous Members

Mr. Martial Caratti

Newly Appointed Members

Mr. Saud Ahmed Al-Nahari

Zain Bahrain currently has two Independent Directors. Shaikh Rashid Bin AbdulRahman Al Khalifa and Mr. Ali Hasan Al-Khaja represent the Independent Directors of Zain Bahrain as defined in the CBB Module and CG Code. The Chairman of the Board is Shaikh Ahmed Bin Ali Al Khalifa.

Detailed information on the Directors, including directorships of other Board, position, qualification and experience is presented in the Board of Directors Section.

2.3 Number and Names of Independent Members

Please refer to section 2.7.

2.4 Board Term

The Board was re-elected/ re-appointed by the shareholders in the AGM held on 28th March 2018 for a term of three (3) years.

2.5 New Directors' Orientation and Education

In accordance with the CBB Module, CG Code and Company's Board Charter, the Chairman of the Board ensures that any new Director receives a formal and tailored induction to ensure his/ her contribution to the Board from the beginning of his/ her term. Details of new Directors' orientation are set out in the Company's Board Charter.

2.6 Election/ Appointment and Termination Process of Directors

2.6.1 Election / Appointment

Directors are elected/ appointed by the shareholders in shareholders' meetings. The Board is appointed for a period of three years on a renewable basis as specified in the Company's Article of Association. At the request of the Board, the MOICT may extend the membership term of a Director for no more than six months at which time he/ she is subject to re-election.

2.6.2 Director's Appointment Letters

In accordance with the CBB Module and the CG Code, each Director has signed a Director's appointment letter, which sets out such Directors' duties, responsibilities and the terms and conditions of such directorship.

2.6.3 Termination Process

Termination of directorship can take effect in the cases set out below as specified in the Commercial Companies Law and in the Company's Board Charter:

- If a Director does not have the appropriate legal qualifications or has been sentenced for an act, a fraud or a crime affecting his/her honour or integrity;
- If a Director is appointed or elected in a manner contrary to the provisions of the law;

- If a Director abuses his/her membership to carry on a competitive business to the Company or causes damages to the Company;
- If the shareholder appointing the member removes him/her; or
- The General Assembly may also dismiss all or some of the Board members in accordance with Article 178 of the Commercial Companies Law of Bahrain.

2.7 Board Meetings' Dates and Attendance

The members of the Board have met four times during the year 2018 on the following dates:

5 February 2018, 9 May 2018, 29 July 2018, 6 November 2018

The record of all members, their terms and attendance is set out below:

Director's Name	Board Position	Status of Director	Meetings Attended
Shaikh Ahmed Bin Ali Al Khalifa	Chairman	Non-Executive/ Non-Independent	Four
Shaikh Rashid Bin AbdulRahman Al Khalifa	Member	Non-Executive/ Independent	Four
Mr. Bader Nasser Al-Kharafi	Member	Executive/ Non-Independent	Four
Mr. Ahmed Tahous Al-Tahous	Member	Non-Executive/ Non-Independent	Four
Mr. Saud Ahmed Al-Nahari	Member (From 18 December 2018)	Non-Executive/ Non-Independent	-
Mr. Yousef Khaled Al-Abdulrazaq	Member (From 27 November 2018)	Non-Executive/ Non-Independent	-
Mr. Ali Hassan Al-Khaja	Member	Non-Executive/ Independent	Four
Mr. Mohannad Mohammed Al-Kharafi	Vice Chairman (Up to 27 November 2018)	Non-Executive/ Non-Independent	Four
Mr. Talal Jassem Al-Kharafi	Member (Up to 27 November 2018)	Non-Executive/ Non-Independent	Four
Mr. Martial Caratti	Member (From 27 November 2018 to 18 December 2018)	Non-Executive/ Non-Independent	-



2.8 Remuneration Policy for Directors

The Company's remuneration policy for Directors ensures that the Board is reasonably compensated for the time, resources, and effort spent in performing their fiduciary duties. The Board's remuneration, which is approved annually by the shareholders at the AGM, includes an annual stipend and allowance for out-of-pocket-expenses. For the year ending 31st December 2018, a total of BHD 223,612 was recommended by the Board.

2.9 List of Executive Management and Profile of Each

Mr. Scott Gegenheimer, Chief Executive Officer Date of Appointment: December 2012

Mr. Gegenheimer holds the position of Zain Bahrain CEO and Zain Group CEO-Operations. Mr. Gegenheimer is a telecom veteran having over 25 years' experience along with a track record of impressive results, and a good portion of his time was spent in Kuwait and other places in the region. He is a US native and prior to joining Zain Group, he spent the last decade in various senior management and leadership positions at regional operators, including in Kuwait. He holds a Bachelors of Science degree in Finance and Management from Northern Illinois University and an MBA from DePaul University in Chicago, US.

Mr. Mohammed Zainalabedin, General Manager Date of Appointment: May 2008

A widely recognised name in the telecommunication sector with more than 20 years of experience. Mr. Zainalabedin was appointed as the General Manager of Zain Bahrain in May 2008. Prior to this appointment, Mr. Zainalabedin led several functions across the operations where he was responsible for sales, marketing, customer care and Information Technology departments. During that period, the operations grew to represent a significant market share of 35% in a three-player market.

Prior to joining Zain Bahrain, Mr. Zainalabedin gained almost ten years of experience in the IT field, working for companies such as International Turnkey Systems where he held the position of Core Banking Group Manager.

Mr. Zainalabedin, a Bahraini national, holds a Bachelor of Science (Hons) degree in Computer Engineering from King Fahad University of Petroleum and Minerals, Saudi Arabia.

Ms. Latifa Salahuddin, Director, Legal, Regulatory & Compliance Date of Appointment: May 2014

Ms. Latifa Salahuddin is responsible for providing and managing legal support, advising, drafting and reviewing Zain Bahrain's



local and international agreements and liaising with regulatory agencies and government authorities. She is also secretary to the Board and supervises the implementation of its decisions. She is a qualified Bahraini lawyer. Prior to joining Zain Bahrain, she was a senior associate at Zu'bi & Partners Attorneys & Legal Consultants since 2006. Ms. Salahuddin holds an LLB (Bachelor of Laws) from London Guildhall University and an LLM (Master of Laws) from the University of London – The School of Oriental & African Studies (SOAS) in the United Kingdom.

Mrs. Dana Bukhammas, Director, Human Resources Date of Appointment: July 2014

Mrs. Dana Bukhammas is responsible for learning and development, performance management, employee relations and services, staffing and organisational development. With more than fifteen years of experience, she earlier held various other positions in Zain Bahrain's Human Resources department and supervisory roles in the Sales Department. Ms. Bukhammas joined Zain Bahrain in July 2003. She holds a BSc in Business Management from the University of Bahrain.

Mr. Mudassar Ali, Director, Finance Date of Appointment: February 2015

Mr. Mudassar Ali's mandate includes day-to-day financial management, maintaining full control over the company's revenue and disbursements, annual budgeting and forecasting, managing

core system implementations and critical decision-making processes as well as treasury and cash flow management.

With more than 20 years under his belt, Mr. Ali held leading positions across several industries spanning telecoms and services. During his previous role at Zain Kuwait, he played a significant role in the operational improvement, financial reporting stability and technology utilisation. He holds a Bachelor of Commerce from University of Punjab, Pakistan, and is a certified Oracle Financial connoisseur. He obtained an advanced development program certification from the London Business School.

Mr. Ali Mustafa, Director, Corporate & Wholesale Date of Appointment: June 2015

Backed by over 15 years of experience within the telecoms industry, Mr. Ali Mustafa is responsible for wholesale, corporate, government sales and VIP segments ensuring revenue and profitability in such segments for the Company. His role also involves maintaining oversight over enterprise products and services in addition to roaming.

Mr. Mustafa began his career as an Account Manager in one of the telecommunication companies operating in the Kingdom, climbing the corporate ladder to clench the position of General Manager of Wholesale & Carrier Services. Mr. Mustafa obtained his bachelor's degree in marketing and Management from the University of Bahrain.



Shaikh Abdulla bin Khalid Al Khalifa, Director of Corporate Communications and Investor Relations
Date of Appointment: January 2017

Shaikh Abdulla oversees Zain Bahrain's strategic communications activities that includes its investor relations as well as its corporate sustainability (CS) & social responsibility (CSR) functions. He is also a successful telecoms entrepreneur having co-founded one of the Kingdom's most successful start-ups, Lightspeed Communications, where he oversaw the launch of Bahrain's first double-play Voice and Internet service in 2007. He holds an Executive MBA from the International Institute for Management Development (IMD) in Lausanne, Switzerland and a BS in Computer Information Systems from Bentley University, Waltham, MA, USA.

Mr. Ammar Al-Ketbi, Acting Director, Consumer Sales & Channels
Date of Appointment: August 2017

Ammar Al-Ketbi is responsible for Zain Bahrain's consumer segment, which includes indirect sales and retail sale and it includes of telesales and branches. Mr Al-Ketbi has taken a wide number of development and training courses and has received the Distinguished Manager Award from Bahrain's Ministry of Labour and Social Development.

He started his career with Zain Bahrain as a Distribution Account Manager in 2007, then moved on to a role as Retail Area

Manager. He became the manager of Indirect Sales Channels before being appointed as Manager for Retail and Franchise Sales, a position he held until August 2017. He holds a BSc in Banking and Finance from the University of Bahrain.

Mr. Abdulla Yusuf Salmeen, Acting Director, Customer Care
Date of Appointment: August 2017

Mr. Salmeen is responsible for B2C Lifecycle Management and heads the Business After Sales department for both GSM Mobility & Enterprise Solutions as well as leading Preventative & Curative Retention activities. Further, he manages the Signature Dedicated Contact Centre, back office and retention teams, and also leads the company wide Customer Experience Programme. In addition to his Zain Bahrain role, he leads projects across Zain Group operations, most recently was in the Unified Complaint Experience and Voice Biometrics.

Mr. Salmeen started his career with Zain Bahrain as a Logistics and Distribution Centre Agent in 2003 and held the role until 2007. From there he held a number of other positions before assuming his current role as Acting Director, Customer Care in August 2017.

Mr. Salmeen holds an LLB (bachelor's in law) from the University of Bahrain, College of Law.

Mr. Salah Abdulla, Acting Director, Technology
Date of Appointment: September 2017

Mr. Salah Abdulla has over 24 years of progressive national/international work experience in strategic planning and facilitating the implementation of critical business solutions. Throughout his time with the company, Mr. Abdulla has been involved in several key projects and has made substantial contributions towards the development of technological services.

Some of his most notable achievements include: leading an insource/outsource Technology Operation Team that manages and develops Zain Bahrain's mobile technology infrastructure; developing a Technology Strategy and preparing the platform for the implementation of a five-year roadmap; leading a Technology Rationalisation programme; implementing a new data centre; and enhancing business continuity by redeploying services across multiple physical sites.

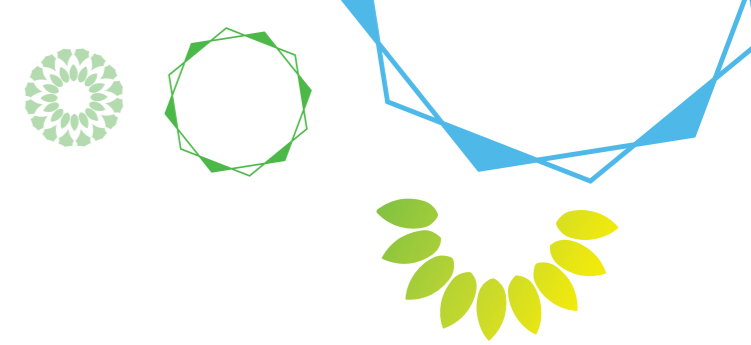
Mr. Abdulla has been appointed as Acting Technology Director of Zain Bahrain in September 2017 and is an active contributor to the development of a 10-year strategic plan for network IT management. Mr. Abdulla holds an MBA from Curtin University of Technology, Australia, and a BSc in Computer Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia.



Mr. Mohammed Al-Alawi, Acting Director, Consumer Marketing
Date of Appointment: October 2017

Mr. Mohammed Al-Alawi has over 15 years' experience in the fields of product management, product development, management, sales, marketing, IT, telecommunication and ICT. He has extensive knowledge in designing market strategies, deployment and management of mobile products, Broadband products, Datacom services, PABX services and cloud services. In his role, Mr Al Alawi has been responsible for developing, launching and managing mobile services.

Mr Al Alawi started his career with Zain Bahrain in 2007 as an expert in Enterprise and Broadband Products & Services, before moving on to become the manager in 2010. Mr Al Alawi holds a BSc Honours degree in Management & IT from the University of Manchester, United Kingdom.



2.10 Remuneration Policy for Management

The Company's remuneration policy for management is designed to attract, retain, and motivate employees of diverse skill sets and business acumen, educational background and experience. For the year ending 2018, the annual remuneration fees of the executive management were in the form of salaries, allowances and bonuses.

2.11 Details of Stock Option and Performance Linked Incentives

(Not applicable to Zain Bahrain).

2.12 Code of Conduct

In Zain Bahrain, the Directors and the employees are expected to maintain the highest level of corporate ethics and personal behaviour. Therefore, the Company has adopted a code of conduct which provides an ethical and legal framework for all employees in the conduct of its business.

3. Board Committees

3.1 Name and Function of the Committees

3.1.1 Board Audit Committee (BAC)

The purpose of BAC is to assist the Company's Board of Directors in fulfilling its overview responsibility with respect to:

- Review the internal control, finance, accounting policies and procedures.
- The appointment of external auditors and review the financial statements.
- The appointment of the internal audit and the review of the activities and performance of the internal audit.
- Monitor the company compliance with law, regulation and internal policies.
- Review the information technology systems controls and telecom systems controls.
- Oversee the implementation of the governance policy framework.

3.1.2 Nomination and Remuneration Committees (NRC)

The purpose of NRC is to assist the Company's Board of Directors in fulfilling its oversight responsibility with respect to:

- Making recommendations to the Board regarding potential candidates for Board membership to be included by the Board of Directors on the agenda for the next annual "General Assembly", upon the expiry of the Board members term.
- Recommending nominees for each committee of the Board.

- Overseeing matters related to the compensation (to be approved by the shareholders), skills and expertise requirements and orientation, and conducting of the Board, Board Committees.
- Reviewing the remuneration framework for the Board.
- Reviewing and approving the amendments to the existing organisational structure.
- Reviewing with the new Board members, committee members and officers their roles and duties.

3.2 Committee Members and Meetings' Attendance

Set out below are the Committee members and the number of meetings attended. The BAC is required to meet at least four times a year while the NRC is required to meet at least twice a year. This requirement is satisfied during the year of 2018. Below are details of Board members' attendance:

Director's Name	Board Position	Committee Position	Board Audit Committee (BAC) Meetings Attended	Nomination and Remuneration Committee (NRC) Meetings
Shaikh Rashid Bin AbdulRahman Al Khalifa	Member	Member – Audit Committee	Four	Four
Mr. Bader Nasser Al-Kharafi	Member	Chairman - Audit Committee	Four	Four
Mr. Ali Hassan Al-Khaja	Member	Member - Audit Committee	Four	Four
Mr. Mohannad Mohammed Al-Kharafi	Vice Chairman (Up to December 2018)	Member – NRC Committee	-	Two



4. Auditors

The External Auditors of Zain Bahrain for the audit year ended 2018 is Deloitte & Touche. Deloitte & Touche enjoys a globally connected network of member firms in more than 150 countries where it provides audit, consulting, financial advisory, enterprise risk, and tax services. Deloitte was established in Bahrain in 1955 and is part of Deloitte & Touche (M.E.). Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL). Through the years the variety of high quality of services delivered by Deloitte Bahrain has been instrumental in the setting up of a wide range of small, medium and large businesses in the Kingdom.

The agreed audit fee for such year is BHD 32,000 and the non-audit service fee is BHD 800. The Board has recommended the reappointment of Deloitte & Touche for the audit year ending 2019 for their reputable expertise. The reappointment shall be approved by the Shareholders at the Annual General Assembly Meeting.

5. Related Party Transactions, Directors Trading of Company Shares and Key Persons Policy

Related party transactions are carried out at arm's length and at rates approved by the Company's management. Amounts due from/to related parties are unsecured, bear no interest and have no fixed repayment terms. Management considers these to be

current assets and current liabilities as appropriate. Refer to the note 20 (Related Party Transactions) of the financial statements.

Zain Bahrain Directors, Executive Management and employees have the right to trade in the Company's shares. However, such trade must be in compliance with the Company's Key Persons Policy to ensure that no trade is made by making use of non-published material information.

6. Means of Communication with Shareholders and Investors

The Board is committed to maintain an open communication channel with its shareholders and investors in order to ensure the transparency and effectiveness of communication. According to the CBB Module and CG Code principles, the Board has the legal responsibility to publicly disclose fair, transparent, comprehensive, and timely information to its stakeholders. To communicate with its shareholders, Zain Bahrain uses the following means:

- The Company's audited financial statements.
- The Company supports the principle of effective communication through the Annual Report of the Company and the General Assembly Meetings.
- Any required notifications are made to the Bahrain Bourse for publishing on its website.
- All material facts are available on the Company's website.

7. Management of Principle Risks and Uncertainties


The Company holds rigorous risk management controls for day-to-day internal processes. These are set out in the financial statements note 23.

8. Review of the Internal Control

Through the BAC, the Board of Director maintains and reviews an effective system of internal control that provides reasonable assurance against material misstatement or loss. The primary objective of the Internal Audit is to assist the BAC in measuring the control environment by providing reports, recommendations and information on activities reviewed.

The Internal Auditor reports significant issues and effectiveness of controls and any other matters deemed appropriate to the BAC, CEO and CFO of the parent company (MTC) and Zain Bahrain's Executive Management.

There are clear processes for monitoring and reviewing the system of internal controls and reporting any weaknesses in the Company. BAC has the authority to conduct the internal control audit. The scope of internal control activities is subject to the BAC review and approval but will not otherwise be restricted. All staff and management of MTC shall make all efforts to provide necessary assistance to, and cooperate with our staff in performing their duties effectively.



The Company has implemented a system of internal controls that provides reasonable assurance of the effectiveness and efficiency of the operations including all types of controls such as finance and regulatory compliance.

9. Announcements of Results

As a public joint stock company, Zain Bahrain has ongoing reporting requirements and obligations imposed by the CBB, Bahrain Bourse and MOICT.

The announcement of results in the press will include income statement, cash flow statement, statement of comprehensive income and changes in shareholders' equity, Auditors Report, Auditor's signature date and Board Approval date. The results of the annual financial review for the year ended should be published within sixty (60) days of the related year end. Results of quarterly financial review should be published within forty-five (45) days of the related quarter. The AGM should be held within ninety-days (90) after the year end.

10. Directors' Responsibilities for the Preparation of Financial Statements

The BAC is formed by the Board to assist in fulfilling the Board's responsibility in respect to:

- The integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls;

- The annual independent audit of the Company's financial statements, the engagement of the external auditors and the evaluation of the external auditor's qualifications, independence and performance; and
- Compliance by the Company with legal and regulatory requirements.

11. Conflict of Interest

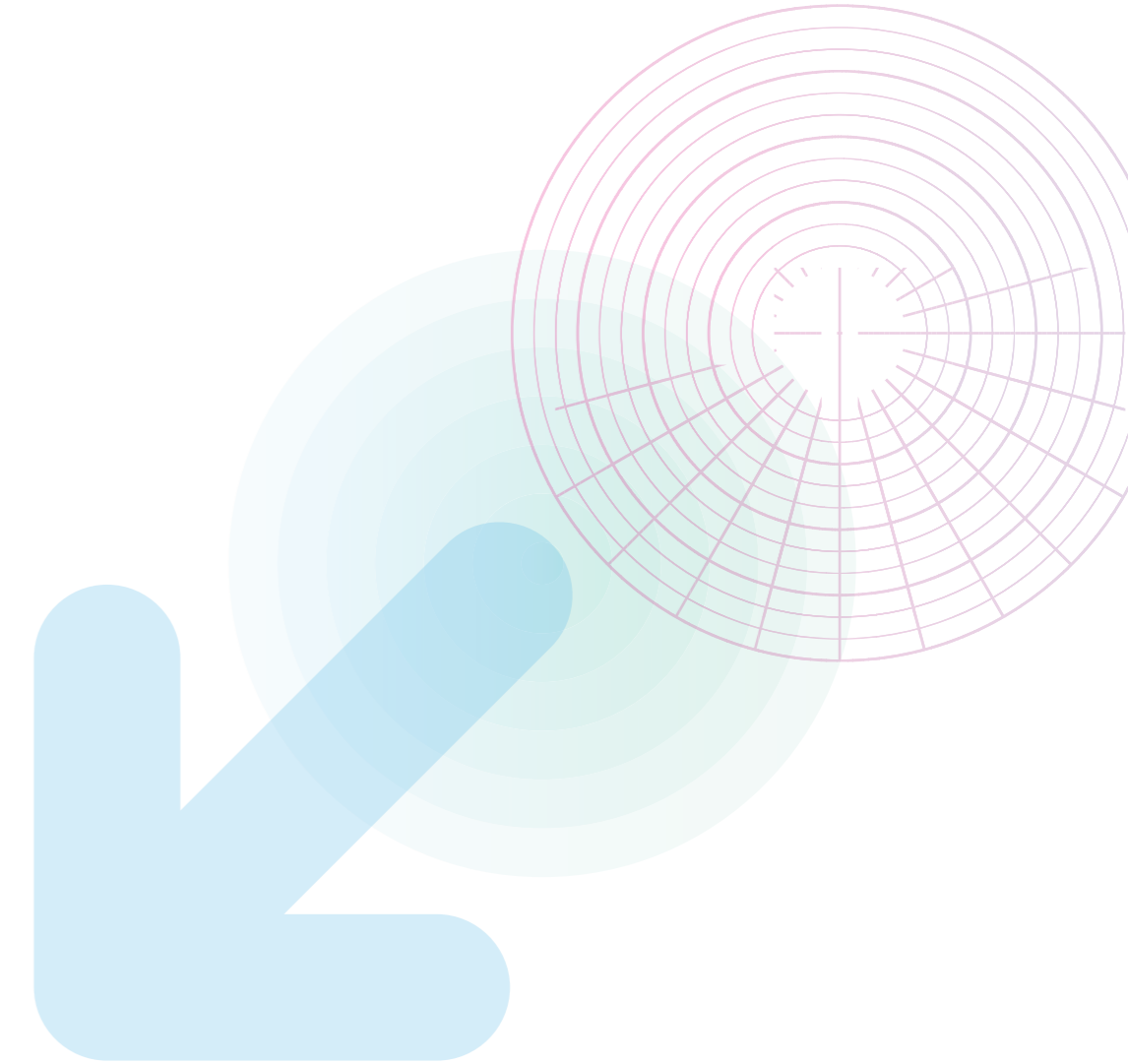
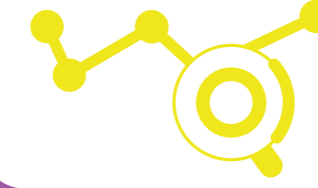
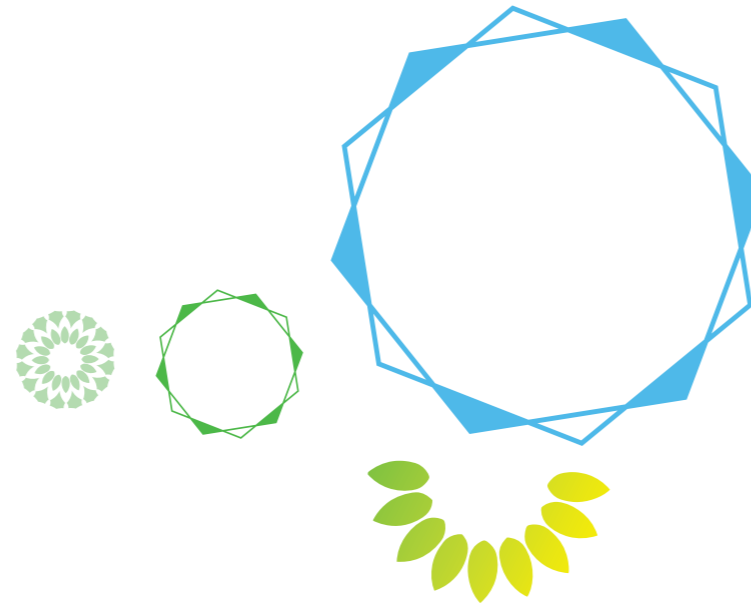
The Directors are obliged to arrange their personal and business affairs to avoid any conflict of interest with the Company. If any conflict of interest arises such Director is responsible to inform the entire Board in writing.

For 2018, no conflict of interest was raised to the Board and no Director abstained from voting.

The Directors' Code of Conduct Policy can be requested from Zain Bahrain's Compliance Officer.

12. Performance Evaluation

The NRC is assigned the responsibility of developing and recommending to the Board for its approval an annual self-evaluation process for the Board and its committees as well as overseeing the annual self-evaluation. It also has the responsibility of assisting the Board in determining the compliance of each Director and Officer with the "Director's Code of Conduct" and the "Company's Code of Conduct" and reports any violations to the Board.



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors of Zain Bahrain B.S.C. (the "Company") present their annual report together with the financial statements for the year ended December 31, 2018.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide telecommunication services under various licenses issued by the Telecommunications Regulatory Authority of the Kingdom of Bahrain.

RESULTS OF THE YEAR

The Company's profit for the year amounted to BD 5.17 million.

SHARE CAPITAL STRUCTURE

	2018 (%)	2017 (%)
Shareholders:		
Mobile Telecommunication Company K.S.C. - Kuwait	54.78	54.78
Al Sheikh Ahmed Bin Ali Al Khalifa	16.10	16.10
Gulf International Bank B.S.C.	8.47	8.50
Others	20.65	20.62
	100.00	100.00

CHANGES IN DIRECTORS

Mr. Martial Caratti and Mr. Yousif Khaled Alabdurazzaq were appointed on November 27, 2018 by replacing Mr. Mohannad Mohammad Al-Kharafi and Mr. Talal Jassem Al-Kharafi.

Mr. Saud Ahmed Al-Nahari was appointed on December 18, 2018 in place of Mr. Martial Caratti.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS REMUNERATION

Director's remuneration charge for the year, amounted to BD 223,612 (2017: BD 223,612).

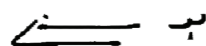
AUDITORS

The auditors, Deloitte & Touche - Middle East, have expressed their willingness to accept re-appointment.

On behalf of the Board



Sh. Ahmed Bin Ali Al Khalifa
Chairman



Mr. Bader Nasser Al-Kharafi
Board Member

February 11, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Zain Bahrain B.S.C.
Kingdom of Bahrain

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zain Bahrain B.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Revenue recognition</p> <p>The Company has various revenue streams recognized in the financial statements and the Company's accounting policies with regard to revenue recognition are presented in note 3 to the financial statements.</p> <p>We have considered revenue to be a key audit matter due to the following:</p> <ul style="list-style-type: none"> ● Revenue is the key business driver for the Company; ● Complexity of billing systems, impact of changing pricing models to revenue recognition (tariff structure, incentives arrangements, discounts, etc.) and arrangements with multiple elements. 	<p>In responding to this area of focus, our audit procedures included the following:</p> <ul style="list-style-type: none"> ● Performing procedures aimed at the design, implementation and operating effectiveness of relevant controls related to the revenue process; ● Involving our internal information technology ("IT") specialists in performing the test of specific application controls and information produced by the entity ("IPE") reports surrounding relevant revenue IT systems, and IT general controls related to those systems; ● Performing analytical reviews of significant revenue streams including performance of an end to end walkthrough of significant revenue processes; ● Reviewing key reconciliations performed by the Company's Revenue Assurance team; ● Testing a sample of subscribers invoices back to the cash receipts; ● Performing tests on the accuracy of subscribers bill generation on a sample basis; ● Performing procedures to ensure that the revenue recognition criteria adopted by the Company for all major revenue streams is appropriate and in line with the Company's accounting policies.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Automated systems and controls</p> <p>An important part of the Company's financial processes is highly dependent on its information systems ("IT") with automated controls over these systems.</p> <p>This represents a significant audit effort because of the complex information technology environment supporting various business processes, including billing systems, and the mix of manual and automated controls.</p>	<p>We evaluated the design and tested the operating effectiveness of the controls in systems relevant to financial reporting. Where we concluded that testing controls is not an appropriate or efficient testing approach, we performed testing on the financial information being produced by the systems.</p> <p>Additionally, we performed the following:</p> <ul style="list-style-type: none"> ● Evaluated user access controls around the relevant applications; ● Tested application controls that are fully-automated designed across various business processes to ensure the complete and accurate processing of data, from input through output; ● Tested controls to prevent or detect unauthorized use of, and changes to, data, systems or programs; ● Tested user access rights to specific features and transactions within the relevant applications; and ● Utilized data technology to extract and analyze the population of journals and tested manual journals as part of our work on possible management override of controls.

Other Information

Management is responsible for the other information. The other information comprises the Directors Report which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is

materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law, we report that:

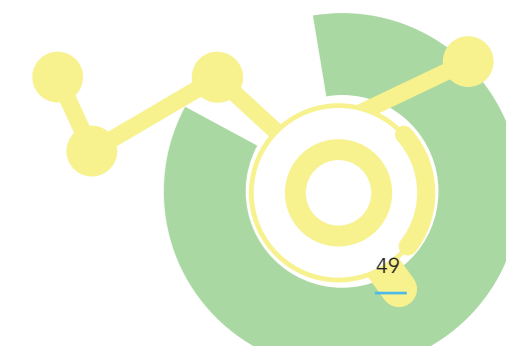
- a) The Company has maintained proper accounting records and the financial statements from page 42 to 104 are in agreement therewith;
- b) The financial information contained in the Directors' report on page 1 is consistent with the financial statements;

- c) We are not aware of violations occurred during the year to the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6), the Bahrain Bourse rules and procedures or the terms of the Company's Memorandum and Articles of Association that would have had a material adverse effect on the business of the Company or its financial position; and
- d) Satisfactory explanations and information have been provided to us by management in response to all our requests for the purpose of our audit.

The engagement partner on the audit resulting in this independent auditor's report is Zahi Zeini.

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 184
Manama, Kingdom of Bahrain

February 11, 2019



ZAIN BAHRAIN B.S.C.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

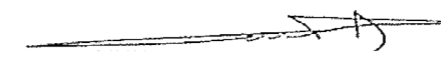
	Notes	December 31		January 1
		2018	2017	2017
		BD '000	(Restated) BD '000	(Restated) BD '000
ASSETS				
Current assets				
Cash and banks	5	5,045	1,912	5,364
Accounts receivable and other assets	6	23,555	20,120	17,453
Inventories	7	3,081	4,347	3,390
Total current assets		31,681	26,379	26,207
Non-current assets				
Accounts receivable and other assets	6	4,222	3,237	105
Property and equipment	8	56,058	65,481	74,656
Intangible assets	9	2,842	6,825	13,451
Total non-current assets		63,122	75,543	88,212
Total assets		94,803	101,922	114,419
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Accounts payable and other liabilities	10	22,115	30,749	36,293
Term loans from banks	11	-	1,875	7,786
Contract liabilities / deferred revenue		2,175	1,867	3,542
Total current liabilities		24,290	34,491	47,621

ZAIN BAHRAIN B.S.C.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

Non-current liabilities				
Term loans from banks	11	-	-	1,875
Provision for employees' end of service benefits	12	300	321	300
Total non-current liabilities		300	321	2,175
Total liabilities		24,590	34,812	49,796
Equity				
Share capital	13	36,800	36,800	36,800
Treasury shares	14	(754)	(754)	(754)
Treasury shares reserve	14	(6)	(6)	(6)
Share premium	15	3,032	3,032	3,032
Statutory reserve	16	11,755	11,238	10,807
Retained earnings		19,386	16,800	14,744
Total equity		70,213	67,110	64,623
Total liabilities and equity		94,803	101,922	114,419

The financial statements from page 42 to 104 were approved by the Board of Directors on February 11, 2019 and signed on its behalf by:



Sh. Ahmed Bin Ali Al Khalifa
Chairman



Mr. Bader Nasser Al-Kharafi
Board Member

The accompanying notes are an integral part of these financial statements

ZAIN BAHRAIN B.S.C.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME YEAR ENDED DECEMBER 31, 2018

	Notes	Year ended December 31	
		2018	2017
		BD '000	(Restated) BD '000
Revenue	17	66,198	73,696
Cost of revenue		(21,879)	(21,522)
Gross profit		44,319	52,174
Operating and administrative expenses	18	(27,520)	(28,992)
Depreciation and amortization	8, 9	(10,401)	(17,491)
Impairment losses on financial assets	5, 6	(1,188)	(940)
Provision for inventories	7	(98)	(206)
Operating profit		5,112	4,545
Other income – net		39	76
Gain / (loss) on currency translation adjustment		2	(74)
Interest income		71	40
Finance costs	11	(50)	(281)
Profit for the year		5,174	4,306
Other comprehensive income		-	-
Total comprehensive income for the year		5,174	4,306
Basic and diluted earnings per share	19	Fils 14	Fils 12

Sh. Ahmed Bin Ali Al Khalifa
Chairman

Mr. Bader Nasser Al-Kharafi
Board Member

The accompanying notes are an integral part of these financial statements

ZAIN BAHRAIN B.S.C.

STATEMENT OF CHANGES IN EQUITY YEAR ENDED DECEMBER 31, 2018

	Share Capital	Treasury Shares	Treasury Shares Reserve	Share Premium	Statutory Reserve	Retained Earnings	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance, December 31, 2016	36,800	-	-	3,032	10,807	14,715	65,354
Prior period adjustment (note 26)	-	(754)	(6)	-	-	29	(731)
Balance as restated, January 1, 2017	36,800	(754)	(6)	3,032	10,807	14,744	64,623
Dividends declared (note 13)	-	-	-	-	-	(1,819)	(1,819)
Total comprehensive income for the year	-	-	-	-	-	4,306	4,306
Appropriation to statutory reserve	-	-	-	-	431	(431)	-
Balance, December 31, 2017	36,800	(754)	(6)	3,032	11,238	16,800	67,110
Transition adjustment on adoption of IFRS 15 (note 2.2)	-	-	-	-	-	(252)	(252)
Balance as restated, January 1, 2018	36,800	(754)	(6)	3,032	11,238	16,548	66,858
Dividends declared (note 13)	-	-	-	-	-	(1,819)	(1,819)
Total comprehensive income	-	-	-	-	-	5,174	5,174
Appropriation to statutory Reserve	-	-	-	-	517	(517)	-
Balance, December 31, 2018	36,800	(754)	(6)	3,032	11,755	19,386	70,213

The accompanying notes are an integral part of these financial statements

ZAIN BAHRAIN B.S.C.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2018

	Year ended December 31		
	Notes	2018	2017
		BD '000	(Restated) BD '000
Cash flows from operating activities			
Profit for the year		5,174	4,306
Adjustments for:			
Depreciation and amortization	8, 9	10,401	17,491
Provision for impairment of financial assets	5, 6	1,188	940
Provision for inventories	7	98	206
Finance costs	11	50	281
Interest income		(71)	(40)
Gain on disposal of property and equipment		(4)	(24)
Provision for employees' end of service benefits	12	55	82
		16,891	23,242
Working capital changes:			
Net change in inventories		1,168	(1,163)
Net change in accounts receivable and other assets		(2,389)	(6,739)
Net change in accounts payable and other liabilities		(7,983)	445
Net change in contract liabilities / deferred revenue		308	(1,675)
Payments for employees' end of service benefits	12	(76)	(61)
Net cash from operating activities		7,919	14,049

ZAIN BAHRAIN B.S.C.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2018

	Year ended December 31		
	Notes	2018	2017
		BD '000	(Restated) BD '000
Cash flows from investing activities			
Acquisition of property and equipment	8	(1,153)	(6,365)
Increase in intangible assets	9	(8)	(1,235)
Proceeds from disposal of property and equipment		4	-
Interest income received		71	40
Net cash used in investing activities		(1,086)	(7,560)
Cash flows from financing activities			
Payments of term loans	11	(1,875)	(7,786)
Interest paid		(52)	(364)
Dividends paid		(1,773)	(1,791)
Net cash used in financing activities		(3,700)	(9,941)
Net increase/(decrease) in cash and cash equivalents		3,133	(3,452)
Cash and cash equivalent, beginning of year		1,912	5,364
Cash and cash equivalents, end of year	5	5,045	1,912
Non-cash transactions (note 5)			

The accompanying notes are an integral part of these financial statements



1. CORPORATE INFORMATION

Zain Bahrain B.S.C. (the "Company") is a Bahraini Shareholding Company (Public) incorporated in the Kingdom of Bahrain on April 19, 2003 and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration number 50603. Its shares are listed on Bahrain Bourse. The Company is a subsidiary of Mobile Telecommunications Company K.S.C.P. (the "Parent Company"), a Kuwaiti shareholding company listed on the Kuwait Stock Exchange. The Company's registered office is P.O. Box 266, Manama, Kingdom of Bahrain.

The Company is mainly engaged in the provision of public telecommunications and related products and services.

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs)

2.1 New and revised IFRS Standards that are effective for the current year

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on, or after January 1, 2018. IFRS 15 introduces a 5-step approach to revenue recognition. The core principle of IFRS 15 is that entity should recognize revenue to depict the transfer of promised goods and services to customer in an amount that reflects the consideration to which entity expects to be entitled in exchange of those goods and services. Under IFRS 15, an entity recognizes revenue when or as the performance obligation is satisfied.

The Company has applied IFRS 15 using the modified retrospective method, and accordingly has recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at January 1, 2018.

The implementation of IFRS 15 does not impact the quantum or the phasing of cash flows. The adjustments made are purely a timing difference between the cash flows and accounting recognition, with the difference recognized on balance sheet and reflected in the working capital changes and other cash flow line items.

Management has identified the following as areas where key revenue recognition and other accounting changes under IFRS 15 have had an impact on the Company's financial statements:

- Mobile telecommunication services provided to postpaid customers
- Handset trading revenues
- Upgrade rights for additional services
- Revenue from value added services (VAS)

The Company's accounting policies for its revenue streams are detailed in note 3.

The impact on adoption of IFRS 15 is disclosed in note 2.2.

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs) (CONTINUED)

Impact of application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) with a date of initial application of 1 January 2018. The Company has also applied the consequential amendments to other IFRS Standards that are effective for an annual period that begins on, or after January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by IFRS 9, the Company elected not to restate comparative periods, and accordingly has recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at January 1, 2018.

Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

IFRS 9 introduces new requirements for:

- 1) The classification and measurement of financial assets and liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Classification and measurement of financial assets and liabilities

The Company's financial assets consist of cash and cash equivalents and trade and receivables. The Company does not have financial assets classified at Fair Value Through Profit or Loss (FVTPL) or at Fair Value Through Other Comprehensive Income (FVTOCI).

The Company's accounting policies for the classification and measurement of financial assets and liabilities are detailed in note 3. The adoption of IFRS 9 did not result in any change in classification or measurement of financial assets and financial liabilities, which continue to be at amortized cost.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'Expected Credit Loss' (ECL) model. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The Company recognizes ECL for cash and bank balances and other assets using the general approach and uses the simplified approach for trade receivables and contract assets as required by IFRS 9. The Company's accounting policies for the impairment of financial assets are detailed in note 3.

The impact on applying the ECL under IFRS 9 on the company's financial assets is disclosed in note 2.2.

General Hedge Accounting

The Company does not use hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs) (CONTINUED)

2.2 Impact on adoption of IFRS 9 and IFRS 15 – Transition

Changes in accounting policies resulting from the adoption of IFRS 15 and IFRS 9 have been applied with effect from January 1, 2018, using the modified retrospective method. Accordingly the Company did not restate the comparative period. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 and IFRS 15 are recognized in opening retained earnings as at January 1, 2018.

The information presented for 2017 does not reflect the requirements of IFRS 9 and 15 and therefore is not comparable.

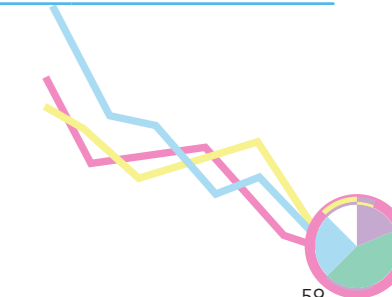
a) Net impact on opening retained earnings as at January 1, 2018

	Rated earnings
	BD'000
Closing retained earnings, December 31, 2017 (as restated for the effect of prior periods adjustments - note 26)	16,800
Adjustments from adoption of IFRS 9	-
Adjustments from adoption of IFRS 15:	
Mainly from telecom. Services and handsets revenues	(252)
Opening retained earnings January 1, 2018 post IFRS 15 and IFRS 9 restatement	16,548

Under IAS 39, the Company's financial assets were classified as 'loans and receivables'. These are classified under the 'amortized cost' under IFRS 9. Accordingly there is no change in the measurement basis of these assets which continue to be amortized cost.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

	Impact on opening balances as at January 1, 2018			
	Previously reported amounts	IFRS 15	IFRS 9	As restated
	BD '000	BD '000	BD '000	BD '000
Current assets				
Cash and banks	1,912	-	(43)	1,869
Accounts receivable and other assets	20,120	3,330	43	23,493
Inventories	4,347	-	-	4,347
Total current assets	26,379	3,330	-	29,709
Non-current assets				
Accounts receivable and other assets	3,237	-	-	3,237
Property and equipment	65,481	-	-	65,481
Intangible assets	6,825	(3,471)	-	3,354
Total non-current assets	75,543	(3,471)	-	72,072
Total assets	101,922	(141)	-	101,781
Current liabilities				
Accounts payable and other liabilities	30,749	-	-	30,749
Term loans from banks	1,875	-	-	1,875
Contract liabilities / deferred revenue	1,867	111	-	1,978
Total current liabilities	34,491	111	-	34,602



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

	Impact on opening balances as at January 1, 2018			
	Previously reported amounts	IFRS 15	IFRS 9	As restated
	BD '000	BD '000	BD '000	BD '000
Non-current liabilities				
Provision for employees' end of service benefits	321	-	-	321
Total non-current liabilities	321	-	-	321
Equity				
Share capital	36,800	-	-	36,800
Treasury shares	(754)	-	-	(754)
Treasury shares reserve	(6)	-	-	(6)
Share premium	3,032	-	-	3,032
Statutory reserve	11,238	-	-	11,238
Retained earnings	16,800	(252)	-	16,548
Total equity	67,110	(252)	-	66,858
Total liabilities and equity	101,922	(141)	-	101,781

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

b) Impact on the statement of profit or loss and other comprehensive income:

	Year ended December 31, 2018			
	As reported	IFRS 15	IFRS 9	Without adoption of IFRS 15 & IFRS 9
	BD '000	BD '000	BD '000	BD '000
Revenue	66,198	864	-	67,062
Cost of revenue	(21,879)	2,627	-	(19,252)
Gross profit	44,319	3,491	-	47,810
Operating and administrative expenses	(27,520)	-	-	(27,520)
Depreciation and amortization	(10,401)	(3,209)	-	(13,610)
Impairment losses on financial assets	(1,188)	-	(101)	(1,289)
Provision for inventories	(98)	-	-	(98)
Operating profit	5,112	282	(101)	5,293
Other income – net	39	-	-	39
Gain on currency translation adjustment	2	-	-	2
Interest income	71	-	-	71
Finance costs	(50)	-	-	(50)
Total comprehensive income for the year	5,174	282	(101)	5,355

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs) (CONTINUED)

2.3 Other new and revised Standards applied with no material impact on the financial statements

In the current year the Company has applied the following IFRS Standards and interpretations that are effective for an annual period that begins on or after January 1, 2018. Their adoption did not have any material impact on the disclosures or on the amounts reported in the financial statements:

- Amendments to IFRS 2 Share-based Payment, classification and measurement of Share-based Payment Transactions.
- Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.
- Amendments to IAS 28 Investments in Associates and Joint Ventures included in the Annual Improvements to IFRS Standards 2014–2016 Cycle (Measuring an associate or joint venture at fair value).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

2.4 New and revised standards issued but not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	Leases
IFRS 17	Insurance Contracts
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to IFRS Standards 2017-2015 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
Amendments to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23	Uncertainty over Income Tax Treatments

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs) (CONTINUED)

The Directors do not expect that the adoption of the above Standards will have a material impact on the Company's financial statements in future periods, except as noted below:

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after January 1, 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognize a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortized over the length of the lease and the financial liability measured at amortized cost. Lessor accounting remains substantially the same as in IAS 17.

The Company intends to adopt the standard using the cumulative effect approach, which means that the Company will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Company is continuing to analyze the impact of the changes which will be disclosed in the first interim financial information as of March 31, 2019 that includes the effects of the application from the effective date.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Standards") and the applicable requirements of the Bahrain Commercial Companies Law and the Central Bank of Bahrain Rule Book.

The financial statements have been prepared on the historical cost basis.

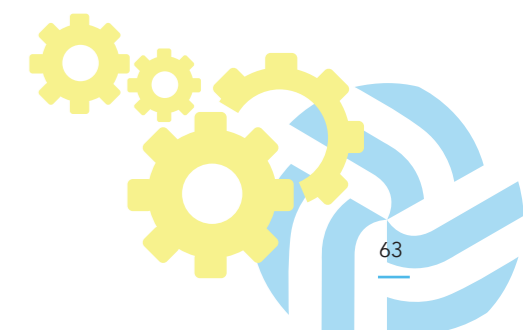
The financial statements have been presented in Bahraini Dinars ("BD") which is the Company's functional currency. All financial information presented in Bahraini Dinars has been rounded to the nearest thousand (BD'000) except where stated otherwise.

The principal accounting policies adopted are set out below.

Revenue recognition (effective January 1, 2018)

The Company recognizes revenue from the following major sources:

- Revenue from telecommunication services
- Handset trading
- Upgrade rights for additional services
- Value added services (VAS) sharing arrangements



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

Handsets and telecommunication services

Revenue from mobile telecommunication services provided to postpaid and prepaid customers is recognized as services are transferred. When the customer performs first, for example, by prepaying its promised consideration, the Company has a contract liability. If the Company performs first by satisfying performance obligation, the Company has a contract asset. Consideration received from the sale of prepaid credit is recognized as contract liability until such time as the customer uses the services when it is recognized as revenue.

The Company provides subsidized handsets to its customers along with mobile telecommunication services and IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. Revenue from device sales is recognized when device is delivered to the customer. This usually occurs when customer signs a contract. Revenue from voice, messaging, internet services etc. are included in the bundled package are recognized on the period of the contract as the services are rendered.

In the case of locked devices, revenue from the delivery of the device and service is recognized over the period of the contract as the Company concluded that it is a single performance obligation.

The Company has offering where it provides customer with multiple handsets. Revenue is deferred for handsets that are not delivered.

Upgrade rights

The Company offers early upgrade rights for additional services. This requires the Company to determine the accounting, including whether a material right has been granted to the customer, if the right affects the transaction price, if modification accounting applies or if waived amounts are an incentive to enter into a new contract. A material right is an option to acquire additional goods or services at a price that does not reflect the good's or service's stand-alone selling price and is considered a separate performance obligation.

Value-added services

Revenue from VAS is recognized when the Company performs the related service on the basis of Company's share of the billing rate applied against facilitating the service.

Significant financing component

If a customer can pay for purchased equipment over a period along with network services, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Roaming

Roaming revenue arises from revenue sharing arrangements with other telecommunication operators in respect of traffic exchanged and is recognized as earned.

During 2018, the Company revised the presentation of roaming revenues at gross amount billed to the customer. Prior period was re-presented on a comparable basis. Refer to note 26.

Interconnection

Revenue (inbound)

Interconnection revenue represents amounts receivable from other network operators for their subscribers' traffic terminated on the Company's network and is accounted for during the period of such use.

Expense (outbound)

Interconnection expenses represent amounts payable to other network operators for the traffic terminated on their network by the Company's subscribers and are accounted for during the period of such use.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Revenue Recognition (Policy prior to January 1, 2018)

Revenues which consist of income streams of a recurring and non-recurring nature are recognized when related services are provided and are measured at the fair value of the consideration received or receivable and are reduced for rebates and other similar allowances.

Post-paid revenue is recognized when the related services and provided.

Prepaid revenue is recognized based on airtime usage. Unused airtime which has not been earned at the reporting date is recognized in the statement of financial position as deferred revenue. Non-recurring revenues include one-time charges for subscription and other services fees. One-time charges are recognized when service to the customers are activated or provided, as appropriate.

Roaming revenue is recognized as earned.

Interconnection revenue (inbound) and expenses (outbound) are recognized during the period of use.

Trading revenue is recognized upon delivery to the customer.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition cost of the asset. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is recognized so as to write off the cost of assets or valuation of assets (other than freehold land and capital work in progress) over their estimated useful lives, using the straight-line method.

The estimated useful lives of property and equipment are as follows:

Freehold building	50 years
Network equipment	3-20 years
Office equipment	4-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Freehold land is not depreciated. Assets (including capital work in progress) are depreciated from the time an asset is completed and ready for use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. For acquired network businesses whose operations are governed by fixed-term licenses, the amortization period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortized on a straight line basis over the life of the license.

Indefeasible Right to Use (“IRU”) are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Company has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset’s economic life. They are amortized on a straight line basis over the shorter of the expected period of use and the life of the contract.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

Impairment of non-financial assets

Where there is an indication of impairment in value, such that the recoverable amount of an asset (other than inventories) falls below its net book value, an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Funding costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Costs are those expenses incurred in bringing each product to its present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less all estimated selling expenses.

Financial instruments

Financial assets and financial liabilities are recognized in the Company’s statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets (effective January 1, 2018)

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of financial assets.

Classification of financial assets

Financial assets are classified as follows:

- Financial assets at amortized cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial asset at Fair Value Through Profit or Loss (FVTPL)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The classification and measurement category of financial assets, except for equity instruments and derivatives, are assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment:

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test:

The Company assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Company reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Company's cash and cash equivalents, trade and receivables, contract assets, and other assets are classified as financial assets at amortized cost.

Financial assets at FVOCI

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in Other Comprehensive Income (OCI). Interest income is calculated using the effective interest method. Foreign exchange gains/losses and impairment are recognized in profit or loss. On de-recognition, gains and losses accumulated in OCI are reclassified to the statement of profit or loss.

For an equity instrument; upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends are recognized in profit or loss when the right to receive has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the statement of changes in equity.

Financial asset at FVTPL

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the statement of financial position at fair value. Changes in fair values and dividend income are recorded in statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

Impairment of financial assets

A loss allowance for expected credit losses (ECL) is recognized on investments in debt instruments that are measured at amortized cost or at FVOCI and trade receivables, as well as on financial guarantee contracts. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realized and the time value of money.

The Company incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Impairment of trade receivables

The Company always recognizes lifetime ECL for subscriber receivables, contract assets and distributor receivables, using the simplified approach.

To measure the expected credit losses, subscriber receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled subscriber receivables and have substantially the same risk characteristics as the subscriber receivable for the same type of contracts. The Company has therefore concluded that the expected loss rates for accounts receivables are a reasonable approximation of the loss rates for the contract assets.

Impairment of other financial assets

The Company recognizes expected credit loss (ECL) for cash and cash equivalents and other advances using the general approach.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under this approach the Company applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The Company considers a financial asset to have a low credit risk when the asset has external credit rating of 'investment grade' and there is no past due amounts.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset, have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter into bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Impairment of Financial assets (Policy prior to January 1, 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest of principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for the financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Individually significant financial assets are tested for impairment in an individual basis. Remaining financials assets which share similar credit characteristics are assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate

De-recognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) Held for trading, or (iii) designated at FVTPL, are subsequently measured at amortized cost.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of amount of obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When same or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Leasing

The Company as lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance expenses and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-wline basis over the lease term.

Provision for employees' end-of-service benefits

The Company provides end of service benefits to all its expatriate employees in accordance with the Bahrain Labor Law. The entitlement to these benefits is based upon the employee's final basic salary and length of service. The expected costs of these benefits are accrued over the period of the employment.

For Bahraini employees, the Company makes contributions to the Social Insurance Organization, based on the applicable law and regulation.

Employees' saving scheme

The Company operates an employee saving scheme for its Bahraini employees. The scheme's assets consist of deposits with banks are not incorporated in these financial statements.

Foreign currencies

The functional currency of the Company is the Bahraini Dinar. Transactions in foreign currencies are recognized in functional currency at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Treasury shares

The cost of the Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in note 3, management did not have to make judgements that may have significant effect on the amounts recognized in the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Property and equipment - network

Due to the nature of the Company's business, the network assets of the Company, as detailed in note 8, are susceptible to rapid technological obsolescence. Management depreciates those assets over 3 to 20 years. The estimation of network assets useful lives is based on management judgement and estimates. In order to estimate the lives of network assets, management considers the nature of the assets, usage and technological advancement. Therefore, any technological advancement in future may warrant the need for substantial upgrade or replacement of equipment.

Measurement of the expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company's management uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the accounting policy above and note 6.1.

Provision for obsolete and slow moving inventory items

Considerable judgement by management is required in the estimation of the obsolete and slow moving inventory. Management review of inventory obsolescence is mainly based on the aging of inventory items and applying percentages which reflect management assessment of obsolescence.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term bank deposits with an original maturity of three months or less.

	2018	2017
	BD '000	BD '000
Cash and current accounts with banks	4,928	1,561
Items under collection	119	351
	5,047	1,912
Loss allowance	(2)	-
Cash and cash equivalents	5,045	1,912

The following table shows the impact of the loss allowance due to the application of IFRS 9 as at January 1, 2018 and the movement during the year:

	2018
	BD '000
Balance as at January 1, 2018 under IAS 39	-
Adjustment upon application of IFRS 9	43
Balance as at January 1, 2018 under IFRS 9	43
Net decrease in loss allowance	(41)
Balance as at December 31, 2018	2

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

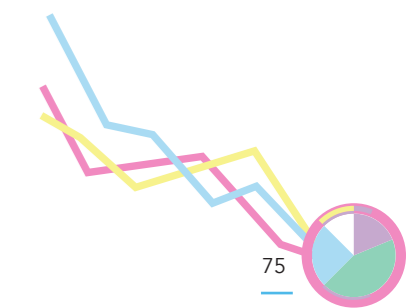
5. CASH AND CASH EQUIVALENTS (CONTINUED)

Non-cash transactions:

	2018	2017
	BD '000	BD '000
Write-off property and equipment against payables	695	-
Disposal and adjustment of property and equipment against Payables	-	5,771

Changes in liabilities arising from financing activities:

	TERM LOANS	
	2018	2017
	BD '000	BD '000
Total liabilities from financing activities at January 1	1,875	9,661
Repayment	(1,875)	(7,786)
Total liabilities from financing activities at December 31	-	1,875



6. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2018	2017 (Restated)
	BD '000	BD '000
Trade receivables:		
Due from postpaid subscribers	23,383	20,911
Due from roaming partners	1,460	1,394
Contract assets	10,031	7,728
Due from distributors	301	130
Interconnect receivables from other operators	475	476
	35,650	30,639
Loss allowance	(11,539)	(10,408)
	24,111	20,231
Accrued income (unbilled services)	90	41
	24,201	20,272
Other assets:		
Prepaid expenses	2,486	1,873
Due from related parties (note 20)	1	15
Sundry receivables and advance payments	1,179	1,227
Staff receivables	86	92
Loss allowance	(176)	(122)
	3,576	3,085

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

	2018	2017
	BD '000	BD '000
Total accounts receivable and other assets	27,777	23,357
Less: Non-current portion of contract assets	(2,930)	(2,429)
Less: Non-current portion of prepaid expenses	(1,292)	(808)
	23,555	20,120

The loss allowance of trade receivables and other assets is broken down as follows:

		2018	2017
		BD '000	BD '000
Trade receivables:			
Postpaid subscribers (note 6.1)	Collectively assessed	10,505	10,169
Roaming partners	Individually assessed	328	239
Contract assets	Collectively assessed	621	-
Due from distributors	Collectively assessed	9	-
Interconnect receivables from other Operators	Individually assessed	76	-
Other assets:			
Due from related parties	Individually assessed	-	-
Sundry receivables	Collectively assessed	171	122
Staff receivables	Collectively assessed	5	-
		11,715	10,530

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

6.1 Trade receivables postpaid subscribers

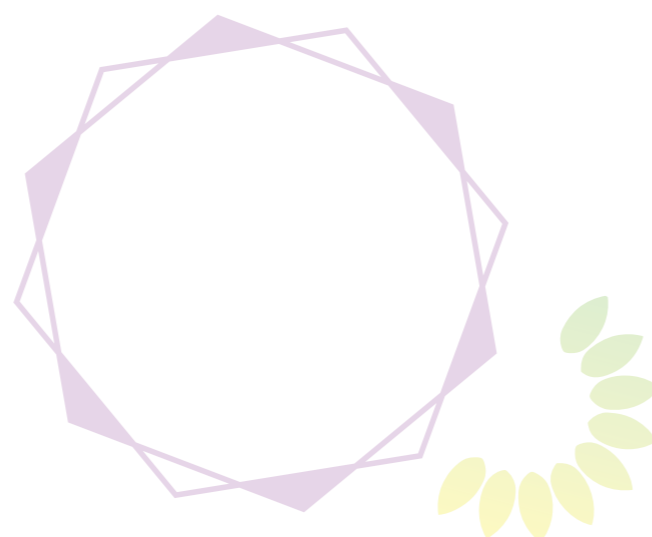
Management considers that invoices outstanding up to 60 days are considered within the acceptable credit period. No interest is charged on trade receivable.

The Company always measures the allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables is estimated using a provision matrix by reference to past default experience of the debtors' group under postpaid receivables, and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company considered the probability of default at 100% for the aggregate portion of trade receivables balance aged more than 91 days.

There has been no change in the estimation techniques or significant assumptions made during the current year.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

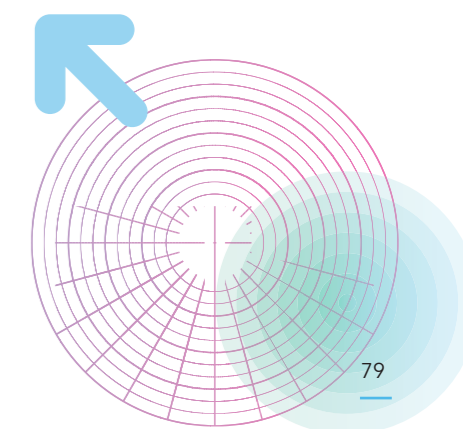
The following table details the risk profile of trade receivables from post-paid subscribers and due from distributors based on the Company's provision risk matrix. As the Company's historical credit loss experience does not show significantly different loss patterns from different customers segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer bases.



6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

Aging brackets	December 31, 2018		January 1, 2018 (Restated)			
	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	BD '000	%	BD '000	BD '000	%	BD '000
< 30 days	1,755	5%	83	1,560	5%	76
31 – 60 days	955	16%	155	834	15%	126
61 – 90 days	566	39%	219	424	37%	158
91 – 180 days	1,457	53%	771	1,165	50%	578
> 181 days	18,951	49%	9,286	17,058	49%	8,287
	23,684		10,514	21,041		9,225

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables:



NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

	Collectively assessed	Individually assessed	Total
	BD '000	BD '000	BD '000
Balance, January 1, 2018 under IAS 39	10,291	239	10,530
Adjustment upon application of IFRS 9	(291)	248	(43)
Balance, January 1, 2018 under IFRS 9	10,000	487	10,487
Net increase / (decrease) in loss allowance	1,311	(83)	1,228
Balance, December 31, 2018 under IFRS 9	11,311	404	11,715

The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default, namely for postpaid trade receivables under the aging bracket above 181 days.

7. INVENTORIES

	2018	2017
	BD '000	BD '000
Handsets, accessories and others	4,567	5,735
Provision for obsolescence	(1,486)	(1,388)
	3,081	4,347

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

8. PROPERTY AND EQUIPMENT

	Freehold Land and Building	Network Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Capital work in progress	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:							
At January 1, 2017	3,014	82,979	39,074	4,013	17	13,115	142,212
Additions	-	-	-	-	-	6,365	6,365
Transfers	12	10,954	1,692	18	-	(12,676)	-
Disposal	(1)	(9,808)	(4,922)	(1,243)	-	-	(15,974)
Adjustment	-	-	-	-	-	(695)	(695)
At December 31, 2017	3,025	84,125	35,844	2,788	17	6,109	131,908
Additions	-	-	-	-	-	1,153	1,153
Transfers	2	3,547	604	25	-	(4,178)	-
Disposal	-	(26)	(54)	-	-	-	(80)
Write-off	-	-	-	-	-	(695)	(695)
At December 31, 2018	3,027	87,646	36,394	2,813	17	2,389	132,286

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

8. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold Land and Building	Network Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Capital work in progress	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Accumulated Depreciation:							
At January 1, 2017	765	33,249	29,830	3,695	17	-	67,556
Relating to disposal	-	(5,630)	(3,902)	(1,227)	-	-	(10,759)
Depreciation expense	43	6,934	2,536	117	-	-	9,630
At December 31, 2017	808	34,553	28,464	2,585	17	-	66,427
Relating to disposal	-	(26)	(54)	-	-	-	(80)
Depreciation expense	44	7,256	2,473	108	-	-	9,881
At December 31, 2018	852	41,783	30,883	2,693	17	-	76,228
Carrying amount:							
At December 31, 2018	2,175	45,863	5,511	120	-	2,389	56,058
At December 31, 2017	2,217	49,572	7,380	203	-	6,109	65,481

Capital work in progress mainly relates to network equipment in respect of network expansions and improvements. As at December 31, 2018 capital work in progress outstanding for more than one year amounted to approximately BD 1.029 million (2017: BD 1.526 million).

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

9. INTANGIBLE ASSETS

	2018	2017
	BD '000	BD '000
National Fixed Wireless Services license (note 9.1)	1,152	1,523
Mobile frequency license (note 9.2)	622	685
Other intangible assets (note 9.3)	1,068	1,146
	2,842	3,354
Subscribers acquisition cost (note 9.4)	-	3,471
	2,842	6,825

The movement of intangible assets is as follows:

	2018	2017
	BD '000	BD '000
Balance, beginning of year	6,825	13,451
Effect of change in accounting policies (note 9.4)	(3,471)	-
Restated at the beginning of the year	3,354	13,451
Addition - subscribers acquisition cost	-	1,235
Addition - VAS License	8	-
Amortization charge	(520)	(7,861)
Balance, end of year	2,842	6,825

9. INTANGIBLE ASSETS (CONTINUED)

9.1 The National Fixed Wireless Services ("NFWS") license was acquired on January 8, 2007. Cost of BD 5,576,211 is amortized over the license period of 15 years.

9.2 Frequency license for additional spectrum block was acquired on September 19, 2013. Cost of BD 956,700 is amortized over the license period of 15 years.

9.3 Other intangible assets are amortized over the contracted period.

9.4 The prior year balances relating to subscribers acquisition cost consists of the subsidized cost of inventory items sold by the Company to its customers. These items are amortized over the contracted subsidy period which ranges from 1 to 4 years.

With the adoption of IFRS 15 on January 1, 2018, the Company recognized the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings. Accordingly, the carrying amount of subscribers acquisition cost amounting to BD 3.471 million, net of the carrying amount of lock devices which were recognized as other assets, was transferred to retained earnings.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2018	2017 (Restated)
	BD '000	BD '000
Due to suppliers	3,562	4,972
Accrued expenses	8,716	11,838
Interconnection payable	2,011	4,092
Due to roaming partners	928	949
Accrued employees' benefits	1,074	1,061
Due to related parties (note 20)	5,442	7,496
Accrued Directors' remuneration (note 20)	223	223
Deposits	21	24
Dividends payable	138	92
Interest payable	-	2
	22,115	30,749

No interest is charged on trade payables.



11. TERM LOANS FROM BANKS

This caption represents the prior year outstanding balance of bank facility denominated in Bahraini Dinars obtained in 2013 at interest rate of three-months BIBOR + 2.25% payable quarterly.

	2018	2017
	BD '000	BD '000
Current portion	-	1,875
Non-current portion	-	-
	-	1,875

Interest expense on bank loans amounted to BD 50 thousand (2017: BD 281 thousand)

Bank loans were obtained in 2013 at an interest rate of three months BIBOR +2.25%, payable quarterly.

Settlements made during the year amounted to BD 1.875 million (2017: BD 7.786 million) which complete repayment of the loans' balance in full.

The Company was compliant with the loan's financial covenants.



12. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

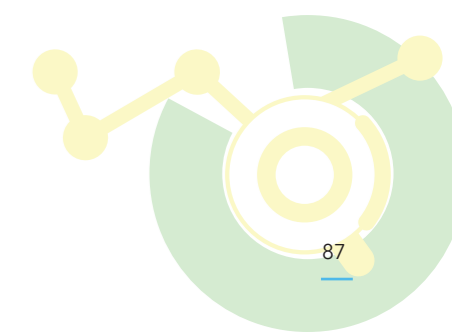
The movement of the provision for the employees' end of service indemnity is as follows:

	2018	2017
	BD '000	BD '000
Balance, beginning of year	321	300
Charge for the year	55	82
Settlements	(76)	(61)
Balance, end of year	300	321

13. SHARE CAPITAL

The Company's issued share capital consists of 368,000,000 ordinary shares at 100 Fils each, issued and fully paid. Below are the shareholders with more than 5% equity stake:

		No. of shares	% of shareholding
Mobile Telecommunication Co. K.S.C.	Kuwait	201,600,000	54.78%
Sh. Ahmed Bin Ali Al-Khalifa	Bahrain	59,260,000	16.10%
Gulf International Bank B.S.C.	Bahrain	31,154,997	8.47%



NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

13. SHARE CAPITAL (CONTINUED)

Distribution of shares by shareholding brackets:

Shareholding Brackets	% of total shares		No. of shareholders	
	2018	2017	2018	2017
Less than 1%	14%	14%	476	467
1 % up to less than 5%	6%	6%	4	4
5 % up to less than 10%	9%	9%	1	1
10 % up to less than 20%	16%	16%	1	1
More than 50%	55%	55%	1	1
			483	474

Dividends

The annual general meeting of shareholders for the year ended December 31, 2017, held on March 28, 2018 approved the distribution of cash dividends of 5 fils per share totaling BD 1,819,000.

The Board of Directors propose a cash dividends distribution of 5 fils per share to the registered shareholders subject to the approval by the annual general meeting of shareholders to be held in 2019, after obtaining the necessary regulatory approvals.

14. TREASURY SHARES

	2018	2017
Number of shares	4,116,990	4,116,990
Percentage of issued shares	%1.12	%1.12
Market value (BD '000)	309	371
Cost (BD '000)	754	754

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

15. SHARE PREMIUM

Share premium relates to amounts collected in excess of the par value of the issued share capital, net of shares issue costs. Share premium is not available for distribution.

16. STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's Articles of Association, 10% of the yearly net profit should be appropriated to statutory reserve. The Company may elect to discontinue such appropriation when the reserves reaches 50% of the capital. This reserve is not available for distribution.

17. REVENUE

The Company derives its revenues from telecommunications services and related services, which management considers a single reportable business segment, categorized as follows:

	2018	2017 (RESTATED)
	BD '000	BD '000
Airtime, data and subscription	50,720	59,819
Trading	15,478	13,877
	66,198	73,696

The transaction price allocated to (partially) unsatisfied performance obligations at December 31, 2018 are set out below:

	2018
	BD '000
Trading	506

Management expects that the slight majority of the transaction price allocated to unsatisfied contracts as of 2018 year-end will be recognized as revenue during 2019, with the remaining balance in 2020.

As permitted under IFRS 15, the Company does not disclose transaction price allocated to the remaining performance obligations as it primarily provides services that corresponds directly with the value transferred to the customer.

ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

18. OPERATING AND ADMINISTRATIVE EXPENSES

	2018	2017
	BD '000	BD '000
Staff costs	6,259	7,228
Rent	5,238	4,975
Management fees (note 20)	1,699	2,236
Directors' remuneration (note 20)	223	223
Other	14,101	14,330
	27,520	28,992

As per an agreement dated December 28, 2003 and subsequent amendments in 2013 and 2018 between the Company and the Parent Company, the Parent Company provides different management services to the Company against management fees of 3% on the annual revenue as defined in the agreement.

19. EARNINGS PER SHARE

The basic and diluted earnings per share based are as follows:

	2018	2017
	BD '000	
Profit for the year	5,174	4,306
	Number of shares	
Weighted average number of shares in issue	363,883,010	363,883,010
	Fils	
Basic and diluted earnings per share	14	12

Basic and diluted earnings per share are same since the Company has no instruments that would have a diluting effect.

ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

20. RELATED PARTIES

The Company has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties are as follows:

	2018	2017
	BD '000	BD '000
Costs:		
Office rent and maintenance costs	980	980
Site and outlet rent	17	33
Management fees (note 18)	1,699	2,236
Telecommunication services	1,340	940
Revenues:		
Telecommunication services	442	357

Accruals for Board of Directors' remuneration made during the year amounted to BD 223 thousand, subject to ratification by the annual general meeting of Shareholders (2017: BD 223 thousand) (notes 10 & 18).

Remuneration of members of key management during the year was as follows:

	2018	2017
	BD '000	BD '000
Short-term benefits	1,263	1,243
Other long-term benefits	102	101
	1,365	1,344

ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

20. RELATED PARTIES (CONTINUED)

Balances with related parties are as follows:

	2018	2017
	BD '000	BD '000
Due from related parties (Note 6):		
Sudanese Mobile Telephone Company Ltd	-	13
Zain – South Sudan	-	1
Zain – Lebanon	1	1
	1	15
Due to related parties (Note 10):		
Zain Group Holding – Bahrain S.P.C.	5,426	7,480
Zain – Jordan	16	16
	5,442	7,496

21. SEGMENT INFORMATION

The Company operates in a single business segment, telecommunications and related services, organized into three main activities: mobile operation, fixed broadband operation and trading of handsets and accessories. Management considers that these business activities are not separate operating units.

The Company carries out its operations in the Kingdom of Bahrain.

ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

22. COMMITMENTS AND CONTINGENCIES

As of the year-end, the Company had the following outstanding items:

	2018	2017
	BD '000	BD '000
Letters of guarantee	584	532
Capital expenditures	660	507

Commitments under operating leases:

The Company only operates as a lessee. Operating leases relates substantially to its office, branches and properties on which telecommunication equipment have been installed with lease terms of between one to ten years. These operating lease contracts contain clause for auto renewal on the expiry of the term for the same period as agreed at the inception of the lease. The Company does not have option to purchase these properties at the expiry of the lease periods.

	2018	2017
	BD '000	BD '000
Recognized in expense:		
Minimum lease payments	5,238	4,975
Operating lease commitments:		
Within one year	4,821	4,555
Between one to five years	11,116	10,417
Beyond five years	10,114	7,047
	26,051	22,019

Other financial commitments outstanding at the reporting date amounted to Nil (December 31, 2017: BD 646 thousand).

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Company's financial assets and financial liabilities are categorized at amortized cost. There were no financial instruments measured at FVTPL or classified at FVTOCI.

	2018	2017
	BD '000	BD '000
Financial assets		
Cash and banks at amortized cost	5,045	1,912
Accounts receivable and other assets at amortized cost	25,162	21,376
Total financial assets	30,207	23,288
Financial liabilities		
Accounts payable and other liabilities at amortized cost	22,115	30,749
Term loans from banks at amortized cost	-	1,875
Total financial liabilities	22,115	32,624

Financial instruments subject to offsetting enforceable master netting arrangements or similar arrangements:

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

	Trade receivables	
	2018	2017
	BD '000	BD '000
Gross amounts of recognized financial instruments	28,038	23,807
Gross amounts of recognized financial instruments set off in the statement of financial position	(3,927)	(3,576)
Net amounts of financial instruments presented in the statement of financial position	24,111	20,231

	Accounts payables	
	2018	2017
	BD '000	BD '000
Gross amounts of recognized financial instruments	26,042	34,325
Gross amounts of recognized financial instruments set off in the statement of financial position	(3,927)	(3,576)
Net amounts of financial instruments presented in the statement of financial position	22,115	30,749

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

The Company's use of financial instruments exposes it to a variety of financial risks such as market risk (such as foreign exchange risk, interest rate risk, and equity price risk), credit risk and liquidity risk. The Company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework and monitoring the risk management policies in close co-operation with the Parent Company. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

There has been no change to the Company's exposure to the above financial risks or the manner in which it manages and measures the risk.

Credit Risk

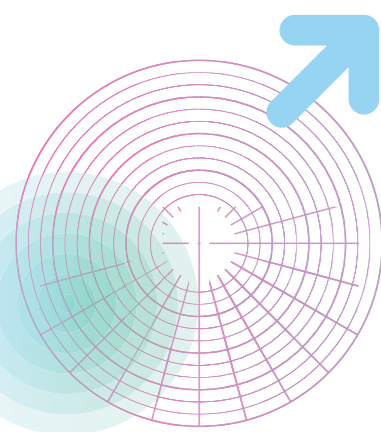
Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at December 31, 2018, the Company maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

- The carrying amount of the financial assets as stated in the statement of financial position; and
- The maximum amount the Company would have to pay if the letters of guarantees disclosed in note 22 are called upon, irrespective of the likelihood of the guarantee being exercised.

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

The Company's financial assets are detailed below:

		December 31, 2018		
		Gross carrying amount	Loss allowance	Net carrying amount
Notes		BD '000	BD '000	BD '000
Cash and banks	5 (i)	4,928	(2)	4,926
Items under collection	5	119	-	119
Trade and other receivables:				
Due from postpaid subscribers	6 (ii)	23,383	(10,505)	12,878
Due from roaming partners	6	1,460	(328)	1,132
Contract assets	6 (ii)	10,031	(621)	9,410
Due from distributors	6 (ii)	301	(9)	292
Interconnect receivables	6	475	(76)	399
Accrued income (unbilled services)	6	90	-	90
Due from related parties	6	1	-	1
Sundry receivables	6	1,050	(171)	879
Staff receivables	6	86	(5)	81
		41,924	(11,717)	30,207



23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

	January 1, 2018		
	Gross carrying amount	Loss allowance	Net carrying amount
	BD '000	BD '000	BD '000
Cash and banks	1,561	(43)	1,518
Items under collection	351	-	351
Trade and other receivables:			
Due from postpaid subscribers	20,911	(9,223)	11,688
Due from roaming partners	1,394	(462)	932
Contract assets	7,728	(607)	7,121
Due from distributors	130	(2)	128
Interconnect receivables	476	(25)	451
Accrued income (unbilled services)	41	-	41
Due from related parties	15	-	15
Sundry receivables	1,119	(164)	955
Staff receivables	92	(4)	88
	33,818	(10,530)	23,288

(i) Cash is deposited at banks with external credit rating at investment grade. Loss allowance is measured at 12 months ECL.

(ii) For trade receivables, contract assets and due from distributors, the Company has adopted the simplified approach to measure the loss allowance at lifetime ECL. The Company adjusts the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience. The credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 6 includes further details on the loss allowance for postpaid trade receivables and distributors.

Other receivables are categorized under stage 2 and represent good credit risk quality.

Trade receivables from postpaid subscribers consist of a large number of customers.

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

The Company is also exposed to credit risk in relation to letters of guarantees given (note 22). The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on.

The Company does not hold any collateral or credit enhancement to cover its credit risks associated with its financial assets.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

At the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the Company's functional currency are as follows:

	U.S Dollar	Euro	Total foreign currencies
	BD '000	BD '000	BD '000
December 31, 2018			
Monetary assets			
Cash and banks	219	-	219
Accounts receivable and other assets	1,239	64	1,303
	1,458	64	1,522
Monetary liabilities			
Accounts payable and other liabilities	6,296	330	6,626
	6,296	330	6,626
Net	(4,838)	(266)	(5,104)

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying values and the fair value estimates.

The Company's financial instruments are carried at amortized cost. The fair values of these financial instruments approximate their carrying value.

25. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide return on investment to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of equity, comprising issued capital, treasury shares, reserves and retained earnings. The management reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risk associated with each claim as capital. The Company is relatively debt free at the current reporting date.

26. RESTATEMENT AND RECLASSIFICATION OF PRIOR YEARS' FIGURES

a) As part of the regulatory requirement, the Company entered into a Discretionary Portfolio Management Agreement with a third party market maker from the effective listing date. By virtue of the agreement, the market maker executes buy and sell orders at its sole discretion to achieve price stabilization of the Company's shares and to facilitate the trading of shares against a management fee. The amount invested was included in portfolio under management prior year financial statements. In the current period, the cost of shares purchased was reclassified as treasury shares by restating the prior year financial statements. The total number of treasury shares held by the Company as at December 31, 2018 is 4,116,990. (December 31, 2017: 4,116,990). The effect of the restatement on the financial statements is summarized below.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

26. RESTATEMENT AND RECLASSIFICATION OF PRIOR YEARS' FIGURES
(CONTINUED)

	December 31, 2017		January 1, 2017	
	Previously Reported Amounts	Restated Amounts	Previously Reported Amounts	Restated Amounts
	BD '000	BD '000	BD '000	BD '000
Assets				
Portfolio under management	912	-	912	-
Equity				
Retained earnings	16,750	16,800	14,715	14,744
Treasury shares	-	(754)	-	(754)
Treasury shares reserve	-	(6)	-	(6)
	16,750	16,040	14,715	13,984

b) During 2018, the Company revised the presentation of roaming revenues at gross amount billed to the customer. In prior years such revenues were presented net of roaming expenses. Further roaming and interconnection receivables and payables were not netted off despite having a contractual right to offset. Prior period was re-presented on a comparable basis as per below:

	2017	
	Previously Reported Amounts	Restated Amounts
	BD '000	BD '000
Statement of profit or loss		
Revenue	73,012	73,696
Cost of revenue	(20,838)	(21,522)
Gross profit	52,174	52,174

26. RESTATEMENT AND RECLASSIFICATION OF PRIOR YEARS' FIGURES
(CONTINUED)

Statement of financial position	December 31, 2017		January 1, 2017	
	Previously Reported Amounts	Restated Amounts	Previously Reported Amounts	Restated Amounts
	BD '000	BD '000	BD '000	BD '000
Assets				
Trade receivables	23,846	20,272	17,897	14,968
Liabilities				
Accounts payable and other liabilities	34,324	30,749	39,222	36,293

