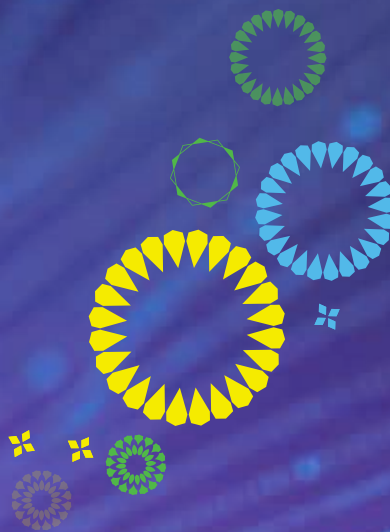




LEADING DIGITALISATION IN THE KINGDOM



2019

ANNUAL REPORT



**HIS ROYAL HIGHNESS
PRINCE KHALIFA BIN SALMAN AL KHALIFA**

Prime Minister



**HIS MAJESTY
KING HAMAD BIN ISA AL KHALIFA**

King



**HIS ROYAL HIGHNESS
PRINCE SALMAN BIN HAMAD AL KHALIFA**

Crown Prince, Deputy Supreme
Commander and First Deputy
Prime Minister

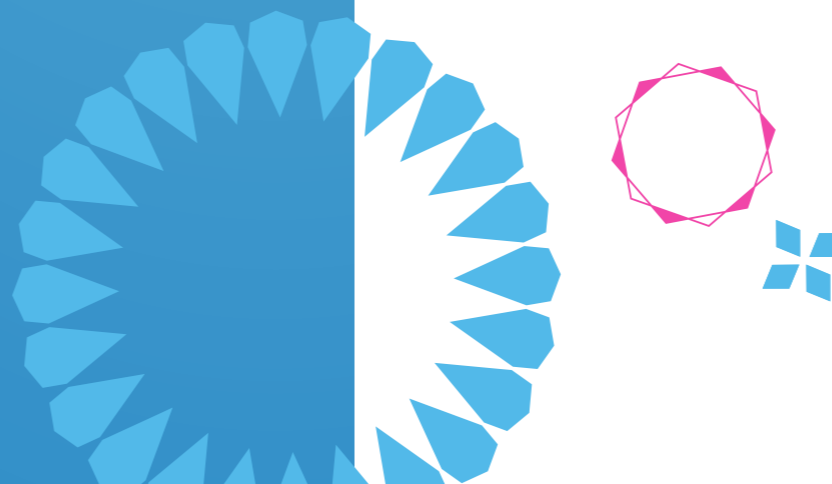


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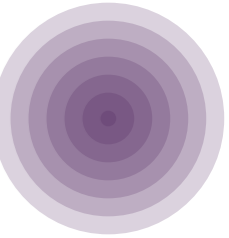
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1

EXCEPTIONAL CUSTOMER EXPERIENCE



Exceptional Customer Experience, Empowered by Digital Innovation

Sixteen years after entering the telecommunications sector in the Kingdom of Bahrain, Zain Bahrain continues to set new precedents for customer experience and connectivity solutions. Since day one, it has been exceptionally clear that Zain Bahrain's priority, beyond delivering seamless connectivity, is to take its customers into consideration at every step.

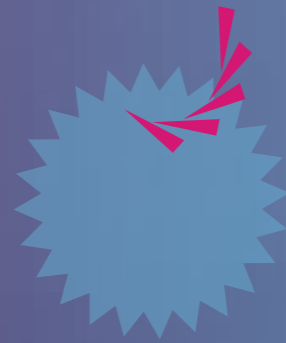
Now, as we move deeper into a digitally-driven era in which people, machines, and the environment around us is connected to the Internet of Things (IoT), the role of a telecommunications provider is being redefined. This is something that Zain Bahrain has fully embraced, going beyond being a mere provider of state-of-the-art connectivity solutions to become an integrated member of the Kingdom's society, playing a solid role in bringing communities together and providing opportunities for empowerment and development.

By placing customers, and their experience in particular, at the heart of its ever-evolving journey, Zain Bahrain has been a pioneer in many aspects over the years. From launching zBot, Bahrain's first interactive digital channel for smart customer service, to rolling out an e-waste campaign across the Kingdom in an effort to raise awareness and reduce the amount of electronic waste that goes into landfill, Zain Bahrain has made a name for itself as forging a new path for the telecommunications industry.

Having recently introduced next generation network services such as Fiber-Optic broadband, and with the launch of 5G on the near horizon, it's clear that Zain Bahrain will continue to deliver exceptional service with the aim of providing an unparalleled customer experience.

2

VISION, MISSION & VALUES



VISION

To become the Kingdom of Bahrain's telecommunications leader, offering care to all stakeholders and supporting their lifestyles.

MISSION

To provide the Bahraini market with quality telecommunications services centred on excellent customer care, and managed by believers in the Zain brand promise, who are empowered, self-motivated and caring. To develop a people centric organisation that cares about others.

VALUES

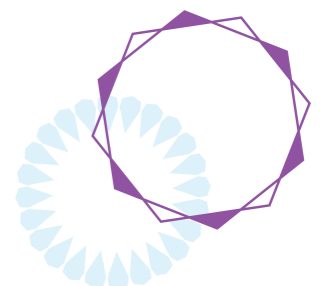
Zain subscribes to a set of core values that define its desired organisation culture and brand image.

These core values are:

Radiance - Leading the way with imagination and vision; bringing joy, colour and richness to your life.

Heart - Living your life with courage; engaging your spirit; touching your emotions; connecting to your soul.

Belonging - Bringing fellowship and community to all; transcending cultural and geographical boundaries.



MIL ESTONES

3

KEY 2019 MILESTONES

5G:

Zain Bahrain's mission is to empower every individual and organisation to achieve more through its digital transformation journey. Zain Bahrain has signed a multi-year agreement with Ericsson, selecting the company's market-leading 5G portfolio to deploy a 5G radio network in the Kingdom of Bahrain. This will allow Zain to offer enhanced mobile broadband and fixed wireless access, providing customers with a higher speed, responsiveness and reach that could unlock the full capabilities of the latest technology trends such as virtual reality, augmented reality and IoT.



Fiber-Optic:

Zain Bahrain has officially launched its Fiber-Optic broadband service, enabling Zain Bahrain to continue its leading role in driving digitalisation for its customers'. Fiber-Optic services offer enormous potential to contribute to the Kingdom's economic progress and societal development, offering revolutionary services and solutions to meet the needs of Zain Bahrain's customers. Zain Bahrain's Fiber-Optic connectivity services range includes solutions for homes, business, and enterprise.

Smart Branch:

Zain Bahrain was the first telecom company in the Kingdom to launch Smart Branch, a self-service machine that allows customers to pay their bills, and directly purchase new lines such as pre-paid, post-paid and home broadband plans, without the need to talk to a Zain Bahrain representative.

Zain Bahrain Smart Branch aims to make the experience quicker and more interactive, with customers able to complete various services at their own convenience. Customers can replace their SIM cards, generate eSIM (QR) codes and view Zain Bahrain's latest available devices all through the interactive screen, which supports reading Bahrain Smart ID cards, and offers fingerprint validation for services such as paying bills.



New Roaming Agreements:

Zain Bahrain has continuously striven to ensure that all Zain customers have reliable mobile network and data roaming add-on services wherever they travel. In 2019, Zain Bahrain extended its global data roaming add-ons to offer the most extensive coverage. The extended global coverage includes Azerbaijan, Tunisia, Kazakhstan and Lebanon. Reinforcing its position as offering the most extensive global data roaming coverage, Zain Bahrain now covers 163 countries, with 343 roaming partners around the globe.

We Able Initiative:

Zain Bahrain is dedicated to diversity and inclusion. The company has always focused on fostering a culture that values difference, promotes inclusion, and encourages collaboration to drive business results. The 'We Able' campaign launched by Zain emphasises these values, by highlighting the benefits of a diverse workforce in which people with disabilities are fully included, and employers are knowledgeable on how to make their workplace more accessible for all. The campaign urges all business sectors to make diversity part of their leadership agendas.



WE

Women Empowerment Initiative (WE):

The Women Empowerment Initiative (WE) was launched to develop women's leadership skills through realising gender equality throughout all activities and aspects of career development. The WE initiative is in alignment with Zain Bahrain's commitment to reward and recognising staff for their achievements. Part of this recognition involves providing staff with opportunities to develop and fulfil their career potential, which applies equally to men and women. In 2019, female leadership promotions in Zain increased to 24%. Through the Zain Youth Programme, female recruitment increased from 15% to 34%, many of whom have been promoted into professional and managerial key decision-making roles, due to their hard work and achievements.

4

KEY HIGHLIGHTS

GROSS PROFIT
BD 43,898
million

OPERATING PROFIT
BD 6,338
million

NET PROFIT
BD 5,269
million

EPS
14 fils

REVENUE
BD 62,895
million

TOTAL ASSETS
BD 118,739
million

TOTAL EQUITY
BD 72,261
million

5

CHAIRMAN'S STATEMENT



Zain Bahrain is proud to have contributed to the development of the country's **communications ecosystem** for the past **16 years**.

On behalf of myself and the Board of Directors of Zain Bahrain, I am honored to extend my sincere appreciation to His Majesty King Hamad bin Isa Al Khalifa, the King of the Kingdom of Bahrain; His Royal Highness Prince Khalifa bin Salman Al Khalifa, Prime Minister of the Kingdom of Bahrain, and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander, and First Deputy Prime Minister of the Kingdom of Bahrain, for supporting the Kingdom's economic and business sectors through Government Action Plans that aim to develop the nation's economy and social infrastructure.

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, 2019.

As a leading telecom operator in the Kingdom, Zain Bahrain is proud to have contributed to the development of the country's communications ecosystem for the past 16 years.

We live in a connected age. Everything is turning digital, from smart cities to the people who live within them, to the cars we drive and the machines that surround us.

The Internet of Things (IoT) is constantly expanding as the digital economy – which is becoming the economy – continues to expand. Zain Bahrain is committed to powering the digitalisation of the Kingdom through the provision of services that meet the needs of today's digitally-driven society, while paving the way towards a more connected tomorrow. This is achieved through the constant development of our network, and the addition of more services to our comprehensive portfolio.

Last year, we announced that we would evolve our LTE network to 5G in partnership with Ericsson. Our 5G network will provide our customers with high speed data, extreme low latency, and ultra-high reliability. It will also offer energy efficiency and extreme device density – ideal for furthering the Kingdom's IoT. We also now offering our customers Fiber-Optic broadband services for home, business, and enterprise.

Zain Bahrain continuously seeks new ways to leverage the power of technology to enhance our services – whether that means introducing breakthrough solutions such as our zBot, an interactive

digital channel for smart customer service, or evolving to the next generation of connectivity by launching Fiber-Optic broadband services for home, business and enterprise, and commencing our 5G network evolution in partnership with Ericsson.

The latter developments are two of our most prominent network achievements in 2019, which will enable us to further enhance the services we offer to our customers across the Kingdom.

Last year also saw the expansion of our roaming network agreements, the introduction of Smart Branch self-service machines, and a partnership with Sharaf DG that enables customers to purchase electronics through Zain Bahrain's eShop. These fall in line with our commitment to using the best technology solutions to enhance customer experience and provide premium services.

Financial Results

For the year ended 31st December 2019, Zain Bahrain reported a net profit of BD5.269 million, representing a 2% increase year-on-year (Y-o-Y) from BD5.174 million. Operating profit for the period came in at BD6.338 million, up 24% year-on-year from BD5.112 million, despite a 5% Y-o-Y decline in revenue to BD62.895 million from BD66.198 million.

At the balance sheet level, Zain Bahrain's total equity at the end of the full year 2019 stood at BD72.261 million, up from 2018 by 3%. The company's assets for the full year ended 31st December 2019 amounted to BD118.739 million, up 25% Y-o-Y.

Our Commitment to the Community

Zain Bahrain is more than a business; we take our role as a responsible corporate citizen seriously, and, as such, play a role in the development and enhancement of our community, too. We believe that inspiring a future generation of information and communication technology (ICT) experts is a priority. While Zain Bahrain has a long history of working with youth around the Kingdom, this year we launched our first Science, Technology, Engineering, Arts, and Mathematics (STEAM) camp exclusively for girls aged 8-14, in cooperation with the Supreme Council for Women and Clever Play. The STEAM camp provided young girls with the tools, knowledge, and resources needed to develop their coding

skills and learn the basics of robotics. Perhaps most importantly, the camp reinforced the fact that women – who are currently underrepresented in our industry – have an equal part to play in the further development of ICT technologies.

Another of our proud achievements in 2019 was the continuation of our e-waste initiative. Inspired by the positive results of earlier campaigns, we extended our e-Waste Recycling Initiative in cooperation with the Supreme Council for Environment (SCE) and Crown Industries. Now, we have accessible recycling bins at our headquarters for our colleagues to dispose of electronic waste, and we are working with corporate partners to collect e-waste from them, too. Perhaps more importantly, under the patronage of the SCE and with the support of UNIDO and UNDP, we have taken this crucial discussion to youth around the Kingdom, with 19 schools participating in the first National E-Waste School Competition, which ended in March 2020.

Our Commitment to Our Colleagues

Our business would be nothing without our employees. This year, amongst several other initiatives, we have offered them opportunities for personal and professional development through the Zain Bahrain TALKS series, which has seen prominent business leaders deliver inspirational speeches and interactive sessions to groups of our employees.

I would like to take this opportunity to thank all of our colleagues for their dedication and hard work.

A Closing Note

On behalf of Zain Bahrain, I would also like to thank our loyal customers for their continued support of our business; our partners and suppliers for their confidence in Zain Bahrain, and our shareholders for placing their trust in all that we do.

Shaikh Ahmed Bin Ali Al Khalifa
Chairman



"We have grown alongside our customers, who have remained the **driving force** of our business for almost **two decades.**"



We are in the midst of a smart evolution. The Kingdom of Bahrain, like so many societies around the world, is making the transition into becoming a digitally-driven, integrated and sustainable smart city environment. It is Zain Bahrain's privilege, as a leading telecommunications operator in the Kingdom, to have a role to play at the heart of this transformation.

Since 2003, Zain Bahrain has provided customers across the Kingdom with solutions that keep them connected – to each other, to family and friends overseas, to business partners and more. We have grown alongside our customers, who have remained the driving force of our business for almost two decades. This will continue to be the case as we innovate to offer solutions that leverage the latest technology. Our aim is to not only provide great value, but to deliver an exceptional customer experience every step of the way.

This was reflected throughout our corporate journey in 2019, which saw the introduction of new services that provide increased convenience, better connectivity, and improved service for our customers. Our network is constantly evolving in order to meet the needs of an increasingly connected world. In November, Zain Bahrain launched Fibre-Optic broadband. With this came a new range of fibre connectivity services for home, business, and

enterprise. November also saw our first successful completion of a 5G data session, demonstrated with Zain Bahrain's 5G network development partner, Ericsson. Through our multi-year agreement with Ericsson we will modernise our network, upgrading from LTE to 5G for an unprecedented customer connectivity experience.

As part of our customer experience journey, we introduced new Smart Branch self-service machines at our stores in 2019 to promote the move to digital self-care channels, empowering our customers with more options. We have made it even easier for our customers to purchase premium electronics through our Zain Bahrain eShop, in partnership with Sharaf DG. Also our fifth annual Customer Day brought customers together with representatives from our company's leadership to determine new ways in which we can continue to exceed expectations by delivering a superior experience every step of the way.

These are just a handful of examples from a year of successes, which saw Zain Bahrain further cement its position as one of the Kingdom's leading telecommunications operators.

2019 was not only a solid year for business growth and development, but one that saw Zain Bahrain's strong participation in our community. We strongly believe in the value of corporate sustainability, not only within our business, but amongst the people we serve. To this end, we used 2019 as a year to emphasise our message of diversity, inclusion and empowerment in the workplace. Zain Bahrain participated in events such as a 'Diversity in the Workplace' panel at the ePAY Summit; discussed employment sustainability and empowerment at the second Career Empowerment Week, and sponsored Unbound Innovation Festival 2019 to promote a message of workplace diversity. We also provided career development and support opportunities for students, including work experience and educational programmes.

Mohamed Zainalabedin
General Manager

In recognition of the importance of entrepreneurship in our community, Zain Bahrain launched 'Zainnovate', a start-up initiative in collaboration with Alkeri Partners. We held two Zainnovate events in 2019, with a fantastic response that gives us great confidence in the future of this initiative.

The successes of 2019 have provided us with solid inspiration for the year ahead. As we enter a new decade, we understand that our role as a telecommunications company is changing. We are more than facilitators of an increasingly digital world. We are more than merely providers of connectivity solutions. We are an integral component of the community in the Kingdom of Bahrain, providing opportunities for empowerment, growth, and development.

We used 2019 as a year to emphasise our message of **diversity, inclusion and empowerment in the workplace.**

7

BOARD OF DIRECTORS

Shaikh 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, prior to which he was the Vice Chairman of the club from 1978 to 1988.

Mr. Ahmed Tahous Al-Tahous (Vice Chairman)

Non-Executive / Non-Independent

Mr. Al-Tahous was appointed Chairman of the Board of Directors of Zain Group on 28 March 2018, after previously being appointed as a member of the Board on March 12, 2017 as representative of the Kuwait Investment Authority. 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. Bader Nasser Al-Kharafi Executive / Non-Independent

Mr. Al-Kharafi is Vice Chairman and Group CEO of Zain Group's 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, operating across the GCC and MENA with more than 135 registered companies across various sectors in more than 28 countries. 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.

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 Defence 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 Bachelor's degree 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. Saud Ahmed Al-Nahari Non-Executive / Non-Independent

Mr. Al-Nahari was 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.

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 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. 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 KIA. In 2010, he was involved in the Kuwait Airways privatisation 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 in Finance from Kuwait University.

Ali Hasan Al-Khaja Non-Executive / Independent

Mr. 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 both the USA and across the EU in the areas of e-commerce and m-commerce. 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 off his career in the hospitality industry before progressing to the telecommunications sector. He received his Diploma in Hospitality.

8

DIGITAL STRATEGY



Today's highly connected world requires telecommunications providers to be agile and forward-thinking. This is something that Zain Bahrain values and adheres to, via a strategy that focuses on delivering superior customer experience through constant innovation and adopting the latest technologies.

This approach – to retain a superior customer experience at the heart of every decision the company makes – has guided Zain Bahrain's growth and development for many years. This was particularly evident in 2019, when the company took major steps to enhance the connectivity experience delivered to customers by introducing Fibre-Optic broadband and announcing a multi-year partnership with Ericsson to convert the existing LTE network to 5G – followed by the successful completion of a 5G data session, showcasing 360 degree 5G capabilities with 4K definition.

Deploying a 5G radio network will give Zain Bahrain customers enhanced mobile broadband and fixed wireless access with very high data speed, extreme low latency, ultra-high reliability, energy efficiency and extreme device densities, plus reach that will unlock the full capabilities of the latest technology trends – including virtual reality,

augmented reality, and the Internet of Things (IoT). Ericsson will provide Zain Bahrain with 3GPP standards-based 5G New Radio (NR) hardware and software from within the Ericsson Radio System portfolio, which will include Massive MIMO solutions as well as the Ericsson Packet Core.

In an increasingly connected society, making a move towards 5G and stronger connectivity solutions is a necessity. Fiber-Optic broadband and 5G will play a significant role in the Kingdom's development in the coming years. Government, businesses, and individuals alike will be empowered by the faster, more reliable connectivity offered by next-generation network solutions. Zain Bahrain is therefore committed to deploying and leveraging the latest technologies that will enable the Kingdom of Bahrain to enjoy limitless connectivity opportunities and a seamless connected experience.

The launch of Zain Bahrain's Fiber-Optic broadband service connectivity is a key part of the 4th National Telecommunication Plan, which is in partnership with BNET to develop the growth and economic diversification of the Kingdom's telecommunications sector, with the intention of significantly expanding the

In an increasingly connected society, making a move towards 5G and stronger connectivity solutions is a necessity. Fiber-Optic broadband and 5G will play a significant role in the Kingdom's development in the coming years.

penetration of broadband services in Bahrain. All Zain Bahrain customers can access Fiber-Optic broadband. Burj Al Saya, a new residential development by Amlak located in Muharraq, is one of the first communities to receive Zain Bahrain Fiber-Optic broadband, setting a new standard with high-capacity data services, transmitted seamlessly over long distances within a robust and stable network.

Evolving our network is just one component of our digital journey. Alongside this development, Zain Bahrain has made significant steps towards increasing customer experience on every level. Launching a revamped Zain Bahrain mobile application enabled us to offer our customers a clearer view of their services with us, in addition to adding convenience through a new credit card autopay service. Tools and services incorporated into the app include a notification centre, Self-Care that enables customers to upgrade their monthly plans and enjoy extra services, and many more.

Evolving our network is just one component of our digital journey. Alongside this development, Zain Bahrain has made significant steps towards increasing customer experience on every level.





Zain Bahrain has made significant steps towards increasing customer experience on every level.



To further empower our customers with more convenience, we introduced Smart Branch self-service machines into Zain Bahrain outlets in 2019. These machines allow customers to purchase new services, including pre- and postpaid mobile lines, plus home broadband plans, without the need to talk to a Zain Bahrain representative. Other services offered by the Smart Branch machines include replacing SIM cards, generating eSIM QR codes, and viewing the latest devices available through Zain Bahrain, all via an interactive screen which supports reading smart ID cards with fingerprint validation.

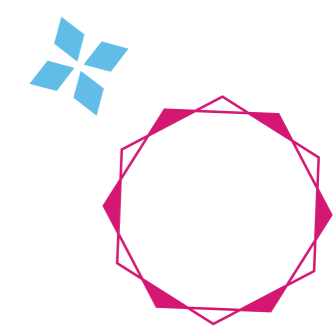
We have also introduced the ability for customers to pay for services and goods through “Zain Pay” service. Mobile services customers can charge App Store, Apple Music, and iTunes content directly to their Zain Bahrain billing account, and through our partnership with Sharaf DG our customers can buy premium electronics through our eShop, with discounts available exclusively available Zain Bahrain subscribers.



And, as part of our efforts to provide a more comprehensive content ecosystem to our customers, we launched Zain Games in 2019 – a new platform with more than 1,000 popular games available for iOS, Android, and Windows operating systems.

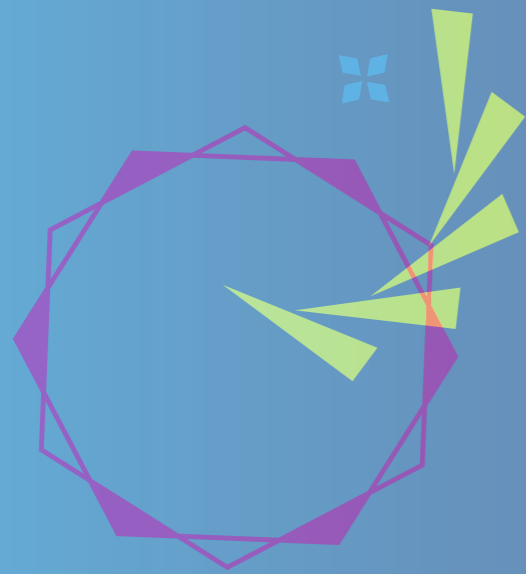
Since launching in the Kingdom in 2003, Zain Bahrain has contributed to the development and advancement of the country’s information and communications technology (ICT) sector. The company has also firmly established itself as a solid member of the local community – not only in terms of its commitment to delivering a superior customer experience, but in the ways it supports the nation’s youth, providing opportunities for them to gain the skills needed to become future leaders of the ICT sector.

Evolving our network is just one component of our digital journey.



9

CORPORATE SUSTAINABILITY



CORPORATE SUSTAINABILITY AND SOCIAL RESPONSIBILITY

2019 saw strong developments in Zain Bahrain's commitment to Corporate Sustainability and Social Responsibility. Working towards the realisation of the United Nations' Sustainable Development Goals (SDGs), to which we are a signatory, Zain Bahrain implemented several initiatives that were not only linked to the SDGs, but that provide immeasurable value for all within the Kingdom's community.

We are firm believers in our duty towards the community. We pay back to people and the environment in several ways throughout the year, in line with our understanding that a corporate entity should support the community it serves, while working towards the SDGs and creating a better planet for all to enjoy. Our Corporate Sustainability objective is to drive engagement with the community across themes covering Social Innovation, Climate Change, Inclusivity, and creating Shared Value.



In 2019, Zain Bahrain launched its flagship sustainability project, which is the **'e-Waste Recycling Initiative'**, in cooperation with the **Supreme Council for Environment (SCE)** and Crown Industries.

The campaign is a continuation of the company's previous successes in collecting e-waste and raising awareness of the importance of diverting electronic waste from landfill, in alignment with UN SDG 11 for Sustainable Cities and Communities, and SDG 12 for Responsible Consumption and Production. In collaboration with Crown Industries, we started to promote and manage recycling collecting 1.5 tonnes of e-waste. This initiative was later expanded beyond Zain Bahrain partner, Behbehani Brothers more partners into this initiative diverted a total of 2.5 tonnes of Crown Industries processes all standards outlined by the Basel Convention. We have also launched an e-waste competition across 19 schools, in partnership with the Ministry of Education and SCE. The competition will conclude in March 2020 in which the winners who have collected the most e-waste will be announced.



19 SCHOOLS
2.5 TONNES

We are also committed to supporting the sustainable future of not only the local community, but our industry, too. In line with both of these objectives, Zain Bahrain launched the first Science, Technology, Engineering, Arts, and Mathematics (STEAM) Camp for girls aged 8-14, in cooperation with both the Supreme Council for Women and Clever Play. Zain Bahrain sponsored 1,000 girls to participate in this programme, which was open to female students from public and private schools across the Kingdom.

This camp was especially important as STEAM careers are still seen as male-dominated, and we feel it is our responsibility to provide girls with the inspiration and exposure to ignite a passion that will lead them into the exciting world of technology. The STEAM Camp, which aligns with UN SDG 4 for Quality Education, UN SDG 5 for Gender Equality, and UN SDG 8 for Decent Work and Economic Growth, taught participants coding skills and basic robotics, the foundation of our information and communications technology sector – and necessities in tomorrow's hyper-connected society. It also aimed to develop skills of critical thinking, prompting enquiry and dialogue while encouraging the participating girls to recognise the value of creativity and innovation as means to solve current and future problems.



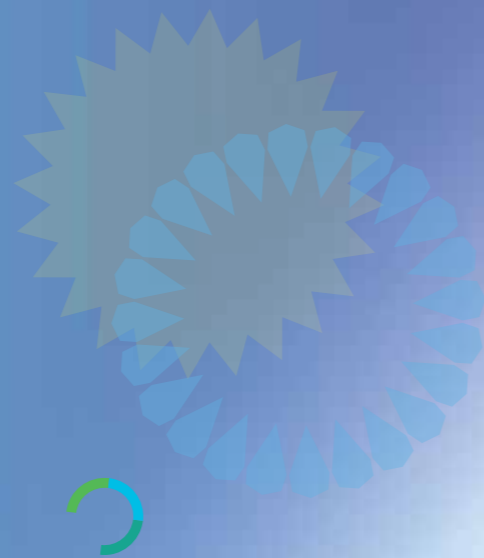
Our commitment to the UN SDGs is at the heart of everything we do and drives us to consider economic and environmental sustainability in every decision we make. Zain Bahrain is fully committed to achieving the ambitions of the UN SDGs, and our annual Sustainability Report documents the efforts we make to contribute towards making a difference in the world around us as we transition towards a knowledge-based economy.



We will continue to uphold our role as a **responsible corporate** citizen by contributing to the **sustainability** and well-being of our fellow **community** members across the **Kingdom**.

10

CORPORATE
GOVERNANCE



1- Description of the Actions taken to Complete the Corporate Governance Code during the year 2019:

As a listed company on the Bahrain Bourse, Zain Bahrain BSC ("Zain Bahrain" or "Company") is committed to undertake global best practices of corporate governance and is in compliance with the 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 Ministry of Industry, Commerce and Tourism (hereinafter referred to as "MOICT") and the Central Bank of Bahrain (hereinafter referred to as "CBB").

In accordance with the Company's Corporate Governance guidelines, Zain Bahrain is in compliance with the MOICT Corporate Governance Code (hereinafter referred to as "CG Code") and the CBB's High Level Controls (hereinafter referred to as "CBB Module") and is highlighted later in this report.

2- Description of the transactions of the directors, their spouses and sons on the Company's shares during the year 2019:

No transactions of such nature took place.

3- Composition of the Board

a. Description of the current Board composition:

Zain Bahrain's Board of Directors (hereinafter referred to as "Board") currently comprises of seven members of which the majority are non-executive directors with one third of the Board being independent.

Shaikh Ahmed Bin Ali Al Khalifa was appointed by the Board as the chairman of the Board and Mr. Ahmed Al-Tahous as the vice chairman. The CG Code and the CBB Module recommend that the chairman should be an independent and non-executive director and that he is not the Company's Chief Executive Officer (hereinafter referred to as "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.

Detailed information on the directors, including their roles in the Board is presented in page 18.

b. Description of the following:

1. Total remunerations paid to the directors for the last year, 2018:

For the year ending 31st December 2018, a total of BHD 223,612 was paid to the directors.

2. The proposed total remunerations to be paid to the directors for the year 2019, which will be presented at the annual general meeting for approval.

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 2019, a total of BHD 223,612 was recommended by the Board.

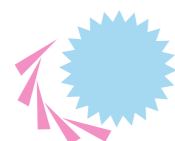
3. Description of the sitting fees paid to the directors for attendance of the Board's committees for the year 2019: The Company ensures that the Board is reasonably compensated for the time, resources and effort spent in performing their fiduciary duties. The allocated remuneration is all-inclusive of Board meetings and committees' meetings attended.

c. Number and dates of the Board's meetings held during the financial year 2019, in addition to the number of times directors attended in person or by visual communication and a description of the directors present by proxy:

The members of the Board have met four times during the year 2019 on the following dates:

11 February 2019
1 May 2019
25 July 2019
4 November 2019

Director's Name	Board Position	Status of Director	Meetings Attended
Shaikh Ahmed Bin Ali Al Khalifa	Chairman	Non-Executive/ Non-Independent	Four
Mr. Ahmed Tahous Al-Tahous	Deputy Chairman	Non-Executive/ Non-Independent	Three
Shaikh Rashid Bin AbdulRahman Al Khalifa	Member	Non-Executive/ Independent	Four
Mr. Bader Nasser Al-Kharafi	Member	Executive/ Non-Independent	Four
Mr. Saud Ahmed Al-Nahari	Member	Non-Executive/ Non-Independent	Four
Mr. Yousef Khaled Al-Abdulrrazaq	Member	Non-Executive/ Non-Independent	Four
Mr. Ali Hassan Al-Khaja	Member	Non-Executive/ Independent	Four





d. Board Function, Structure and Members

The Company is managed by its Board 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 Company has a written appointment agreement with each director to clarify the duties, powers, authorities and other matters of directorship. The written agreement also includes director's independency and adherence to the Directors' Code of Conduct.

The Board responsibilities include:

- Achieving the Company's objectives and purposes, both individually and collectively, before the shareholders.
- Representing all shareholders and shall perform the duty of devotion and loyalty in managing and safeguarding the Company and promoting the interests of the Company and maximizing its value.
- Adopting the commercial and financial policies associated with the Company's business performance and achievement of its objectives.
- Drawing, overseeing and periodically reviewing the Company's plans, policies, strategies and key objectives.
- Setting and generally supervising the regulations and systems of the Company's internal control.
- Determining the Company's optimal capital structure, strategies and financial objectives and approving annual budgets.
- Monitoring the Company's major capital expenditures and possessing and disposing assets.
- Approving the Company's quarterly and annual financial statements and presenting them to the general assembly.
- Monitoring the executive management's activities and ensuring that the operations run smoothly to achieve the Company's objectives and that they do not conflict with the applicable laws and regulations.
- Forming specialized committees emerging from the Board as required by the nature of the Company's activity.
- Determining the types of remunerations for the executive management and directors.
- Setting a mechanism to regulate transactions with related parties in order to minimize conflicts of interest.
- Setting standards and values governing the Company's business.
- Ensuring the application of an appropriate control and risk management systems.
- Assuring equitable treatment of shareholders, including the minority shareholders.
- Setting internal regulations which determine the Board's duties and responsibilities, including the obligations and responsibilities of the directors, which the Board shall not be exempt therefrom even if it forms committees or delegates certain duties to other Boards or individuals.

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.

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 in accordance with the its definition set out in the CBB Module and CG Code.

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.

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

In Zain Bahrain, the directors and the employees are expected to maintain the highest level of corporate ethics and personal behavior. 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.

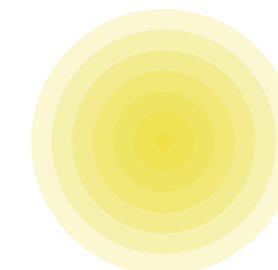
The Nomination, Remuneration and Governance Committee ("NRGC") is assigned the responsibility of developing and recommending to the Board for its approval an annual self-evaluation process for the Board and its committees as well as overseeing the annual self-evaluation. It also has the responsibility 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.

Detailed information on the directors, including directorships of other Board, position, qualification and experience is presented in page 18.

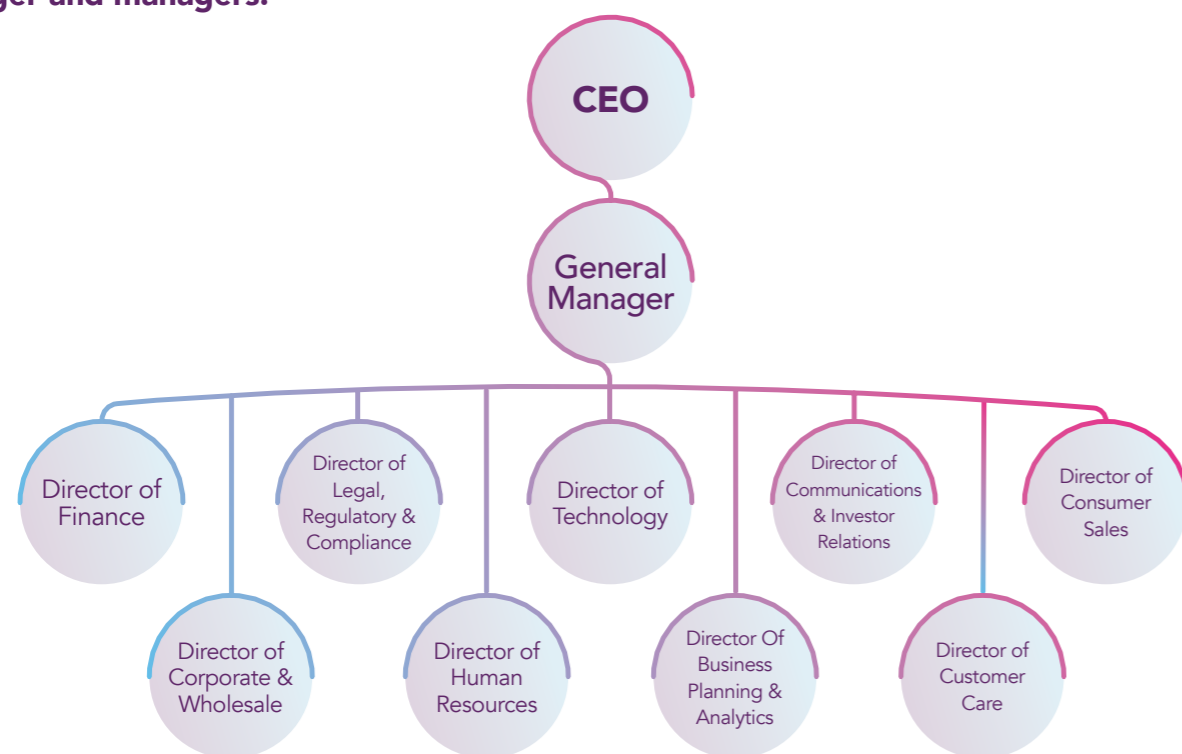
e. Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction.

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 21 (Related Party Transactions) of the financial statements.

Zain Bahrain's Board, 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.



f. The Company's organizational structure, including the first and second grades at a minimum and including the Company's general manager and/or chief executive officer, deputy general manager and managers.



List of the executive management and their profiles is as follow:

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 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, 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, 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 Program. 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 Director, Customer Care in August 2017.

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

Mr. Mohammed Al-Alawi, Director, Business Planning and Analytics

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.

Mr. Ali AlYaham, Acting Director, Technology

Date of Appointment: June 2019

Mr. AlYaham has been appointed as the Acting Technology Director of Zain Bahrain in June 2019. Mr. AlYaham is responsible for planning, development, operation and maintenance of the network, including ensuring coverage and quality. Moreover, he oversees planning and developing technical strategies, policies, service level agreements and business plans, negotiating with network vendors and planning and managing yearly capital and operating expenditure budgets. The planning, development, operation and maintenance of all IT systems including the billing system, enterprise applications, ISP infrastructure and business intelligence system. Mr. AlYaham is back by more than 17 years of experience mainly in the sphere of radio, transmission and IP network. Mr. AlYaham holds a BSC from University of Bahrain.

g. Total remunerations paid to the key executive officers (the top five employees), including salaries, benefits, allowances, increases, stock options, end-of-service benefits, pensions, etc.

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 2019, the annual remuneration fees of the executive management were in the form of salaries, allowances and bonuses. Total remuneration of key executives of Zain Bahrain is noted in the financials in note 21.

4- External Auditors

a. Auditor's profile and overview of its professional performance:

The External Auditor of Zain Bahrain for the audit year ended 2019 is Deloitte & Touché. 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.

b. Fees and charges for the audit or services provided by the external auditor during the year 2019, in addition to a description of the auditor's years of service as the Company's external auditor:

Total Audit Fees: BD 32,000
Total Non-Audit Fees: BD 1,550

5- Audit Committee

a. Names, competences and duties of the Audit Committee's members:

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

- Review the internal control, finance, accounting policies and procedures.
- Appointment, remuneration or, where appropriate, termination of the external auditor, subject to the approval of the Board and shareholders. The external auditor shall report directly to the Audit Committee and the shareholders.
- Examine the independence of external auditor.
- The appointment of the internal audit and the review of the activities and performance of the internal audit.

- Review the details of all related-party transactions.
- Monitor the Company's compliance with laws, regulations and internal policies.
- Review the information technology systems controls and telecom systems controls
- Reviewing and discussing all the Company's annual and interim financial statements, and the related judgments and estimates with the management and external auditor.

Details of the committee's members and their attendance is provided below:

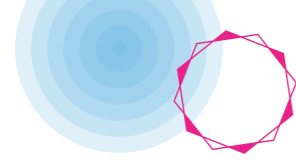
Director's Name	Board Position	Committee Position	Audit Committee Meetings Attended
Mr. Bader Nasser Al-Kharafi	Member	Chairman	Four
Shaikh Rashid Bin AbdulRahman Al Khalifa	Member	Member	Four
Mr. Ali Hassan Al-Khaja	Member	Member	Four

The CG Code states that the committees' chairman shall be an independent director and that the chairman of the Audit Committee shall not participate as a member of any other committee. Currently the Audit Committee chairman is not independent and is a member of the NRCG due to the expertise he brings in achieving committee's objectives in addition the fact that the Company has taken into consideration the most beneficial balance between best practice corporate governance and its reliance on the expertise of the parent company Mobile Telecommunications Company K.S.C.P.

b. Number and dates of meetings held by the Audit Committee during the year to discuss issues related to financial statements and any other matters and the number of times members attended the meetings in person:

Committee members have met four times during the year on the same dates of the Board meetings. Details of their attendance is available in the section above.





6- Nomination, Remuneration Committee and Governance Committee

a. Names, competences and duties of the NRGC committee's members:

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

- Making recommendations to the Board on changes that the committee believes to be desirable to the size of the Board or any of its committees.
- Considering the suitability of all candidates for directorship recommended by the shareholders and any candidates proposed by the management.
- Identifying and recommending to the Board qualified candidates to fill the vacancies on any Board committee.
- Making recommendations, when appropriate, to the Board from time to time on changes that the committee believes to be desirable in the management structure.
- Considering and making specific recommendations to the Board on the remuneration plans.
- Developing and recommending changes required in accordance the Company's corporate governance guidelines from time to time.
- Monitoring and overseeing the implementation of the corporate governance framework by working together with the executive management.
- Providing the Board with reports and recommendations based on its findings in the performance of its duties.

Details of the committee's members and their attendance is provided below:

Director's Name	Board Position	Committee Position	NRGC Meetings
Shaikh Rashid Bin AbdulRahman Al Khalifa	Member	Chairman	Two
Mr. Bader Nasser Al-Kharafi	Member	Member	Two
Mr. Ali Hassan Al-Khaja	Member	Member	Two

b. Number and dates of meetings held by the committee during the financial year and the number of times members attended the meetings in person.

Committee members have met twice during the year. Details of their attendance is available in the above section.

7. Corporate Governance Officer's name, qualifications, date of appointment, and contact details.

Zain Bahrain Corporate Governance Officer is Ms. Latifa Salahuddin. Ms. Salahuddin was appointed as Company's Corporate Governance Officer on 26 September 2018. She holds an LLB (Bachelor of Laws) and an LLM (Master of Laws).

Contact Details of Zain Bahrain's Corporate Governance Officer are as Follow:

T: (+973) 3603 1690

E: latifa.salahuddin@bh.zain.com

P.O. Box 266, Manama

Kingdom of Bahrain

8. Details of any irregularities committed during the financial year, their causes (if any), and the plan to address them in order to avoid future recurrence.

No irregularities reported in the year 2019.

9- Description of the cash and in-kind contributions made by the Company during the year 2019 for the purpose of community development and environment preservation (In the absence of contributions, it should be stated that the Company did not make any contributions), indicating the recipients of these contributions.

Building upon its credentials as a responsible corporate citizen, many initiatives were aimed at being a catalyst for positive change. A summary of key initiatives is shown page 26.



a. Statement of shareholders' equity as of 31/12/2019 (individuals, corporate, government or organizations):

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 ©	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	Appointed members of MTC	201,600,000	54.78%
Mr. Ahmed Tahous Al-Tahous	Appointed members of MTC		
Mr. Saud Ahmed Al-Nahari	Appointed members of MTC		
Mr. Yousef Khaled Al-Abdulrazaq	Appointed members of MTC		

The executive management of Zain Bahrain does not own shares in the Company.

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

Nationality	Number of Shares	% of shares held
Bahrain	160,576,290	43.6%
GCC	204,592,688	55.6%
Others	2,831,022	0.8%

b. Description of the shareholders who hold 5% or more of the Company's share capital, indicating the name of the natural person who holds the shares, the final beneficiary, as at 31/12/2019 as follows:

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. (c)	24,085,097	6.54%
Others (below %5)	83,054,903	22.58%

c. Description of the significant events that occurred during the year 2019.

No significant event in the year of 2019 has affected the Board.



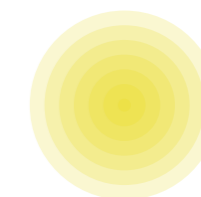
10- Compliance with the provisions of the Corporate Governance Code, as follows:

Principle	Non-Compliant	Partially Compliant	Fully Compliant	Explanation in case of Non-Compliance
Principle 1: The Company shall be headed by an effective, qualified and expert Board.			✓	
Principle 2: The directors & executive management shall have full loyalty to the Company.			✓	
Principle 3: The Board shall have rigorous controls for financial audit & reporting, internal control, & compliance with law.			✓	
Principle 4: The Company shall have effective procedures for appointment, training and evaluation of the directors.			✓	
Principle 5: The Company shall remunerate directors and senior officers fairly & responsibly.			✓	
Principle 6: The Board shall establish a clear & efficient management structure for the Company & define the job titles, powers, roles & responsibilities.			✓	
Principle 7: The Company shall disclose its corporate governance.			✓	
Principle 8: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			✓	
Principle 9: The Company shall seek through social responsibility to exercise its role as a good citizen.			✓	



11- Any disclosures required by the regulatory authorities.

None



11

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, 2019.

PRINCIPAL ACTIVITY

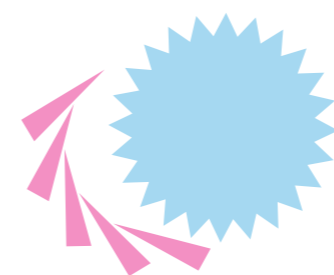
The principal activity of the Company is to provide telecommunication services under various licenses issued by the Telecommunications Regulatory Authority of the Kingdom of Bahrain.

RESULTS OF THE YEAR

The Company's profit for the year amounted to BD 5.27 million.

SHARE CAPITAL STRUCTURE

Shareholders:	2019(%)	2018(%)
Mobile Telecommunication Company K.S.C. – Kuwait	54.78	54.78
Sheikh Ahmed Bin Ali Al Khalifa	16.10	16.10
Gulf International Bank B.S.C.	6.54	8.47
Others	22.58	20.65
	100.00	100.00



CHANGE IN DIRECTORS

None.

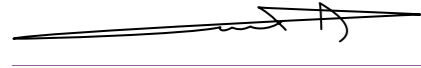
DIRECTORS' REMUNERATION

Director's remuneration charge for the year, amounted to BD 223,612 (2018: BD 223,612).

AUDITORS

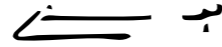
The auditors, Deloitte & Touche - Middle East, have expressed their willingness to accept re-appointment.

On behalf of the Board



Sh. Ahmed Bin Ali Al Khalifa
Chairman

February 09, 2020



Mr. Bader Nasser Al-Kharafi
Board Member

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, 2019, 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, 2019, 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.

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. The application of revenue recognition accounting standards is complex and involves a number of judgements and estimates.</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; • Inherent risk around the accuracy of the revenue recorded due to complexity of billing systems, impact of changing pricing models to revenue recognition (tariff structure, incentives arrangements, discounts, etc.) and arrangements with multiple elements. <p>Refer to note 3 to the financial statements for the Company's accounting policy and note 17 for other disclosures about revenue.</p> 	<p>In responding to this area of focus, our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process used to record revenue, including performing an end to end walkthrough of these processes. • Performing procedures to test the design, implementation and operating effectiveness of relevant controls related to the revenue process, including those over the authorization of rates and the input of this information into the billing systems; • 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; • Reviewing key reconciliations performed by the Company's Revenue Assurance team, including testing end to end reconciliation from business support systems to billing and rating systems to the general ledger, this testing includes validation of material journals processed between billing systems and general ledger; • 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 determine if the revenue recognition criteria adopted by the Company for all major revenue streams is in compliance with IFRSs. • Evaluating the disclosures relating to revenue in the annual financial statements to determine if they are in compliance with IFRSs.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

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.

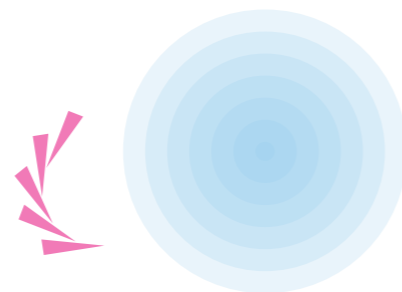
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we 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.

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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED) Report on Other Legal and Regulatory Requirements

A) 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 6 to 32 are in agreement therewith;
- b** - The financial information contained in the Directors' report on page 1 is consistent with the financial statements;
- c** - Nothing has come to our attention which causes us to believe that the Company has, during the year, breached any of the applicable provisions of the Commercial Company's Law, or the items of its Articles of Association that would have a material adverse effect on its business or its financial position; and
- d** - Satisfactory explanations and information have been provided to us by management in response to all our requests.

B) As required by the Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company:

- a** - has appointed a Corporate Governance Officer; and
- b** - has a board approved written guidance and procedures for corporate governance.

C) We are not aware of violations occurred during the year to the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) or the Bahrain Bourse rules and procedures that would have a material adverse effect on the business of the Company or its financial position.

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

Deloitte & Touche



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

February 09, 2020

Reissued on March 15, 2020 for the effect of the revision of the proposed dividend (Note 13).

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

	Notes	December 31, 2019	December 31, 2018
ASSETS		BD '000	BD '000
Current assets			
Cash and banks	5	10,239	5,045
Trade receivables and other assets	6	22,106	23,555
Inventories	7	2,886	3,081
Total current assets		35,231	31,681
Non-Current assets			
Trade receivables and other assets	6	3,366	4,222
Right-of-use assets	8.1	12,763	-
Property and equipment	9	52,042	56,058
Intangible assets	10	15,337	2,842
Total non-current assets		83,508	63,122
Total Assets		118,739	94,803

	Notes	December 31, 2019	December 31, 2018
LIABILITIES AND EQUITY		BD '000	BD '000
Liabilities			
Current liabilities			
Accounts payable and other liabilities	11	23,453	22,115
Lease liabilities	8.2	3,806	-
Contract liabilities		1,708	2,175
Total current liabilities		28,967	24,290

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019



	Notes	December 31, 2019	December 31, 2018
LIABILITIES AND EQUITY		BD '000	BD '000
Non-Current liabilities			
Accounts payable and other liabilities	11	7,819	-
Lease liabilities	8.2	9,343	-
Provision for employees' end of service benefits	12	349	300
Total non-current liabilities		17,511	300
Total liabilities		46,478	24,590
Equity			
Share capital	13	36,800	36,800
Treasury shares	14	(754)	(754)
Treasury shares reserve	14	(6)	(6)
Share premium	15	3,032	3,032
Statutory reserve	16	12,282	11,755
Retained earnings		20,907	19,386
Total equity		72,261	70,213
Total liabilities and equity		118,739	94,803

The financial statements from page 48 to 109 were approved by the Board of Directors on February 09, 2020 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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019

	Notes	Year ended December 31,	
		2019	2018
		BD '000	BD '000
Revenue	17	62,895	66,198
Cost of revenue		(18,997)	(21,879)
Gross profit		43,898	44,319
Operating and administrative expenses	18	(21,553)	(27,520)
Depreciation and amortization	8, 9 & 10	(14,635)	(10,401)
Impairment losses on financial assets	5, 6	(1,250)	(1,188)
Provision for inventories	7	(122)	(98)
Operating profit		6,338	5,112
Other (loss) / income – net		(145)	39
(Loss) / gain on currency translation adjustment		(23)	2
Interest income		286	71
Finance costs	19	(1,187)	(50)
Profit for the year		5,269	5,174
Other comprehensive income		-	-
Total comprehensive income for the year		5,269	5,174
Basic and diluted earnings per share	20	Fils 14	Fils 14



Sh. Ahmed Bin Ali Al Khalifa
Chairman



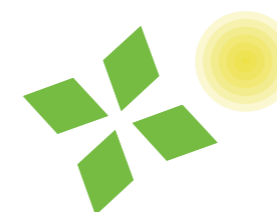
Mr. Bader Nasser Al-Kharafi
Board Member



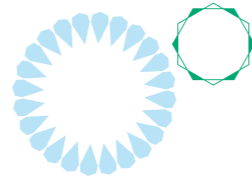
The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019

	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, 2017	36,800	(754)	(6)	3,032	11,238	16,800	67,110
Transition adjustment on adoption of IFRS 15	-	-	-	-	-	(252)	(252)
Balance as restated, January 1, 2018	36,800	(754)	(6)	3,032	11,238	16,548	66,858
Appropriation of dividends (note 13)	-	-	-	-	-	(1,819)	(1,819)
Total Comprehensive income for the year	-	-	-	-	-	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
Transition adjustment on adoption of IFRS 16 (note 2.1)	-	-	-	-	-	(1,402)	(1,402)
Balance as restated, January 1, 2019	36,800	(754)	(6)	3,032	11,755	17,984	68,811
Appropriation of dividends (note 13)	-	-	-	-	-	(1,819)	(1,819)
Total comprehensive income for the year	-	-	-	-	-	5,269	5,269
Appropriation to statutory Reserve	-	-	-	-	527	(527)	-
Balance, December 31, 2019	36,800	(754)	(6)	3,032	12,282	20,907	72,261



The accompanying notes are an integral part of these financial statements



STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

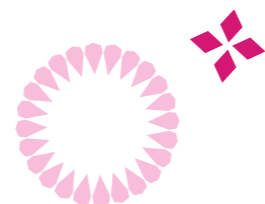
	Year ended December 31,		
	Notes	2019	2018
		BD '000	BD '000
Cash flows from operating activities			
Profit for the year		5,269	5,174
Adjustments for:			
Depreciation and amortization	8, 9 & 10	14,635	10,401
Provision for impairment of financial assets	5, 6	1,250	1,188
Provision for inventories	7	122	98
Finance costs	19	1,187	50
Gain on disposal of property and equipment		-	(4)
Write-off property & equipment	9	950	-
Rebate received on payables		(754)	-
Provision for employees' end of service benefits	12	62	55
		22,721	16,962
Working capital changes:			
Net change in inventories		73	1,168
Net change in trade receivables and other assets		358	(2,389)
Net change in accounts payable and other liabilities		1,094	(7,983)
Net change in contract liabilities		(467)	308
Payments for employees' end of service benefits	12	(13)	(76)
Interest expense		(1,187)	-
Net cash from operating activities		22,579	7,990
Cash flows from investing activities			
Acquisition of property and equipment	9	(6,295)	(1,153)
Payment for intangible assets	10	(5,078)	(8)
Proceeds from disposal of property and equipment		-	4
Net cash used in investing activities		(11,373)	(1,157)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

	Year ended December 31,		
	Notes	2019	2018
		BD '000	BD '000
Cash flows from financing activities			
Repayment of term loans		-	(1,875)
Repayment of principal portion of lease liabilities		(4,223)	-
Interest paid		-	(52)
Dividends paid		(1,789)	(1,773)
Net cash used in financing activities		(6,012)	(3,700)
Net increase in cash and cash equivalents		5,194	3,133
Cash and cash equivalents, beginning of year		5,045	1,912
Cash and cash equivalents, end of year	5	10,239	5,045
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

In the current year, the Company has adopted for the first time IFRS 16 Leases as issued by the IASB in January 2016. The Standard replaces the existing guidance on leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

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 accounted for under IAS 17 Leases. The Standard requires lessees to recognize a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset is amortized over the length of the lease and the financial liability is measured at amortized cost. The requirements for lessor accounting remains substantially unchanged.

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

The date of initial application of IFRS 16 for the Company is January 1, 2019. Upon adoption of IFRS 16, the Company has opted for the modified retrospective application permitted by the Standard.



Practical expedients used and impact of application of IFRS 16 Leases

During the first time application of IFRS 16 to operating leases, the Company has used the following practical expedients:

- Use of a single discount rate.
- Reliance on previous assessments on whether leases are onerous.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

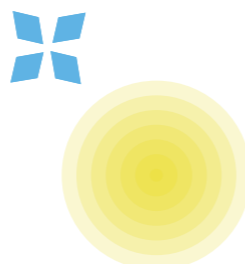
The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. The recognized right-of-use assets relate to the following types of assets:

	December 31 2019	January 1 2019
	BD '000	BD '000
Building and premises	3,136	3,995
Sites	9,597	10,110
Vehicles	30	52
	12,763	14,157

ZAIN BAHRAIN B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019:

	BD '000
Operating lease commitments disclosed as of December 31, 2018	26,051
Discounted using the Company's incremental borrowing rate at the date of initial application	20,192
Adjustments as a result of a different treatment of extension and termination options and other adjustments	(5,329)
Lease liabilities recognized as at January 1, 2019	14,863
Of which are:	
Current lease liabilities	4,690
Non-current lease liabilities	10,173
	14,863



ZAIN BAHRAIN B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019



Impact of the application of IFRS 16 on assets, liabilities and equity as at January 1, 2019:

	As previously reported BD '000	IFRS 16 adjustments BD '000	As restated BD '000
Right-of-use assets	-	14,157	14,157
Trade receivables and other assets	27,777	(696)	27,081
Net impact on total assets	27,777	13,461	41,238
Lease liabilities	-	14,863	14,863
Net impact on total liabilities	-	14,863	14,863
Net impact on retained earnings	19,386	(1,402)	17,984

The following table summarizes the impact on the statement of profit or loss for the year ended December 31, 2019.

	Year ended December 31, 2019		
	As reported BD '000	IFRS 16 BD '000	Without adoption of IFRS 16 BD '000
Operating and administrative expenses	(21,553)	(5,003)	(26,556)
Depreciation and amortization	(14,635)	3,903	(10,732)
Other (loss) / income – net	(145)	(12)	(157)
Finance costs	(1,187)	736	(451)
Profit for the year		(376)	

The following table summarizes the impact on the statement of cash flows for the year ended December 31, 2019.

	Year ended December 31, 2019		
	As reported BD '000	IFRS 16 BD '000	Without adoption of IFRS 16 BD '000
Operating lease payments	-	4,954	4,954
Interest paid	1,187	(736)	451
Net cash flows from operating activities		4,218	
Payment of principal portion of lease liabilities	4,223	(4,223)	-
Net cash used in financing activities		(4,223)	



2.2 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, 2019. Their adoption did not have any material impact on the disclosures or on the amounts reported in the financial statements:

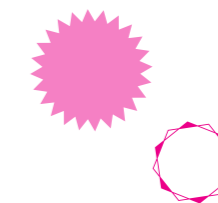
- *Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities:* The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.
- *Amendments to IAS 28 Long Term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long term investments. The amendments also clarified that in applying IFRS 9, an entity does not take into account of any losses of the associate or joint venture, or any impairment losses on the net investments that arise from applying IAS 28.
- *Annual Improvements to IFRSs 2015-2017 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* to clarify the accounting for defined benefit plan amendments, curtailments and settlements.
- *IFRIC 23 Uncertainty over Income Tax Treatments*
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
 - Whether tax treatments should be considered collectively;
 - Assumptions for taxation authorities' examinations;
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
 - The effect of changes in facts and circumstances.

2.3 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:

- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Material (effective from January 1, 2020).
- Amendments to IFRS 3 *Business Combinations* – Definition of a Business (effective from January 1, 2020).
- Amendments to *References to the Conceptual Framework in IFRS Standards* related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 (effective from January 1, 2020).
- Amendments to IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments*. Amendments regarding pre-replacement issues in the context of the IBOR reform (effective from January 1, 2020).
- IFRS 17 *Insurance Contracts* (effective from January 1, 2022).
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 related to the treatment of the sale or contribution of assets between an Investor and its Associate or Joint Venture (Effective date deferred indefinitely. Adoption is still permitted).

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.



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.

Going concern

Management has assessed the Company's ability to continue on a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors of the Company is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The principal accounting policies adopted are set out below.

Revenue recognition

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

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.



Roaming

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

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.

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.

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.



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

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 (FVTOCI)
- Financial asset at Fair Value Through Profit or Loss (FVTPL)

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.

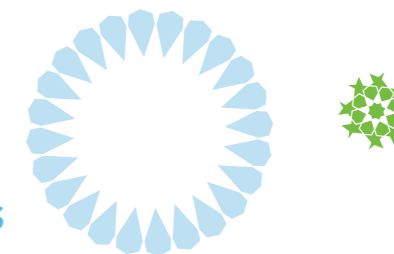
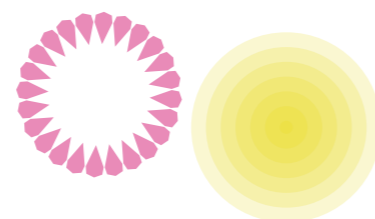
Business model assessment:

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 FVTOCI

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. 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 FVTOCI 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 trade 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.

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.



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.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported on a net basis in the statement of financial position when a legally enforceable right to set-off such amounts exists and when the Company intends to settle on a net benefits basis or to release the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks and bank deposits with contractual maturities of three months or less and which are subject to insignificant risk of changes in fair value.

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.



Leases (effective from January 1, 2019)

The Company as lessee:

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following where applicable:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amount expected to be payable by the lessee under the residual value guarantees;
- The exercise price of the purchase option, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated amortization (over the shorter period of lease term and useful life of the underlying asset) and impairment losses.

The Company recognizes a provision when it incurs an obligation for costs to dismantle and remove a leased asset or restore the site on which it is located.

Leases (Prior to January 1, 2019)

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.

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-line basis over the lease term.

Provision for employees' end-of-service benefits

Bahraini employees

Pension rights (and other social benefits) for Bahraini employees are covered by Social Insurance Organization for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme under IAS 19 *Employee benefits* is recognized as an expense statement of profit or loss and total comprehensive income.

Expatriate employees

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labor Law for private sector, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan has been made by calculating the notional liability had all employees left at the reporting date. The liability recognized in the statement of financial position in respect of the employees' end of service benefits is the present value at the reporting date.

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

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognized in the Company's functional currency at the rates of exchange 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.





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NOTES TO THE FINANCIAL STATEMENTS
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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 has made the following judgements that may have significant effect on the amounts recognized in the financial statements.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management did not include the extension options in those the lease terms stipulating that the lease cannot be renewed without the consent of both parties.

Key sources of estimation uncertainty

The following is the key assumption 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 9, are susceptible to 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 of equipment.



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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.

	2019 BD '000	2018 BD '000
Cash and current accounts with banks	10,160	4,928
Items under collection	81	119
	10,241	5,047
Loss allowance	(2)	(2)
Cash and cash equivalents	10,239	5,045

The following table shows the movement of loss allowance on cash and cash equivalents during the year:

	2019 BD '000	2018 BD '000
Balance as at January 1	2	-
Adjustment upon application of IFRS 9	-	43
Balance as at January 1 under IFRS 9	2	43
Net decrease in loss allowance	-	(41)
Balance as at December 31	2	2

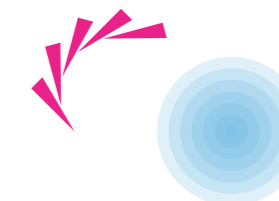


Non-cash transactions:

	2019 BD '000	2018 BD '000
Dividends declared not yet settled at the reporting date	168	138
Write-off property and equipment against payables	-	695

Changes in liabilities arising from financing activities:

	Term loans	
	2019 BD '000	2018 BD '000
Total liabilities from financing activities at January 1		1,875
Repayment	-	(1,875)
Total liabilities from financing activities at December 31	-	-



6. TRADE RECEIVABLES AND OTHER ASSETS

	2019 BD '000	2018 BD '000
Trade receivables:		
Due from postpaid subscribers	24,712	23,383
Due from roaming partners	1,376	1,460
Contract assets	7,790	10,031
Due from distributors	409	301
Interconnect receivables from other operators	727	475
	35,014	35,650
Loss allowance	(12,810)	(11,539)
	22,204	24,111
Accrued income (unbilled services)	77	90
	22,281	24,201
Other assets:		
Due from a related party (note 21)	1	1
Sundry receivables and advance payments	1,411	1,179
Staff receivables	124	86
Loss allowance	(155)	(176)
Prepaid expenses	1,810	2,486
	3,191	3,576
Total trade receivables and other assets	25,472	27,777
Less: Non-current portion of contract assets	(2,167)	(2,930)
Less: Non-current portion of prepaid expenses	(1,199)	(1,292)
	22,106	23,555

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

		2019	2018
		BD '000	BD '000
Trade receivables:			
Postpaid subscribers (note 6.1)	Collectively assessed	11,843	10,505
Roaming partners	Individually assessed	328	328
Contract assets	Collectively assessed	515	621
Due from distributors	Collectively assessed	4	9
Interconnect receivables from other operators	Individually assessed	120	76
Other assets:			
Sundry receivables	Collectively assessed	149	171
Staff receivables	Collectively assessed	6	5
		12,965	11,715

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 90 days.

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



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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.

Aging brackets	December 31 ,2019			December 31 ,2018		
	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	1,795	11%	193	1,755	5%	83
31 - 60 days	794	14%	109	955	16%	155
61 - 90 days	409	34%	139	566	39%	219
91 - 180 days	1,373	45%	616	1,457	53%	771
> 180 days	20,750	52%	10,790	18,951	49%	9,286
	25,121		11,847	23,684		10,514

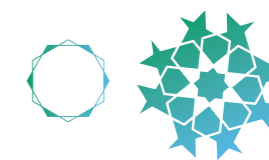
The following table shows the movement in the loss allowance that has been recognised for trade and other receivables:

	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	11,311	404	11,715
Net increase in loss allowance	1,206	44	1,250
Balance, December 31, 2019	12,517	448	12,965

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

	2019	2018
	BD '000	BD '000
Handsets, accessories and others	4,494	4,567
Provision for obsolescence	(1,608)	(1,486)
	2,886	3,081



8. LEASES

The Company only operates as a lessee.

8.1 Right-of-use assets

The recognised right-of-use assets relates to the following types of assets leased by the Company. The average lease term is five years.

	Building & Premises	Sites	Vehicles	Total
	BD '000	BD '000	BD '000	BD '000
Balance, December 31, 2018	-	-	-	-
Transition adjustments on IFRS 16 application	3,995	10,110	52	14,157
Balance, January 1, 2019 (restated)	3,995	10,110	52	14,157
Amortisation	(1,189)	(2,689)	(25)	(3,903)
Additions / modifications	330	2,266	3	2,599
Termination	-	(90)	-	(90)
Balance, December 31, 2019	3,136	9,597	30	12,763

The following are the amounts recognised in profit and loss for the year ended December 31, 2019:

	2019
	BD '000
Amortization expense on right-of-use assets	3,903
Interest expense on lease liabilities	736

During 2019, the total cash outflow for leases amounted to BD 4,954 thousands.

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At the reporting date, none of the property leases in which the Company is the lessee, contain variable lease payment terms.

8.2 Lease liabilities

	2019 BD '000
Balance, December 31, 2018	-
Transition adjustments on IFRS 16 application	14,863
Balance, January 1, 2019 (restated)	14,863
Additions	2,599
Terminations	(95)
Accretion of interest (note 19)	736
Payments	(4,954)
Balance, December 31, 2019	13,149

Below is the allocation of lease liabilities as at December 31, 2019:

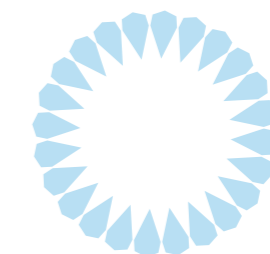
	2019 BD '000
Current lease liabilities	3,806
Non-current lease liabilities	9,343
	13,149

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The maturity analysis of lease liabilities as at December 31, 2019 is as follows:

	2019 BD '000
Not later than 1 year	4,422
Later than 1 year and not later than 5 years	9,235
Later than 5 years	1,192
	14,849
Less: unearned interest	(1,700)
	13,149

The Company does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are monitored within the Company's treasury function.





9. PROPERTY AND EQUIPMENT

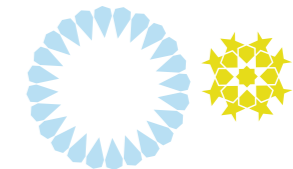
	Freehold Land and Building	Network Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Capital work in progress	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:							
At December 31, 2017	3,025	84,125	35,844	2,788	17	6,109	131,908
Additions	-	-	-	-	-	1,153	1,153
Transfers	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
Additions	-	-	-	-	-	6,295	6,295
Transfers	-	1,498	414	5	-	(1,917)	-
Write-off	-	-	-	-	-	(950)	(950)
At December 31, 2019	3,027	89,144	36,808	2,818	17	5,817	137,631
Accumulated Depreciation:							
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
Adjustment of Depreciation expense:	(193)	-	-	-	-	-	(193)
Depreciation expense	38	7,365	2,056	95	-	-	9,554
At December 31, 2019	697	49,148	32,939	2,788	17	-	85,589
Carrying amount:							
December 31, 2019	2,330	39,996	3,869	30	-	5,817	52,042
December 31, 2018	2,175	45,863	5,511	120	-	2,389	56,058

The Freehold land and buildings include freehold land amounting BD 1.13 million (2018: 746 thousand) which is not depreciated.

Capital work in progress mainly relates to network equipment in respect of network expansions and improvements. As at December 31, 2019 capital work in progress outstanding for more than one year amounted to approximately BD 95 thousand (2018: BD 1.029 million).

10. INTANGIBLE ASSETS

	2019 BD '000	2018 BD '000
National Fixed Wireless Services license (note 10.1)	780	1,152
Mobile frequency and spectrum licenses (note 10.2)	13,579	622
Other intangible assets (note 10.3)	978	1,068
	15,337	2,842



The movement of intangible assets is as follows:

	2019	2018
	BD '000	BD '000
Balance, beginning of year	2,842	6,825
Effect of change in accounting policies (note 10.4)	-	(3,471)
Restated at the beginning of the year	2,842	3,354
Additions	13,866	8
Amortization charge	(1,371)	(520)
Balance, end of year	15,337	2,842

10.1 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.

10.2 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. During the year, the Company renewed mobile frequency license and spectrum frequency license for 10 years and 15 years respectively and the license fees are required to be paid over five year period. Accordingly the license fees were capitalized by discounting at incremental borrowing rate.

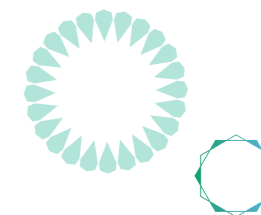
10.3 Other intangible assets are amortized over the contracted period.

10.4 With the adoption of IFRS 15 on January 1, 2018, the Company recognised 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 recognised as other assets, was transferred to retained earnings.

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2019	2018
	BD '000	BD '000
Due to suppliers	9,972	3,562
Accrued expenses	14,569	8,716
Interconnection payable	1,925	2,011
Due to roaming partners	551	928
Accrued employees' benefits	1,267	1,074
Due to related parties (note 21)	2,356	5,442
Value added tax payable	218	-
Accrued Directors' remuneration (note 21)	224	223
Deposits	22	21
Dividends payable	168	138
Total accounts payable and other liabilities	31,272	22,115
Less: Non-current portion of due to suppliers	(7,819)	-
	23,453	22,115

No interest is charged on trade payables.





12. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

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

	2019 BD '000	2018 BD '000
Balance, beginning of year	300	321
Charge for the year	62	55
Settlements	(13)	(76)
Balance, end of year	349	300

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:

		December 31 ,2019		December 31 ,2018	
		No. of shares	% of shareholding	No. of shares	% of shareholding
Mobile Telecommunication Co. K.S.C.	Kuwait	201,600,000	54.78%	201,600,000	54.78%
Sh. Ahmed Bin Ali Al-Khalifa	Bahrain	59,260,000	16.10%	59,260,000	16.10%
Gulf International Bank B.S.C.	Bahrain	24,085,097	6.54%	31,154,997	8.47%



Distribution of shares by shareholding brackets

Shareholding brackets	% of total shares		No. of shareholders	
	2019	2018	2019	2018
Less than %1	14%	14%	478	476
1 % up to less than 5%	8%	6%	5	4
5 % up to less than 10%	7%	9%	1	1
10 % up to less than 20%	16%	16%	1	1
More than 50%	55%	55%	1	1
Total			486	483

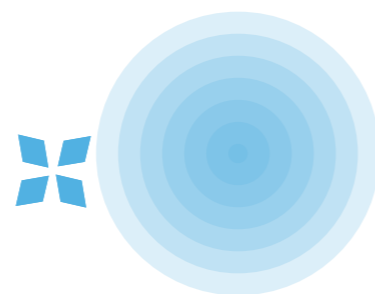
Dividends

The annual general meeting of shareholders for the year ended December 31, 2018, held on March 25, 2019 approved the distribution of cash dividends of 5 fils per share totaling BD 1,819,000.

The Board of Directors proposed a cash dividends distribution of 6 fils per share to the registered shareholders subject to ratification during the Annual General Meeting of Shareholders to be held in 2020, after obtaining the necessary regulatory approvals.

14. TREASURY SHARES

	2019	2018
Number of shares	4,116,990	4,116,990
Percentage of issued shares	1.12%	1.12%
Market value (BD '000)	441	309
Cost (BD '000)	754	754



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.

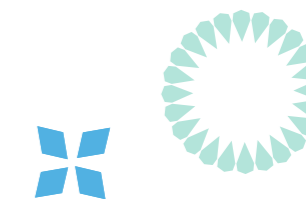
16. STATUTORY RESERVE

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:

	2019 BD '000	2018 BD '000
Airtime, data and subscription	50,568	50,720
Trading	12,327	15,478
	62,895	66,198



The transaction price allocated to (partially) unsatisfied performance obligations at December 31, 2019 is set out below:

	2019 BD '000	2018 BD '000
Trading	539	506

Management expects that majority of the transaction price allocated to unsatisfied contracts as of 2019 year-end will be recognised as revenue during 2020, with the remaining balance in 2021.

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.

18. OPERATING AND ADMINISTRATIVE EXPENSES

	2019 BD '000	2018 BD '000
Staff costs	6,581	6,259
Rent	133	5,238
Management fees (note 21)	1,564	1,699
Directors' remuneration (note 21)	224	224
Other	13,051	14,100
	21,553	27,520

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. FINANCE COSTS

	2019	2018
	BD '000	BD '000
Interest on bank borrowings	-	50
Interest expense on lease liabilities (note 8.2)	736	-
Others	451	-
	1,187	50

20. EARNINGS PER SHARE

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

	2019	2018
	BD '000	
Profit for the year	5,269	5,174
	Number of shares	
Weighted average number of shares in issue	363,883,010	363,883,010
	Fils	
Basic and diluted earnings per share	14	14

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



21. 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:

	2019	2018
	BD '000	BD '000
Costs		
Office rent and maintenance costs	980	980
Site and outlet rent	18	17
Management fees (note 18)	1,564	1,699
Telecommunication services	1,291	1,723
Repairs and maintenance	146	128
Revenues:		
Telecommunication services	401	442
Capital expenditures:		
Purchase of fixed assets	398	238

Accruals for Board of Directors' remuneration made during the year amounted to BD 224 thousand, subject to ratification by the Annual General Meeting of Shareholders (2018: BD 224 thousand) (notes 11 & 18).



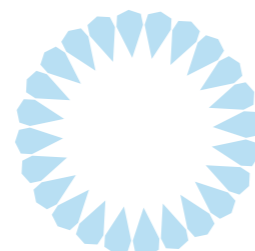
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Remuneration of members of key management during the year was as follows:

	2019	2018
	BD '000	
Short-term benefits	1,311	1,263
Other long-term benefits	110	102
	1,421	1,365

Balances with related parties are as follows:

	2019	2018
	BD '000	
Due from a related party: (note 6)		
Zain – Lebanon	1	1
	1	1
Due to related parties: (note 11)		
Zain Group Holding-Bahrain S.P.C.	2,340	5,426
Zain – Jordan	16	16
	2,356	5,442



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22. 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.

23. COMMITMENTS AND CONTINGENCIES

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

	2019	2018
	BD '000	
Letters of guarantee	8,870	584
Capital expenditures	123	660





24. 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.

	2019 BD '000	2018 BD '000
Financial assets		
Cash and banks at amortized cost	10,239	5,045
Trade receivables and other assets at amortized cost	23,251	24,979
Total financial assets	33,490	30,024
Financial liabilities		
Accounts payable and other liabilities at amortized cost	31,272	22,115
Lease liabilities at amortized cost	13,149	-
Total financial liabilities	44,421	22,115

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

	2019 BD '000	2018 BD '000
Trade receivables		
Gross amounts of recognised financial instruments	7,235	5,862
Gross amounts of recognised financial instruments subject to set off in the statement of financial position	(5,132)	(3,927)
Net amounts of financial instruments presented in the statement of financial position	2,103	1,935



	2019 BD '000	2018 BD '000
Accounts payables		
Gross amounts of recognized financial instruments	7,608	6,866
Gross amounts of recognised financial instruments subject to set off in the statement of financial position	(5,132)	(3,927)
Net amounts of financial instruments presented in the statement of financial position	2,476	2,939

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, 2019, 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 23 are called upon, irrespective of the likelihood of the guarantee being exercised.

The Company's financial assets are detailed below:



	Notes		Gross carrying amount	Loss allowance	Net carrying amount
			BD '000	BD '000	BD '000
December 31, 2019					
Cash and banks	5	(i)	10,160	(2)	10,158
Items under collection	5		81	-	81
Trade and other receivables:					
Due from postpaid subscribers	6	(ii)	24,712	(11,843)	12,869
Due from roaming partners	6		1,376	(328)	1,048
Contract assets	6	(ii)	7,790	(515)	7,275
Due from distributors	6	(ii)	409	(4)	405
Interconnect receivables	6		727	(120)	607
Accrued income (unbilled services)	6		77	-	77
Due from related parties	6		1	-	1
Sundry receivables	6		1,000	(149)	851
Staff receivables	6		124	(6)	118
			46,457	(12,967)	33,490
December 31, 2018					
Cash and banks	5	(i)	4,928	(2)	4,926
Items under collection	5		119	-	119
Trade and other receivables:					
Due from postpaid subscribers			23,383	(10,505)	12,878
Due from roaming partners	6	(ii)	1,460	(328)	1,132
Contract assets	6		10,031	(621)	9,410
Due from distributors	6	(ii)	301	(9)	292
Interconnect receivables	6	(ii)	475	(76)	399
Accrued income (unbilled services)	6		90	-	90
Due from related parties	6		1	-	1
Sundry receivables	6		867	(171)	696
Staff receivables	6		86	(5)	81
			41,741	(11,717)	30,024

ZAIN BAHRAIN B.S.C. NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

(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 stage 3 depending on credit risk quality.

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

The Company is also exposed to credit risk in relation to letters of guarantees given (note 23). 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	Pound	Euro	Total foreign currencies
	BD '000	BD '000	BD '000	BD '000
December 31, 2019				
Monetary assets				
Cash and banks	405	-	-	405
Trade receivables and other assets	1,301	19	22	1,342
	1,706	19	22	1,747
Monetary liabilities				
Accounts payable and other liabilities*	8,363	-	3,205	11,568
	8,363	-	3,205	11,568
Net	(6,657)	19	(3,183)	(9,821)



	U.S Dollar	Pound	Euro	Total foreign currencies
	BD '000	BD '000	BD '000	BD '000
December 31, 2018				
Monetary assets				
Cash and banks	219	-	-	219
Trade receivables 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)

* The remaining monetary liabilities including lease liabilities are denominated in Company's functional currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to significant interest rate risk. The Company does not have interest bearing liabilities or assets at December 31, 2019, other than current accounts at banks.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its funding requirements. The Company manages this risk by maintaining sufficient cash, availability of funding from credit facilities and its ability to close out market positions on short notice.

The Company has unutilized bank overdraft facility of BD 5.5 million (2018: BD 5.5 million) with local commercial banks.

Below is analysis of the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturity at the reporting date, modified to the expected settlement period. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant:



	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
2019					
Accounts payable and other liabilities	3,382	8,009	12,062	8,871	32,324
2018					
Accounts payable and other liabilities	3,386	6,523	12,206	-	22,115

The maturity analysis of lease liabilities are disclosed in note 8.2.

25. 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.

26. 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.

