



Nine decisions that *transformed* our year

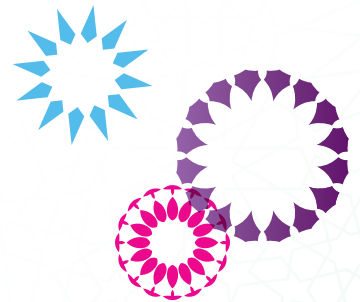
ANNUAL REPORT 2014



Annual Report 2014

ZAIN, BAHRAIN

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His Royal Highness, Prince Khalifa Bin Salman Al Khalifa

The Prime Minister of the Kingdom of Bahrain



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

Board of Directors



Shaikh Ahmed Bin Ali Al Khalifa
Chairman
Non-executive / non-independent



Asaad Ahmed Al-Banwan
Deputy Chairman
Non-executive / non-independent



Shaikh Rashid Bin Abdulrahman Al Khalifa
Non-executive / independent



Waleed A. M. A. Al-Roudan
Non-executive / non-independent



Jamal Shaker Al-Kazemi
Non-executive / non-independent



Ali Hassan Al Khaja
Non-executive / independent



Shaikha Khalid Al-Bahar
Non-executive / non-independent

Chairman's message



SHAIKH AHMED BIN ALI AL KHALIFA

On behalf of the Board of Directors, I have the pleasure of presenting the audited financial statements for Zain Bahrain for the year ended 31 December 2014.

Operational and Commercial Review

During the past 12 months, Zain Bahrain pursued its commercial and operational strategy exhibiting a strong commitment to the latest technologies and services as the operator witnessed a customer growth of 2.1% during the course of the year to serve 788,000 active customers as of 31 December, 2014.

The year represented the start of a new journey for Zain Bahrain as it successfully launched a new and modern network in Q1 of 2014 with an investment of more than USD100 million. The launch of the new network was able to turn the mobile operator into one of the most technologically advanced in the world.

The new network, deployed and managed by world-renowned solutions provider Ericsson, provides customers with a whole new realm of exciting high-speed digital content capabilities to its increasingly technologically-savvy customer base.

Leveraging on this foundation, Zain Bahrain launched its Initial Public Offering on 30 September 2014, giving retail and institutional investors the opportunity to participate in the first IPO held in the Kingdom since 2010.

The company floated 48 million ordinary shares, representing 15% of its share capital at 190 fils per share with the proceeds from the Offering to be used to invest significantly in the capital expenditure; enabling the operator to continue providing the best end-to-end customer experience in terms of advanced and flexible services, seamless connectivity, adopting the latest technologies and continuously investing in a state-of-the-art network infrastructure.

Financial Indicators

Much has been achieved in 2014 in what was a challenging environment and we are extremely pleased to be able to report that all targets were achieved. The year 2014 witnessed a substantial investment in the new 4G LTE network which directly resulted in the growth of the broadband segment by 45% with Zain Bahrain's posting a healthy 36.9% EBITDA margin. The company generated revenues of BD 71.8 million (US\$190.5 million). Net income amounted to BD 4.1 million (US\$10.9 million), reflecting Earnings Per Share of 13 fils for the twelve-months ending 31 December, 2014.

Business Excellence

Zain Bahrain continues its journey towards business excellence and sustainability and is committed to achieving the highest standards of quality and information security. It aims to improve as a business and provide assurance to customers, stakeholders and regulatory bodies. The operator gained the certification of the ISO standard for Information security (ISO 27001:2013) in 2014. The internationally recognized standards enables the continuous improvement of Zain's governance processes, control and risk management protocol.

Our Employees

With a strong commitment to nurturing the finest Bahraini talents by providing a strong development and training program coupled with a strategic and HR best-practice focus, Zain Bahrain has developed an HR strategy deeply rooted across the company and driven by the passion to build a cohesive team.

The Company also boasts an energetic and inspired majority-Bahraini workforce – a Bahrainization level of almost 90% and is actively engaged in partnering up with local establishments in order to train and recruit Bahraini nationals.

Bridging the Community Through CSR

Inspiring community spirit has always been one of Zain's core values. Since its inception, the operator launched an integrated and strategic approach to CSR focusing on education with a concentration on youth development and empowerment, youth and children with special needs, technological awareness and environment.

Outlook for 2015

The continuation of the network expansion will be a major focus for management and employees in 2015. The targets of this plan will be met to ensure that the Company maintains its progress and builds upon the very strong base established since its foundation.

The telecommunications industry will remain challenging this year, however it is expected that Zain Bahrain will continue to perform to its potential, keeping closely abreast of market changes and deploying its resources in line with plans and developments, and in that approach continue to maintain its performance levels.



Shaikh Ahmed Bin Ali Al Khalifa
Chairman



General Manager's message



MR. MOHAMMED ZAINALABEDIN

2014 was an outstanding year for Zain Bahrain. Despite a tough macro-economic environment, the company set records in customer growth, reflecting strong demand for our services products and solid execution. Today, Zain Bahrain has a proven track record to be changed in technological innovation and top-class customer care coupled with an award-winning marketing strategy and strong network connectivity. The carefully crafted strategy paved the way for a significant growth in our customer base. Our commercial philosophy is stemmed from this belief. We believe this approach directs the company to focus on the bigger picture; the overall innovation and commercial offerings and not just the infrastructure.

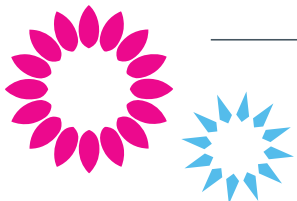
The telecoms industry has a multiplier effect on the socio-economic development of countries and there are limitless opportunities to utilize telecoms to improve sectors such as education, healthcare and business. Zain Bahrain aims to ensure optimal customer experience through a state-of-the-art network coverage for the full gamut – mobile connectivity, smart phone technology use, home and roaming broadband.

To meet the growing demand for service innovations, we launched new retail experience shops which were designed based on customer insight. The shops provided a one-stop destination for our customers. Notably, we also launched the first GCC Mobile and Tablet Insurance and the award-winning Zain Self-Care App.

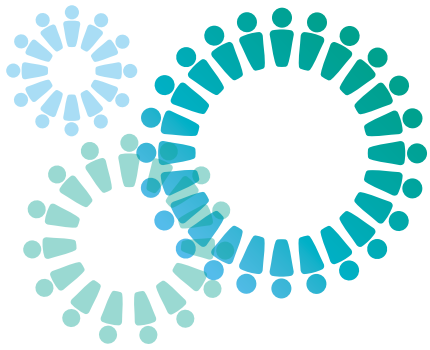
Looking ahead; the number of connected devices in the Kingdom continues to rise rapidly coupled with the overwhelming response for seamless connectivity and tailor-made solutions for SMEs. This creates a huge opportunity for Zain Bahrain.

Our vision is to create the most innovative telecommunications services to connect and enrich the lives of the community and create a wonderful world.

Mr. Mohammed Zainalabedin
General Manager, Bahrain



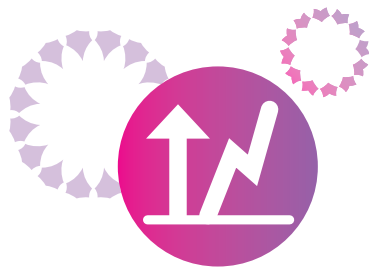
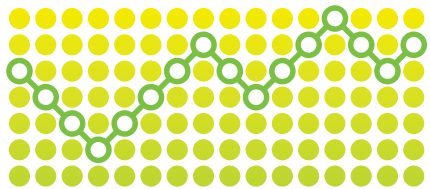
Key highlights 2014



788,677

CUSTOMERS

140TB
DAILY DATA USAGE



BHD 26.6M

EBITDA

BHD 71.8M

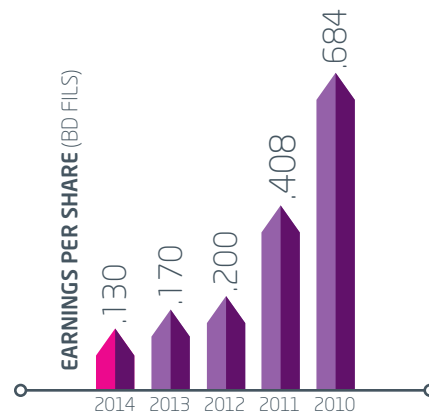
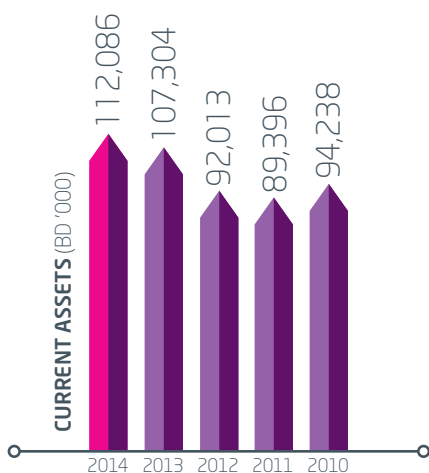
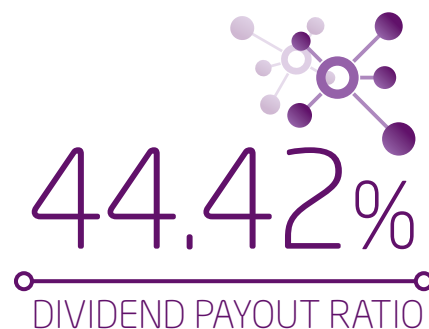
REVENUE



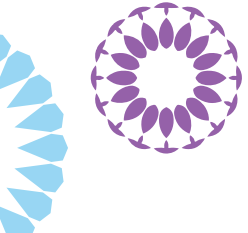
BHD 4.1M

NET PROFIT









Nine decisions
that *transformed*
our year

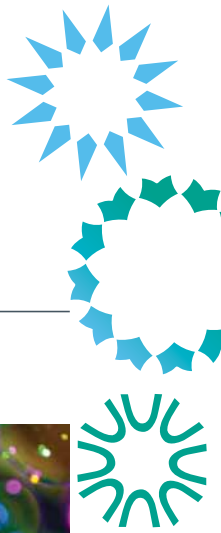
It is a core function of any annual report to impart the events of a year and to highlight business success. However, for Zain, nine key decisions transformed 2014. We enjoyed an exceptional year that witnessed significant growth across diverse areas of our operation, culminating in the launch of our IPO.

- ① We built on our brand
- ② We invested in our people
- ③ We enhanced our customers' experience
- ④ We extended our partnerships
- ⑤ We boosted our network capability
- ⑥ We grew our customer base
- ⑦ We diversified our product portfolio
- ⑧ We continued to care
- ⑨ We went public



We built on our brand

Zain offers 'A Wonderful World' of imagination, bursting with colour and possibility. It is a world that encompasses our customers' dreams and aspirations, a world of friends, families and colleagues, a world of fun and entertainment, opportunity and success.



"A Wonderful World", now instantly recognizable by virtually everyone on the island, describes what makes Zain's brand different and powerful. Everything we create colours our brand, from our innovative products and services, to our unique customer experience, to our social events. The continuous improvement of our core business and technology makes Zain a wonderful world of unlimited choice.

This year we revamped all our retail outlets, immersing them in our vibrant, colourful themes, and making them friendlier, not only to people, but to the environment as well. Carefully redesigned based on customer feedback, the services they offer are backed by one of the world's most advanced telecommunications infrastructures in the form of our new Ericsson LTE network, including data and voice quality previously unheard of in the Kingdom.

Our partnerships open the doors to a wonderful world of possibilities. They have allowed us to test the limits of our subscribers' imaginations through an expanded products portfolio, including state-of-the-art 4G LTE and HD Voice, enhancing customer experience along the way with innovations such as Zain Self-Care, a free app that allows customers to easily make transactions online and get the latest Zain updates.

Our support for the local community highlights the family aspects of our brand, with CSR activities this year bringing colour and joy to the lives of needy households and school children, while empowering students and professionals. Activities such as our Back to School and Future University Network (F.U.N.) programs have brought us closer than ever to the people of Bahrain, who, by the way, also now own a part of Zain, following the launch of our IPO this year.

Our brand isn't just a communication tool... it is what we are. Its values are instilled in our employees at all levels, creating a working culture that is central to Zain's essence. This year we reinforced these values through more training, development and employee empowerment than ever before.

What we say and how it's said has placed us in the hearts and minds of the public. Since our launch, Zain Bahrain has communicated a clear and consistent message, using the same powerful brand idea, engaging our customers' imagination, creativity, and ambitions.

Welcome to a Wonderful World.



We invested in our people

Technology is, of course, essential to our business, but our biggest asset by far is our people. Passion and innovation are the basic components of Zain's corporate DNA and make employee empowerment vital to our success.

We invest heavily in selecting the right employees and, once onboard, in retaining them. This is the essence of our reputation as an employer of choice in Bahrain which is highlighted by our Bahrainization rate of almost 90%, the highest in the telecoms industry and one of the highest in the country. This achievement puts us well ahead of the minimum Government requirement of 80.3%. Many of our staff members have been with us from the beginning and for some of them Zain Bahrain is the first company they have worked for; they know that Zain Bahrain will keep investing in their development and career in alignment with worldwide best practices and standards. We have been recently recognized for these achievements with two Ministry of Labor Awards, in a ceremony patronized by His Majesty King Hamad Bin Isa Al Khalifa, who honored our outstanding efforts in providing Bahraini employees with a competitive and rewarding work environment and with ongoing and innovative training and development.



2014 training strategy and Zain Knowledge Week

Training was intensified during 2014 with a series of interactive and innovative programs. The training hours multiplied by participants raised from 9,353 hours in 2013 to 13,763 in 2014, an impressive 47% growth. The total number of training day participants reached 1,528 in 2014, an average of 5.6 training days per head. Zain Bahrain also designed internally, and is currently rolling out, a Learning Environment for self-development that allows employees to assess themselves and then fill their skill gaps through articles, webinars, videos and e-learning sessions.

Worth mention also is an innovative training initiative launched this year, the 'Zain Knowledge Week', which is a workshop-like event held at Zain's premises and focusing specific themes. In 2014, the Zain Knowledge Week addressed the world of Soft-Skills, and in 2015 we plan to focus on 'Customer Experience'. The Zain Knowledge Week consists of a series of parallel sessions designed to cohabit with the employees' daily working activities.



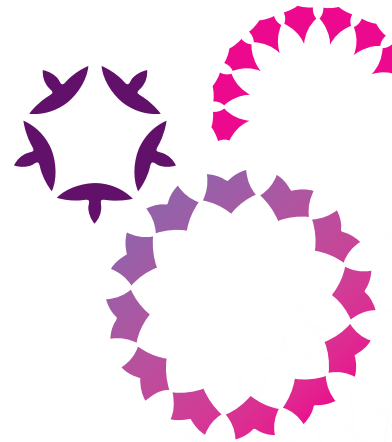
Zain Bahrain staff at a team building workshop.

F.U.N.

In the outlook of the Economic Vision 2030 adopted by the Kingdom of Bahrain, our Future University Network (F.U.N.) program pursues to create generations of graduates equipped with the experience and leadership skills necessary engaging the students in the work-life and future career options in order to strengthen Bahrain's position as a leading center in the region.

Since the launch of this program, more than 700 students from various universities and institutes have been enrolled in this program. What distinguishes this program

from other initiatives is the monthly evaluation process conducted by Zain Bahrain in addition to a certification for accomplishing new skills. Zain Bahrain also grants outstanding students the opportunity to join and enroll in a permanent job within the company. The more we nurture the skills and competencies of our human capital, the more successful we will be at our core strength: innovation. We are grateful to our team for their continued commitment and enthusiasm, and pledge to continue to serve them, just as they serve us. They are our biggest pride and the reason for our success.



Zain Bahrain Staff receiving certificates after Zain Knowledge Week.





We enhanced our customers' experience

A rich and rewarding customer experience has always been the primary driver of Zain Bahrain's strategy. We pride ourselves in our ability to speak to our customers, set high but realistic expectations, and then over-deliver. The past year raised the bar even further with the launch of our \$100 million state-of-the-art LTE network (as detailed in other sections of this report), and much has also been done in improving direct interactions with customers.



We strengthened our retail infrastructure, not just cosmetically, but also enhancing functionality and interactivity. We all but eliminated customer waiting times through innovative procedural improvements at both our Call Centre and our Experience Shops. We took steps to more accurately measure satisfaction among mobile, broadband and enterprise customers, improving our ability to tailor optimal solutions to their changing needs. And, most uniquely, we took major strides towards empowering our customers, a move which had the additional benefit of allowing us to focus our resources on our competitive advantages.

Revamped retail experience

We are closest to our customers when we are serving them at our retail outlets, one of our most important

sources of subscriber information. 2014 saw a complete revamp of our 22 Experience Shops and kiosks across Bahrain, creating a brand new retail experience. Everything about our enhanced stores are designed to leave a lasting impression on visitors. Decorated with Zain Bahrain's vibrant and colorful branding, they also feature a number of service innovations designed to educate customers, engage them, and give them hands-on empowerment, all in a friendly 'meet and greet' environment. These include displays of our latest promotions, a product area carrying current devices, hands-on demonstrations and Self Service Machines for quick and easy transactions. Five of our locations also include technical support areas and dedicated representatives of Signature, Zain's premium private members club. A key addition is our innovative

new Customer Management System, which allows customers to pre-arrange appointments to avoid waiting in line.

These physical renovations are supported by a strong sales and customer care team in a year where Zain Bahrain also increased its training budget across all divisions. Our retail staff members are trained to educate, support and provide hands-on support whenever needed.

New features further differentiating the Zain Experience, and based on customer feedback, will be announced soon.

Measuring customer satisfaction

Zain Bahrain introduced a Customer Insight Lab, in association with network and subscriber intelligence provider, Astellia, to study and analyze customer behavior and gain a deeper

Launching in Q1 2015, Zain Bahrain's new flagship experience center at Bahrain City Center.



understanding of their needs. It provides a holistic view of Zain customers' real-time activities, i.e. who is using what content on what device, when and where. This knowledge plays a key role in detecting potential churners (the industry term for customers who decide to leave a service provider for whatever reason), so that their problems can be resolved early. This foresight improves synergies among the network management, marketing and customer service teams, improving quality standards and overall customer experience.

The system has helped reduce average handling time by 20% and increased first call resolution by 10%. Additionally, this has played a large part in empowering the customer care team to resolve network related issues with quicker response times and has contributed towards a significant reduction in network related complaints.

Zain Bahrain also collects data through daily Transactional-Net Promoter Score (T-NPS) surveys, which measures customer experience and satisfaction through nine customer touch points, including real insights into customer recommendations to family and friends. The T-NPS score is measured over 4,000 monthly interactions.

Zain Self-Care and Live Chat

Zain Bahrain focuses a large portion of its resources on self-service vehicles for customers, which provide them with a higher level of empowerment, convenience and satisfaction. More than 70% of customer interactions are done through self-service channels,

such as Live Chat, Portal, USSD, IVR, Email, and self-service bill payment, etc.

The Zain Self-Care app for mobiles and tablets was upgraded in 2014, which is currently our fastest growing customer service interaction channel, coinciding with a 50% fall in complaints and a 30% rise in positive feedback. A friendly and simple interface allows customers to access their account information, subscribe to new services and make use of a range of value-added and self-help services.

The first mobile telecom application of its kind in Bahrain, Zain Self-Care was engineered using Infosys AssistEdge and functions on all operating systems. Its technical achievements and innovative design won it the 'Best Application for Smart Devices Award' at the 2014 e-Government Excellence Awards.

Another self-service initiative is our 'Live Chat' feature, which is available for all queries, requests and complaints 24 hours a day, in English and Arabic, and via both mobile phones and tablets.

A safe experience

In 2014, Zain became the first operator in Bahrain to offer an "Anti Abusive Words" SMS service to protect children from bullying. The free filtration feature recognizes abusive words and prevents them from reaching registered phone numbers, creating a safe mobile experience for children and giving their parents comfort of mind. It is our first in a series of contributions to the National Strategy for Child Online Safety, launched by Bahrain's Telecommunications Regulatory Authority in association with International Telecommunication Union (ITU).

Communication

Zain Bahrain always keeps the public informed of any major developments, including potential service interruptions. For example, during the final stages of our new network's deployment, we minimized a planned disruption by scheduling work implementations for small areas at a time, rather than shut down service throughout the Kingdom. We communicated this to our customers well in advance, via direct channels, such as SMS, and also through the Press and social media. We believe that this type of transparency and planning creates a sense of trust between us and our customers, keeping complaints to a minimum, and increasing loyalty.

The richer their experience, the more likely we are to retain customers in the long term, helping us to continue expanding our share of the market. This is a key part of Zain Bahrain's growth strategy.





We extended our partnerships

The partnerships we have built are among Zain Bahrain's proudest achievements. The past year saw us initiate several important new collaborations, while further bolstering existing ones. Our international partners open the door to world-class technologies and systems that help us package unique solutions for our customers, while our tie-ups with local players ensure our visibility in the market and community. Having the right partner with you as you navigate the challenging paths ahead is an immense competitive advantage, which is why we pick our partners very carefully.



Ericsson

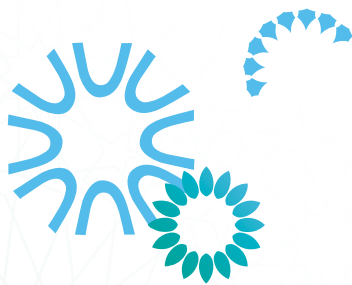
Our partnership with global technology leader Ericsson, which gave us one of the world's most advanced networks, was a key event that will impact our business for years, even decades, to come. The \$100 million network incorporates the latest LTE technology, offering end-to-end superior performance and value added firsts, such as HD Voice. The upgrades, which began the previous year, went full steam ahead in 2014. This association continues under managed services and support agreement through which Ericsson's expert technicians have been charged with systems integration, solution deployment, and the management of day-to-day network operations. Outsourcing these highly technical and labor intensive areas of our operations allowed Zain Bahrain to concentrate on other roles, such as customer service and product innovation.

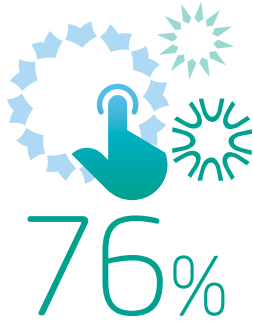
As a part of this agreement, Zain Bahrain also implemented Ericsson's Charging System for prepaid subscribers, the first phase of a convergent charging and billing in one solution (CBIO) project. This business support solution allows greater flexibility in the pricing and bundling of services – key factor in helping us to continue to grow our subscriber base.

Infosys

Zain Bahrain chose Bangalore, India-based Infosys as its partner in co-creating our award-winning Zain Self-Care app, which allows mobile and tablet users to conveniently access their accounts, add new services, and pay bills, among many other features. The app was produced in 2013, and upgraded in 2014.

Executive Management of Zain Bahrain and Ericsson at the partnership signing ceremony.





ZAIN CUSTOMERS WHO USE SELF-CARE APP

Infosys is a global leader in consulting, technology and outsourcing, having been involved in many similar projects worldwide. Combining Infosys's AssistEdge technology with Zain Bahrain's deep knowledge of customer preferences and the local market and culture, we were able to radically transform user experience. As a demonstration of its success, the Zain Self-Care's penetration of our customer base recently soared to 76%, a remarkable achievement in so short a time. Zain Self-Care was also recognized with a 'Best Application for Smart Devices Award' at the 2014 e-Government Excellence Award.

Apple and Samsung/Bin Hindi Informatics

Zain Bahrain's partnerships with leading smartphone and tablet manufactures Apple and Samsung ensure that our Experience Shops are always well stocked with the latest and most innovative devices the market has to offer. This also allows us to offer our customers exclusive packages and a host of competitively priced value added services.

As an Apple Authorized Reseller, we offer a range of their top mobile products, including the new iPhone 6 and iPhone 6 Plus models. We also launched the GCC's first Samsung Integrated Mobility "IM ZONE" at our flagship Seef Mall branch. The "store within a store" is managed by authorized Samsung distributor, Bin Hindi Informatics, and features a comprehensive range of Samsung products including laptops, mobiles, tablets, cameras and accessories.

Fakhro Electronics

Our partnership with Fakhro Electronics adds a valuable resource to Zain Bahrain's suite of carefully selected Enterprise Connectivity solutions. Branches can be connected through Microwave, MPLS or Fiber, as well as through a Virtual Private Network designed by our experienced engineers to provide a powerful, flexible, protected and cost-effective internal network.

The Capital Club

Zain Bahrain became the main sponsor of the Capital Club's 2014 events program and its exclusive telecoms partner. The collaboration is in line with Zain Bahrain's strategy to reach out to businesses and corporate decision-makers with a suite of powerful voice, data and connectivity products that bring technological depth and advantages to companies in the Kingdom.

Events supported by Zain Bahrain include an exclusive series of business forums, keynote speaker occasions, and

Ramadan festivities. The agreement also offers all Capital Club members the opportunity to become members of Signature, Zain Bahrain's private members club for select clients. Signature customers were also invited to join the Capital Club and can avail of its program roster throughout the year.

The Capital Club is Bahrain's premier private business club, with a membership roster that includes more than 800 of the region's most senior businessmen and professionals.

Startup Bahrain

In addition to Zain Bahrain's CSR Partnerships (outlined in detail in the 'We continued to care' section), Zain Bahrain has a strong business interest in supporting commercial initiatives that aid in the Kingdom's development, especially those that benefit local entrepreneurs, the driving force of the economy.

Zain Bahrain, signed an agreement with Startup Bahrain, the Kingdom's first independent digital publication for startup companies and entrepreneurs. Through this partnership we will provide products and services that are tailor-made to fit the needs of young entrepreneurs and SMEs, including mobile, broadband and enterprise services. The aim is to enable and develop young Bahraini entrepreneurs to achieve their goals and become effective members of Bahrain's economy.

Zain Bahrain looks forward to further developing all these partnerships and forging new ones in the year ahead!



We boosted our network capability

In a competitive and rapidly evolving telecoms landscape, being at the cutting edge is not a choice, but a business necessity. This means constantly upgrading our systems and finding new ways to differentiate our services. With total voice volumes increasing by 25% since 2013 and data usage witnessing a massive three-fold growth in Q4 of 2014 alone, nowhere is this investment more essential than in our network, the backbone of our operations. So it is with great delight that we report to you that, just as was the case when we entered the market more than a decade ago, Zain Bahrain once again owns the Kingdom's newest and most advanced telecoms network, placing us in the unique position to continue to drive product, technology, and service innovation.

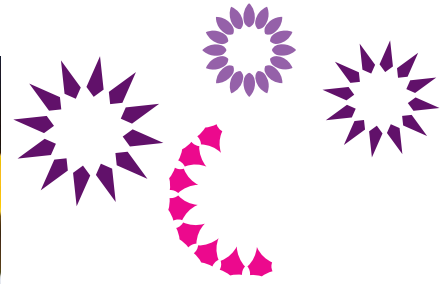


Although groundbreaking for its time, and still very much serviceable, we replaced our 2G and 3G radio network with Ericsson's latest LTE technology to further enhance overall customer experience, also adding 30% to the overall radio coverage. Building upon the performance upgrades initiated in 2013, the LTE network project, at a cost more than \$100 million and approximately 411,000 man hours, was no small undertaking. However, it was necessary for us to maintain technological leadership and continue to deliver excellence to our customers. The state-of-the-art fiber optic transmission network offers unparalleled stability, faster downloads, and wider, stronger coverage, putting us in an elite group that includes the world's top ten operators ranked by number of subscribers. The returns on this investment are already apparent,

with much higher levels of customer satisfaction and a client base that continues to grow.

Leading in innovation

A recognized market leader in innovation, Zain Bahrain's goal is to exceed expectations by introducing new technologies before they become industry standards. We already have a strong track record in pioneering technologies and services that have put the Kingdom of Bahrain on the telecommunications map, both regionally and globally. We made Bahrain the first country with nationwide 3G, and then 3.5G and WiMAX coverage. We branched out into the fixed wireless market, offering full-spectrum corporate telecoms solutions, and voice and data services, introducing innovative business and customer service practices along the way.



This new upgrade is yet another milestone and is also a feat in itself. Not only did Zain Bahrain replace the legacy technology 2G and 3G radio networks while expanding the overall radio coverage by 30%, but, adding to the complexity, LTE had to be rolled out throughout. For that RAN technology was chosen due to its power consumption efficiency and low physical space requirements, as well as the tremendous capacity it offers Bahrain's highly dense urban and residential areas. The backhaul network was also swapped to an all IP solution for microwave and active fiber components. Meanwhile, the entire core network was swapped with new CS and PS domains and a fully converged LTE architecture and 100% geo-redundancy. Last but not least, the charging solution was replaced with the latest intelligent solution network from Ericsson .

The project's main challenge was its magnitude of execution. It had to be done with as little service interruption as possible. This meant that execution plans were frequently changed overnight and major decisions taken on the spot. In the end, the transition was handled so gracefully that most customers didn't even feel it. Disruptions occurred for only a few hours in each zone, with all customers being informed well in advance – a remarkable achievement for such an enormous undertaking.

Radio Dot System (RDS)

Work has already started to fully integrate Ericsson's groundbreaking RDS into the Zain Bahrain network in 2015. One of the region's first implementations of this technology, RDS enables seamless indoor mobile connectivity, with high voice clarity,

even in the noisiest of environments, such as shopping malls. The most cost-effective solution to improve mobile network performance inside buildings, RDS introduces a revolutionary antenna element, or "Dot," weighing less than 300 grams, which is quick and easy to install.





We grew our customer base

Bahrain's telecoms market is among the world's most competitive, with mobile penetration rates topping 180%, and particularly high data usage at 3.5GB a month per average subscriber. As these figures continuing to multiply, the key to expanding our customer base lies in creating innovative and efficient solutions that cater to this ever-increasing demand.



788,677

ACTIVE USERS

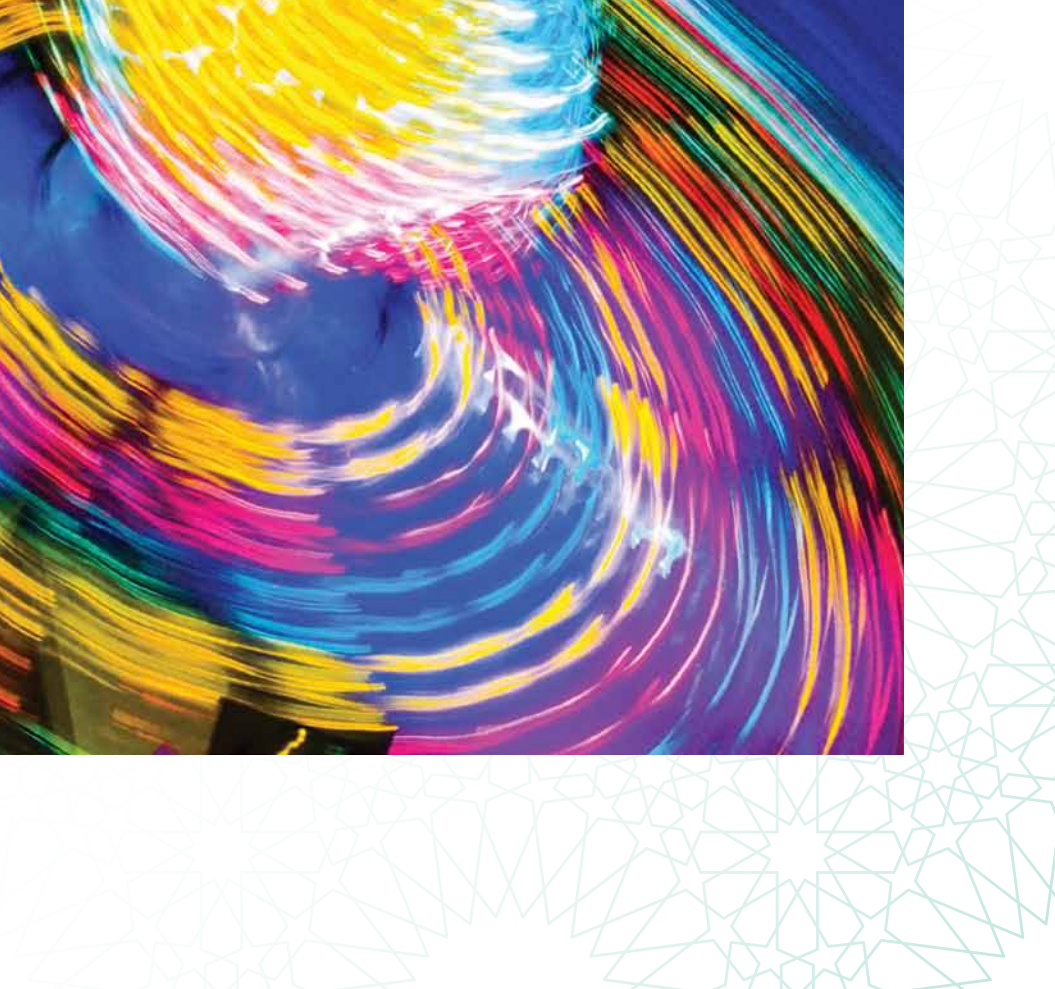
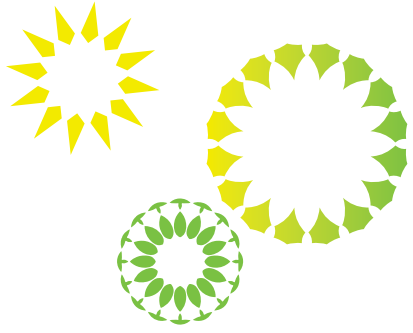
While there is still room for voice, it is in data where the real potential for growth now lies. Today, Zain Bahrain is able to offer the best data experience in the country, and one of the best in class globally, answering the needs of some of the most demanding and technology savvy customers anywhere. Data speeds testing and benchmarking places Zain Bahrain in the number one spot in the country, with more than 75% of its customers experiencing average data throughputs above 10Mbps. As benchmarked by the world's most popular speed measurement methodology, Ookla Net Index, Zain Bahrain is number one in the Bahraini market.

Our customers took notice of this, rewarding us with an increase in our subscriber base from 772,461 active users in 2013 to 788,677

as of December 2014. This was complemented by a 20.5% increase in home broadband and a 3.49% growth in the mobile subscriber base.

And while the focus was to boost our data services beyond those of other local players, Zain Bahrain also vastly improved the voice quality experience, strengthening its penetration in this area too, with the total volume of voice calls increasing by 25% since 2013.

Zain Bahrain has never tried to compete on price alone. Our business model depends on adding value to the customer experience. We are gratified that our customers see it this way too. We renew our promise to continue delivering the best services and products possible through Bahrain's newest and most modern network.





We diversified our product portfolio

The infrastructural leap effected by our new \$100 million state-of-the-art LTE network brings with it a world of possibilities for Zain Bahrain subscribers. The perfect platform for telecoms innovations such as HD Voice and RDS (Radio Dot System), it has optimized performance for mobile, smart phone, home and broadband users, as well as for our enterprise solutions clients. This translates into groundbreaking new products, and, ultimately, higher shareholder value.



\$100 MILLION
STATE-OF-THE-ART
LTE NETWORK

4G LTE

At the heart of Zain Bahrain's new product offerings is 4G LTE, which was rolled out gradually in 2013 and 2014 to ensure stability at each stage of deployment. At the cutting edge of broadband and data technology, 4G LTE is transforming almost every part of the customer experience, enhancing existing applications with speeds significantly faster than 3G.

A three-month free trial period for pre and postpaid smartphone and tablet users met with overwhelming approval, with both new and current subscribers loudly applauding its seamless video and music streaming and downloads, clearer video chatting, instant picture and video sharing, and lag-free mobile gaming. Demand was also drummed up through our immensely successful "Month on You Month on Us" promotion, which,

for a limited period, allowed mobile and broadband subscribers to skip rental payments every other month. This innovative, first-of-its-kind offer significantly increased the subscriber base for our new ultra-fast 4G LTE Home Broadband packages, which includes unlimited data usage, massive thresholds, and a free 4G LTE router or WiFi device.

HD Voice

A main feature of the new network is our much-anticipated High Definition (HD) Voice service, which offers unparalleled audio quality on voice calls to all Zain customers at no additional charge, and without the need for registration or subscription. HD Voice may also become available for calls to other mobile service providers as the rest of Bahrain's telecoms infrastructure catches up.

Prepaid Data Add-ons

With 'Data Add-Ons', prepaid customers now enjoy data services at daily, weekly or monthly fees, with free 4G services offered for the monthly option. They can select from six data packages according to their usage requirements. This level of flexibility, combined with the superior service of our new network and our unique brand of customer experience, will be a key differentiator for our company going forward.

World-class enterprise solutions

Zain Bahrain's enterprise solutions customers enjoy innovative and affordable communication solutions through world-class brands such as AVAYA, CISCO and many others.

In 2014, we further developed our Enterprise Connectivity offerings by improving real time interconnectivity among branches for our corporate clients. AVAYA features have been incorporated within Zain's offerings, complemented by our comprehensive after sales network. This partnership covers, among other services, video conferencing; platforms and infrastructure for large companies; collaborative Cloud and networking facilities; Virtual Enterprise Network Architecture; and IP Office suites for SMEs. These will all be supported by additional incentives such as free Zain-to-Zain calls, and Fax and E-Fax services.

Global brands

Our new network infrastructure is supported by our partnerships with global brands such as Apple and Samsung, allowing customers to enjoy the full range of features supported by their devices, with attractive packaged plans and a seamless after-sales service experience.

During 2014, the iPhone 6 and iPhone 6 Plus went on sale at Zain Experience Shops across the country. These models, the biggest advancements in iPhone history, incorporate Apple's newest mobile operating system, featuring stunning 4.7-inch and 5.5-inch Retina HD displays, with faster performance and power efficiency in a much thinner casing.

Alongside the iPhone, Zain Bahrain also launched the first Samsung Integrated Mobility "IM ZONE" at our flagship Seef Mall branch. The first of its kind in the kingdom, it is being managed with the help of Samsung's authorized distributor.

SmartInsure

SmartInsure is a comprehensive mobile phone and tablet insurance service against accidental damage, the first, not only in Bahrain, but in the entire GCC. Managed by Mapfer Asistencia, a global assistance company represented locally by Gulf Assist, and powered by Sharia-compliant insurer Solidarity, this package caters to a growing consumer demand for protection of their gadgets.

Signature

Signature is Zain's exclusive private members club, which recognizes and rewards our most valued customers with the highest quality services and offers, including a 24/7 concierge service. Zain Bahrain designs packages especially for Signature members, including exclusive premium phone numbers and the latest devices, which are personally delivered by a dedicated team of Account Managers. In 2014, Zain Bahrain increased to five the number of Zain Experience Shops with dedicated Signature team members.

These are just some of the many game changing products and services that Zain Bahrain, backed by one of the world's most advanced networks, will be rolling out in the months and years ahead. The aim is to deliver the best possible user experience modern technology allows, further growing our market share in the process. The best is yet to come.



We continued to care

Since the beginning, Zain Bahrain has consistently demonstrated its commitment to empowering disadvantaged members of society, as well as those who show great promise. We see ourselves as an important local partner and benefactor, and a stakeholder in the Kingdom's future.

Zain Bahrain's CSR pillars cover technology, community, family, youth education & development, and ecosystems. However, our mandate is to serve the community, so we are open to other causes that support progress and are in line with our values, such as women's empowerment, a high level strategy for Zain, both locally and group-wide.

Youth empowerment

Perhaps the most rewarding of our CSR programs are those that empower the young because their impact continues to be felt for years to come.

One initiative that touches Zain Bahrain directly is our Future University Network (F.U.N.), which gives young people hands-on work experience and exposes them to our exciting and merit-based work culture. F.U.N. also prepares young Bahraini university students for the job market, either with Zain Bahrain or elsewhere.

Another cornerstone is our annual Back to School program, which, in 2014, distributed 20,000 schoolbags and kits to children, bringing the total number



of bags distributed in the past 11 years to 200,000. This year we introduced a 'Go Green' eco-friendly element, with all the materials being recyclable. We celebrated the project's anniversary at a ceremony patronized by HH Shaikh Nasser Bin Hamad Al Khalifa, Chairman of the Board of Trustees of the Royal Charity Organization (RCO), and attended by the network of NGOs that helps us distribute the schoolbags at schools. Zain Bahrain was honored by RCO General Secretary, Dr Mustafa Al Sayed, who recognized us as one of the "leading national companies in terms of giving back to the community."

Zain Bahrain renewed its commitment to the University of Bahrain's E-learning Center, extending financial support to its Blackboard Management Learning System for a full academic year. The Center caters to the needs of over 13,000 students at the University.



20,000

SCHOOL BAGS & KITS
FOR CHILDREN

We also provided support to create a recreational hall at Al Rahma Center, and, for the seventh consecutive year, sponsored the National Basketball Championship.

Breast cancer awareness

Zain Bahrain held a 'Listen to Your Body' breast cancer awareness event at the Capital Club. The event included a music therapy session which taught how music can be used to enhance well-being and reduce anxiety.

#ZainDonate internal activation.



#ZainDonate

#ZainDonate is our continuous outreach program, which encourages community involvement in our CSR initiatives.

As part of #ZainDonate, we partnered with Ayadi Relief Organization to provide free Internet for life to four needy Bahraini families, connecting and empowering them so they become productive contributors to the economy. The project supported Baitkum Baitna, a youth-led humanitarian initiative that aims to refurbish dilapidated homes across Bahrain.

We also reached out to a number of NGOs which care for the orphans, the elderly, and children with cancer, among other causes, donating goods and money. Our staff are encouraged to contribute personally via #ZainDonate boxes at the Zain HQ reception during Ramadan. Whatever amount they donate, Zain Bahrain matches.

Connecting Bahrain's tech community

As a technology leader, we have a strong interest in fostering a tech-savvy community in Bahrain. Our '#zweetup' campaign created a vibrant platform bringing together social media users and bloggers in Bahrain through debates, competitions, and sports, among other activities. #Zweetup participants also got the opportunity to be the first testers of our new LTE services. This campaign was awarded the prestigious Stevie Award at the 11th Annual International Business Awards held in Paris, and also the Ragan's PR Daily Digital Award in the 'Best Crisis Management' category. We also received an honorable mention in the 'Best Community Engagement' category.

We are proud sponsors of the Social Media Club's annual Social Media Day, which honors all individuals who leave a positive mark on Bahrain's social media. The club held a competition prior to the event in which the public selected the best blogs across several categories.

Child safety

Zain Bahrain was a key contributor to a three-day Child Online Protection Workshop, hosted by the Telecommunications Regulatory Authority (TRA), which analyzed current cyber threats faced by children in the country. Our representatives suggested some of the tools that could be part of the National Strategy for Child Online Safety. We followed through on our commitment by becoming the first operator in the Kingdom to release an "Anti Abusive Words" SMS service, aimed at protecting children from online bullying.

CSR continues to be an area discussed regularly at the highest corporate levels at Zain Bahrain and Zain Group. In addition to the above activities, we, of course, also respond to urgent calls for humanitarian relief for disaster and war torn areas around the world, including recently Gaza and Nepal. But we believe that it is through focused CSR that can do the most good, so our goal to continually support initiatives that empower the community, and foster innovation, leadership and growth.

Distribution of school bags to the participating NGO's.

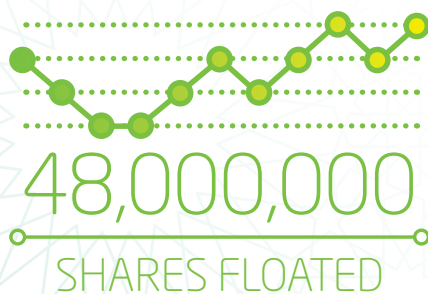


We went public

In fulfilment of Zain Bahrain license obligation, we launched our Initial Public Offering (IPO) in the third quarter of 2014, floating 48,000,000 ordinary shares (15% of our issued shares prior to offering) on the Bahrain Bourse. The IPO provided both retail and institutional investors the opportunity to participate in the first IPO in Bahrain since 2010.

The issue was underwritten by Gulf International Bank B.S.C. (GIB), which also acted as the lead manager. The co-manager was Watani Investment Company K.S.C.C. (NBK Capital). The two institutions were also the joint financial advisors and book runners. Deloitte & Touche Middle East was appointed auditor, while Trowers & Hamlins and Zu'bi & Partners were the legal advisors. Securities & Investment Company B.S.C. (c) (SICO) is acting as market maker.

Bahraini retail and Bahrain/GCC-based institutional investors subscribed to around 16.7 million shares (34.8% of the offering) with the remaining 31.2 million shares (65.2% of the IPO)



picked up by the underwriter. Although the quality of the Zain Experience is clear, it pays for a company launching an IPO in such challenging market, to present its corporate message in a clear and powerful way. Zain Bahrain's story has been told logically, concisely and transparently, while addressing the needs of investors and capital markets. Mobile Telecommunication Company (MTC) remains the majority shareholder.

Opportunities ahead

Our new investors come onboard at an opportune moment in Zain Bahrain's history; infrastructure renewals play an integral part in the telecoms industry's business cycle, and the recent launch of our new \$100 million LTE network, Bahrain's newest and most advanced, puts us in a solid position to roll out new products, expanding revenue lines and grow our market share.

Being a well-capitalized entity already, fundraising was not a primary motivation for Zain Bahrain and the IPO was issued mainly to fulfil the obligations of our license. Although the market has largely recovered from the 2008 financial crisis that caused Zain Bahrain (and many others across the region) to delay public offerings, we will continue to do all in our power to keep building momentum and enthusiasm for share ownership. Integral to our commitment, we have created new communication channels with our shareholders, regularly informing them of all relevant developments, both directly and through the media. We also created an Investor Relations & Compliance Department to answer questions and provide a direct link to our valued shareholders.









Awards and achievements

#Zweetup campaign

Zain Bahrain has been selected for various prestigious awards for the #zweetup campaign. The campaign that was launched in January 2014, aimed at effectively increasing positive engagement across Zain Bahrain's social media channels through an interactive platform targeting social media enthusiasts and bloggers.

In 2014, Zain Bahrain has been selected as the winners of the prestigious Ragan's PR Daily Digital Award in the 'Best Crisis Management' category for its #zweetup campaign. The operator also received an honorable mention in the 'Best Community Engagement' category. The Ragan's PR Daily Digital Awards showcase the outstanding level of innovation and creative campaigns that were developed across the world.

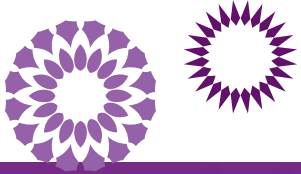
The campaign also received the internationally acclaimed Gold Stevie Award during the 11th Annual International Business Awards Gala Dinner held in the Westin Vendome in the French Capital, Paris, where the social media enthusiasts and bloggers attended the launch event at the operator's headquarters. The award received was for the Communications PR Campaign/Program of the Year – Social Media Focused – Middle East category for the #zweetup campaign.

Human Resources Development Awards

Zain Bahrain has been recognized for its outstanding Human Resources Development by winning two awards at the Ministry of Labor Annual Awards held under the patronage of His Majesty King Hamad Al Khalifa at the Crown Plaza Hotel. The award is an appreciation of Zain's Bahrain role and outstanding efforts in providing a competitive and rewarding work environment along with on-going training and development initiatives for Bahraini workforce.

E-Government Excellence Award

Zain Bahrain Self-Care App won the 'Best Application for Smart Devices Award' at the seventh edition of the e-Government Excellence Award 2014 held at the Ritz-Carlton Bahrain. The innovative application allows users to access account information, subscribe to new services and access a range of value-added and self-help services. The application has been recognized through the award that illustrates and showcases the pioneering ICT initiatives in the customer-focused services in the Kingdom.



Above: Mohammed Zainalabedin receiving the award from Shaikh Mohammed Bin Mubarak Al Khalifa.

Below: The award for #zweetup campaign.



Corporate Governance

Overview

The Corporate Governance Code of the Kingdom of Bahrain was issued by the Ministry of Industry and Commerce in 2010. The Code obliges all listed companies in Bahrain Bourse to adopt written Corporate Governance guidelines complying with the principles stated in the Code, and to report annually to their shareholders and CBB on their compliance. The Companies must also explain any changes in their corporate governance and justify any non-compliance. In July 2011, the Central Bank of Bahrain issued the Corporate Governance Module under the Capital Markets section of the CBB Rulebook. Certain sections of the CBB Module are extracts or expansions of the requirements found in the Code, and apply to all public companies. Companies are required to report and explain any areas of non-compliance.

As a listed company in Bahrain Bourse, we are committed to high standards of Corporate Governance, which are critical to our business integrity, and to maintaining investors' trust in us. We expect all our directors, employees and suppliers to act with honesty, integrity and fairness. To ensure this, the Board has delegated some of its responsibilities to specialized committees with a definite mandate to make certain that all facets of good governance are implemented and monitored on an ongoing basis. Not only do the directors endeavor to comply with all the governance requirements of the regulators, but have taken an additional step and have resolved to instigate the best corporate governance practice to maintain the high standards as expected by the stakeholders.

This report illustrates Zain's compliance and explains the non-compliance with the Corporate Governance (CG) Code issued by the MOIC and the CBB High Level Controls (HC) Module. The Corporate Governance Report for the year 2014 can be viewed on Zain's website at www.bh.zain.com

Reporting on Compliance

Zain Bahrain is in compliance with the principles of the CG Code and the CBB Module with the exception of the following:

Independent directors will not be more than 3 persons

Being a Board of seven (7) members and with Mobile Telecommunication Company K.S.C.P. (MTC) holding a management agreement with Zain Bahrain ultimately benefiting the company, the current independent directors will only hold two (2) seats (Shaikh Rashid Bin Abdulrahman Al Khalifa & Mr. Ali Hassan Al Khaja) and the Chairman will hold a seat leaving the remaining four (4) representing the Group.

Chairman of the Board not independent

Being the face and the initial investor in Zain Bahrain, Shaikh Ahmed Bin Ali Al Khalifa has been appointed by the Board of Directors as the Chairman of the Board even though he owns 16% which does not make him independent.

One third of the Directors of the Board will not be independent

As MTC holds a management agreement with Zain Bahrain, therefore require that the majority of the Board members represent MTC which form four (4) out of seven (7) Directors holding majority seats.

Committee (non-independent chairman / majority seats non-independent)

As MTC holds a management agreement with Zain Bahrain, therefore require that the majority of the Committee members represent MTC as well as the chairmen of the Board Audit Committee (BAC) along with the Nomination and Remuneration Committee (NRC).

Corporate Governance continued

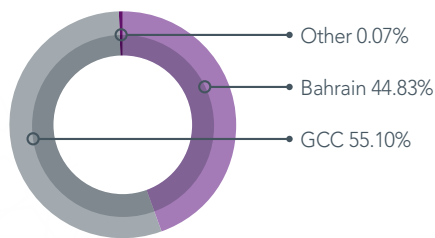
1. Ownership Structure

1.1 Ownership Structure by Nationality

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

Nationality	Number of Shares	% of shares held
Bahrain	164,958,363	44.83%
GCC	202,778,712	55.10%
Other	262,925	0.07%

Distribution of shares Nationality

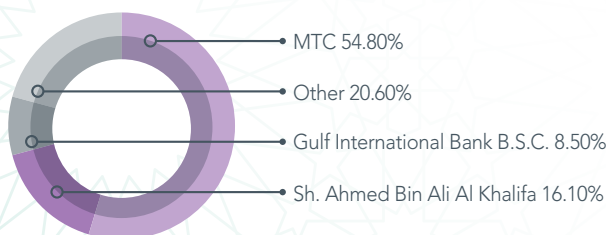


1.2 Ownership Structure by Size

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

Owner	Number of Shares	% of shares held
Mobile Telecommunication Company K.S.C. (MTC)	201,600,000	54.80%
Sh. Ahmed Bin Ali Al Khalifa	59,260,000	16.10%
Gulf International Bank B.S.C.	31,285,097	8.50%
Other	75,854,903	20.60%

Distribution of shares by Size



1.3 Ownership Structure by Category

The table below shows the distribution of ownership of Zain Bahrain shares by the government entity, directors and executive management:

Government Entities	Number of Shares	% of shares held
Minors Estate Directorate	2,400,000	0.65%
Pension Fund Commission	15,000,000	4.08%

Directors	Number of Shares	% of shares held
Sh. Ahmed Bin Ali Al Khalifa	59,260,000	16.10%
Sh. Rashid Bin Abdulrahman Al Khalifa	1,200,000	0.32%
Ali Hassan Al Khaja	1,440,000	0.39% (On Air Commerce WLL)
Asaad Ahmed Al-Banwan	201,600,000	54.80% (MTC)
Jamal Shaker Al-Kazemi	201,600,000	54.80% (MTC)
Waleed Al-Roudan	201,600,000	54.80% (MTC)
Shaikha Khalid Al-Bahar	201,600,000	54.80% (MTC)

Executive Management	Number of Shares	% of shares held
Esam Zainal	18,000	0.0049%

2. Board, Board Members and Management

2.1 Board Function

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

The Board has a fiduciary duty of care and loyalty to the Company and its Shareholders and is accountable to the Company's Shareholders for the proper conduct of the business. In addition, the Board is also responsible for overseeing the accuracy and completeness as well as the Company's compliance with its CG-Framework.

The Directors are responsible both individually and collectively for performing, among others, the main responsibilities set out below:

1. **Vision, Objectives and Strategy:** the Board set the vision of the Company and is providing direction in addressing what the Company wants to achieve in the short, medium and long-term. From that, the board set the objectives which will define the stages towards realizing the set vision. The Board shall then define the strategy, which will assist the Company in meeting its objectives.
2. **Risk Management:** The Board shall lay-down policies relating to risk management on their level which will be reviewed and updated as and when deemed necessary. In addition, the Board shall ensure the implementation of appropriate control procedures for risk management by forecasting the risks that the Company might encounter and disclosing them with transparency.
3. **Code of Conduct and Ethics:** the Board shall assess periodically the adequacy of the Company's code of conduct and ethics in promoting compliance with applicable laws, rules and regulations. In addition, the Board has developed a formal policy that will aim to regulate conflicts of interest and remedy any possible cases of conflict by the Shareholders, the Board and the Management.
4. **Internal Control Framework:** the Board shall conduct an annual review of the efficiency of the Company's internal control procedures as well as review the established policies to ensure that the Company complies with applicable laws, rules and regulations. The Board is committed to disclosing material information to its Stakeholders. In addition, the Board shall review the periodic reports issued by the Board Committees, the Management, the internal and External Auditor through its Audit Committee, regulators and third parties to assess the Company's performance and take corrective measures.
5. **Appointment and Succession Planning:** the Board shall provide the framework for identifying long-term successors for Key Management positions and shall detail their development plans to meet the requirements of these positions. Succession planning ensures operational continuity by preparing employees to smoothly fill future vacancies in Key Management positions should the need arise.
6. **Management Arrangements:** the Board has the authority to enter into loan agreements with governments, banks and financial institutions, regardless of each loan term. In addition, the Board may enter into commercial loan agreements, for terms not exceeding the Company's term.
7. **Reporting:** the Board shall ensure the integrity of the Company's accounting and financial reporting system, including procedures relating to the preparation of financial reports.
8. **Performance Monitoring:** the Board shall act as a scrutinizer of Management's performance in accomplishing the Company's objectives and meeting its approved performance targets.
9. **Commitment and Protection of Shareholders' Rights:** the Directors shall commit to giving their time and commitment to attend Board meetings and keep themselves updated as to relevant developments in the Company's business (financial, commercial and technical), market, regulatory and legal arenas so as to identify potential road-blocks which prohibit the Company from achieving its objectives. In all its actions, the Board shall commit to monitor and safeguard the Company's reputation and continuously work towards enhancing it.
10. **Whistle-blowing:** the Board shall adopt a whistle-blower programme under which employees can confidentially raise concerns about possible improprieties in financial, business, regulatory or legal matters.

Corporate Governance continued

2.2 Detailed information about the directors, including directorships of other Board, position, qualification and experience.

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 the chairman of the board of MENA Aerospace Enterprises W.L.L. since its establishment in 2004. Shaikh Ahmed Bin Ali Al Khalifa has also been the chairman of Muharraq Club since year 1989 and prior to that he was the vice chairman of the club from 1978 to 1988.

Term of Office

Shaikh Ahmed Bin Ali Al Khalifa has been the Chairman of the Board since 19 April 2003. Post listing and as per CBB Rule Book Volume 6: Capital Markets High level Controls (Corporate Governance) Module, the Chairman will nominate himself for reappointment by the shareholders in the AGM in Q1 2015 as a non-executive non-independent Chairman of the board.

Asaad Ahmed Al-Banwan (Deputy Chairman)

Non-executive / non-independent

Mr. Asaad Ahmed Al-Banwan started his career with the Kuwait Foreign Trading Contracting and Investment Company (KFTCIC, now the Kuwait Investment Company), where he became a senior vice-president in year 1996. He then took over as the deputy general manager of Wafra International Investment Company in Kuwait, from year 1996 to year 1999. Mr. Al-Banwan was the vice-chairman and the chief executive officer of the National Investment Company in Kuwait from year 2000 to year 2012. Prior to that, he was the chairman and the managing director of the National Investment Company from year 1999 and the managing director and member of the board of directors since year 1996. In addition, he is a member of the board of directors of several regional and international companies.

He is also the vice-chairman of the Kazma Sports Club. He holds a BSc in Finance and Administration from the University of Kuwait, Kuwait. Mr. Al-Banwan was appointed as the chairman of Mobile Telecommunications Company K.S.C.P (the Parent Company) in March 2005. Prior to that; he was the vice-chairman and a member of its investment committee.

Term of Office

Mr. Al-Banwan has been a Director in Zain Bahrain since the 7th of February 2005. Post listing and as per CBB Rule Book Volume 6: Capital Markets High level Controls (Corporate Governance) Module, Mr. Al-Banwan will be nominated for reappointment by the shareholders in the AGM in Q1 2015 as a non-executive non-independent member of the board.

Shaikh Rashid Bin Abdulrahman Al Khalifa

Non-executive / independent

Shaikh Rashid Bin Abdulrahman Al Khalifa has been 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 year 1982 to year 1991 and Head of Engineering Department from year 1978 to year 1980. Shaikh Rashid Bin Abdulrahman Al Khalifa holds a BSc in Architectural Engineering from the University of Cairo, Egypt, a Master's degree in City Planning from Howard University, USA, and a certificate of Advanced Management program from Harvard University, USA. He is a registered member of the Committee for Organizing Engineering Professional Practice (COEPP), the American Institute of Architects and the American Planning Association.

Term of Office

Sh. Rashid has been a Director in Zain Bahrain since 19th of April 2003. Post listing and as per CBB Rule Book Volume 6: Capital Markets High level Controls (Corporate Governance) Module, Sh. Rashid will be nominated for reappointment by the shareholders in the AGM in Q1 2015 as a non-executive independent member of the board.

Waleed A. M. A. Al-Roudan

Non-executive / non-independent

Mr. Waleed A. M. A. Al-Roudan joined the Kuwait Investment Authority (KIA) in year 1986 and held several positions until he was appointed as the manager of investments – general reserves in year 2006. This area of the KIA manages local and Arab investments in companies and funds in which the KIA is a shareholder or a unit-holder. He also represents the KIA on the boards of companies where it is a shareholder. Apart from being a board member of the Parent Company, he is also the chairman of the board of EK Holding. He is also a member of the Supreme Commission, which oversees projects that are held on State property. Mr. Al-Roudan holds a BSc in Economy from the University of Kuwait, Kuwait. Mr. Al-Roudan was elected as a board member of the Parent Company in year 2011.

Term of Office

Mr. Waleed has been a Director in Zain Bahrain since 27th of October 2011. Post listing and as per CBB Rule Book Volume 6: Capital Markets High level Controls (Corporate Governance) Module, Mr. Waleed will be nominated for reappointment by the shareholders in the AGM in Q1 2015 as a non-executive non-independent member of the board.

Jamal Shaker Al-Kazemi

Non-executive / non-independent

Mr. Jamal Shaker Al-Kazemi acts as the chief executive officer and the chairman of Shaker Al-Kazemi & Sons. He has held this position since year 1982. Mr. Al-Kazemi has been the chairman of Al-Arabi Sporting Club since year 2000. He is also a board member of Ahli United Bank and the vice-chairman of MarsaAlam Holding Company. Mr. Al-Kazemi was elected as a board member of the Parent Company in year 2010.

Term of Office

Mr. Al-Kazemi has been a Director in Zain Bahrain since the 27th of October 2011. Post listing and as per CBB Rule Book Volume 6: Capital Markets High level Controls (Corporate Governance) Module, Mr. Al-Kazemi will be nominated for reappointment by the shareholders in the AGM in Q1 2015 as a non-executive non-independent member of the board.

Shaikha Khalid Al-Bahar

Non-executive / non-independent

Ms. Shaikha Al-Bahar is the chief executive officer of the National Bank of Kuwait (NBK) and a board member of various divisions within the National Bank of Kuwait (NBK). She has extensive experience in the Middle East region in the areas of privatization, project finance, advisory services, bond issues, other financial transactions and private placements. Ms. Al-Bahar has been involved in all of the Kuwait Investment Authority's (KIA) privatization deals since year 1994. A well sought-out public speaker in many local, regional and international conferences, she is also the chairman of: the National Bank of Kuwait (NBK), Lebanon, Al-Assima Real Estate Co., Kuwait and also the chairman of the audit committee of the International Bank of Qatar (IBQ). She is a board member of: the International Bank of Qatar (IBQ), the National Bank of Kuwait (International) P.L.C., the Turkish Bank, NBK Global Asset Management Ltd., Intra Investment Co. S.A.L., Lebanon and a member of the Board of Trustees of the Kuwait University-College of Business Administration. Ms. Al-Bahar has major personal achievements, out of which: Arabian Business (March 2011): The World's 500 Most Influential Arabs (ranked the 8th locally and the 141st Arabian) and 100 Most Powerful Arab Women (ranked the 3rd locally and 15th Arabian), Forbes (December 2004, April 2006 and February 2008): Most Powerful Woman in the Arab World and GCC Executive Woman of the Year (1997) – Dubai. Ms. Al-Bahar holds a BSc with honors in international marketing and minor in statistics. The educational institutions she has attended include Stanford University, Duke University, Stanford – National University of Singapore, Wharton Business School, University of Southern California, INSEAD, Harvard Business School and International Marketing Citibank's Correspondent Bank School.

Term of Office

Ms. Al-Bahar has been a Director in Zain Bahrain since 27th of October 2011. Post listing and as per CBB Rule Book Volume 6: Capital Markets High level Controls (Corporate Governance) Module, Ms. Al-Bahar will be nominated for reappointment by the shareholders in the AGM in Q1 2015 as a non-executive non-independent member of the board.

Corporate Governance continued

Ali Hassan Al Khaja

Non-executive / independent

Mr. Ali Hassan Al Khaja is backed by a wealth of experience across various sectors, Mr. Al Khaja was the driving force behind the launch of the world's first Customer Service Transparency Standard; an international qualification standard for the services sector. Mr. Al Khaja is a technology entrepreneur and a holder of several patents in 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.

Term of Office

Mr. Ali Hassan Al Khaja was appointed during the EGM by the shareholders on the 30th of October 2014 to fulfil the requirement of an additional non-executive independent Director.

2.3 Number and Names of Independent Members

Can be found in section 3.2

2.4 Board term and start of each term

Can be found in section 2.2

2.5 New Directors Orientation and education

As outlined in the Bahrain Corporate Governance Code, High Level Controls section 4.5.1, the chairman of the board must ensure that each new director receives a formal and tailored induction to ensure his contribution to the board from the beginning of his term.

Zain Bahrain's induction includes meetings with senior management, visits to the company's facilities, presentations regarding strategic plans, significant financial, accounting and risk management issues, compliance programs, its internal and external auditors and legal counsel.

In order to comply with the above, each new board member will receive the below;

1. Upon appointment, the new board member will be received at Zain Bahrain headquarters in Seef District, Manama, Bahrain.
2. The appointed board member will be introduced to senior management (Sales & Customer Care, Finance, Marketing, Public Relations, Legal, Compliance, Network, Regulatory & Interconnection, Human Resources and IT) who will brief him on the roles and responsibilities of each division along with the necessary information that will allow him to contribute in the upcoming board meetings.
3. The new director will then be taken to various departments to fully comprehend the structure and functionality of the divisions.
4. The General Manager presents annually at the first Board of Directors (BOD) Meeting the company's annual strategy and ways of moving forward in line with the set budget.
5. During BOD meetings, the General Manager presents the updated financials in detail and a copy of the Audited Financials are made available for the directors along with a comparative analysis.
6. An Internal Audit report is annually presented by the MTC Audit (Parent Company) to the board of directors and a copy is made available during the meeting.
7. Adopting the Corporate Governance Code of the Kingdom of Bahrain, the new committees and charters will be presented to the board in detail annually along with the comments and findings.

Note – 1: if the new director is appointed at a term where the BOD meeting has been held, the GM will insure that he/she receives all the documentation and be up to date with the existing directors.

Note – 2: All continuing directors will be invited to attend the orientation meetings and all directors must continually educate themselves as to the company's business and corporate governance. (HC – 4.5.2)

2.6 Election System and Process for Termination of Directors

Election system

Four of the seven Directors were appointed upon the fact that MTC holds a management agreement and majority shareholding. The Chairman has been Sh. Ahmed Bin Ali Al Khalifa since the incorporation of the Company along with Sh. Rashid Bin Abdulrahman Al Khalifa a Director. The independent Director (Mr. Ali Hassan Al Khaja) was appointed by the shareholders through an EGM held on the 30th of October 2014. The Shareholders will elect the Directors for the upcoming term in the AGM of 2015.

The Board is appointed for a period of three years on a renewable basis. At the request of the Board, the Minister of Industry and Commerce may extend the membership term of a Director for no more than six months at which time the relevant Director becomes subject to re-election.

Termination process

Termination of directorship can take effect in the cases set out below:

- If a Director does not have the appropriate legal qualifications or has been sentenced for an act, a fraud or a crime affecting his honour or integrity;
- If a Director is appointed or elected in a manner contrary to the provisions of the law;
- If a Director abuses his membership to carry on a competitive business to the Company or causes damages to the Company; or
- If the Shareholder appointing the member removes him.
- Termination of a member of the Board or indeed the whole Board can also be effected by a General Assembly in accordance with Article 178 of the Commercial Companies Law of Bahrain.

2.7 Board Meeting Date and Attendance

As Zain Bahrain has been publicly listed in December 2014, the board of directors has not yet held a Board meeting post listing.

2.8 Remuneration Policy for Directors

The company's remuneration policy for directors ensures that the board is reasonably compensated for the time, resources, and effort spent in performing their fiduciary duties. The Board's remuneration, which is approved annually by the shareholders at the AGM, includes an annual stipend and allowance for out-of-pocket-expenses. For the year ending 31 December 2014, a total of BD 188,042 was approved by the Board of directors to be paid for seven directors.

2.9 List of Senior Managers and Profile of Each

Mr. Scott Gegenheimer, Chief Executive Officer

Date of Appointment: December 2012

Mr. Scott Gegenheimer is a CEO of a number of telecom operators in the MENA region, and finance executive in a number of companies in the USA. He is also the CEO of the Parent Company. Additionally, Mr. Gegenheimer has 25 years of extensive international and operational experience in wireless telecommunications and technology sectors. Mr. Gegenheimer holds an MBA from DePaul University and a BSc in Finance and Management from Northern Illinois University, USA.

Mr. Mohammed Zainalabedin, General Manager

Date of Appointment: May 2008

Mr. Mohammed Zainalabedin is responsible for the overall strategy, planning, operation and management of the business, as well as for creating, communicating and implementing the organization's vision and mission and achieving its financial targets. He joined Zain Bahrain in July 2003 in the IT department and progressed to become the Chief Commercial Officer of the Company. Prior to that, he was extensively involved in the banking IT field. Mr. Zainalabedin holds a BSc degree in Computer Engineering from the King Fahad University of Petroleum & Minerals, Kingdom of Saudi Arabia.

Corporate Governance continued

Mr. Esam Zainal, Director, Business Planning

Date of Appointment: July 2010

Mr. Esam Zainal heads the unit responsible for business planning, new business development, programme management, and quality assurance. Prior to that, he was the head of the network department and was responsible for the planning, development, operation and maintenance of Zain Bahrain's network. He joined Zain Bahrain in 2003. Prior to that, he worked for another major telecommunications operator in Bahrain as a senior manager in product development and mobile services and as a mobile and satellite communications engineer. Mr. Zainal holds MS and BS degrees, both in Electrical Engineering from the University of Texas at Arlington, USA.

Mr. Muneeb Shahid, Director, Marketing

Date of Appointment: April 2011

Mr. Muneeb Shahid is responsible for all aspects relating to strategic and tactical marketing. He joined Zain Bahrain in 2004 as a member of the network department and was responsible for radio access network planning, deployment and management. After that, he held positions in strategy and business planning within Zain Bahrain and the Parent Company. Prior to that, he was a network planning engineer in World CALL Wireless and Mobilink in Pakistan.

Mr. Shahid holds an MBA in Corporate Finance and Strategy from INSEAD, France, a Master's degree in Engineering from Rensselaer Polytechnic Institute, USA and a BSc in Electrical Engineering from the National University of Science and Technology, Pakistan.

Mr. Hamad Al-Romaihi, Director, Network

Date of Appointment: July 2010

Mr. Hamad Al-Romaihi is responsible for planning, development, operation and maintenance of the network, including ensuring coverage and quality. Moreover, he is in charge of planning and developing technical strategies, policies, service level agreements and business plans, negotiating with network vendors and planning and managing yearly CAPEX and OPEX budgets. The planning, development, operation and maintenance of all IT systems

including the billing system, enterprise applications (human resources and finance), ISP infrastructure, business intelligence system and call centre voice system are also his responsibility. He is also in charge of planning and managing the annual IT CAPEX and OPEX budgets as well as negotiating with vendors as well. Prior to that, he worked in the field of network technology with the Parent Company, HP and Ericsson AB. Mr. Al-Romaihi holds a BSc in Electronic and Electrical Engineering from the Strathclyde University, United Kingdom.

Mr. Ahmed Dief, Director, Finance

Date of Appointment: September 2007

Mr. Ahmed Dief is the director of finance of Zain Bahrain. Mr. Ahmed Dief is responsible for accounting and financial operations, budget and forecasting management, profitability and cost analysis, cost optimization management, revenue assurance, interconnection carrier billing as well as treasury and cash flow management. Mr. Ahmed Dief joined Zain Bahrain in May 2004. Prior to that, Mr. Ahmed Dief was in leading positions in the telecom, oil, trading and auditing sectors. Mr. Ahmed Dief holds a BSc in Accounting from Ain Shams University, Egypt and is a Certified Cash Flow Manager.

Ms. Khawla Allan, Director of Information Technology

Date of Appointment: May 2008

Ms. Khawla Allan is the director of IT since May 2008. Ms. Khawla Allan is responsible for the planning, development, operation and maintenance of all IT systems including the billing system, enterprise applications (human resources and finance), ISP infrastructure, business intelligence system and call centre voice system. Ms. Khawla Allan is also responsible for planning and managing the annual IT CAPEX and OPEX budgets as well as negotiating with vendors. Ms. Khawla Allan joined Zain Bahrain in June 2003. Prior to that, Ms. Khawla Allan held a number of managerial and technical positions in other telecommunications operators in Bahrain and in other countries. Ms. Khawla Allan holds an MBA in Financial Management from Hull University, United Kingdom and a BSc in Computer Science from the Jordan University, Jordan.

Mr. Arslan Khan, Director Sales and Customer Care***Date of Appointment: November 2012***

Mr. Arslan Khan is responsible for acquisition targets in the consumer segment (indirect sales and retail sales), signature (high value and VIP) and business segment (corporate and enterprise). He joined Zain Bahrain in November 2012. Prior to that, he held senior positions in sales and marketing with telecommunications operators in the MENA region including: group commercial director for Vtel Holdings, group chief commercial officer for Bintel Ltd, chief marketing officer for MTN, commercial director for Digicel, marketing director/head of residential market for Etisalat and marketing director for Millicom International Cellular. Mr. Arslan Khan holds an MBA from Preston University, USA and a BSc in General Studies from Punjab University, Pakistan.

Mr. Jaffar Abdulla, Manager, Regulatory and Interconnection***Date of Appointment: December 2008***

Mr. Jaffar Abdulla is the main contact with the telecom regulator (the TRA), ensuring the Company's compliance with licensee conditions and with regulations. He is also the main contact with other licensed operators in Bahrain and in other countries for all matters relating to interconnection and wholesale. Prior to that, he was a radio engineer with Zain Bahrain's network team. He joined Zain Bahrain in July 2003. Mr. Jaffar holds an MBA from New York Institute of Technology, Bahrain and a BSc in Instrumentation and Control Engineering from the University of Bahrain, Bahrain.

Ms. Dana Bukhamamas, Manager, Human Resources***Date of Appointment: July 2009***

Ms. Dana Bukhamamas is responsible for learning and development, performance management, employee relations and services, staffing and organizational development. Prior to this role, she had held other positions in Zain Bahrain's Human Resources department, and supervisory roles in the Sales Department. She joined Zain Bahrain in July 2003. Ms. Dana holds a BSc in Business Management from the University of Bahrain.

Ms. Samya Hussein Manager, Corporate Communication***Date of Appointment: September 2007***

Ms. Samya Hussein manages the public relations activities of public events and maintains positive relations with the public, the press and the electronic media. She also develops and oversees the delivery of all publications, press and media communications, calendars, special promotions and general information on related activities and events. She joined Zain Bahrain in 2003. Ms. Samya held various positions in managing Executives' Office Communications as she worked in CEO's Office of both Almoayyed Computers and Accor Group prior to joining Zain Bahrain. Ms. Samya holds a Business Administration Degree from the University of Bahrain, Bahrain.

Ms. Latifa Salahuddin, Director, Legal***Date of Appointment: May 2014***

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

Mr. AbdulRahman Al-Shafei, Manager, Investor Relations and General Management Office***Date of Appointment: November 2013***

Mr. AbdulRahman Al-Shafei is responsible for coordinating matters of finance, communication, marketing, and securities law compliance for Zain Bahrain as the Company prepares to launch its IPO. His work will involve creating and implementing the most effective two-way communication between the Company and the financial community and other constituencies, which ultimately

Corporate Governance continued

contributes to the Company's securities achieving fair valuation. He joined Zain Bahrain at its inception in year 2003 and continued with it until the year 2006, when he moved to the banking industry to become a finance professional. As a former banker, Mr. Al-Shafei brings to his new role at Zain Bahrain valuable experience gained as financial advisor with Mashreq Bank (UAE), as senior manager with Global Banking Corporation (Bahrain) and as director at Abu Dhabi Investment House (Bahrain). Mr. AbdulRahman completed his MBA from the University of South Wales, United Kingdom, and updated his financial professional credentials with specialist certifications at the Bahrain Institute of Banking & Finance as well as other financial training institutions such as the American Academy of Financial Management.

2.10 Remuneration Policy for Management

The company's remuneration policy for management is designed to attract, retain, and motivate employees of diverse skill sets and business acumen, education background and experience. For the year ending 2014, the annual remuneration fees of the executive management were in the form of salaries, allowances and bonus. Refer to the note 20.1 (Compensation of key management personnel) of the financial statements.

2.11 Details of Stock Option and Performance Linked Incentives

(Not applicable to Zain Bahrain)

2.12 Code of Conduct

In Zain Bahrain, the board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behavior. The company has adopted a code of conduct which provides an ethical and legal framework for all employees in the conduct of its Business. Directors' code of conduct is to be finalized in accordance with CBB Rulebook Volume 6: Capital Markets High Level Control (Corporate Governance) Module and Corporate Governance Code in 2015.

3. Board committees

3.1 Name and Function of the Committees

3.1.1 Board Audit Committee (BAC)

The Company's BAC charter will be approved by its BOD in Q1 2015. The purpose of the BAC is to assist the Company's Board of Directors in fulfilling its oversight responsibility with respect to:

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

3.1.2 Nomination and Remuneration Committees NRC

The Company's NRC charter will be approved by the board of directors in Q1 2015; the purpose of the NRC is to assist the Company's Board of Directors in fulfilling its oversight responsibility with respect to:

- Make recommendations to the Board regarding potential candidates for Board membership to be included by the Board of Directors on the agenda for the next annual "General Assembly".
 - Recommend nominees for each committee of the Board.
 - Oversee matters related to the compensation, skills and expertise requirements, orientation and conduct of the Board, Board Committees and Officers which should be approved by the shareholders.
 - Review the Board of Directors' and Officers' succession plan.
 - Evaluate the Board of Directors' and Officers' performance.
-

- Approve the Officers' remuneration and incentive policies and packages based on the Chief Executive Officer's evaluation and recommendation.
- Review Zain's recruitment, retention and termination policies for Officers.
- Review employee incentive schemes such as bonuses, stock option schemes and other allowances and perquisites.
- Review the remuneration framework for the Board.
- Review and approve the amendments to the existing organizational structure.
- Review with the new Board members, committee members and Officers their roles and duties.

3.2 Members of the Board Divided into Independent and Non-independent; Executive and Non-executive Categories:

Board Members	Designation	Categories of directors
1 Shaikh Ahmed Bin Ali Al Khalifa	Chairman	Non-independent Non-executive
2 Mr. Asaad Ahmed Al-Banwan	Deputy Chairman	Non-independent Non-executive
3 Shaikh Rashid Bin Abdulrahman Al Khalifa	Director	Independent Non-executive
4 Waleed A. M. A. Al-Roudan	Director	Non-independent Non-executive
5 Jamal Shaker Al-Kazemi	Director	Non-independent Non-executive
6 Shaikha Khalid Al-Bahar	Director	Non-independent Non-executive
7 Ali Hassan Al Khaja	Director	Independent Non-executive

**Once the committees are formed in Q1 2015 the sections in the above table will be populated.*

3.3 Number of Meetings per Year:

The BAC is required to meet at least four times a year while the NRC is required to meet at least twice a year. However, as Zain Bahrain has been recently listed in December 2014, the two committees have not yet held a meeting in 2014 considering that the two committees will be appointed by the board in Q1 2015.

3.4 Member Remuneration

3.4.1 The Audit Committee:

Each member of the committee is entitled to compensations scheme including attendance payment for each meeting attended and an annual compensation. The amounts should be approved by the board based on the recommendations from NRC.

3.4.2 Nomination and Remuneration Committee

Each member of the committee is entitled to compensations scheme including attendance payment for each meeting attended and an annual compensation. The amounts should be approved by the board based on the recommendations from Committee.

4. Corporate Governance

The Company will be including a statement on Corporate Governance in the printed annual report from the year ending December 2014. Reference is made to the Company's compliance with the CG Code and the CBB Module.

5. Auditors

- The External Auditors of Zain Bahrain for the audit year ended 2014 is Deloitte & Touché and the agreed audit fee for that year is BD 33,550. The non-audit service fee for 2014 is BD 14,325.
- Copies of the Charters of the Board, the Audit committee and the Nominating and Remuneration may be inspected with Zain Bahrain's Compliance Officer post BOD approval (Q1 2015).

Corporate Governance continued

6. Related Party Transactions and Directors Trading of Company Shares

Related party transactions are carried out at arm's length and at rates approved by the Company's management. Amounts due from/to related parties are unsecured, bear no interest and have no fixed repayment terms. Management considers these to be current assets and current liabilities as appropriate. Refer to the note 20 (Related Party Transactions) of the financial statements.

Zain Bahrain Directors, Executive Management and employees have the right to trade in the company's shares as Zain Bahrain is a listed company. However, they are monitored by relevant authority in the company to ensure that no trade is made making use of non-published material information.

7. Means of Communication with Shareholders and Investors

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

- Zain Bahrain's audited financial statements and all material facts are available on the company's website.
- The company supports the principle of effective communication through the annual report of the company and the General Assembly Meetings.
- The Company has appointed the Bahrain Bourse to act as Share Registrar.
- Any required notifications are made to the Bahrain Bourse for publishing on its website.

8. Management of Principle Risks and Uncertainties

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

9. Review of the Internal Control

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

The Internal Audit will report significant Issues and any other matters deemed appropriate to the BAC, CEO of the parent company (MTC), CFO of the parent company (MTC) and Zain Bahrain Senior Management.

In the company, there are clear processes for monitoring and reviewing the system of internal control and reporting any weaknesses. BAC has the authority to conduct the internal control audit. The Internal Audit Plan will be approved by the BAC and will form the basis for the Internal Audit activities. The scope of its activities is subject to the BAC review and approval but will not otherwise be restricted. Also, MTC Internal Audit is authorized to have full, free, and unrestricted access to all records, properties, systems and personnel of Zain Bahrain with strict accountability for confidentiality and safeguarding records and information. All staff and management of MTC shall make all efforts to provide necessary assistance to, and cooperate with our staff in performing their duties effectively.

Through the year of 2014, the company has implemented a system of internal control that provides reasonable assurance of the effectiveness and efficiency of the operation including all types of controls such as financial and compliance with the regulations.

The effectiveness of internal control is periodically reviewed and reported to the BAC through internal control department.

10. Announcements of Results

As a public joint stock company, Zain Bahrain has ongoing reporting requirements and obligation imposed by the Bahrain Commercial Companies Law, the Ministry of Industry and Commerce (MOIC), the Central Bank of Bahrain (CBB), and the Bahrain Bourse.

The Announcement of results in the press will include Income statement, cash flow statement, statement of comprehensive income and changes in shareholders' equity, Auditors report, Auditor's signature date and Board Approval date. The Results of annual financial review for the year ended should be released within sixty (60) days of the related year end. Results of quarterly financial review should be released within forty five (45) days of the related quarter.

The Annual General Shareholders Meeting (AGM) should be held within 90 days after the year end. The Notice of AGM should be published in at least two Arabic newspapers fifteen (15) working days prior to the AGM.

11. Directors' Responsibilities for the Preparation of Financial Statements

A board audit committee will be formed by the board to assist fulfill the Board's responsibility with respect to:

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

12. Conflict of interest

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

"Directors' Code of Conduct" and "Code of Conduct" Policies will be available with Zain Bahrain's IR & General Management Office upon being approved in Q1 2015.

13. Performance evaluation

Zain Bahrain has defined guidelines on how it evaluates the performance of its Board of Directors and each committee members on an annual basis once formed. The NRC will be 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 will also hold the responsibility of assisting the board in determining the compliance of each Director and Officer with the Company's "Code of Conduct" and report any violations to the Board.



Financial Statements and Independent Auditor's Report

FOR THE YEAR ENDED DECEMBER 31, 2014

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Other Comprehensive Income
- 57** Statement of Changes in Equity
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- 59** Notes to the Financial Statements



ZAIN BAHRAIN B.S.C., MANAMA, KINGDOM OF BAHRAIN

Commercial Registration No.	50603
Chairman	Shaikh Ahmed Bin Ali Al Khalifa
Directors	Mr. Asaad Ahmed Al-Banwan – Vice Chairman Shaikh Rashid Bin Abdulrahman Al Khalifa Mr. Jamal Shaker Al-Kazemi Mr. Waleed A. M. A. Al-Roudan Mrs. Shaikha Khalid Al-Bahar Mr. Ali Hassan Al Khaja – Acting Independent Director (from October 15, 2014)
Chief Executive Officer	Mr. Scott Gegnheimer
General Manager	Mr. Mohammed Zainalabedin
Finance Director	Mr. Ahmed Dief
Registered Office	P.O. Box 266 Manama Kingdom of Bahrain
Principal Bankers	National Bank of Kuwait Bank of Bahrain and Kuwait National Bank of Bahrain National Bank of Abu Dhabi Ahli United Bank Ithmar Bank Arab Bank Khaleeji Commercial Bank Bank Muscat International Kuwait Finance House Bahrain Islamic Bank Al Baraka Islamic Bank Standard Chartered Bank
Auditor	Deloitte & Touche P.O. Box 421 Manama Kingdom of Bahrain

DIRECTOR'S REPORT

Zain Bahrain B.S.C., Manama, Kingdom of Bahrain

The Directors present their annual report and financial statements for the year ended December 31, 2014.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS

The results for the year are set out on page 7 of the financial statements.

SHARE CAPITAL STRUCTURE

	2014 (%)	2013 (%)
Shareholders		
Mobile Telecommunication Company K.S.C. – Kuwait	54.78	56.25
Shaikh Ahmed Bin Ali Al Khalifa	16.10	15.33
Others	29.12	28.42

CHANGES IN DIRECTORS

It was resolved to appoint Mr. Ali Hasan Al Khaja as the Independent Director after obtaining the necessary approval by the Extra-Ordinary General Meeting held on October 15, 2014.

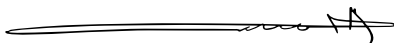
DIRECTORS REMUNERATION

Director's remuneration charged during the year ended December 31, 2014 BD 188,042 (2013: BD 326,266)

AUDITOR

A resolution proposing the reappointment of Deloitte & Touche as the auditor of the Company for the year ending December 31, 2015 and authorising the Directors to fix their remuneration will be put to the Annual General Meeting subject to the approval of the Central Bank of Bahrain.

On behalf of the Board



Shaikh Ahmed Bin Ali Al Khalifa
Chairman



Mr. Asaad Ahmed Al Banwan
Vice Chairman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

Zain Bahrain B.S.C., Manama, Kingdom of Bahrain

Deloitte.

Report on the Financial Statements

We have audited the accompanying financial statements of Zain Bahrain B.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2014, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zain Bahrain B.S.C. as at December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

As disclosed in Note 3.2 to the financial statements of the Company as of December 31, 2014 were previously authorised for issue and signed on behalf of the Board of Directors by the Chairman and Vice Chairman on January 12, 2015 on which we issued an audit report on the same date. Those financial statements, presented within equity an amount of BD 305 thousand invested in accordance with the Company's price stabilization obligation disclosed in the Initial Public Offering prospectus dated July 20, 2014. The Company has amended those financial statements to reclassify this amount as a financial asset under receivables. Accordingly, these are amended financial statements and have been approved and authorised on behalf of the Board of Directors by the Chairman and Vice Chairman. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the Company has maintained proper accounting records and the financial statements have been prepared in accordance with those records. We further report that, to the best of our knowledge and belief, the financial information provided in the Board of Directors' report is in agreement with the financial statements and based on the information and explanations provided by the management which were required for the purpose of our audit, we are not aware of significant violations of the relevant provisions of the Bahrain Commercial Companies Law 2001 and the Company's Memorandum and Articles of Association having occurred during the year ended December 31, 2014 that might have had a material effect on the business of the Company or on its financial position.

Manama – Kingdom of Bahrain,
February 16, 2015



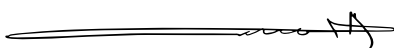
Deloitte & Touche – Middle East
Partner Registration No. – 135

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2014

	Notes	2014 BD '000	2013 BD '000
ASSETS			
Current assets			
Cash and bank balances	5	2,974	3,156
Accounts and other assets	6	21,238	20,644
Inventories	7	2,128	2,971
Total current assets		26,340	26,771
Non-current assets			
Property, plant and equipment	8	69,806	61,367
Intangible assets	9	15,940	19,166
Total non-current assets		85,746	80,533
Total assets		112,086	107,304
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Accounts payable and accruals	10	25,669	29,166
Current portion of term loans	11	6,961	3,286
Deferred revenue		4,529	4,769
Total current liabilities		37,159	37,221
Non-current liabilities			
Non-current portion of term loans	11	14,971	16,714
Provision for employees' end of service benefits	12	323	330
Total non-current liabilities		15,294	17,044
Total liabilities		52,453	54,265
Equity			
Share capital	13	36,800	32,000
Share premium	14	3,032	100
Statutory reserve	15	9,867	9,453
Retained earnings		9,934	11,486
Total equity		59,633	53,039
Total liabilities and equity		112,086	107,304

The financial statements were approved and authorised for re-issue on February 16, 2015 and signed on behalf of the Board of Directors by:



Shaikh Ahmed Bin Ali Al Khalifa
Chairman



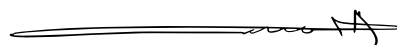
Mr. Asaad Ahmed Al-Banwan
Vice Chairman

The attached notes form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014

	Notes	2014 BD '000	2013 BD '000
Revenue	16	71,804	78,081
Cost of revenue		(14,306)	(16,304)
Gross profit		57,498	61,777
Distribution, marketing and operating expenses		(22,958)	(24,597)
General and administrative expenses		(5,767)	(6,225)
Depreciation and amortization		(21,799)	(24,320)
Provision for doubtful debts		(1,491)	(1,513)
Provision for inventories		(233)	(120)
Operating profit		5,250	5,002
Interest income		29	8
Other income – net		127	610
Other expenses		(543)	-
Gain on currency revaluation		64	104
Finance costs	17	(785)	(321)
Profit for the year	18	4,142	5,403
Total comprehensive income for the year		4,142	5,403
Basic earnings per share	19	Fils 13	Fils 17



Shaikh Ahmed Bin Ali Al Khalifa
Chairman



Mr. Asaad Ahmed Al-Banwan
Vice Chairman

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

	Share Capital BD '000	Share Premium BD '000	Statutory Reserve BD '000	Retained Earnings BD '000	Total BD '000
Balance at December 31, 2012	32,000	100	8,913	13,023	54,036
Dividends declared	-	-	-	(6,400)	(6,400)
Total comprehensive income for the year	-	-	-	5,403	5,403
Transfer to statutory reserve	-	-	540	(540)	-
Balance at December 31, 2013	32,000	100	9,453	11,486	53,039
Dividends declared (Note 13)	-	-	-	(5,280)	(5,280)
Shares issued during the year	4,800	4,320	-	-	9,120
Share issue costs	-	(1,388)	-	-	(1,388)
Total comprehensive income for the year	-	-	-	4,142	4,142
Transfer to statutory reserve	-	-	414	(414)	-
Balance at December 31, 2014	36,800	3,032	9,867	9,934	59,633

The attached notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 BD '000	2013 BD '000
Cash flows from operating activities:		
Profit for the year	4,142	5,403
<i>Adjustments for:</i>		
Depreciation and amortisation	21,799	24,320
Insurance claim	-	(470)
Provision for doubtful debts and slow moving inventories	1,724	1,633
Finance costs	785	321
Interest income	(29)	(8)
Provision for employees' end of service benefits	61	62
(Gain) / loss on property, plant and equipment written off	(40)	65
Operating profit before working capital changes	28,442	31,326
Increase in accounts and other assets	(2,085)	(1,757)
Decrease / (increase) in inventories	610	(1,496)
(Decrease) / increase in accounts payable and accruals	(3,184)	5,420
(Decrease) / increase in deferred revenue	(240)	20
Cash generated from operating activities	23,543	33,513
Payment of employees' end of service benefits	(68)	(5)
Net cash from operating activities	23,475	33,508
Cash flow from investing activities:		
Purchase of property, plant and equipment	(16,919)	(18,875)
Interest received	29	8
Increase in intangible assets	(10,056)	(17,321)
Proceed from sale of property, plant and equipment	3	-
Net cash used in investing activities	(26,943)	(36,188)
Cash flows from financing activities:		
Net proceeds from issue of shares	7,732	-
Interest paid	(702)	(291)
Dividend paid	(5,676)	(6,368)
Term loans	1,932	20,000
Net cash from financing activities	3,286	13,341
Net (decrease) / increase in cash and cash equivalents	(182)	10,661
Cash and cash equivalents at beginning of the year	3,156	(7,505)
Cash and cash equivalents at end of the year (Note 5)	2,974	3,156
Non-cash transaction:		
Purchase and disposal of property, plant and equipment in assets swap transaction	20,994	-

The attached notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. GENERAL INFORMATION

Zain Bahrain B.S.C. (the "Company") is a Bahraini Joint Stock Company incorporated in the Kingdom of Bahrain on April 19, 2003 and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 50603. The Company is a subsidiary of Mobile Telecommunications Company K.S.C. ("the Parent Company"), a Kuwaiti shareholding company listed on the Kuwait Stock Exchange.

The Company provides telecommunication services under various licenses issued by the Telecommunications Regulatory Authority ("TRA") of the Kingdom of Bahrain. The initial periods of the licenses are 15 years. The Company is also involved in the sale of handsets and accessories in the Kingdom of Bahrain. The Company launched its services on December 28, 2003.

The address of the registered office is P.O. Box 266, Manama, Kingdom of Bahrain.

At an Extraordinary General Meeting held on July 28, 2013, the shareholders resolved to convert the Company's status to a Bahrain Public Joint Stock Company, to increase the issued and authorised share capital by 15% through an Initial Public Offering ("IPO") and to split the Company's shares with a ratio of 1:10 to each 100 Bahraini fils. Accordingly, the Company launched its IPO on September 2, 2014 for subscription. Subsequent to the IPO, the Company became a Bahraini Joint Stock Company effective December 4, 2014 and its shares were listed on the Bahrain Bourse.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Standards and Interpretations effective for the current period

The following revised standards and a new interpretation have been adopted in the current year with no material impact on the disclosures and amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements relating to exception from the requirement to consolidate subsidiaries for eligible Investment Entities.
- IFRIC 21 Levies. IFRIC 21 provides guidance on when to recognise a liability to pay a levy imposed by a government.
- Amendment to IAS 36: Impairment of Assets relating to the disclosure of information about the recoverable amount of non-financial assets if the amount is based on fair value less cost of disposal.
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting.

2.2 Standards and Interpretations in issue not yet effective

Management has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

- *IFRS 9 Financial Instruments (2014)* replacing *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 (2014) contains requirements for financial instruments in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. IFRS (2014) introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

Hedge accounting. Introduces a new hedge accounting model that is designed to more closely aligned with how entities undertake risk management activities when hedging financial and non-financial exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018. It supersedes all previous versions of IFRS 9, but these standards remain available for application if the relevant date of initial application is before February 1, 2015.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.2 Standards and Interpretations in issue not yet effective (continued)

- IFRS 15 *Revenue from Contracts with Customers* provides a single, principles based five-step model to be applied to all contracts with customers: a) Identify the contract with the customer; b) Identify the performance obligations in the contract; c) Determine the transaction price; d) Allocate the transaction price to the performance obligations in the contracts; e) Recognize revenue when the entity satisfies a performance obligation.

Effective for annual periods beginning on or after January 1, 2017.

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associate and Joint Ventures*, addressing a conflict between IFRS 10 and IAS 28 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognised depends on whether the asset sold or contributed constitute a business.

Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IFRS 11 *Joint Arrangements*. The amendments to IFRS 11 provide guidance on how to account for acquisition of interests in joint operations.

Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Method of Depreciation and Amortisation. Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IAS 19 *Employee Benefits* relating to employee contributions to defined benefit plans. Effective for annual periods beginning on or after July 1, 2014.

- Amendments to IAS 27 *Separate Financial Statements*. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint arrangements and associates in the entity's separate financial statements. Effective for annual periods beginning on or after January 1, 2016.

- Amendments arising from the *Annual Improvements Cycle 2010 – 2012*. Effective for annual periods beginning on or after July 1, 2014.

- Amendments arising from the *Annual Improvements Cycle 2011 – 2013*. Effective for annual periods beginning on or after July 1, 2014.

- Amendments arising from the *Annual Improvements Cycle 2012 – 2014*. Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IAS 1: *Presentation of Financial Statements* under disclosure Initiative. Effective for annual periods beginning on or after January 1, 2016.

- Amendment to IFRS 10, IFRS 12 and IAS 28 Amendments regarding the application of consolidation exceptions. Effective for annual periods beginning on or after January 1, 2016.

The management anticipates that all of the above Standards and Interpretations as applicable, will be adopted in the Company's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application, except for IFRS 9 and IFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of preparation

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

The financial statements have been presented in Bahraini Dinars, rounded to the nearest thousand, except where stated otherwise.

The financial statements of the Company as of December 31, 2014 were previously authorised for issue and signed on behalf of the Board of Directors by the Chairman and Vice Chairman on January 12, 2015 on which the independent auditor issued an audit report dated January 12, 2015. Those financial statements presented within equity an amount of BD 305 thousand invested in accordance with the Company's price stabilization obligation disclosed in the IPO prospectus dated July 20, 2014. The Company has amended those financial statements, to present this amount as a financial asset under receivables. Accordingly, these are amended financial statements and have been approved as indicated on page 6.

The principal accounting policies are set out below.

3.3 Revenue recognition

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

3.3.1 Post paid

Recurring post-paid revenue represents billings to subscribers in respect of monthly rentals, airtime (voice and data) usage fees and roaming charges. These are recognised when the related services are provided.

Revenue arising from the previous billing date to the reporting date is accrued.

3.3.2 Prepaid

Prepaid vouchers enable the users to forward purchase a specified value of airtime (voice and data). The sale price of the prepaid vouchers is based on airtime bundles while revenue is recognised based on airtime usage. Unused airtime which has not been earned at the reporting date is recognised in the statement of financial position as deferred revenue. Non-recurring revenues include one-time charges of subscription and other services fees. One-time charges are recognised when services to the customers are activated or provided, as appropriate.

3.3.3 Roaming

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

3.3.4 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.

Expenses (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.

3.3.5 Prepaid calling card

Prepaid cards enable the users to forward purchase a specified value of airtime to call international destinations. The sale price of the prepaid card is based on airtime bundles while revenue is recognised based on airtime usage. Unused airtime which has not been earned at the reporting date is recognised in the statement of financial position as deferred revenue.

3.3.6 Trading revenue

Revenues arising from trading primarily comprise of hand sets, equipment and SIM card starter packs sales and are recognised upon delivery to the customer.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue recognition (continued)

3.3.7 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) over their useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives of property, plant 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 and properties under construction are not depreciated.

An item of property, plant and equipment is derecognised 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, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. For acquired network businesses whose operations are governed by fixed-term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortised on a straight line basis over the life of the license. Customer contracts and relationships are amortised over a period of one to four years. To the extent handsets are provided below cost as part of the telecom service connection, it is treated as a subscriber acquisition cost and recognized as an intangible asset and amortised over the period of the contract.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives, if any, that are acquired separately are carried at cost less accumulated impairment losses.

3.6 Impairment of tangible and intangible assets

At the end of each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment of tangible and intangible assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised 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 (or a cash-generating unit) 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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.

3.7 Borrowing 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Costs are those expenses incurred in bringing each product to its present location and condition.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.9 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.9.1 Receivables

Accounts receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.9.2 Impairment of financial assets

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

The objective evidence of impairment could include:

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial assets (continued)

3.9.2 Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.9.3 Derecognition of financial assets

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

The difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.10 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. At present, the financial liabilities of the Company consist of only other financial liabilities comprising trade and other payables and borrowings.

3.10.1 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially measured at fair value net of transaction cost and are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

3.10.2 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial liability derecognised and the sum of the consideration paid and payable is recognised in profit or loss.

3.11 Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying 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 basis or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Provisions

Provisions are recognised 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 recognised 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 recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Leasing

The Company as lessee

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

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

3.14 Provision for employees' end of service benefits

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

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

3.15 Employee saving scheme

The Company's contribution to the employees saving scheme is calculated as a percentage of employee salaries as determined by management in a separate fund account. The Company's obligations are limited to these contributions, which are expensed when due.

3.16 Foreign currencies

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

3.17 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the entity's accounting policies, which are described in Note 3, 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 recognised 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 entity's accounting policies

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

Key sources of estimation uncertainty

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

Useful life of property, plant and equipment:

During the year, the Company's management amended the useful life of property, plant and equipment as instructed by the Parent Company and in line with the changes for the Group.

The changes and resulted decrease in the depreciation expense for the current year are as follows:

	Initial useful life	Revised useful life	Impact on depreciation expense BD '000
Building	20 years	50 years	8
Office equipment	2 – 5 years	4 – 5 years	445
Network equipment	3 – 15 years	3 – 20 years	1,580
			2,033

Property, plant and equipment – network:

Due to the nature of the Company's business, the network assets of the Company, as detailed in Note 8, are susceptible to rapid technological obsolescence. Management depreciates those assets over 3 to 20 years. The estimation of network assets useful lives is based on management judgement and estimates. In order to estimate the lives of network assets, management considers the nature of the assets, usage and technological advancement. Therefore, any technological advancement in future may warrant the need for substantial upgrade or replacement of equipment. Hence, management performs annual impairment tests on the network assets, as described in Note 3, to identify any indication that those assets have suffered an impairment loss. As per the policy the impairment loss, if any, will be recognised immediately in the profit or loss.

Allowance for bad debts on due from post paid subscribers:

As described in Note 6, it is the Company's policy to provide for doubtful debts after taking into account factors such as the time period for which the amount has been outstanding, type of subscribers and period the subscriber balance has remained inactive. On the basis of the age analysis of due from subscribers, management uses certain percentages applied to the different aging periods excluding certain subscriber categories. These percentages have been developed by management on the basis of their experience and past recovery trends. The ability to estimate the required provision will become more accurate over time as long as sufficient reliable data is built up.

Impairment of tangible and intangible assets

The management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in Note 3. The recoverable amount of an asset is determined based on value-in-use method.

The review carried out by the management did not reveal any impairment of the tangible and intangible assets.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision for obsolete and slow moving inventory:

Considerable judgement by management is required in the estimation of the obsolete and slow moving inventory. Such estimate is necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimate resulting in future changes in such allowance.

5. CASH AND CASH EQUIVALENTS

	2014 BD '000	2013 BD '000
Short-term deposits	2,002	104
Cash and bank balances	972	3,052
Cash and bank balances	2,974	3,156

Cash and bank balances include BD 208,101 (2013: BD 238,257), denominated in United States Dollars and BD 20,808 (2013: BD 105,504) denominated in Euros. The average interest rate per annum on short-term deposits is 1.32% (2013: 1%) per annum.

6. ACCOUNTS AND OTHER ASSETS

	2014 BD '000	2013 BD '000
Accounts receivable:		
Due from post paid subscribers	18,552	16,503
Allowance for doubtful debts	(7,118)	(5,627)
	11,434	10,876
Due from roaming partners	3,472	3,214
Due from distributors	569	174
Interconnect receivable	1,896	2,137
	17,371	16,401
Other assets:		
Accrued income (Note 6.1)	535	534
Prepaid expenses (Note 6.2)	1,483	1,451
Due from related parties (Note 20)	15	16
Advance paid to suppliers	506	1,826
Staff receivables	104	164
Other receivables	312	252
Portfolio under management (Note 6.3)	912	-
	3,867	4,243
	21,238	20,644

Management considers that invoices outstanding up to 60 days are within the acceptable credit period. No interest is charged on the overdue subscribers' balances. The Company has provided fully for all subscriber receivables over 360 days excluding those receivables being followed by the collection agencies and certain specific customer receivables which are considered recoverable, because historical experience is such that receivables that are past due beyond 360 days are generally not recoverable. Trade receivables between 60 days and 360 days are provided based on certain percentages applied to different aging periods excluding certain subscriber categories.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

6. ACCOUNTS AND OTHER ASSETS (continued)

As at December 31, 2014, five (2013: five) roaming partners account for approximately 73% (2013: 75%) of amounts due from roaming partners.

In total accounts receivable (net of impairment) amounting to BD 17,370,996 (2013: BD 16,401,393) include balances with carrying amount of BD 12,744,023 (2013: BD 11,776,671) which are past due at the reporting dates for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The amount aged more than 360 days below included due from one roaming partner amounting to BD 2,087,254 (2013: BD Nil).

The ageing of past due but not impaired is as follows:

	2014 BD '000	2013 BD '000
2-3 months	1,674	3,491
4-6 months	2,009	2,129
7-12 months	2,001	2,337
More than 360 days	7,060	3,820
	12,744	11,777

Movement in the allowance for doubtful debts is as follow:

	2014 BD '000	2013 BD '000
Balance at beginning of the year	5,627	4,114
Impairment losses recognised on receivables	1,491	1,513
Balance at end of the year	7,118	5,627

Allowance for doubtful debts is estimated after taking into account factors such as the time period for which the amounts remain outstanding, type of subscribers and period for which subscriber balances have remained inactive.

Ageing of impaired accounts receivable is as follows:

	2014 BD '000	2013 BD '000
2-3 months	52	51
3-6 months	212	223
7-12 months	1,059	890
More than 360 days	5,795	4,463
	7,118	5,627

The Directors consider that the carrying amount of accounts and other receivables approximate their fair value.

The Company has no significant credit risk concentration on due from post paid subscribers, with exposure spread over a large number of customers.

- 6.1** Accrued income comprises unbilled charges for services provided at the year end where the billing was not due at that date.
- 6.2** Prepaid expenses comprise the unamortised portion of advance payments in connection with rentals, insurance, maintenance and other miscellaneous expenses.

6. ACCOUNTS AND OTHER ASSETS (continued)

6.3 As part of the regulatory requirement, the Company has entered into a Discretionary Portfolio Management Agreement with a third party market maker for a period up to twelve months from the effective listing date. By virtue of the agreement the market maker executes buy and sell orders at its sole discretion to achieve price stabilization of the Company's shares and to facilitate the trading of shares against a management fee. As at December 31, 2014, the portfolio under management includes shares amounting to BD 305 thousand.

7. INVENTORIES

This caption comprises mobile telephone handsets and accessories, subscribers' identification module ("SIM") cards, recharge vouchers and calling cards.

	2014 BD '000	2013 BD '000
Handsets, accessories and others	2,756	3,366
Allowance for slow moving items	(628)	(395)
	2,128	2,971

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Building BD '000	Network Equipment BD '000	Office Equipment BD '000	Furniture and Fixtures BD '000	Vehicles BD '000	Capital work in progress BD '000	Total BD '000
Cost:							
Balance at December 31, 2012	2,221	78,608	21,775	3,463	30	6,767	112,864
Additions	65	2,065	392	8	-	16,345	18,875
Transfers	636	8,381	1,304	-	-	(10,321)	-
Written off	-	(509)	-	-	-	-	(509)
Balance at December 31, 2013	2,922	88,545	23,471	3,471	30	12,791	131,230
Additions	37	1,584	265	1	-	36,103	37,990
Transfers	8	37,155	6,077	417	-	(43,657)	-
Disposal	-	(49,954)	-	-	(13)	(1,191)	(51,158)
Balance at December 31, 2014	2,967	77,330	29,813	3,889	17	4,046	118,062
Accumulated Depreciation:							
Balance at December 31, 2012	572	39,599	16,398	2,955	30	-	59,554
Depreciation expense	86	8,248	2,175	244	-	-	10,753
Disposal	-	(444)	-	-	-	-	(444)
Balance at December 31, 2013	658	47,403	18,573	3,199	30	-	69,863
Depreciation expense	35	6,207	2,056	219	-	-	8,517
Relating to disposal	-	(30,111)	-	-	(13)	-	(30,124)
Balance at December 31, 2014	693	23,499	20,629	3,418	17	-	48,256
Carrying amount:							
As at December 31, 2014	2,274	53,831	9,184	471	-	4,046	69,806
As at December 31, 2013	2,264	41,142	4,898	272	-	12,791	61,367

Capital work in progress mainly relates to network equipment in respect of network expansions and the implementation of 4G Network.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

9. INTANGIBLE ASSETS

	2014 BD '000	2013 BD '000
Cost:		
Balance at the beginning and end of the year	59,396	42,075
Additions	10,056	17,321
Balance at the end of the year	69,452	59,396
Accumulated Amortisation:		
Balance at the beginning of the year	40,230	26,663
Amortisation expense	13,282	13,567
Balance at the end of the year	53,512	40,230
	15,940	19,166

Intangible assets consist of the following license fees:

- 9.1** Fees of BD 5,576,211 for the National Fixed Wireless Services ("NFWS") license obtained on January 8, 2007. This fee is amortised over the license period of 15 years. The net book value of the license at the end of the year amounts to BD 2,638,829 (2013: BD 3,010,577).
- 9.2** Fees of BD 378,000 for the Rotana digital entertainment music license. This fee is amortised over a period of three years from the launching day of the agreed services with Rotana which is from May 1, 2009. This has been fully amortised in prior year.
- 9.3** Subscribers acquisition cost amounting to BD 62,540,450 (2013: BD 52,484,646) comprises the subsidised cost of inventory items sold by the Company to its customers. These items are amortised over the contracted subsidy period which ranges from 1 to 4 years. The net book value of the subscribers acquisition cost at the period end amounts to BD 12,424,627 (2013: BD 15,214,865).
- 9.4** Fees of BD 956,700 for the 4G Long Term Evolution ("4G LTE") license obtained on September 19, 2013. This fee is amortised over the license period of 15 years. The net book value of the license at the end of the year amounts to BD 876,975 (2013: BD 940,755).

10. ACCOUNTS PAYABLE AND ACCRUALS

	2014 BD '000	2013 BD '000
Due to suppliers	8,569	9,846
Accrued expenses	5,399	5,398
Interconnection payable	2,822	2,459
Due to roaming partners	1,957	1,495
Accrued employees' benefits	909	1,149
Subscriber deposits	31	32
Dividend payable	-	396
Due to related parties (Note 20)	5,681	7,909
Accrued Directors' remuneration	188	452
Accrued interest	113	30
	25,669	29,166

10. ACCOUNTS PAYABLE AND ACCRUALS (continued)

There is no interest charge on accounts payables (including past due amounts where applicable) to suppliers however the Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Interconnect payable includes amount of BD 2,108,000 (2013: BD 1,882,216) due to three (2013: three) operators in respect of interconnect charges, supplies and services received prior to the year end for which invoices were under negotiation as of that date.

Subscriber deposits represent refundable amounts received from the subscribers.

11. TERM LOANS

	2014 BD '000	2013 BD '000
Term loans	21,932	20,000
Less: current portion of term loans	(6,961)	(3,286)
	14,971	16,714

The Company has obtained three term loans facilities amounting to BD 10.5 million, BD 13 million and BD 7.5 million respectively from three commercial banks in the Kingdom of Bahrain. As at the reporting date, the Company has utilised BD 21.932 million out of the total loan facilities available. These loans carry interest rate of three months BIBOR plus 2.25%. Loans are payable in 8, 7 and 8 semi-annual installments respectively starting after one year from the loan agreement date. During the year, the Company repaid the instalment of BD 5.268 million to the banks.

12. PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY:

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

	2014 BD '000	2013 BD '000
Balance at the beginning of the year	330	273
Additional provision	61	62
Reductions arising from payments	(68)	(5)
Balance at the end of the year	323	330

13. SHARE CAPITAL

	Authorised		Issued and Fully Paid	
	2014 BD '000	2013 BD '000	2014 BD '000	2013 BD '000
Shares of Fils 100 each	36,800	32,000	36,800	32,000

The Company has only one class of equity shares and the holders of these shares have equal voting rights.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

13. SHARE CAPITAL (continued)

Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of outstanding shares are as follows:

Name	Nationality	Number of shares	% of share holding
Mobile Telecommunication Co. K.S.C.	Kuwait	201,600,000	54.78%
Sh. Ahmed Ali Abdulla Al-Khalifa	Bahrain	59,260,000	16.1%
Gulf Investment Bank ("Underwriter")	Bahrain	31,285,097	8.5%

Distribution schedule of equity shares:

Categories	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	56,054,903	585	15.24
1% up to less than 5%	19,800,000	2	5.38
5% up to less than 10%	31,285,097	1	8.50
10% up to less than 20%	59,260,000	1	16.10
More than 50%	201,600,000	1	54.78
	368,000,000	590	100.00

Dividend – 2014

The Annual General Assembly meeting held on February 19, 2014 approved the distribution of dividend of fils 165 per share totaling BD 5,280,000.

14. SHARE PREMIUM

Share premium relates to amounts collected in excess of the par value of the issued share capital, net of shares issue costs. This amount is considered as part of the reserves and is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

15. STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to a statutory reserve until it reaches 50% of the issued share capital. The reserve is not available for distribution, except in the circumstances stipulated in the Bahrain Commercial Companies Law.

16. REVENUE

This caption represents revenues from airtime, data, subscription, handsets, accessories and SIM card starter pack sales, net of roaming expenses. Revenue from sale of handsets, accessories and other items amounts to BD 1,716,448 (2013: BD 2,283,546).

17. FINANCE COSTS

	2014 BD '000	2013 BD '000
Interest on borrowings	785	321

18. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging

	2014 BD '000	2013 BD '000
Employees' costs and benefits:		
End-of-service benefits	61	62
Employees costs	7,839	7,942
	7,900	8,004
	2014 BD '000	2013 BD '000
Site rental	2,345	2,308
Provision for doubtful debts and slow moving inventories	1,723	1,633
Business promotion cost	1,763	2,367
Amortisation expense (Note 9)	13,282	13,567
License fees (Note 18.1)	2,295	2,935
Royalty fees (Note 18.2)	357	350
Management fees (Note 18.3)	2,197	2,409

18.1 License fees comprise of Mobile license fees and Wimax frequency licenses fees payable to the TRA of Bahrain.

As per the agreement dated April 22, 2003 between the Company and the TRA, the Company has to pay 0.8% of the total annual revenue every year to the TRA in respect of the license fees and fixed fee for microwave frequency license.

18.2 The Company has been charged by Zain Group Holding-Bahrain S.P.C. on behalf of Vodafone Global Products and Services Limited in respect of use of "Vodafone" brand and to provide other assistance to the Company against royalty fee of Euro 700,000 per annum.

18.3 As per an agreement dated December 28, 2003 as amended on December 29, 2013, 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 gross revenue as defined in the agreement.

19. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2014 BD '000	2013 BD '000
Profit for the period	4,142	5,403
<i>Number of shares</i>	'000	'000
Weighted average number of shares in issue	330,915	320,000
Basic and diluted earnings per share	Fils 13	Fils 17

Basic and diluted earnings per share are same since the Company has not issued any instrument that would have a diluting effect.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

20. RELATED PARTY TRANSACTIONS

Related party transactions represent transactions with related parties as defined in International Accounting Standard 24: "Related Party Disclosures" (these include shareholders, directors and key management personnel including their close family members and companies in which they exercise control, joint control or significant influence). Related party transactions are carried out at arms 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.

Transactions with related parties included in the statement of comprehensive income are as follows:

	2014 BD '000	2013 BD '000
Office rent and maintenance costs	994	1,040
Site and outlet rent	48	65
Management fees (Note 18.3)	2,197	2,409
Employee share option plan charges (20.1)	-	217
Royalty fees (Note 18.2)	357	350

During the year, Management accrued for Board of Directors' remuneration (Note 10) an amount of BD 188,042 (2013: BD 326,266). The amount due for the year 2014 is subject to the approval by the Shareholders' general assembly.

20.1 The employee share option plan charges relate to the share option plan managed and handled by the Parent Company. The liability of the Company is limited to its contribution as charged by the Parent Company. This plan was terminated at the beginning of the current year, hence no charges were incurred for the current year. The details of the plan are disclosed in the consolidated financial statements of Zain Group.

	2014 BD '000	2013 BD '000
Related party balances		
Zain Group Holding-Bahrain S.P.C.	(5,681)	(7,850)
Zain – Jordan	-	(5)
Zain – Kingdom of Saudi Arabia	-	3
Sudanese Mobile Telephone Company Ltd	13	12
Zain – Iraq	-	(34)
Mobile Telecommunication Company – Kuwait	-	(20)
Zain – South Sudan	1	1
Zain – Lebanon	1	-
	(5,666)	(7,893)

Amounts due from / to related parties are presented as follows:

	2014 BD '000	2013 BD '000
Due from related parties (Note 6)	15	16
Due to related parties (Note 10)	5,681	7,909

20. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel:

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

	2014 BD '000	2013 BD '000
Short-term benefits	841	1,251
Other long-term benefits	126	88
	967	1,339

The above compensations were in the form of salaries, allowances and bonus.

21. SEGMENT INFORMATION

The Company operates in telecommunication and related services business and its activities are organised 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 activities in the Kingdom of Bahrain.

22. CONTINGENT LIABILITIES AND COMMITMENTS

22.1 Contingent liabilities:

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

	2014 BD '000	2013 BD '000
Letters of guarantee	930	1,091

22.2 Capital commitments:

Capital expenditure contracted at the reporting date but not provided for, are as follows:

	2014 BD '000	2013 BD '000
Capital expenditures	14,552	24,050

22.3 Commitments under operating leases:

Commitments under operating leases, which substantially comprise properties on which telecommunication equipment have been installed, are presented as follows:

	2014 BD '000	2013 BD '000
Within one year	6,957	6,424
After one year, but not more than five years	4,022	3,862
	10,979	10,286

22.4 Other financial commitments outstanding at the reporting date are BD 305,000 (2013: BD Nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

23. FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and bank balances and receivables.

Financial liabilities of the Company include accounts payables, accruals and borrowings.

23.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses), for each class of financial asset, finance liability and equity instrument are disclosed in Note 3 to the financial statements.

23.2 Categories of financial instruments

The summary of financial assets and liabilities is as follows:

	2014 BD '000	2013 BD '000
Financial assets		
Cash and bank balances at amortised cost	2,974	3,156
Receivables	18,714	16,833
	21,688	19,989
Financial liabilities	47,601	49,166

23.3 Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of equity comprising share capital, share premium, reserves and net debts which are defined as term loans net of cash and bank balances.

The gearing ratio at the year end was as follows:

	2014 BD '000	2013 BD '000
Debts (i)	21,932	20,000
Cash and cash equivalents	(2,974)	(3,156)
Net debts	18,958	16,844
Equity (all capital and reserves)	59,633	53,039
Net debt to equity ratio	31.8%	31.8%

(i) Debt is defined as term loans, as shown in Note 11.

23. FINANCIAL INSTRUMENTS (continued)

23.4 Financial risk management objectives

The Company's finance function manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (which consists of equity price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk.

The risk associated with financial instruments and the Company approaches to managing such risks are described below:

23.5 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices such as interest rates and foreign currency rates. The Company's activities expose it primarily to the financial risk in changes in interest rates and foreign exchange rates which are described below:

23.5.1 Interest rate risk management

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

The Company's short-term deposits carry fixed interest rates and mature within three months. The Company's term loan facilities carry variable interest rate and are long-term in nature (Note 11).

The Company reviews the market analysis and expectations for interest rate movements as the basis on which the Company decides to utilise floating or fixed rates for its interest bearing liabilities, if any.

The Company's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended December 31, 2014 would decrease/increase by BD 109,660 (2013: decrease/increase by BD 100,000). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

23.5.2 Currency Risk Management

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.

The Company's assets and liabilities are denominated in Bahraini Dinars, United States Dollars and Euros. As the Bahraini Dinar is pegged to the United States Dollar, balances in the US Dollar are not considered to represent a significant currency risk. However, balances denominated in the Euro are exposed to movements in exchange rate. A Euro time deposit was made by the Company to mitigate the risk of Euro exchange rate movements on its Euro denominated financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

23. FINANCIAL INSTRUMENTS (continued)

23.5 Market risk (continued)

23.5.2 Currency Risk Management (continued)

The carrying amounts of the Company's foreign currency denominated monetary financial assets and liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2014 BD '000	2013 BD '000	2014 BD '000	2013 BD '000
Euros	17	10	21	106

Foreign currency sensitivity analysis

The Company is mainly exposed to the Euro.

The following table details the Company's sensitivity to a 10% variation in the Bahraini Dinar against the Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where the Bahraini Dinar strengthens 10% against the Euro. For a 10% weakening of the Bahraini Dinar against the Euro, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	Euro impact	
	2014 BD '000	2013 BD '000
Profit or loss	(1)	(10)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

23.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company seeks to limit its credit risk with respect to post paid subscribers by defining credit limits that are monitored regularly and establishing a settlement period for these individual post paid subscribers, in addition to the standard process of receivables review.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

23. FINANCIAL INSTRUMENTS (continued)

23.7 Liquidity risk management

Liquidity risk is the risk that funds will not be available to settle liabilities when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. To mitigate the risk, management has diversified funding sources and assets are managed with a liquidity approach, maintaining a healthy balance of cash and cash equivalents. The Company manages the maturities of the Company's assets and liabilities in way to be able to maintain an adequate liquidity. The Company has obtained term loan facilities from 3 local banks with a limit of BD 10.5 million, BD 13 million and BD 7.5 million respectively. The Company has unutilised bank overdraft facility of BD 9 million with three commercial banks in the Kingdom of Bahrain.

23.7.1 Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month BD '000	1-3 months BD '000	3 months to 1 year BD '000	1 year to 5 years BD '000	Total BD '000
2014						
Non-interest bearing	-	5,827	9,500	10,342	-	25,669
Variable interest bearing	3.28	-	597	6,890	15,563	23,050
		5,827	10,097	17,232	15,563	48,719
2013						
Non-interest bearing	-	3,300	7,254	18,612	-	29,166
Variable interest bearing	3.41	-	148	3,773	17,703	21,624
		3,300	7,402	22,385	17,703	50,790

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month BD '000	1-3 months BD '000	3 months to 1 year BD '000	Total BD '000
2014					
Non-interest bearing	-	2,930	2,011	14,745	19,686
Fixed interest rate instruments	1.32	2,005	-	-	2,005
		4,935	2,011	14,745	21,691
2013					
Non-interest bearing	-	3,226	1,407	15,252	19,885
Fixed interest rate instruments	1	-	104	-	104
		3,226	1,511	15,252	19,989

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

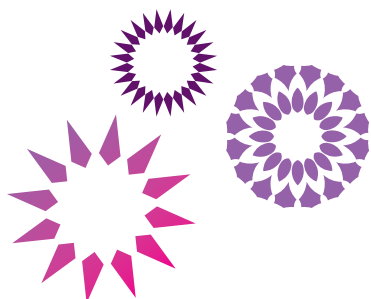
24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values as at the reporting dates.

25. COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform with the presentation in the current year.



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