



A FOCUS ON
SUSTAINABLE
GROWTH

ANNUAL REPORT 2021



**HIS MAJESTY KING
HAMAD BIN ISA AL KHALIFA**
KING OF THE KINGDOM OF BAHRAIN



**HIS ROYAL HIGHNESS PRINCE
SALMAN BIN HAMAD AL KHALIFA**
CROWN PRINCE AND PRIME MINISTER
OF THE KINGDOM OF BAHRAIN

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ACHIEVING OUR DIGITAL GROWTH



ACHIEVING OUR DIGITAL GROWTH



THE PROPENSITY FOR GROWTH OF ALL MAJOR COMPANIES MAKING A DIFFERENCE IN TODAY'S INCREASINGLY CONNECTED WORLD HAS BECOME DEPENDANT ON ITS DIGITAL TRANSFORMATION.

Having laid down the roadmap to support its customers and communities through its Digital First strategy, Zain Bahrain continued to grow and expand its digital innovation across all services and operations in 2021, while consistently improving meaningful connectivity.

Zain Bahrain's commitment to digital growth has been exemplified through the company's investment in state-of-the-art products, platforms, and upgrades to support its customers on their digital journey in the Kingdom.

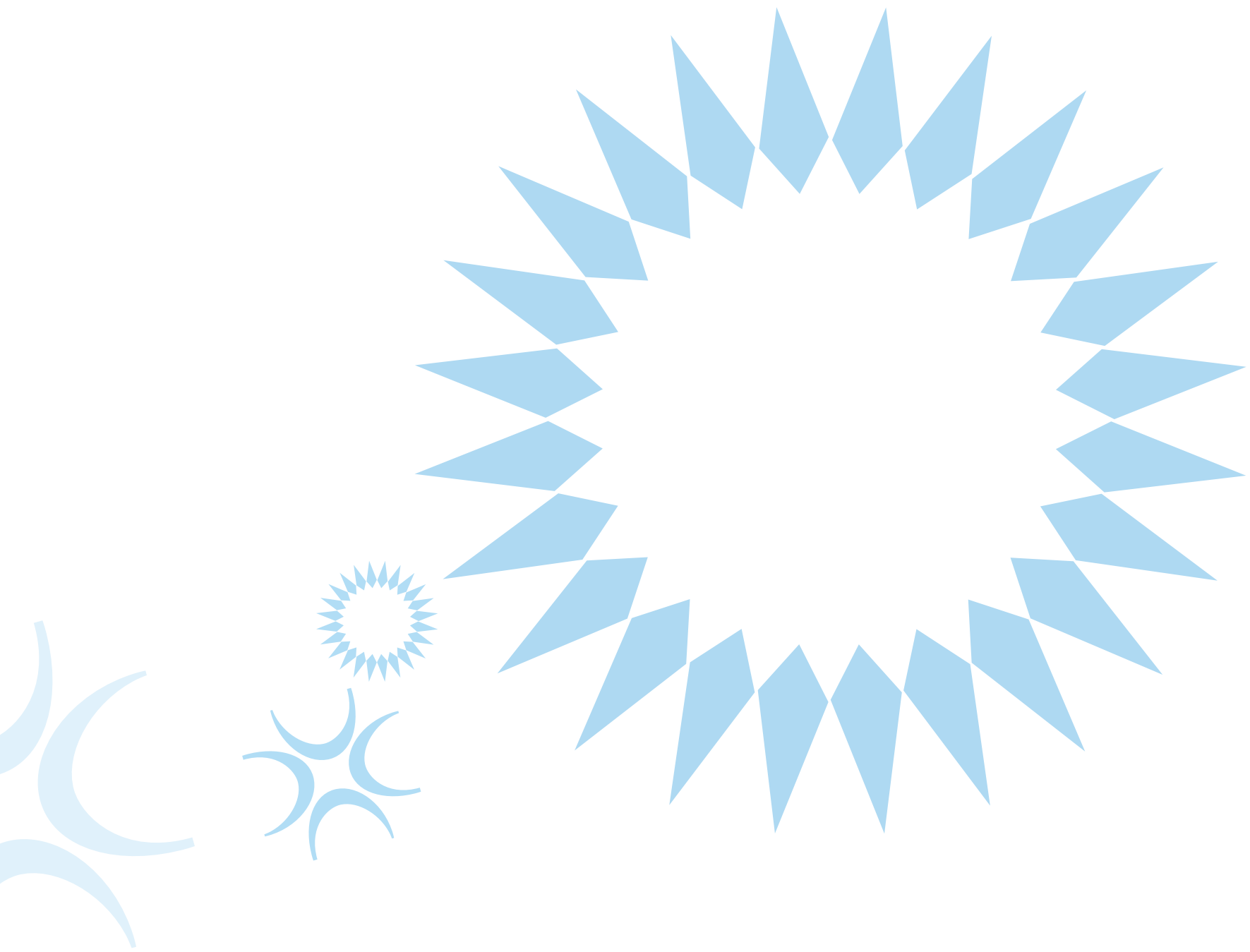
New digital transformational achievements include the introduction of Internet of Things technology to Bahrain as well as increasing data capacity to boost the user experience of both 4G and 5G networks and upgrading Fiber speed to further accelerate connectivity in the Kingdom.

For its employees, Zain Bahrain has also launched an internal gamification and training platform – 'Travel in the Digital World'. This new platform is part of Zain Bahrain's main developmental programs that focuses primarily on growing the company's employees' skills and know-how in digital fields.

As well as being a key facilitator in building Bahrain's digital society, Zain Bahrain has taken on the responsibility of ensuring the prosperity of the community through digital growth and transformation initiatives. These great strides were aimed at increasing the digital inclusion of women, creating learning opportunities for youths, and accelerating digital innovation by supporting start-up businesses.

These initiatives reflect our resolve to grow by developing the community's digital capabilities. Having achieved tremendous growth at multiple levels of digital transformation, we will continue to develop more digital innovations for a brighter future.

VISION, MISSION & VALUES



VISION

To continuously entrench our leadership of Bahrain's telecommunications sector, offering care to all stakeholders and supporting their lifestyles.

MISSION

To provide the Bahraini market with quality telecommunications services centered 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 organization that cares about others.

VALUES

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

These core values are:

- Radiance** Leading the way with imagination and vision; bringing joy, color 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.

An abstract graphic on the left side of the page features a central cluster of teal and yellow shapes, including a circular arrangement of teal leaves and a starburst of yellow and teal triangles. From this cluster, numerous thin, curved lines in various colors (red, blue, green, purple, orange) radiate outwards, creating a sense of motion and energy against a dark teal background.

KEY 2021 MILESTONES

KEY 2021 MILESTONES



GROWTH OF PRODUCT PORTFOLIO

Fiber broadband was expanded and introduced unlimited data plans with generous benefits. Another service launched in 2021 was 'Wiyana', an umbrella for postpaid plans offering a range of benefits to ensure customers stay connected by paying affordable prices while receiving up to 50% additional data allowance.

GROWTH OF DIGITAL SERVICES

A range of new digital services and devices were introduced in 2021. These included a fast 3-hour delivery service for eShop orders, online order tracking, a gaming portfolio, new accessories, a device trade-in service, two months free mobile insurance on any smartphone purchase, eSim on Zain App, Apple Watch Cellular and the HTC streaming bundle with 4K content and mobility on a large screen using the HTC 5G Streaming Hub. The year also saw the launch of Apple Pay to allow cash-free, contactless smartphone payments in Bahrain.

In addition, Zain Bahrain offered customers a free Unipal Haiba membership, a Bahraini platform that is designed for university students by providing more than 200 premium offers and discounts with multiple merchants in Bahrain. The Advanced Credit Service was also launched during the year to allow prepaid mobile customers to get advanced credit in the form of airtime and bundles whenever they are out of credit, so that they can pay back easily the next time they top-up.

GROWTH OF 5G AND COMMERCIAL NETWORK MODERNIZATION

Following the launch of its 5G commercial services in the Kingdom, Zain Bahrain continued to deliver enhanced data speed and better network connectivity opportunities to its customers at an accelerated pace in 2021. With a 139% increase in download speed, the company has successfully driven significant network enhancements to build a transformative 5G network expansion, improving its existing network, and meeting the increasing customer demand for seamless connectivity. The revamped 5G Home Broadband plans now provide faster speeds and higher data thresholds along with free extra SIM cards. Substantial investments were also made to the 4G network to further uplift the end user experience with an increase of 33% in download speed.



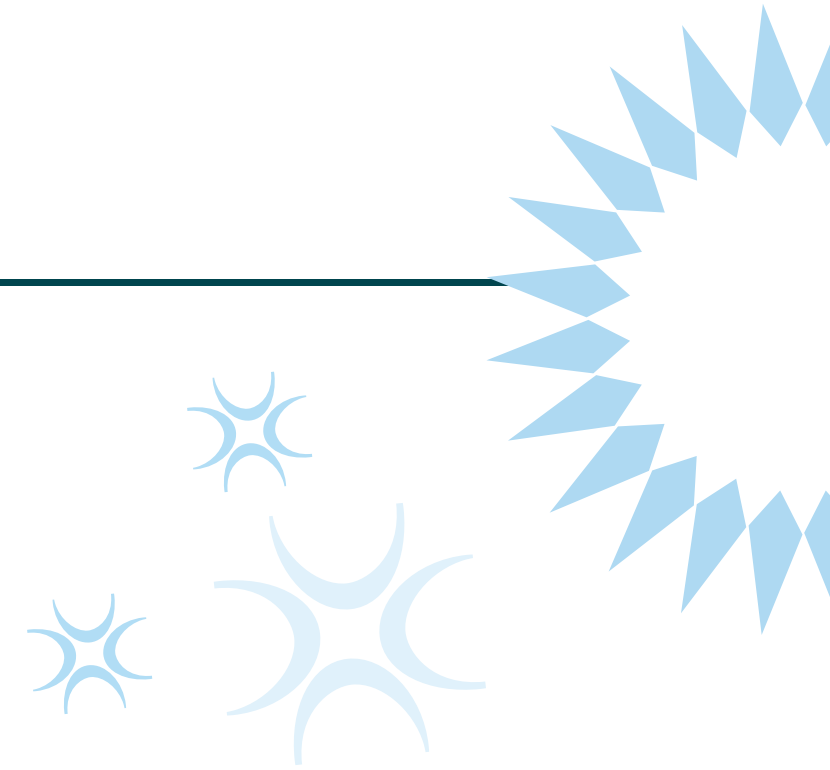
KEY 2021 MILESTONES

GROWTH OF DIGITAL JOURNEY

Since the launch of Zain Bahrain's 'Digital First' strategy with the aim of providing an exceptional digital experience, the digital transformation process continued to grow and accelerate in 2021. The company saw a significant increase in the utilization of digital selfcare channels reaching a new record of 96.10% in 2021. As part of its mobile service offering, Zain Bahrain launched a tailored mobile post-paid plan targeting the youth with up to 60GB social media data allowance. The utilization of technological resources such as WhatsApp Business customer communication backed by zBot also increased the overall number of social media users, which jumped to 665,000.

GROWTH OF COMMUNITY SUPPORT

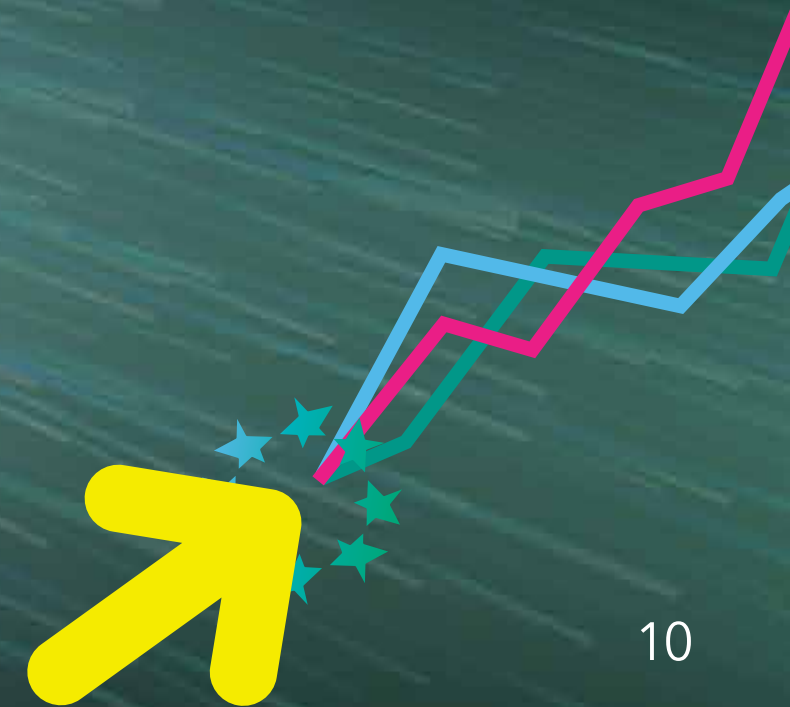
In line with its commitment to support the development of a sustainable future, Zain Bahrain made numerous strides and initiatives in support of the local community during 2021. In the area of education, training and youth development, Zain Bahrain signed a Memorandum of Understanding with Bahrain Polytechnic aimed at exploring collaboration opportunities and a cooperation agreement with the Bahrain Society for Training & Development to increase training and employment opportunities for young females in various departments of the company through the "Zain Youth Empowerment" program. On other fronts, Zain Bahrain continued its sustainability e-waste program & partnered with the National Initiative for Agricultural Development (NIAD) to support and boost national afforestation efforts.





CHAIRMAN'S STATEMENT

WE HAVE AN UNWAVERING COMMITMENT TO PLAY A PIVOTAL ROLE IN HELPING BUSINESSES, COMMUNITIES, AND INDIVIDUALS IN BAHRAIN TO GROW AND PROSPER. WE WILL CONTINUE TO DRIVE THE GROWTH OF OUR COMPANY THROUGH KEEPING THE COMMUNITY EVER MORE CONNECTED IN OUR RAPIDLY DIGITIZING WORLD.



CHAIRMAN'S STATEMENT



On behalf of myself and the Board of Directors of Zain Bahrain, I am deeply honoured to extend my sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, the King of the Kingdom of Bahrain; His Royal Highness, Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister of the Kingdom of Bahrain, for their relentless support for the growth of every facet of the Kingdom during this second year of the Covid-19 pandemic.

On behalf of the Board of Directors of Zain Bahrain, I am pleased to present the audited financial statements for the year ended 31st December 2021.

Eighteen years ago, Zain Bahrain started its journey by becoming a leading telecom operator in the Kingdom. Our mission has always been to play a pivotal role in helping Bahrain's businesses, communities, and individuals to grow and be ever more connected in a rapidly digitizing world.

Since this pandemic began, the challenges the world has been facing have highlighted the need for agile future-ready strategies, that promote continuous growth and recovery. Fortunately, we have had these strategies at the core of everything we do and continue to do since the beginning of Zain Bahrain. Our powerful mission and vision has enabled us to thrive despite all the current challenges.

WE ARE COMMITTED TO GROWING THE TELECOM SECTOR BY BEING A KEY PLAYER IN BAHRAIN'S VISION 2030 WHICH AIMS TO FURTHER DEVELOP BAHRAIN INTO A TOP TECHNOLOGY AND ECONOMIC HUB IN THE REGION.

STRATEGY

In 2021, we remained committed to our journey of delivering the latest and the best-in-class telecommunication and digitization products and services in the world. We expanded our 5G commercial services this year, offering incredible mobile experiences to our customers, accelerating new innovative business models and unlocking opportunities for many sectors.

As the demand for online service channels and remote support rose during the second year of the pandemic, we sought to improve and upgrade our services and products to cater to our customers' needs and differentiate their communication experiences.

Zain Bahrain's dedication to our customers remains a key driver in our work and will continue to do so in the coming years, as we strive to continually enhance our premium offerings and uphold customer service excellence as our focus and goal. We believe that by focusing on a superior customer experience is how we will achieve growth.

CHAIRMAN'S STATEMENT



FINANCIAL RESULTS

For the year ended 31st December 2021, Zain Bahrain reported a net profit of BD5,572 million, up 3.7% over 2020. At the balance sheet level, Zain Bahrain's total equity at the end of the full year 2021 stood at BD78,872 million, up from 2020 by 4.4%. The company's assets for the full year ended 31st December 2021 amounted to BD 131,076 million, up 6% Y-o-Y.

OUR COMMITMENT TO THE COMMUNITY

As the global COVID-19 epidemic continued for a second year, we too continued to play our role as an active member of the community, with a focus on the wellbeing of the Kingdom's citizens and residents.

To keep our customers safe, we expanded our remote services to enable customers to conveniently use Zain Bahrain's digital channels to complete their services from the comfort and safety of their own homes. Zain Bahrain also continued to provide free and uninterrupted remote access to educational platforms for students using home broadband.

We also expanded on our existing community sustainability initiatives, and our sponsorship of the arts, sports, and cultural activities.

OUR COMMITMENT TO OUR COLLEAGUES

Prioritizing their safety, we continued to develop our strategic smart home working system whereby employees can work remotely, and at the same time be engaged and productive. Also in 2021, we launched 'BE WELL', a Middle East first for organizational mental well-being providing support across the entire company. We also continued to create opportunities for personal growth for our colleagues, providing ongoing training via introducing tools to elevate their digital and interpersonal skills. I would like to take this opportunity to thank all our colleagues for their outstanding dedication and for putting the customer first during 2021.

LOOKING TO THE FUTURE

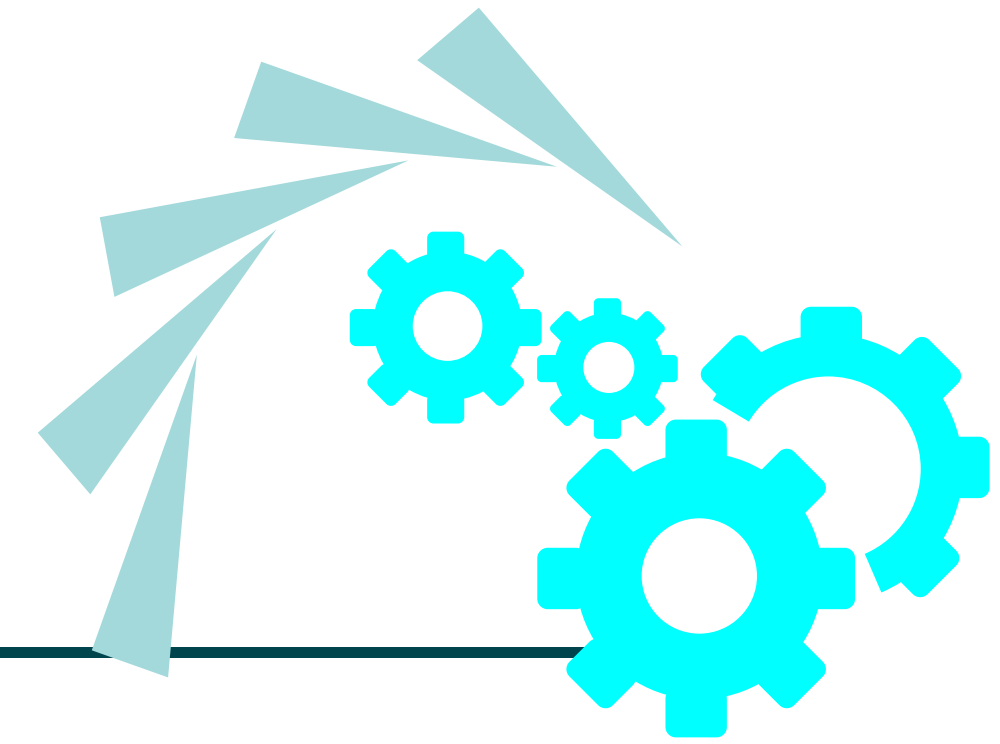
Zain Bahrain has been spurred on by the accelerated drive towards growth through digitalization and looks to grow its product portfolio and content ecosystem in the years to come. Our commitment will continue to expand to strengthen the telecom sector. Being a key player in Bahrain's vision 2030, we will continue to contribute to further developing Bahrain into a leading technology and economic hub in the MENA region.

A CLOSING NOTE

On behalf of Zain Bahrain, I would also like to thank our loyal customers for their continued support; our partners and suppliers for their confidence; and our shareholders for placing their trust in everything that we do. I would like to extend my wishes to all for a healthy and prosperous 2022.

Shaikh Ahmed Bin Ali Al Khalifa
Chairman

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.

BOARD OF DIRECTORS

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 12 March 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 the 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 specializing 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 the Housing Bank for Trade and Finance (Jordan).

Mr. Bader Nasser Al-Kharafi Non-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.

BOARD OF DIRECTORS

Mr. Zaki Hilal Saud Al Busaidi Non-Executive / Non-Independent

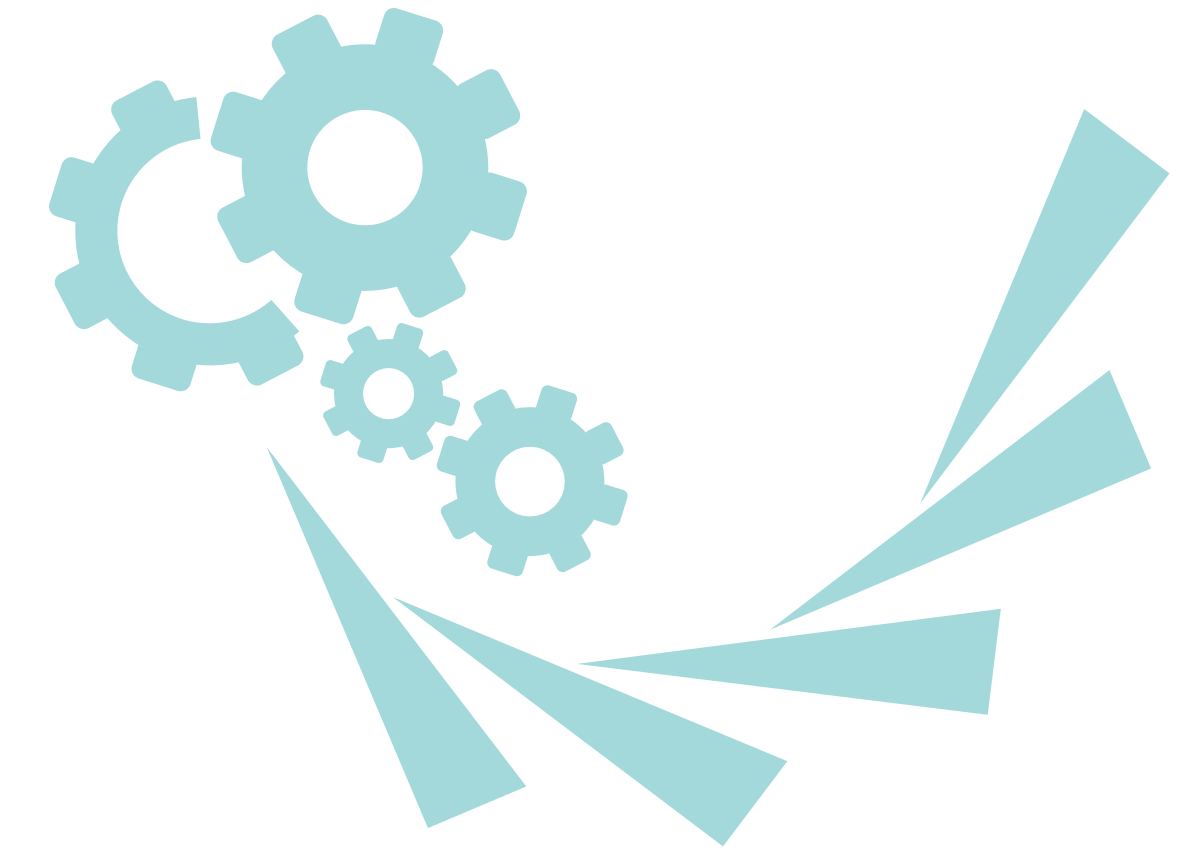
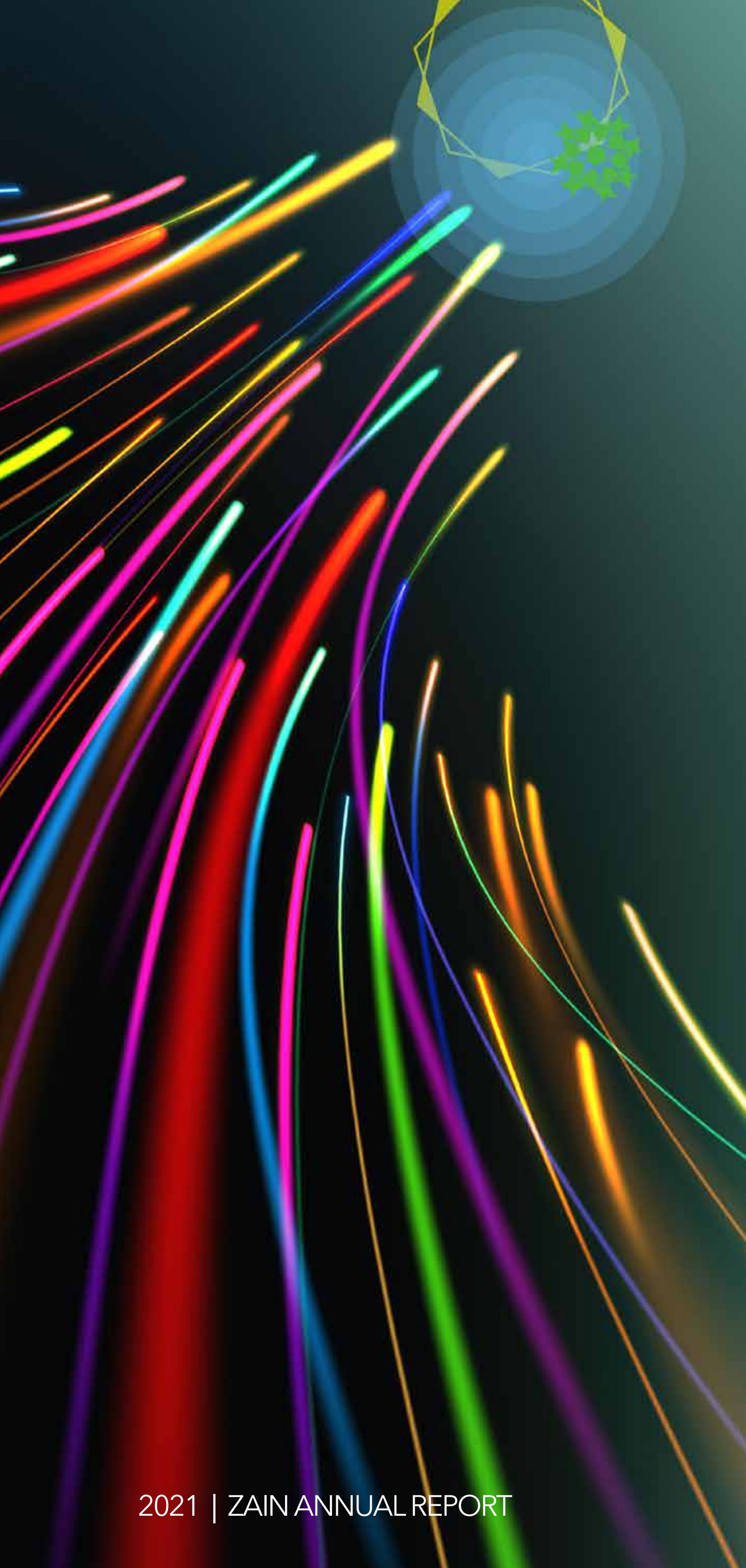
Mr. Zaki Al Busaidi has over 20 years of extensive experience in different fields. He is currently a Board member of Omantel. He joined the Oman Ministry of Civil Service in 1996 where he worked for 18 years before becoming the Director General for Organizing and Job Classification. In 2014 he joined the Oman institute of Public Administration where he is currently the CEO. He previously served as member of the Ports Service Company and Oman Arab Investment Fund. Mr. Al Busaidi holds a Master's degree in Public Administration from Exeter University in the United Kingdom and a Bachelor's degree in Public Administration from Yarmouk University in Jordan. He participated in many specialized courses related to the development of the public and private sectors.

Mr. Yousef Khaled Al-Abdulrazzaq Non-Executive / Non-Independent

Mr. Yousef Al-Abdulrazzaq appointed in Zain Bahrain Board on 27 November 2018. Mr. Al-Abdulrazzaq is a Board member in Zain Group as a representative of Kuwait Investment Authority. Joining the KIA in 2006, he is currently an investment manager within the General Reserve Sector under the local equities department. Mr. Al-Abdulrazzaq holds office as board member and other key roles in several Kuwaiti entities. Since 2012, he is a member of the board of directors at Touristic Enterprises Company where he also serves as Member of the Executive Committee and Chairman of the Audit Committee. Established in 1996, Touristic Enterprises Company is a pioneer in Kuwait's entertainment and recreation business, through its various well-established facilities. Since 2015, he also served as a member of the board of directors and chairman of the Audit Committee and chairman of the Human Resources Committee at the Public Utilities Management Company, Kuwait, a fully owned subsidiary of the KIA. The company was founded in 1982, to diversify internal investment, development and income in Kuwait through the exploitation of lands and state assets. In 2010, he was involved in the Kuwait Airways privatization project. Over the years, Mr. Al-Abdulrazzaq has attended numerous accredited training courses and conferences and attended an intensive on job training with Daiwa SB Investments – London. Mr. Al-Abdulrazzaq holds a Bachelor's degree in business administration with a major in Finance from Kuwait University.

Mr. Ali 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.



KEY HIGHLIGHTS

OPERATING
PROFIT | **6,450 Million**

EPS | **15 Fils**

REVENUE | **64,785 Million**

TOTAL
ASSETS | **131,076 Million**

TOTAL
EQUITY | **78,872 Million**

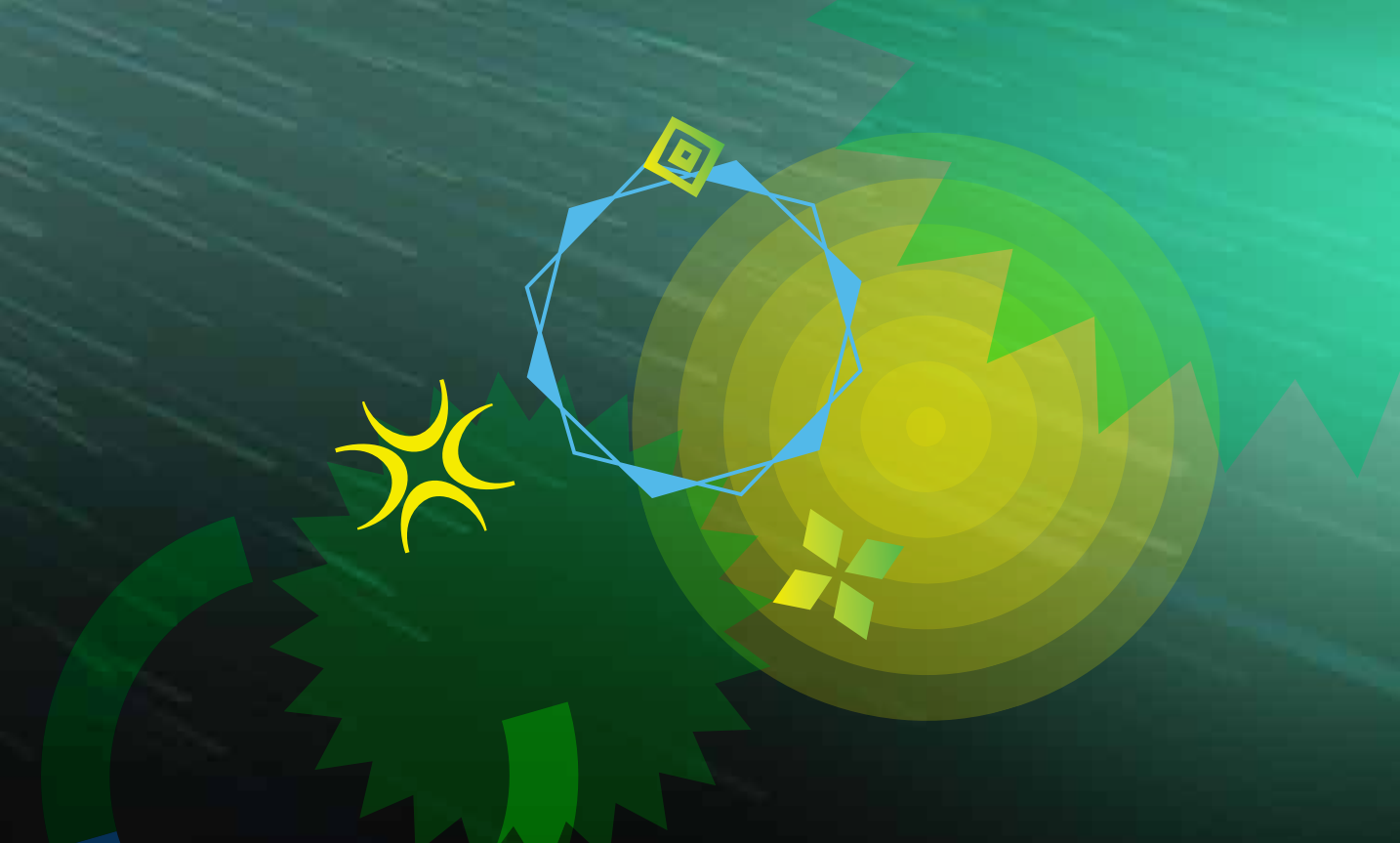
NET
PROFIT | **5,572 Million**

MANAGING DIRECTOR'S STATEMENT

BY SUPPORTING THE GROWTH OF OUR COMMUNITY IN 2021, WE HAVE EXPERIENCED GROWTH AT ALL LEVELS IN THE FACE OF UNPRECEDENTED CHALLENGES. WE HAVE ADDRESSED EVERY CHALLENGE IN A WAY THAT ENABLED US TO ELEVATE OUR CUSTOMER SERVICE.



MANAGING DIRECTOR'S STATEMENT



Despite the economic, social, and health challenges in 2021 that have continued for a second year of the Covid-19 pandemic, Zain Bahrain found opportunities to grow its offering throughout the year.

We focused on supporting the growth of our community through our numerous initiatives to keep our customers safe and thriving at a time of uncertainty. We did what we do best by playing a key role in keeping the Kingdom of Bahrain fully connected.

We also made sure that the wellbeing of the citizens and residents of Bahrain are supported through our CSR program. We continued our existing ongoing community initiatives, including our women empowerment program, Girls for Tech in collaboration with the Supreme Council for Women (SCW) and Clever Play, starting the second edition of the Girls for Tech' initiative to upskill Bahraini girls.

During the year 2021, we launched the 'We Able' hotline to make sure that people with disabilities (PwDs) and their caretakers are taken care of through our services. This comes as a direct reflection on our Disability Inclusion Sustainability

& Inclusivity strategy, aiming to deliver an exceptional customer service experience while ensuring digital inclusion and access to all members in the community including those with special needs.

We also continued to affirm our commitment to being an all-inclusive brand by promoting and training our employees on sign language. As it now stands, more than 10% of Zain Bahrain's staff have been trained to better serve customers with hearing difficulties.

In other areas of social initiatives, Zain Bahrain continued its Cyber Safety program which aims to educate people, particularly children, on how to stay safe while using the internet.

On the sustainability front, Zain Bahrain continued its e-Waste Recycling Initiative and partnered with the National Initiative for Agricultural Development (NIAD) in support of the national afforestation initiative and planted trees on the Al Istiqlal Walkway.

Zain Bahrain's growth remained powerful and consistent at all levels in 2021. Our team of professionals working tirelessly to support our community by maintaining the capability of broadband networks and ensure that connectivity and communication services operate in a reliable, stable, and secure manner.

Offering new technologies, supporting the growth of our community, and developing the skills of our employees, we at Zain Bahrain enjoyed a year of growth at all levels. This proves our flexibility and ability to adapt and address challenges in a manner that keeps us strong, improves customer satisfaction, and pushes our community toward new horizons of progress and development. It is this ability to grow and prosper in the face of challenges that assures us that we are ready to overcome any obstacles along the road to growth and success.

Mohammed Zainalabedin
Managing Director



KEEPING OUR CUSTOMERS SAFE AND CONNECTED



Network and Customer Experience

In partnership with Ericsson, Zain Bahrain invested in the deployment of advanced technologies to improve the user experience for customers by expanding the 5G, 4G networks and coverage. The year also saw the introduction of enhancements to network capacity and user experience in 2021. In addition, Zain Bahrain collaborated with Ericsson to complete trials of the Narrow Band Internet of Things (NB-IoT), a technology that supports Bahrain in achieving the objectives of its National Telecommunication Plan (NTP).

The company upgraded its broadband connectivity speeds by up to six times to bring greater connectivity to the Kingdom and respond to an increasing customer demand for faster and more reliable connections during the continued pandemic. A new Zain shop was also opened at Bahrain International Airport's (BIA) new Passenger Terminal.



New Products and Services

A range of new digital services and devices were introduced in 2021. These included a fast 3-hour delivery service for eShop orders, online order tracking, a gaming portfolio, new accessories, a device trade-in service, two months free mobile insurance on any smartphone purchase and eSim on Zain App.

The year also saw the launch of Apple Pay to allow cash-free contactless smartphone payments in Bahrain as well as the Apple Watch Cellular and the HTC streaming bundle.



KEEPING OUR CUSTOMERS SAFE AND CONNECTED



Solutions for a Safe Society

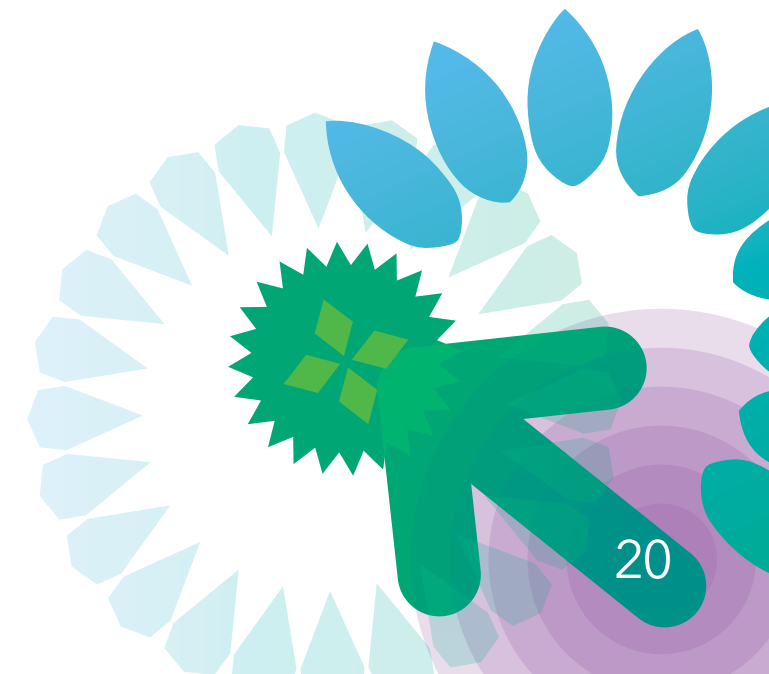
Zain Bahrain provided all students using its home broadband services with free access to select educational platforms, including Google Classroom, Google Hangout, Microsoft Teams, University of Bahrain Black Board, and eduNET.BH.

Further investment in the 'Be Safe' initiative, enabling customers to utilize all of Zain Bahrain's digital channels to complete their transactions from the safety of their homes. Virtual channels include the Zain app, zBot (interactive live chat), the E-shop portal www.eshop.bh.zain.com, and 10 Zain Smart Branches.

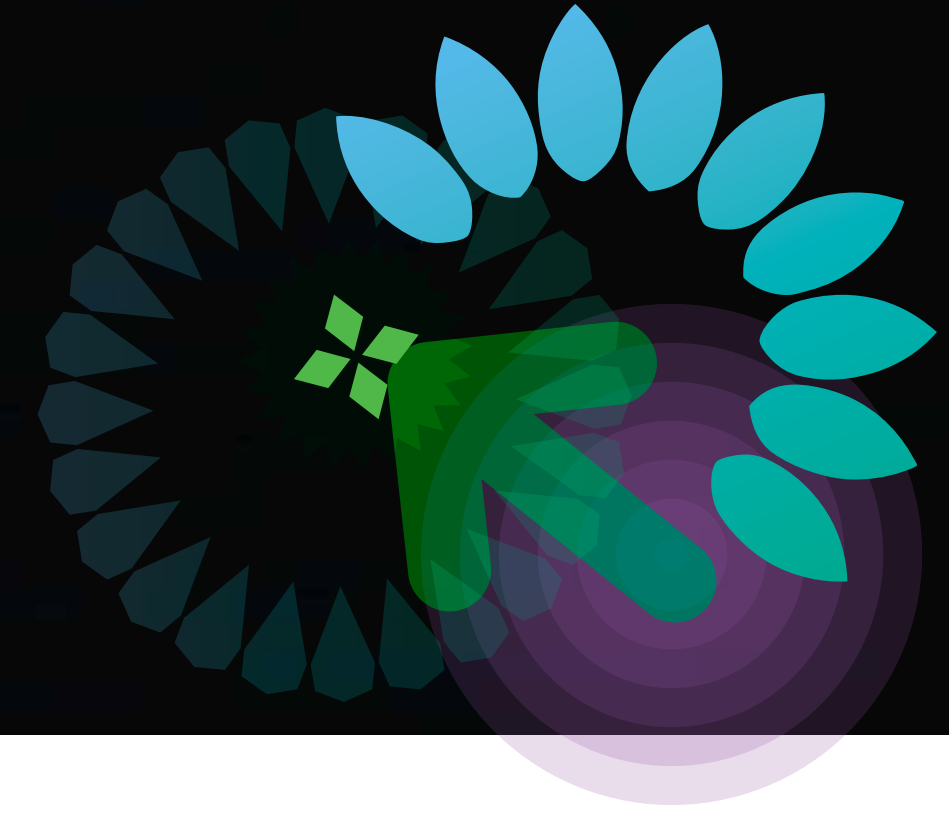


Internet Monsters

Zain Group launched a social media campaign entitled 'Internet Monsters' in 2021, aimed at raising awareness of child safety online. The campaign was based on classic children's fairytales such as Snow White, Hansel and Gretel, Cinderella, and Little Red Riding Hood, to which modern twists have been added to depict what is occurring in the modern digital world. The villains in each story were depicted in a digitized manner to help children visualize and relate to the threats faced online and understand that there are ways to counter them.



PROFESSIONAL GROWTH AND DEVELOPMENT



THROUGHOUT THE YEAR, ZAIN BAHRAIN CREATED OPPORTUNITIES FOR PERSONAL GROWTH FOR ITS EMPLOYEES, PROVIDING CONTINUOUS TRAINING AND INTRODUCING TOOLS TO ELEVATE THEIR DIGITAL AND INTERPERSONAL SKILLS.

PROFESSIONAL GROWTH AND DEVELOPMENT



Be Well

Zain Group launched a ground-breaking mental health initiative for Zain personnel. The employees of Zain Bahrain are a part of the company's focus on the wellbeing of society at large. Reflecting this strategy, the company introduced the 'BE WELL' initiative in May 2021 to incentivize the adoption of healthy habits by employees through gamification and rewards. The timely introduction of Be Well coincided with Mental Health Awareness Month, which ran the course of May. This pioneering initiative is one of the first such programs to be offered across a private organization in the Middle East.



Travel in the Digital World

Also in 2021, Zain Bahrain launched its internally created gamification and training platform, 'Travel in the Digital World', to help upskill and reskill employees in digital fields, and enhance engagement by the gamification of the learning experience. The training platform enhanced employee engagement by gamifying the entire learning experience. Through the 'Travel in the Digital World' platform the company aligns with the top trending topics in the digital world there by focusing on Zain Bahrain's strategic topics.



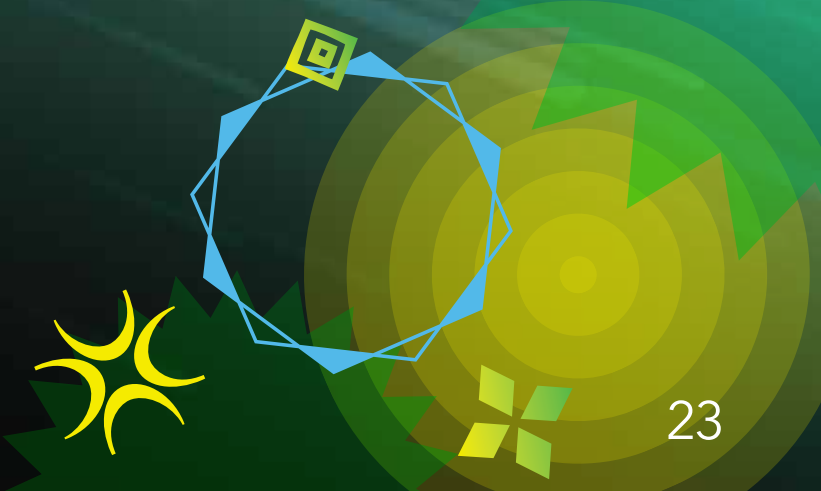
Zain TALKS

'Zain TALKS' is one of Zain Bahrain's main developmental programs directed towards employee well-being. Since it started in 2018, the program has been hosting local inspiring personalities to speak on relevant topics of interest or share their success stories with Zain's employees. In 2021, the company hosted several TALKS including sessions on self-motivation, creativity, cyber security, and wellness among other topics. The program will continue to encourage employees to channel their energy towards achieving their goals.



CEO'S STATEMENT

DURING 2021 OUR FOCUS WAS ON GROWTH OF OUR NETWORK COVERAGE, CAPACITY AND RESILIENCE. DIFFERENTIATING OUR CUSTOMER EXPERIENCE, AND FIRST-TO-MARKET OFFERINGS.



CEO'S STATEMENT



2021 was a year where we focused on Growth. We expanded our 4G network in terms of coverage; and capacity which resulted in higher data speeds and improved indoor coverage. We significantly expanded our 5G network during 2021. Through this state-of-the-art network, customers can enjoy higher data speeds, extremely low latency, and increased reliability - qualities that are essential to companies as they shift to become more digital.

As part of this growth strategy, we also focused on the new residential areas of Bahrain, growing our coverage footprint to include these newly developed locations. With the growth in demand for mobile data and broadband services, we deployed advanced network features, features that increased download speeds, delivered improved latency, and improved indoor coverage. As connectivity continues to play an increasingly crucial role in every aspect of our lives, another aspect of growth, was to continue to grow our own portfolio of digital services and products as part of our digital transformation journey. We firmly believe that these investments will support the growth of our community and enable them to prosper in these times of change.

The Zain Bahrain team has focused relentlessly throughout the year to ensure that connectivity and communication services continue to operate in a reliable, stable, and secure manner. Our recent efforts to offer more digital channels for customer support have resulted in increasing the customer uptake. We have expanded our digital channels to include new versions of our Z-bot as well as a "light" version of our mobile app which are offered in more languages.

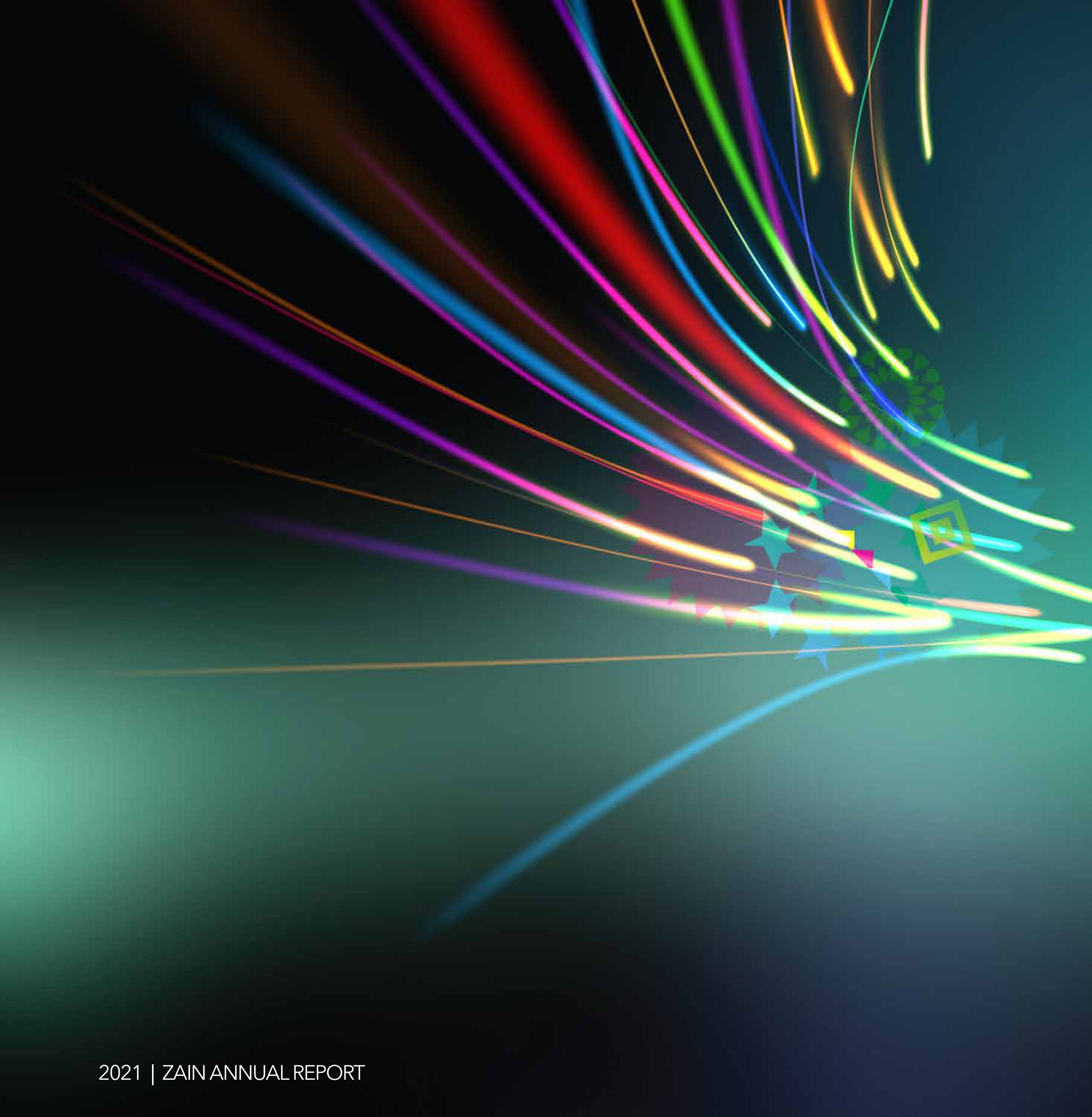
We also added more artificial intelligence features to our Z-bot, which resulted in greatly improved performance in terms of rapidly delivering on customer requests and enquiries. These unique propositions are designed to make it easier for our customers to interact in a digital manner and provide them with a convenient means to manage their services. These channels as well as the Zain E-shop portal and Zain Smart Branch were widely embraced with increased numbers of customers managing their services either digitally or through self-care. Another area of growth was the brand. We wanted to bring the brand closer to customers in both our digital and traditional channels.

With this goal in mind, we expanded the number of partner points of sale, meaning we are now conveniently located nearer to our customers. In these outlets we increased the level of branding, and we provided these partners with a new advanced sales and customer care platform known as MRS (Mobile Retail System). This platform makes it quicker, simpler and easier for customers to buy or to manage their services. In terms of the brand, we also launched our "4Bahrain" brand platform. Through this platform we aim to communicate our numerous initiatives in the areas of sustainability, diversity, and partnerships. We are confident that through the years we have made real progress in each of these areas; and it is part of our commitment to continue to add to these initiatives for Bahrain. Our employees are a key part of our success. We want to be recognized as an "employer of choice", we continue to create a supportive environment for our people to develop personally and professionally.

Zain Bahrain launched an internal gamification and training platform – 'Travel in the Digital World' in 2021. This powerful training initiative is part of our ongoing commitment to develop our employees by up-skilling and re-skilling for example in the area of digital abilities. Our Zain TALKS series continued to be popular during 2021. In these sessions, Business and thought leaders deliver interactive speeches to groups of our employees on a wide variety of topics, for example well-being, artificial intelligence, and creative thinking.

Zain Bahrain also continued to expand its smart remote working system for employees, enabling them to work from home. Aligning our goals with Bahrain's vision 2030, we are proud to play our part in a telecoms sector that is a global leader in terms of the latest technologies, innovation, and network performance.

Duncan Howard
Chief Executive Officer



STRATEGY

STRATEGY

Since the launch of Zain Bahrain's Digital First strategy in 2017, the need for digital transformation of societies has accelerated and grown exponentially, especially with the onset of a global pandemic. The need to connect digitally has grown in every aspect of life. The vision and strategy of Zain Bahrain to grow from a telecom provider to a digital transformation facilitator allowed it to discover opportunities for growth and expansion at a time when it was most needed.

Zain Bahrain has introduced a suite of differentiated digital services designed to accelerate connectivity while increasing security and reliability. Since the introduction of its 5G commercial services in the Kingdom a year earlier, Zain Bahrain continued to deliver enhanced data speed and better network connectivity opportunities to businesses and homes at an accelerated pace during 2021. By deploying advanced features, it has successfully driven significant network enhancements to build a transformative 5G network expansion. Substantial investments were also made to the 4G network to further uplift the end user experience and indoor coverage.

To further support its digital growth and transformation strategy, Zain has created partnerships focused on the growth and economic diversification of the Kingdom's

telecommunications sector and to increase opportunities for its customers. These partnerships have led to new digital transformational achievements including the introduction of NB-IoT technology in Bahrain in cooperation with Ericsson, deployment of Ericsson dual-band AIR 4455 to increase data capacity, and boosting 4G and 5G user experience. These advanced technologies create an environment where innovation can thrive.

Zain Bahrain's digital strategy aims to continuously offer innovative and affordable products, as well as constantly discovering new ways to best serve the customer. Each year, Zain Bahrain introduces new online services for customers to access products and get the support they need, wherever and whenever they choose. The Zain App and the new Zain Light App gives customers the ability to gain a holistic view of Zain Bahrain's services, manage their own accounts and have access to Self-Care services in a seamless manner. With the Zain E-shop portal, customers have access to discounts on the latest premium electronic products and devices and enjoy a 3-hour delivery time.

This year saw the launch of new digital services such as Apple Pay, payment via Open Banking and the continued enhancement of zBot, the chat robot.

Following last year's integration of WhatsApp Business into its suite of customer service communication channels, Zain Bahrain became the first telecom operator to launch this advanced solution in the Kingdom. These digital services have been instrumental in offering uninterrupted service and increasing accessibility for Zain Bahrain's customers, especially while nationwide measures to mitigate the effects of the Covid-19 virus continued for a second year.

Zain Bahrain's Digital First strategy means that it will remain at the forefront of innovation. Technology-based solutions and products will allow Zain Bahrain to play an active role in Bahrain's digitization endeavors to realize the Kingdom's 2030 Vision. Zain Bahrain will also continue to play its role as a good corporate citizen by investing in Bahrain's youth, business start-ups, arts and the welfare of all in Bahrain. From its digital transformation efforts to corporate social responsibility initiatives, Zain Bahrain will continue to grow and build an even more connected and empowered tomorrow.

CORPORATE SUSTAINABILITY, INCLUSIVITY AND SOCIAL RESPONSIBILITY



AS A RESPONSIBLE CORPORATE CITIZEN, ZAIN BAHRAIN CONTINUES TO ADVANCE ITS CSR AGENDA AND DRIVE ENGAGEMENT WITH THE COMMUNITY ACROSS SEVERAL THEMATIC AREAS, INCLUDING ENVIRONMENTAL AND SOCIETAL CONTRIBUTIONS, SUSTAINABLE BUSINESS AND PARTNERSHIPS, AND INCLUSIVE DIVERSITY; CREATING SHARED VALUES THAT CONTRIBUTE TO THE REALIZATION OF BAHRAIN'S VISION AND THE UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS (SDGs).

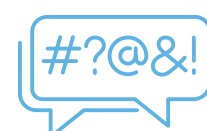
CORPORATE SUSTAINABILITY, INCLUSIVITY AND SOCIAL RESPONSIBILITY



GIRLS FOR TECH

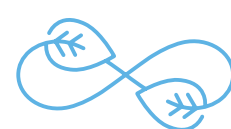
In collaboration with the Supreme Council for Women (SCW) and Clever Play, Zain Bahrain started the second edition of the 'Girls for Tech' initiative. The initiative which is focused on upskilling Bahraini girls between 8 - 14 years and provide them with hands-on STEAM learning experiences.

In 2021, 100 highflyers were selected out of 1,000 girls to receive advanced learning and certification in STEM. This initiative is a part of The UN's SDGs, which aims to reduce the gender gap by focusing on quality education and gender equality through exposure to technology early in life.



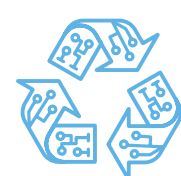
Resilience Against Cyberbullying

An awareness session on 'Learning Resilience against Cyberbullying' was hosted by Zain Bahrain in collaboration with UNICEF and Eman Nooruddin, a prominent Bahraini Psychotherapist and Counselor. The session's objective was to raise awareness of online child safety and how to detect and prevent cyberbullying, in an effort to create a safer digital environment for children in the Kingdom.



FOREVER GREEN

In partnership with the National Initiative for Agricultural Development, Zain Bahrain supported the "Forever Green" campaign, launched under the patronage of Her Royal Highness Princess Sabeeka bint Ibrahim Al-Khalifa. In 2021, Zain Bahrain sponsored the afforestation of one area this year (Al Istiqlal Walkway) and will expand its support to different areas across Bahrain next year.



e-Waste Recycling

In 2021, Zain Bahrain continued its flagship sustainability project, the "e-Waste Recycling Initiative", in cooperation with the Supreme Council for Environment (SCE). 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 landfills. This is in alignment with UN SDG 11 for Sustainable Cities and Communities, and SDG 12 for Responsible Consumption and Production. The initiative for e-Waste pick up and management is supported by UNDP, the Rotary Club of Salmaniya, and Kanoo International School.



Sign Language

In 2021, Zain Bahrain continued to promote and enable a disability inclusive culture by training its employees on sign language. By providing opportunities for a better future that is accessible to all, the company is affirming its commitment to being an all-inclusive brand. So far, more than 10% of Zain Bahrain's staff have been trained to be proficient in sign language for effective communication.



We Able

Zain Bahrain launched the 'We Able' hotline – 36107733 in 2021 to cater to people with disabilities (PwDs) and their caretakers as part of its Disability Inclusion initiative. The launch of this hotline is aligned with the company's Sustainability & Inclusivity strategy. It aims to deliver on an exceptional customer service experience while ensuring digital inclusion and access to all members in the community. It has also identified wheelchair friendly branches through signages and Zain online platforms.





CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

1-Description of the Actions taken to Complete the Corporate Governance Code during the year 2021:

As a listed company on the Bahrain Bourse, Zain Bahrain BSC ("Zain Bahrain" or "Company") is committed to undertake global leading practices in corporate governance and in compliance with laws and regulatory requirements. The purpose of implementing the corporate governance framework is to protect the rights of all shareholders and stakeholders, and to ensure compliance with applicable laws and regulations.

The Company's commitment to achieving the highest standards of corporate governance is reflected by its approach in embracing the governance principles outlined by the 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") which 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 2021:

During the year, Mobile Telecommunications Company K.S.C.P. purchased 35,335,155 shares from Sheikh Ahmed Bin Ali Al-Khalifa. Accordingly, the percentage of shareholding of Mobile Telecommunications Company K.S.C.P. increased from 54.78% to 64.38% and the percentage of shareholding of Sheikh Ahmed Bin Ali Al-Khalifa decreased from 16.10% to 6.50%.

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 deputy 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 6.5% 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 Appendix 1.

b. Description of the following:

1. Total remunerations paid to the directors for the last year, 2021:

For the year ending 31st December 2021, a total of BD 223,612 was paid to the directors.

2. The proposed total remunerations to be paid to the directors for the year 2021, which will be presented at the annual general meeting for approval.

CORPORATE GOVERNANCE

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 2021, a total of BD 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 financial year 2021:

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 2021, 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 2021 on the following dates:

- 16 February 2021
- 4 May 2021
- 11 July 2021
- 19 October 2021

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	Non-Executive/ Non-Independent	Four
Mr. Yousef Khaled Al-Abdulrazzaq	Member	Non-Executive/ Non-Independent	Four
Mr. Zaki Hilal Saud AlBusaidi	Member	Non-Executive/ Non-Independent	Two
Mr. Ali Hassa 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:

- The directors shall be responsible, both individually and collectively, before the shareholders for achieving the Company's objectives and purposes.
- The Board represents 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.

CORPORATE GOVERNANCE

- 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 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 31st March 2021 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 Appendix 1.

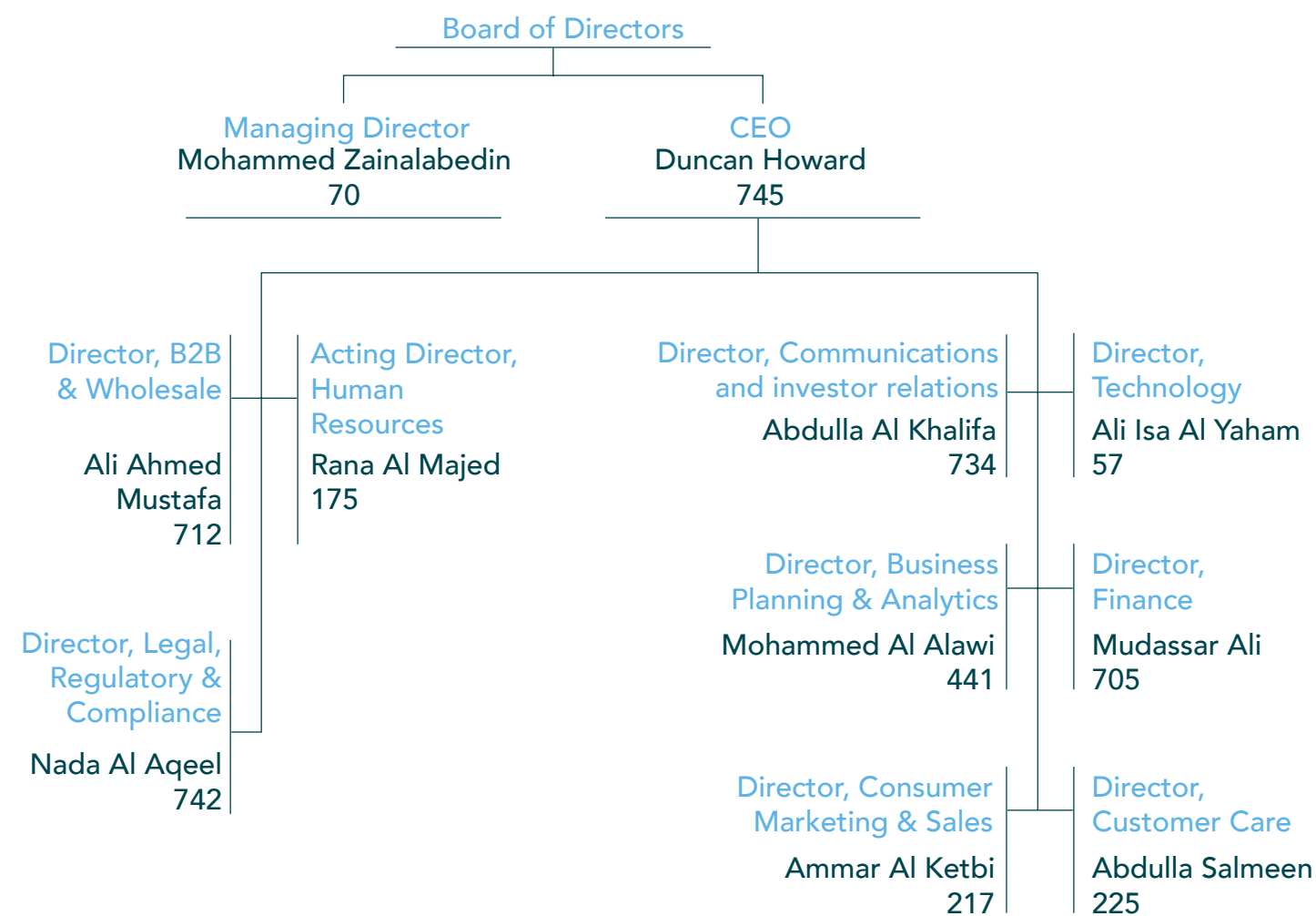
e. Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction.

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 24 (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.

CORPORATE GOVERNANCE

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.



Detailed information on the executive management of Zain Bahrain is presented in Appendix 2.

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 2021, 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 24.

4- External Auditors

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

The External Auditor of Zain Bahrain for the audit year ended 2021 is Deloitte & Touche. Deloitte & Touche enjoys a globally connected network of member firms in more than 150 countries where it provides audit, consulting, financial advisory, enterprise risk, and tax services. Deloitte was established in Bahrain in 1955 and is part of Deloitte & Touche (M.E.). Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL). Through the years the variety of high quality of services delivered by Deloitte Bahrain has been instrumental in the setting up of a wide range of small, medium and large businesses in the Kingdom.

b. Fees and charges for the audit or services provided by the external auditor during the year 2021, 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 2,200

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.
- Select, appoint and remunerate or, where appropriate, terminate 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.

CORPORATE GOVERNANCE

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 state 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 NRGC 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.
- The NRGC shall consider and make specific recommendations to the Board on the remuneration plans.
- The NRGC shall be responsible for developing and making recommendations on the changes required under 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.

CORPORATE GOVERNANCE

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

Zain Bahrain Corporate Governance Officer is Mrs. Nadeya Aqeel. Mrs. Aqeel was appointed as Company's Corporate Governance Officer on 14 May 2020. She holds an LLB (Bachelor of Laws) and a Postgraduate Degree in EU Competition Law.

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

T: (+973) 3603 1742 E: nadia.aqeel@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 2021.

9- Description of the cash and in-kind contributions made by the Company during the year 2021 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.

a. Statement of shareholders' equity as of 31/12/2021 (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 2021	Form of Ownership	Number of Shares	% of shares held
Shaikh Ahmed Bin Ali Al Khalifa	Individual Shareholding	23,924,845	6.50%
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	236,935,155	64.38%
Mr. Ahmed Tahous Al-Tahous			
Mr. Zaki Hilal Saud AlBusaidi			
Mr. Yousef Khaled Al-Abdulrazzaq			

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	125,567,593	34.12%
GCC	241,444,313	65.61%
Others	988,094	0.27%

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 31/12/2021 as follows:

Owner	Number of Shares	% of shares held
Mobile Telecommunications Company K.S.C. (MTC)	236,935,155	64.38%
Shaikh Ahmed Bin Ali Al Khalifa	23,924,845	6.50%
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 2021.

No significant event in the year of 2021 has affected the Board.

CORPORATE GOVERNANCE

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 and executive management shall have full loyalty to the Company.				
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and 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 and responsibly.				
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.				
Principle 8: The Company shall disclose its corporate governance.				
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors. Principle				
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.				

11- Any disclosures required by the regulatory authorities.
NIL.



Shaikh Ahmed bin Ali bin Abdullah Al Khalifa
Chairman of the Board of Directors

CORPORATE GOVERNANCE - Appendix 1

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 and prior to that he was the Vice chairman of the club from 1978 to 1988.

Shaikh Rashid Bin Abdulrahman Al Khalifa Non-Executive / Independent

Shaikh Rashid Bin Abdulrahman Al Khalifa is the Managing Director of Mi'mar Architecture & Engineering since 1992. Prior to that, he worked with the Bahrain Defense Force, holding the position of Director of Military Works from 1982 to 1991 and Head of Engineering Department from 1978 to 1980. Shaikh Rashid holds a BSc in Architectural Engineering from the University of Cairo, Egypt, a Masters' 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) in Bahrain, the American Institute of Architects and the American Planning Association.

Mr. Bader Nasser Al-Kharafi Non-Executive / Non-Independent

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

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

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

CORPORATE GOVERNANCE - Appendix 1

Mr. Ahmed Tahous Al-Tahous Non-Executive/ Non-Independent

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

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

He has served as a Board member of the Egyptian Kuwaiti Development and Investment Company, a company specializing 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).

Zaki Hilal Saud AlBusaidi Non-Executive/ Non-Independent

A seasoned professional with over 20 years of experience in different fields, Mr. Zaki AlBusaidi is currently a board member at Omantel. He joined the Oman Ministry of Civil Service in 1996 where he worked for 18 years and rose up the ranks to eventually be promoted to Director General for Organizing and Job Classification. In 2014, he joined the Oman Institute of Public Administration where he is currently the CEO. He previously served a member of the Ports Services Company and Oman Arab Investment Fund and is currently with the National Life and General Insurance Company.

Mr. AlBusaidi holds a Master's degree in Public Administration from Exeter University in the United Kingdom and a Bachelor's degree in Public Administration from Yarmouk University in Jordan. He participated in many specialized courses related to the development of the public and private sectors.

Mr. Ali Hassan Al-Khaja Non-Executive / Independent

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

CORPORATE GOVERNANCE - Appendix 1

Yousef Khaled Al-Abdulrazzaq Non-Executive/ Non-Independent

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

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

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

In 2010, he was involved in the Kuwait Airways privatization project. Over the years, Mr. Al-Abdulrazzaq has attended numerous accredited training courses and conferences and attended an intensive on job training with Daiwa SB Investments – London. Mr. Al-Abdulrazzaq holds a Bachelor's degree in business administration with a major in Finance from Kuwait University.

CORPORATE GOVERNANCE - Appendix 2

Mr. Mohammed Zainalabedin
Managing Director

Date of Appointment: February 2020

A widely recognized 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 and subsequently appointed the Managing Director in February 2020. Prior to these appointments, 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.

Mr. Duncan Howard,
Chief Executive Officer

Date of Appointment: February 2020

Duncan Howard, the Chief Executive Officer at Zain Bahrain, joined the company in February 2020. As CEO, Duncan is championing the digital first initiative initially launched in 2016. Duncan is passionate about Customer experience; and ensuring that Zain Bahrain is becoming increasingly resilient in the rapidly changing digital world.

With over 25 years' experience in the telecoms industry, Duncan comes to Zain Bahrain from the Zain Group, whereas Group Chief Commercial Officer he was a key part of the Zain Group executive management team, focusing on commercial and operational performance across all markets. During his seven-year tenure at Zain Group, Duncan led the Brand refresh; formulated Group Commercial Strategies, including creating the Enterprise initiatives (B2B) which are rolled out across all operations.

Prior to joining Zain Group, Duncan worked in several senior telecom roles throughout his career, in the mobile, television, and fixed telecoms industry across the Middle East, Europe, and North America. His strong Commercial and Operational expertise have included key roles as Chief Commercial Officer for a European Quad-Play provider offering mobile, fixed, data, and both Broadcast and IPTV services in addition to holding positions such as Chief Marketing Officer, Chief

Business Officer, and Director of Customer Care and Retail for Vodafone in Egypt.

Duncan holds an MBA degree from the Open University, UK, and attained a BA (Hons) System Analysis from The University of the West of England.

CORPORATE GOVERNANCE - Appendix 2

Mrs. Nadeya Aqeel,
Director, Legal, Regulatory & Compliance
Date of Appointment: July 2020

Mrs. Nadeya Aqeel 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. Nadeya has over 13 years of experience in the legal field, primarily in the telecommunications sector specializing in corporate and competition law and key areas of retail and wholesale compliance and regulation. Nadeya holds an LLB (Bachelor of Laws) from Hull University and Postgraduate Degree in EU Competition Law from King's College in the United Kingdom.

Mrs. Rana Al Majed,
A/Director, Human Resources
Date of Appointment: June 2021

Rana Al Majed is responsible for managing the Compensation and Benefits unit, the Recruitment Unit and Learning and Development unit as part of being Zain Bahrain's Human Resources Acting Director. With more than 18 years of experience at Zain Bahrain, Rana has held several positions in sales and organizational development in the company. Rana holds a BSC from the University of Bahrain as well as a Master's in Human Resources from DePaul University. Moreover, she is certified as an Executive coach, Level 7 from ILM institute and successfully attended the Executive Leadership programs from York University and Oxford University in the UK.

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 utilization. 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.

CORPORATE GOVERNANCE - Appendix 2

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 telecommunications 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, retail branches and digital sales. 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.

CORPORATE GOVERNANCE - Appendix 2

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 Honors degree in Management & IT from the University of Manchester, United Kingdom.

Mr. Ali AlYaham,
Director, Technology

Date of Appointment: January 2020

Mr. AlYaham was appointed Technology Director of Zain Bahrain in January 2020. 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 particularly in the sphere of radio, transmission and IP network. Mr. AlYaham holds a BSC from University of Bahrain.



FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

ZAIN BAHRAIN B.S.C.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021

ZAIN BAHRAIN B.S.C.		Principal Bankers	National Bank of Kuwait
Commercial Registration No.	50603		Bank of Bahrain and Kuwait
Chairman of the Board	Sh. Ahmed Bin Ali Al Khalifa		National Bank of Bahrain
Members of the Board of Directors	Sh. Rashid Bin Abdulrahman Al Khalifa – Independent Director		First Abu Dhabi Bank
	Mr. Ali Hassan Al-Khaja – Independent Director		Ahli United Bank
	Mr. Bader Nasser Al-Kharafi		Ithmar Bank
	Mr. Ahmed Tahous Al-Tahous		Arab Bank
	Mr. Yousif Khaled Alabdurazzaq		Khaleeji Commercial Bank
	Mr. Zaki bin Hilal Al Busaidi		Al Salam Bank
Corporate Secretary	Mrs. Nadeya Aqeel Abdulrahman		Kuwait Finance House
Chief Executive Officer	Mr. Duncan Howard		Bahrain Islamic Bank
Managing Director	Mr. Mohammed Zainalabedin	Auditors	Al Baraka Islamic Bank
Finance Director	Mr. Mudassar Muhammad Ali		Standard Chartered Bank
Registered Office	P.O. Box 266 Kingdom of Bahrain		Deloitte & Touche-Middle East P.O. Box 421 Manama, Kingdom of Bahrain

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ZAIN BAHRAIN B.S.C.

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, 2021.

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 5.57 million.

Share capital structure

	2021(%)	2020(%)
<u>Shareholders:</u>		
Mobile Telecommunication Company K.S.C.P.	64.38	54.78
Sheikh Ahmed Bin Ali Al Khalifa	6.50	16.10
Gulf International Bank B.S.C.	6.54	6.54
Others	22.58	22.58
	<u>100.00</u>	<u>100.00</u>

Change in Directors

None.

Dividends

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 2022, after obtaining the necessary regulatory approvals.

Directors' remuneration

Director's remuneration charge for the year, amounted to BD 223,612 (2020: BD 223,612).

Auditors

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

On behalf of the Board


Sh. Ahmed Bin Ali Al Khalifa
Chairman


Mr. Bader Nasser Al-Kharafi
Board Member

February 7, 2022

SUPPLEMENTARY REPORT TO THE BOARD OF DIRECTORS REPORT

This report is issued at the request of the Ministry of Industry and Commerce and accompanies the original report of the Board of Directors, as published in the annual report of Zain Bahrain B.S.C. The tables below set out the remuneration for the Board of Directors and the Executive Management for the year ended 31 December 2021:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD*	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors:													
1- Sheikh Rashid bin Abdul Rahman Al Khalifa	28,853	-	-	-	28,853	-	-	-	-	-	-	28,853	-
2- Mr. Ali Hassan Al-Khaja	28,853	-	-	-	28,853	-	-	-	-	-	-	28,853	-
Second: Non-Executive Directors:													
1- Sheikh Ahmed bin Ali Al Khalifa	43,280	-	-	-	43,280	-	-	-	-	-	-	43,280	-
2- Mr. Ahmed Tahous Al-Tahous**	36,067	-	-	-	36,067	-	-	-	-	-	-	36,067	-
3- Mr. Bader Nasser Al-Kharafi**	28,853	-	-	-	28,853	-	-	-	-	-	-	28,853	-
4- Mr. Yousef Khaled Al-Abdulrazzaq**	28,853	-	-	-	28,853	-	-	-	-	-	-	28,853	-
5- Mr. Zaki bin Hilal Al Busaidi**	28,853	-	-	-	28,853	-	-	-	-	-	-	28,853	-
Total	223,612	-	-	-	223,612	-	-	-	-	-	-	223,612	-

* Subject to AGM approval.

** Remuneration is paid to Mobile Telecommunications Company K.S.C.P being the shareholder entity represented by these board members.

Note: All amounts stated are in Bahraini Dinars.

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO and Chief Financial Officer	851,244	392,852	-	1,244,096

Note: All amounts stated are in Bahraini Dinars.

On behalf of the Board


Sh. Ahmed Bin Ali Al Khalifa
Chairman

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, 2021, 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.

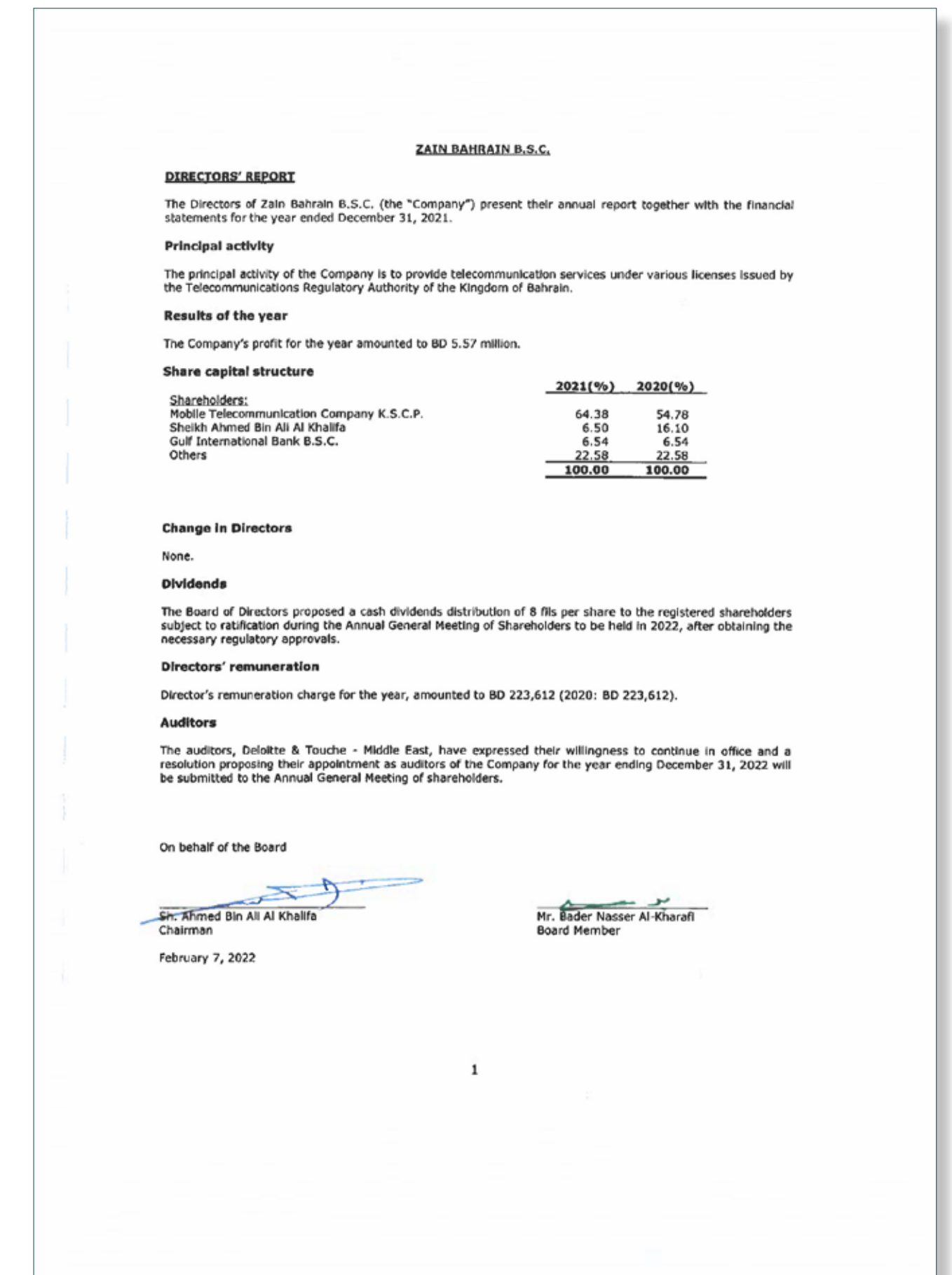
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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.



INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>The Company has recognized revenue from telecom services amounting to BD 52.783 million for the year ended December 31, 2021.</p> <p>There is an inherent risk around telecom services revenue recognition because of the complexity of the related Information Technology ("IT") environment, the processing of large volumes of data through a number of different IT systems and the combination of different products and prices. Due to the complexities and dependencies on different IT systems in the revenue recognition process, we have considered this as a key audit matter.</p> <p>The accounting policy for revenue recognition is set out in note 3 and the related disclosures are made in note 18 to the financial statement</p>	<p>In responding to this area of focus, our audit procedures included the following:</p> <ul style="list-style-type: none"> • an understanding of the significant revenue processes and identifying the relevant controls, IT systems, interfaces and reports. • an evaluation of the relevant IT systems, with the assistance of our internal IT specialists, and the design and implementation of internal controls related to revenue recognition. • testing the operating effectiveness of controls over the recording of revenue transactions; authorization of rate changes and its input to the billing systems and the change control procedures in place around those systems.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition (continued)</p>	<ul style="list-style-type: none"> • verifying 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. • performing substantive tests of revenue recorded. <p>We also assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs.</p>



INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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

Report on Other Legal and Regulatory Requirements

A) As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), we report that:

- a) The Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b) The financial information contained in the Directors' report is consistent with the financial statements;
- c) The Company has carried out physical verification of inventories at the year end in accordance with properly established procedures;
- d) 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 Companies Law, or the items of its Memorandum and Articles of Association that would have a material adverse effect on its business or its financial position; and
- e) Satisfactory explanations and information have been provided to us by management in response to all our requests.

B) As required by the Ministry of Industry, Commerce and Tourism in their letter dated January 30, 2020 in respect of 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) Nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), 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 Irshad Mahmood.

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 157
Manama, Kingdom of Bahrain

February 7, 2022

STATEMENT OF FINANCIAL POSITION

ZAIN BAHRAIN B.S.C.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

	Notes	December 31, 2021 BD '000	December 31, 2020 BD '000
ASSETS			
Current assets			
Cash and banks	5	10,388	8,569
Trade receivables and other assets	6	16,424	15,760
Contract assets	7.1	5,422	4,433
Inventories	8	1,604	1,665
Total current assets		33,838	30,427
Non-current assets			
Trade receivables and other assets	6	1,823	1,400
Contract assets	7.1	2,418	1,640
Right-of-use assets	9.1	13,872	12,253
Property and equipment	10	67,265	66,430
Intangible assets	11	11,860	13,581
Total non-current assets		97,238	95,304
Total assets		131,076	125,731

LIABILITIES AND EQUITY

Liabilities

Current liabilities

Accounts payable and other liabilities	12	32,803	30,731
Lease liabilities	9.2	3,191	3,128
Contract liabilities	7.2	2,559	1,747
Total current liabilities		38,553	35,606

Non-current liabilities

Accounts payable and other liabilities	12	2,483	5,051
Lease liabilities	9.2	10,729	9,220
Provision for employees' end of service benefits	13	439	371
Total non-current liabilities		13,651	14,642

Total liabilities

Equity

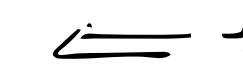
Total liabilities		52,204	50,248
Share capital	14	36,800	36,800
Treasury shares	15	(754)	(754)
Treasury shares reserve	15	(6)	(6)
Share premium	16	3,032	3,032
Statutory reserve	17	13,380	12,823

Retained earnings	26,420	23,588
Total equity	78,872	75,483
Total liabilities and equity	131,076	125,731

The financial statements from page 6 to 34 were approved by the Board of Directors on February 7, 2022 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

ZAIN BAHRAIN B.S.C.

STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2021

	Notes	Year ended 2021	December 31, 2020			
		BD '000	BD '000			
Revenue	18	64,785	61,992	Other income – net	135	115
Cost of revenue	19	(18,902)	(18,294)	Loss on currency translation adjustment	(43)	(31)
Gross profit		45,883	43,698	Interest income	108	227
Operating and administrative expenses	20	(24,195)	(21,517)	Finance costs	22	(1,078)
Depreciation of property and equipment	10	(9,881)	(9,157)	Profit for the year		(1,246)
Depreciation of right-of- use assets	9.1	(3,663)	(4,102)		5,572	5,405
Amortization of intangible assets	11	(1,756)	(1,756)	Other comprehensive income		-
Decrease / (increase) in expected credit losses on financial assets	21	62	(826)	Total comprehensive income for the year		5,572
Operating profit		6,450	6,340	Basic and diluted earnings per share	23	Fils 15
						Fils 15


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

ZAIN BAHRAIN B.S.C.
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2021

	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, 2019	36,800	(754)	(6)	3,032	12,282	20,907	72,261
Appropriation of dividends	-	-	-	-	-	(2,183)	(2,183)
Total comprehensive income for the year	-	-	-	-	-	5,405	5,405
Appropriation to statutory Reserve	-	-	-	-	541	(541)	-
Balance, December 31, 2020	36,800	(754)	(6)	3,032	12,823	23,588	75,483
Appropriation of dividends (note 14)	-	-	-	-	-	(2,183)	(2,183)
Total comprehensive income for the year	-	-	-	-	-	5,572	5,572
Appropriation to statutory Reserve	-	-	-	-	557	(557)	-
Balance, December 31, 2021	36,800	(754)	(6)	3,032	13,380	26,420	78,872

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

ZAIN BAHRAIN B.S.C. STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2021

	Notes	Year ended 2021 BD '000	December 31, 2020 BD '000						
				Gain on disposal of property, plant and equipment	(21)	-	Net cash from operating activities	21,881	25,019
				Gain on termination of leases	(18)	(82)	Cash flows from financing activities		
				Employees' end of service benefits	13	83	Repayment of principal portion of lease liabilities	(3,692)	(4,311)
Cash flows from operating activities					21,946	21,964	Dividends paid to shareholders	14	(1,210)
Profit for the year		5,572	5,405	Working capital changes:			Transfer of dividends to the regulator	14	(1,024)
Adjustments for:				Net change in inventories	47	1,716	Net cash used in financing activities		(6,608)
Depreciation of property and equipment	10	9,881	9,157	Net change in trade receivables and other assets	(970)	178	Net increase / (decrease) in cash and cash equivalents		1,819
Depreciation of right-of- use assets	9.1	3,663	4,102	Net change in contract assets	(1,822)	1,235	Cash and cash equivalents, beginning of year		8,569
Amortization of intangible assets	11	1,756	1,756	Net change in accounts payable and other liabilities	2,961	1,160	Cash and cash equivalents, end of year	5	10,388
(Decrease) / increase in expected credit loss on financial assets	21	(62)	826	Net change in contract liabilities	812	39	Non-cash transactions (note 5)		
Provision / (reversal) for inventories	8	14	(495)	Cash generated from operating activities	22,974	26,292	The accompanying notes are an integral part of these financial statements		
Finance costs	22	1,078	1,246	End of service benefits paid	13	(15)			
				Interest expenses paid	22	(1,078)			

NOTES TO THE FINANCIAL STATEMENTS

ZAIN BAHRAIN B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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 Standards applied with no material impact on the financial statements

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 01, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Phase 2 amendments to Interest Rate Benchmark Reform in IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16: These amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.
- Amendments to IFRS 16 Leases relating to Covid-19-Related Rent Concessions beyond June 30, 2021: In the prior year, the Company early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022.

In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change

NOTES TO THE FINANCIAL STATEMENTS

- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022)
- There is no substantive change to other terms and conditions of the lease

There were no significant rent concessions received during the year.

2.2 New and revised standards issued but not yet effective

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

- IFRS 17 Insurance Contracts (effective from January 1, 2023).
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from January 1, 2023).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective from January 1, 2022).
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use (effective from January 1, 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts-Cost of Fulfilling a Contract (effective from January 1, 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from January 1, 2022), IFRS 9 Financial Instruments (effective from January 1, 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from January 1, 2022).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Related to disclosure of accounting policies (effective from January 1, 2023).

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates and Errors (effective from January 1, 2023).
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective from January 1, 2023).

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 of 2001 (and subsequent amendments) and the Central Bank of Bahrain Rule Book.

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

NOTES TO THE FINANCIAL STATEMENTS

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. A single net figure is presented when a contract contains more than one performance obligation and the amounts already paid by the customer and unpaid amounts recognized as receivables is less than the revenue recognized for some performance obligations, but exceeds the revenue recognized for other performance obligations.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 after making due allowance for any obsolete items. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 FVTOCI 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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;

NOTES TO THE FINANCIAL STATEMENTS

- 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.

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 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.

Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in note 3, management 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 10, 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.

Provision for expected credit losses of customer, distributor receivables and contract assets

The Company uses a provision matrix to calculate ECLs for customer and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Useful lives of intangible assets

The Company's management determines the estimated useful lives of its intangible assets for calculating amortization. This estimate is determined based on the expected pattern of consumption of future economic benefits embodied in the asset.

NOTES TO THE FINANCIAL STATEMENTS

5. CASH AND BANKS

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

	2021	2020
	BD '000	BD '000
Cash and current accounts with banks	10,160	8,481
Items under collection	238	96
	10,398	8,577
Expected credit loss	(10)	(8)
Cash and banks	<u>10,388</u>	<u>8,569</u>

The following table shows the movement of expected credit loss on cash and banks during the year:

	2021	2020
	BD '000	BD '000
Balance as at January 1	8	2
Net increase in expected credit loss (note 21)	2	6
Balance as at December 31	<u>10</u>	<u>8</u>
Non-cash transactions:		
	2021	2020
	BD '000	BD '000
Dividends declared not yet settled at the reporting date	3	54

NOTES TO THE FINANCIAL STATEMENTS

6. TRADE RECEIVABLES AND OTHER ASSETS

	2021	2020
	BD '000	BD '000
Trade receivables:		
Due from postpaid subscribers	22,734	23,594
Due from roaming partners	1,654	1,454
Due from distributors	162	177
Interconnect receivables from other operators	1,422	1,023
	<u>25,972</u>	<u>26,248</u>
Expected credit loss	(13,055)	(13,110)
	<u>12,917</u>	<u>13,138</u>
Accrued income (unbilled services)	47	2
	<u><u>12,964</u></u>	<u><u>13,140</u></u>

Other assets:

Due from related parties (note 24)	1	1
Sundry receivables and advance payments	2,686	2,328
Staff receivables	102	94
Expected credit loss	(129)	(193)
Prepaid expenses	2,623	1,790
	<u>5,283</u>	<u>4,020</u>
Total trade receivables and other assets	<u><u>18,247</u></u>	<u><u>17,160</u></u>
Represented by:		
Current portion:		
Trade receivables and other assets	15,624	15,370
Prepaid expenses	800	390
	<u>16,424</u>	<u>15,760</u>
Non-current portion:		
Prepaid expenses	1,823	1,400
	<u>1,823</u>	<u>1,400</u>

NOTES TO THE FINANCIAL STATEMENTS

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

		2021	2020
		BD '000	BD '000
Trade receivables:			
Postpaid subscribers (note 6.1)	Collectively assessed	12,480	12,525
Roaming partners	Individually assessed	427	418
Due from distributors	Collectively assessed	2	6
Interconnect receivables from other operators	Individually assessed	146	161
Other assets:			
Due from related parties	Individually assessed	1	1
Sundry receivables	Collectively assessed	123	187
Staff receivables	Collectively assessed	5	5
		<u>13,184</u>	<u>13,303</u>

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021			December 31, 2020		
	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	1,308	1%	5	1,204	1%	10
31 – 60 days	656	3%	20	616	3%	19
61 – 90 days	325	8%	27	308	8%	24
91 – 180 days	649	21%	136	692	20%	138
> 181 days	19,958	62%	12,294	20,951	59%	12,340
	22,896		12,482	23,771		12,531

NOTES TO THE FINANCIAL STATEMENTS

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

	Collectively assessed	Individually assessed	Total
	BD '000	BD '000	BD '000
Balance, January 1, 2020	12,002	448	12,450
Net increase in expected credit loss (note 21)	721	132	853
Balance, December 31, 2020	12,723	580	13,303
Net decrease in expected credit loss (note 21)	(113)	(6)	(119)
Balance, December 31, 2021	<u>12,610</u>	<u>574</u>	<u>13,184</u>
Represented by:			
Expected credit loss on trade receivables			13,055
Expected credit loss on other assets			129
			<u>13,184</u>

7. CONTRACT BALANCES

7.1 Contract Assets

	2021	2020
	BD '000	BD '000
Assets relating to sale of devices	8,377	6,555
Expected credit loss	(537)	(482)
	<u>7,840</u>	<u>6,073</u>
Current portion		
Non-current portion	5,422	4,433
Accrued income (unbilled services)	2,418	1,640
	<u>7,840</u>	<u>6,073</u>

The following table shows the movement of expected credit loss on contract assets during the year:

	2021	2020
	BD '000	BD '000
Balance as at January 1	482	515
Net increase / (decrease) in expected credit loss (note 21)	55	(33)
Balance as at December 31	<u>537</u>	<u>482</u>

NOTES TO THE FINANCIAL STATEMENTS

7.2 Contract liabilities

	2021	2020
	BD '000	BD '000
Deferred revenue – telecommunication services	1,065	1,147
Deferred revenue – trading (note 18)	1,494	600
	<u>2,559</u>	<u>1,747</u>

8. INVENTORIES

	2021	2020
	BD '000	BD '000
Handsets, accessories and others	2,731	2,778
Provision for obsolescence and net realizable value	(1,127)	(1,113)
	<u>1,604</u>	<u>1,665</u>

The following table shows the movement of provision for obsolescence and net realizable value during the year:

	2021	2020
	BD '000	BD '000
Balance as at January 1	1,113	1,608
Provision / (reversal) for inventories (note 20)	14	(495)
Balance as at December 31	<u>1,127</u>	<u>1,113</u>

NOTES TO THE FINANCIAL STATEMENTS

9. LEASES

The Company only operates as a lessee.

9.1 Right-of-use assets

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

	Building and premises	Sites	Vehicles	Total
	BD '000	BD '000	BD '000	BD '000
Balance, January 1, 2020	3,136	9,597	30	12,763
Depreciation	(1,057)	(3,039)	(6)	(4,102)
Additions / modifications	539	5,918	-	6,457
Termination	(1,914)	(951)	-	(2,865)
Balance, December 31, 2020	704	11,525	24	12,253
Depreciation	(377)	(3,262)	(24)	(3,663)
Additions / modifications	617	5,352	-	5,969
Termination	(286)	(401)	-	(687)
Balance, December 31, 2021	658	13,214	-	13,872

NOTES TO THE FINANCIAL STATEMENTS

The following are the amounts recognized in profit and loss:

	<u>2021</u>	<u>2020</u>
	BD '000	BD '000
Depreciation expense on right-of-use assets	3,663	4,102
Interest expense on lease liabilities	724	730

During 2021, the total cash outflow for leases amounted to BD 4,416 (2020: BD 5,041 thousands).

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

9.2 Lease liabilities

	<u>2021</u>	<u>2020</u>
	BD '000	BD '000
Balance, January 1	12,348	13,149
Additions	5,969	6,457
Terminations	(705)	(2,947)
Accretion of interest (note 22)	724	730
Payments	<u>(4,416)</u>	<u>(5,041)</u>
Balance, December 31,	<u>13,920</u>	<u>12,348</u>

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

	<u>2021</u>	<u>2020</u>
	BD '000	BD '000
Current lease liabilities	3,191	3,128
Non-current lease liabilities	<u>10,729</u>	<u>9,220</u>
	<u>13,920</u>	<u>12,348</u>

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

	<u>2021</u>	<u>2020</u>
	BD '000	BD '000
Not later than 1 year	3,987	3,710
Later than 1 year and not later than 5 years	8,915	7,836
Later than 5 years	<u>3,205</u>	<u>2,693</u>
	16,107	14,239
Less: unearned interest	<u>(2,187)</u>	<u>(1,891)</u>
	<u>13,920</u>	<u>12,348</u>

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

NOTES TO THE FINANCIAL STATEMENTS

10. 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, 2019	3,027	89,144	36,808	2,818	3,027	5,817	137,631
Additions	14,747*	-	-	14,747*	14,747*	8,798	23,545
Transfers	-	6,975	602	-	-	(7,577)	-
At December 31, 2020	17,774	96,119	37,410	2,818	17	7,038	161,176
Additions	-	-	-	-	-	10,716	10,716
Transfers	1	10,975	748	51	-	(11,775)	-
Disposal	-	(215)	-	-	-	-	(215)
At December 31, 2021	17,775	106,879	38,158	2,869	17	5,979	171,677
Accumulated Depreciation:							
At December 31, 2019	697	49,148	32,939	2,788	17	-	85,589
Depreciation expense	76	7,442	1,619	20	-	-	9,157
At December 31, 2020	773	56,590	34,558	2,808	17	-	94,746
Depreciation expense	189	8,217	1,456	19	-	-	9,881
Relating to disposal	-	(215)	-	-	-	-	(215)
At December 31, 2021	962	64,592	36,014	2,827	17	-	104,412
Carrying amount:							
December 31, 2021	16,813	42,287	2,144	42	-	5,979	67,265
December 31, 2020	17,001	39,529	2,852	10	-	7,038	66,430

NOTES TO THE FINANCIAL STATEMENTS

The Freehold land and buildings include freehold land amounting BD 9.97 million (2020: BD 9.97 million) which is not depreciated.

Capital work in progress mainly relates to network equipment in respect of network expansions and improvements. As at December 31, 2021 capital work in progress outstanding for more than one year amounted to approximately BD 292 thousand (2020: BD 854 thousand).

* During the prior year land and building amounting to BD 14.50 million were acquired from a related party.

11. INTANGIBLE ASSETS

	<u>2021</u>	<u>2020</u>
	BD '000	BD '000
National Fixed Wireless Services license (note 11.1)	-	408
Mobile frequency and spectrum licenses (note 11.2)	11,050	12,279
Other intangible assets (note 11.3)	810	894
	<u>11,860</u>	<u>13,581</u>

The movement of intangible assets is as follows:

	<u>2021</u>	<u>2020</u>
	BD '000	BD '000
Balance, beginning of year	13,581	15,337
Additions	35	-
Amortization charge	(1,756)	(1,756)
Balance, end of year	<u>11,860</u>	<u>13,581</u>

11.1 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.

11.2 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. In 2019, 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.

11.3 Other intangible assets are amortized over the contracted period.

NOTES TO THE FINANCIAL STATEMENTS

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2021	2020
	BD '000	BD '000
Due to suppliers	7,403	8,086
Accrued expenses	23,000	17,813
Interconnection payable	2,388	2,407
Due to roaming partners	515	516
Accrued employees' benefits	1,158	1,391
Due to related parties (note 24)	416	5,104
Value added tax payable	158	168
Accrued Directors' remuneration (note 24)	224	224
Deposits	21	19
Dividends payable	3	54
Total accounts payable and other liabilities	35,286	35,782
Represented by:		
Current portion	32,803	30,731
Non-Current portion of due to suppliers	2,483	5,051
	35,286	35,782

No interest is charged on due to suppliers.

13. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

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

	2021	2020
	BD '000	BD '000
Balance, beginning of year	371	349
Charge for the year	83	49
Settlements	(15)	(27)
Balance, end of year	439	371

NOTES TO THE FINANCIAL STATEMENTS

14. 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, 2021		December 31, 2020	
		No. of shares	% of shareholding	No. of shares	% of shareholding
Mobile Telecommunication Company K.S.C.P.	Kuwait	236,935,155	64.38%	201,600,000	54.78%
Sh. Ahmed Bin Ali Al-Khalifa	Bahrain	23,924,845	6.50%	59,260,000	16.10%
Gulf International Bank B.S.C.	Bahrain	24,085,097	6.54%	24,085,097	6.54%

During the year, Mobile Telecommunications Company K.S.C.P. purchased 35,335,155 shares from Sheikh Ahmed Bin Ali Al-Khalifa. Accordingly, the percentage of shareholding of Mobile Telecommunications Company K.S.C.P. increased from 54.78% to 64.38% and the percentage of shareholding of Sheikh Ahmed Bin Ali Al-Khalifa decreased from 16.10% to 6.50%.

Distribution of shares by shareholding brackets

Shareholding brackets	% of total shares		No. of shareholders	
	2021	2020	2021	2020
Less than 1%	16%	14%	534	495
1 % up to less than 5%	7%	8%	4	5
5 % up to less than 10%	13%	7%	2	1
10 % up to less than 20%	-	16%	-	1
More than 50%	64%	55%	1	1
			541	503

Dividends

The annual general meeting of shareholders for the year ended December 31, 2020, held on March 31, 2021 approved the distribution of cash dividends of 6 fils per share totaling BD 2,183,000.

During the year, the Company has transferred dividends of BD 1,024 thousand (2020: BD 159 thousand) to the regulator.

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 2022, after obtaining the necessary regulatory approvals.

NOTES TO THE FINANCIAL STATEMENTS

15. TREASURY SHARES

	2021	2020
Number of shares	4,116,990	4,116,990
Percentage of issued shares	1.12%	1.12%
Market value (BD '000)	576	494
Cost (BD '000)	754	754

16. 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.

17. 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.

18. REVENUE

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

	2021	2020
	BD '000	BD '000
Airtime, data and subscription (Over time)	52,783	50,605
Trading (Point in time)	12,002	11,387
	<u>64,785</u>	<u>61,992</u>

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

	2021	2020
	BD '000	BD '000
Trading (note 7.2)	<u>64,785</u>	<u>61,992</u>

Management expects that the transaction price allocated to unsatisfied contracts as of 2021 year-end will be recognized as revenue during 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS

19. COST OF REVENUE

	2021	2020
	BD '000	BD '000
Outpayments to telecommunications operators	6,075	5,646
Cost of equipment sold and others	12,827	12,648
	<u>18,902</u>	<u>18,294</u>

20. OPERATING AND ADMINISTRATIVE EXPENSES

	2021	2020
	BD '000	BD '000
Staff costs	7,379	6,383
Leased line expense	3,075	2,256
Repairs and maintenance	2,676	2,747
Regulatory charges	2,373	2,046
Management fees (note 24)	1,609	1,531
Directors' remuneration (note 24)	224	224
Provision / (reversal) for inventories (note 8)	14	(495)
Other	6,845	6,825
	<u>24,195</u>	<u>21,517</u>

The Company's share of contributions to Social Insurance Organization is included in staff costs amounted to BD 395 thousand (2020: BD 562 thousand).

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.

In prior year the Company adjusted subsidy of BD 875 thousand comprising BD 796 thousand towards staff costs and BD 79 thousand towards utilities, granted by the Government of the Kingdom of Bahrain to lessen the impact of effect of the pandemic.

21. EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	2021	2020
	BD '000	BD '000
(Decrease) / increase in expected credit losses on trade and other assets (note 6)	(119)	853
Increase / (decrease) expected credit losses on contract assets (note 7)	55	(33)
Increase in expected credit losses on bank balances (note 5)	2	6
	<u>(62)</u>	<u>826</u>

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCE COSTS

	2021	2020
	BD '000	BD '000
Interest expense on lease liabilities (note 9.2)	724	730
Others (note 11.2)	354	516
	<u>1,078</u>	<u>1,246</u>

23. EARNINGS PER SHARE

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

	2021	2020
	BD '000	BD '000
Profit for the year	5,572	5,405
	Number of shares	
Weighted average number of shares in issue	363,883,010	363,883,010
	Fils	
Basic and diluted earnings per share	15	15

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

24. RELATED PARTIES

During the years 2021 and 2020, the Company has entered into transactions with following related parties on terms approved by management.

	<u>Relationship</u>
Mobile Telecommunications Company K.S.C.P.	Parent Company
Zain – South Sudan	Affiliate
Zain Group Holding-Bahrain W.L.L.	Affiliate
Zain – Jordan	Affiliate
Zain – KSA	Affiliate

Transactions and balances with related parties are as follows:

	2021	2020
	BD '000	BD '000
Costs:		
Office rent and maintenance costs	-	735
Management fees (note 20)	1,609	1,531
Telecommunication services	252	992
Revenues:		
Telecommunication services	1,015	134
Gain on termination of lease contract	-	56
Capital expenditures:		
Purchase of property and equipment (note 10)	-	14,500

NOTES TO THE FINANCIAL STATEMENTS

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 (2020: BD 224 thousand) (notes 12 & 20).

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

	2021	2020
	BD '000	BD '000
Short-term benefits	1,754	1,693
Other long-term benefits	169	155
	<u>1,923</u>	<u>1,848</u>

Balances with related parties are as follows:

	2021	2020
	BD '000	BD '000
Due from a related party: (note 6)		
Zain – South Sudan	1	1
	<u>1</u>	<u>1</u>

Due to related parties: (note 12)

Zain Group Holding-Bahrain W.L.L.	402	5,090
Zain – Jordan	14	14
	<u>416</u>	<u>5,104</u>

25. 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.

26. COMMITMENTS AND CONTINGENCIES

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

	2021	2020
	BD '000	BD '000
Letters of guarantee	1,754	1,693
Capital expenditures	<u>1,923</u>	<u>1,848</u>

NOTES TO THE FINANCIAL STATEMENTS

27. 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.

	2021	2020
	BD '000	BD '000
Financial assets		
Cash and banks at amortized cost	10,388	8,569
Trade receivables and other assets at amortized cost	13,363	13,825
Total financial assets	23,751	22,394
Financial liabilities		
Accounts payable and other liabilities at amortized cost	35,128	35,614
Lease liabilities at amortized cost	13,920	12,348
Total financial liabilities	49,048	47,962

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

	Trade receivables	
	2021	2020
	BD '000	BD '000
Gross amounts of recognized financial instruments	10,543	8,569
Gross amounts of recognized financial instruments subject to set off in the statement of financial position	(7,467)	(5,280)
Net amounts of financial instruments presented in the statement of financial position	3,076	2,477
	Accounts payables	
	2021	2020
	BD '000	BD '000
Gross amounts of recognized financial instruments	10,370	8,203
Gross amounts of recognized financial instruments subject to set off in the statement of financial position	(7,467)	(5,280)
Net amounts of financial instruments presented in the statement of financial position	2,903	2,923

NOTES TO THE FINANCIAL STATEMENTS

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, 2021, 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 26 are called upon, irrespective of the likelihood of the guarantee being exercised.

NOTES TO THE FINANCIAL STATEMENTS

The Company's financial assets are detailed below:

	Notes	December 31, 2021		
		Gross carrying amount	Loss allowance	Net carrying amount
	BD '000	BD '000	BD '000	BD '000
Cash and banks	5 (i)	10,160	(10)	10,150
Items under collection	5	238	-	238
Trade and other receivables:				
Due from postpaid subscribers	6 (ii)	22,734	(12,480)	10,254
Due from roaming partners	6	1,654	(427)	1,227
Due from distributors	6 (ii)	162	(2)	160
Interconnect receivables	6	1,422	(146)	1,276
Accrued income (unbilled services)	6	47	-	47
Due from related parties	6	1	(1)	-
Sundry receivables	6	425	(123)	302
Staff receivables	6	102	(5)	97
		<u>36,945</u>	<u>(13,194)</u>	<u>23,751</u>

NOTES TO THE FINANCIAL STATEMENTS

	Notes		December 31, 2020		
			Gross carrying amount	Loss allowance	Net carrying amount
			BD '000	BD '000	BD '000
Cash and banks	5	(i)	8,481	(8)	8,473
Items under collection	5		96	-	96
Trade and other receivables:					
Due from postpaid subscribers	6	(ii)	23,594	(12,525)	11,069
Due from roaming partners	6		1,454	(418)	1,036
Due from distributors	6	(ii)	177	(6)	171
Interconnect receivables	6		1,023	(161)	862
Accrued income (unbilled services)	6		2	-	2
Due from related parties	6		1	(1)	-
Sundry receivables	6		783	(187)	596
Staff receivables	6		94	(5)	89
			36,945	(13,194)	22,394

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

The Company is also exposed to credit risk in relation to letters of guarantees given (note 26). 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:

December 31, 2021	U.S. Dollar	Euro	Total foreign currencies
	BD '000	BD '000	BD '000
Monetary assets			
Cash and banks	1,395	13	1,408
Trade receivables and other assets	2,132	29	2,161
	<u>3,527</u>	<u>42</u>	<u>3,569</u>
Monetary liabilities			
Accounts payable and other liabilities*	13,336	87	13,423
	<u>13,336</u>	<u>87</u>	<u>13,423</u>
Net	<u>(9,809)</u>	<u>(45)</u>	<u>(9,854)</u>

December 31, 2020

	U.S. Dollar	Euro	Total foreign currencies
	BD '000	BD '000	BD '000
Monetary assets			
Cash and banks	1,409	3	1,412
Trade receivables and other assets	1,613	56	1,669
	<u>3,022</u>	<u>59</u>	<u>3,081</u>
Monetary liabilities			
Accounts payable and other liabilities*	9,832	89	9,921
	<u>9,832</u>	<u>89</u>	<u>9,921</u>
Net	<u>(6,810)</u>	<u>(30)</u>	<u>(6,840)</u>

* 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

The Company has unutilized bank overdraft facility of BD 5.5 million (2020: 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.

	2021				Total
	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	
	BD '000	BD '000	BD '000	BD '000	BD '000
Accounts payable and other liabilities	3,784	9,381	19,698	2,448	35,311

	2020				Total
	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	
	BD '000	BD '000	BD '000	BD '000	BD '000
Accounts payable and other liabilities	3,652	10,211	17,056	5,232	36,151

The maturity analysis of lease liabilities are disclosed in note 9.2.

28. 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.

29. 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.

30. IMPACT OF COVID-19

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Company is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the Covid-19 outbreak.

NOTES TO THE FINANCIAL STATEMENTS

In light of Covid-19, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statements. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the financial statements:

Impairment of non-financial assets:

The Company has performed a qualitative assessment, considering the minimal impact of Covid-19 on entities operating in the telecommunication sector, and compared the actual results for the year against the budget and industry benchmarks to conclude the impairment assessment as at December 31, 2021 remains largely unchanged.

The Company has also considered any impairment indicators arising and any significant uncertainties around its property and equipment, intangible assets and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to Covid-19.

Expected Credit Losses ("ECL") and impairment of financial assets:

The Company has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Company has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of Covid-19.

Commitments and contingent liabilities:

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Company, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

Going concern:

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of Covid-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these financial statements have been appropriately prepared on a going concern basis.

SUPPLEMENTARY INFORMATION - UNAUDITED

Further to the CBB letter dated 14 July 2020 (ref. OG/259/2020), Zain Bahrain B.S.C. ("Company") provides the following information relating to the financial statements as of December 31, 2021:

A. The overall impact on the financial statements

The Company's overall financial statements have not been impacted significantly due to the impact of the Covid-19 pandemic. As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now. Management believes, based on their assessment, that the Company has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

B. The impact on Income Statement

Revenues	The industry has faced serious challenges in terms of roaming revenues due to heavy travel restrictions impacting significantly the inbound and out bound roaming. This revenue stream is generally cyclical in nature and has been significantly impacted due to Covid-19. However, the composition of roaming revenue in relation to the overall revenue of the Company is not significant, hence, no material impact on the financial statements for the year ended December 31, 2021.
Expenses	The Company was agile in implementing cost optimization initiatives aimed at reducing costs and minimizing the impact of top-line pressure resulting in an overall positive variance in the operating cost.
Net income	The consequential impact resulting from the above is not considered material.

C. The impact on Balance Sheet

Assets	The management of the Company is closely monitoring the situation resulting from Covid-19 and its impact on the Company's operation, cash flows and financial position. Management believes, based on their assessment, the inherent value of property and equipment appearing in the financial statements as of December 31, 2021 has not been impaired. Furthermore, taking into account the necessary adjustments relating to ECL model, the receivables and other assets are stated at the appropriate amounts and do not require any adjustment as at December 31, 2021.
Liabilities	The Company currently does not have any borrowings.
Net equity attributable to shareholders	No material change.
Other material impact on the Balance Sheet	None other attributable to Covid-19.

D. The impact on the company's ability to continue as going concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of Covid-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these financial statements has been appropriately prepared on a going concern basis.



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