



ASPIRING TOWARDS NEW HEIGHTS



ANNUAL REPORT 2015

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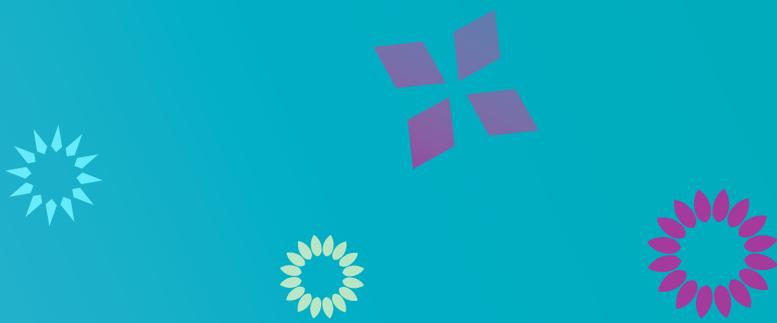
His Royal Highness
Prince Khalifa Bin Salman Al Khalifa
The Prime Minister



His Royal Majesty
King Hamad Bin Isa Al Khalifa
The King of the Kingdom of Bahrain

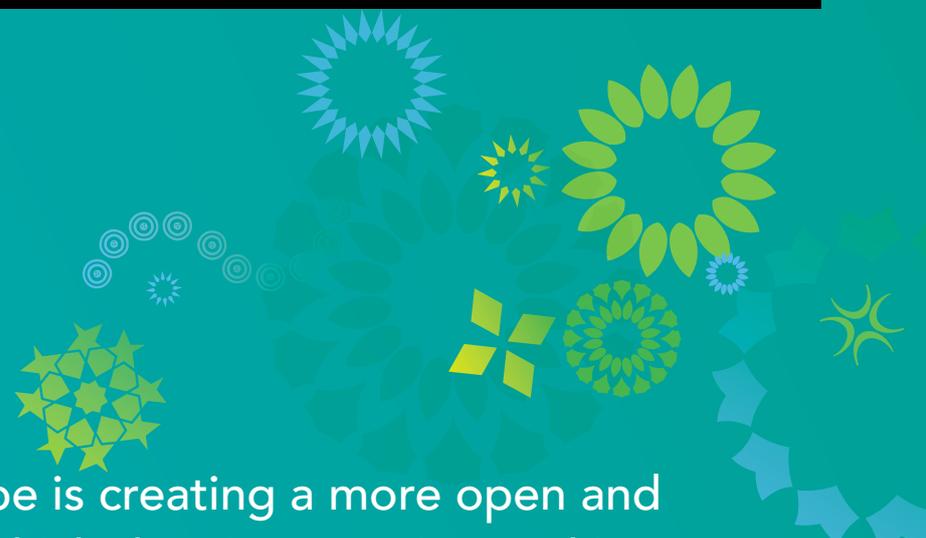


His Royal Highness
Prince Salman Bin Hamad Al Khalifa
The Crown Prince
Deputy Supreme Commander



ASPIRING TOWARDS NEW HEIGHTS





The digital landscape is creating a more open and inclusive world, in which data is sovereign and its users have more independence than ever before. Building upon its core value of innovation, Zain Bahrain invites its customers to enjoy a digital lifestyle, in which technology enhances almost every aspect of their lives... in which they are not just consumers of data, but collaborators and partners in innovation.

Leveraging the power of its new state-of-the-art 4G LTE network, Zain Bahrain offers an early glimpse into what the future will bring. Like stepping into a time machine, this cutting edge technology, combined with one of the most elaborate customer engagement operations in the Kingdom, allows the operator to elevate its service to a higher level, delivering on its brand promise to immerse subscribers in a wonderful world of innovation, simplicity and choice.

VISION, MISSION AND VALUES

Vision

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

Mission

To provide the Bahraini market with quality telecommunications services centered on excellent customer care, and managed by believers in the Zain brand promise, who are empowered, self-motivated and caring

To develop a people centric organization which cares about others

Values

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

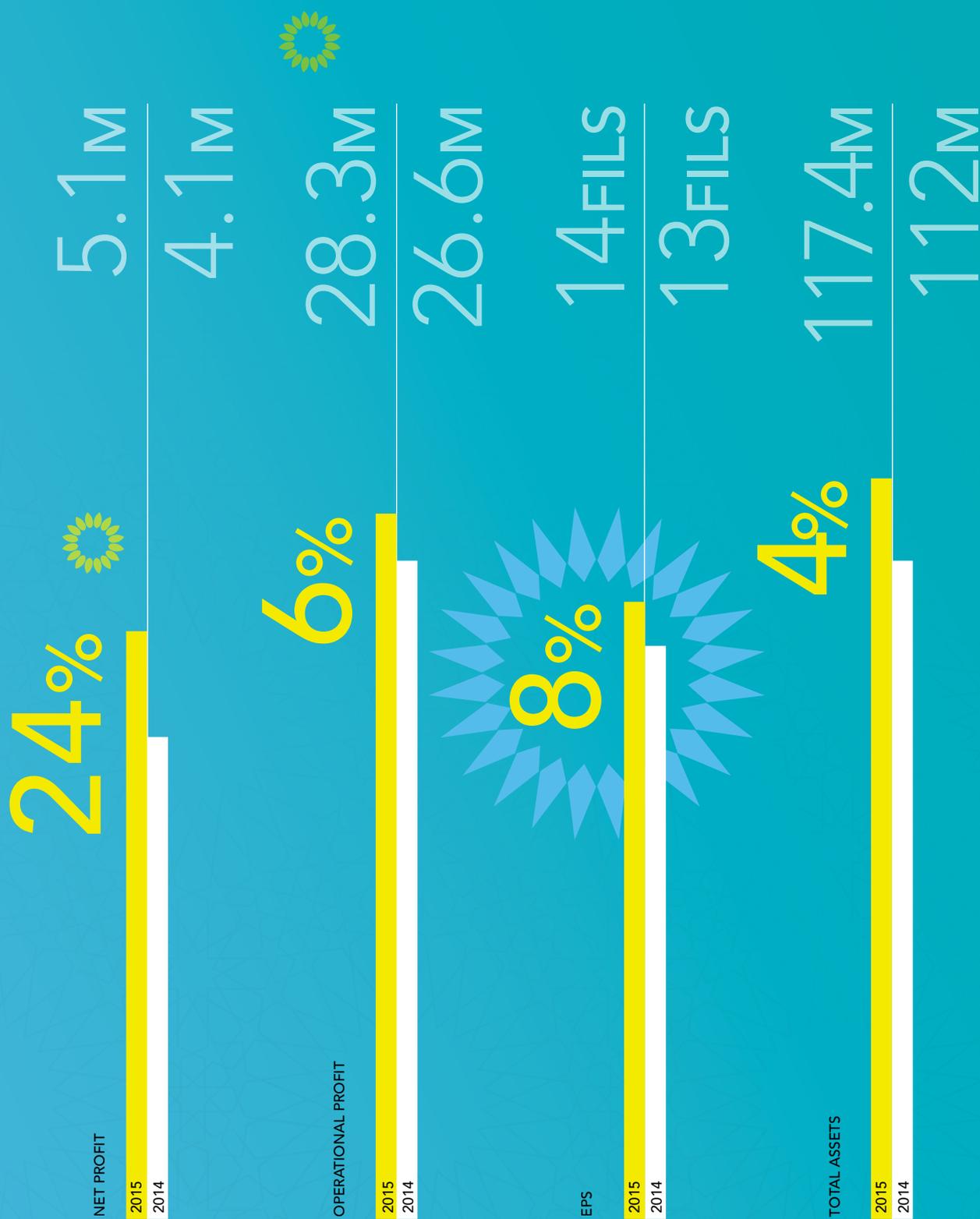
Radiance - Leading the way with imagination and vision; bringing joy, color and richness to your life

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

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



KEY HIGHLIGHTS





DAILY DATA USAGE

145 TB

CUSTOMERS

795,071

REVENUE (BHD)

71.1M

OPERATIONAL
PROFIT

28.3M

NET PROFIT

5.1M

TOTAL ASSETS

117.4M

TOTAL EQUITY

62.9M

DIVIDEND
DISTRIBUTION

5FISL

CHAIRMAN'S MESSAGE



SHAIKH AHMED BIN ALI AL KHALIFA
Chairman

On behalf of the Board of Directors and myself, I have the pleasure of presenting the audited financial statements for Zain Bahrain for the year ending 31 December 2015 which resulted in steady earnings growth and positive shareholder returns.

Our Strategy

During the year 2015, we announced refinements to our long-term vision. Our strategy focuses on three pillars of driving operational efficiency, building data growth opportunities and excellence in customer experience. It makes our ambitions clear and also illustrates where you can expect us to continue building value.

Operational and Commercial Review

During the past twelve months, Zain Bahrain has improved its operations observing good customer growth during the course of the year to serve 795,000 active customers as of 31 December, 2015. The growth in our customer base was highly influenced by the remarkable growth in broadband segment.

The past year has been a period of enormous change and transformation at Zain Bahrain. This transformation is having a positive impact on our investment in creating an ecosystem and network that provides the best service for our customers; a ubiquitous access to high-speed broadband and seamless mobile connectivity in a cost-effective manner using platform technologies that provide upgrade paths as required.

Zain Bahrain focused on launching innovative solutions while further cementing its investment in developing a state-of-the-art network. A new partnership was announced during the first quarter of 2015 with world-renowned Ericsson in order to deploy its Radio Dot System in the Kingdom. The solution is implemented in Zain's new Network Operation Center. This is one of the first implementations in the region and will cater for the fast-growing demand for data traffic by consumers.

The year witnessed further investment in the 4G LTE network and enhancements in our operational efficiencies which directly resulted in the rise in company profits by more than 24% compared to last year, reaching BD 5 million, and our operational profits reaching BD 28 million.

Financial Indicators

Zain Bahrain has been diligent and consistent with respect to its focus on Operational Excellence and Cost Management. This strategy has enabled us to grow our market share in tandem with a steady increase in profitability, and we are extremely pleased to report that all targets were achieved in 2015.

The year witnessed further investment in the 4G LTE network and enhancements in our operational efficiencies which directly resulted in the rise in company profits by more than 24% compared to last year, reaching BD 5 million, and our operational profits reaching BD 28 million.

Outlook for 2016

Zain Bahrain will continue to perform to its potential, keeping closely abreast of market challenges and deploying its resources in line with plans and developments. In that approach we will continue to maintain our performance levels driving growth within our data customer base by launching cutting-edge innovative services and products.



Ahmed Bin Ali Al Khalifa
Chairman

GENERAL MANAGER'S MESSAGE



MOHAMMED ZAINALABEDIN
General Manager

2015 was a year of tremendous progress in moving forward the agenda of Zain Bahrain. We reported confident financial results and continued to build on the momentum across all spectrums of our business.

Year 2015 was also an eventful year of change for Zain Bahrain, in which we comprehensively enriched our customer experience and enhanced our effectiveness. We continued evolving our customer-focused strategy and began our transformation into a more innovative and technology-driven company, providing a full cycle of communication services to our customers.

Improving customer satisfaction is core to our strategy. Our aim is to change the way our customers talk about Zain Bahrain by building a culture of customer advocacy across Zain Bahrain. This is both a cultural and commercial imperative – to build brand loyalty and drive the growth of Zain Bahrain through advocacy.

We made progress in keeping our customers informed about various elements of their service with the launch of new self-service tools aimed at providing more empowerment and convenience to customers, including Live Customer Services, Chat, booking retail visits on-line, enhancements of Zain's popular mobile application and Interactive Voice Response (IVR).

Another key initiative was the 'Voice of Customer Day', a programme focused on allowing members of Senior Management to step into front-liner shoes and have direct contact with customers via the operator's retail shops, contact center and back office.

2015 marked the success of many initiatives aimed at simplifying the customer journey, as well as providing innovative services that meet the fast-paced demands of the market.

2015 marked the success of many initiatives aimed at simplifying the customer journey, as well as providing innovative services that meet the fast-paced demands of the market.

We continued our proud steps towards providing a powerful range of enterprise solutions, ranging from PBX services to Dedicated Internet Access and other Connectivity Solutions, offering our customers tailor-made packages based on specific customer requirements.

Today, Zain Bahrain has a proven track record in technological innovation, strong network connectivity and overall a stellar customer-focused strategy.

By leveraging on the most innovative telecommunications services created and strong collaborations with key international players in the telecom industry, we connect and enrich the lives of the community. Together, we create our wonderful world.



Mohammed Zainalabedin
General Manager, Bahrain

BOARD OF DIRECTORS



1. SHAIKH AHMED BIN ALI AL KHALIFA

Chairman
Non-executive / non-independent

2. ASAAD AHMED AL BANWAN

Deputy Chairman
Non-executive / non-independent

3. SHAIKH RASHID BIN ABDULRAHMAN AL KHALIFA

Non-executive / independent



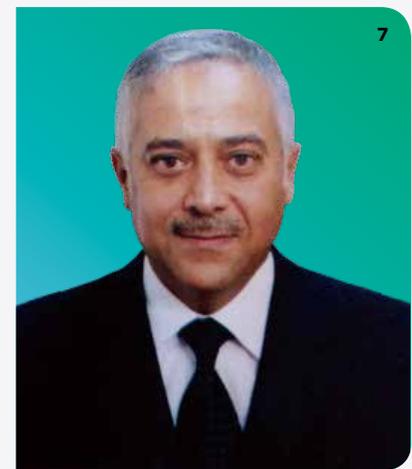


4. WALEED ABDULLA AL-ROUDAN
Non-executive / non-independent

5. JAMAL SHAKER AL KAZEMI
Non-executive / non-independent

6. SHAIKHA KHALID AL BAHAR
Non-executive / non-independent

7. ALI AL KHAJA
Non-executive / independent



BOARD OF DIRECTORS

Continued

SHAIKH AHMED BIN ALI AL KHALIFA (Chairman)
Non-executive / non-independent

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

Term of Office

Shaikh Ahmed Bin Ali Al Khalifa has been the Chairman of the Board since 19 April 2003. Post listing and in line with CBB Module, the Chairman has been re-elected as a director by the shareholders in the Annual General Meeting ("AGM") held on 26th of February, 2015 as a non-executive non-independent Director and has been re-elected as the Chairman by the Board of Directors. Membership term is for three (3) years from AGM date.

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 07th of February 2005. Post listing and in line with CBB Module, Mr. Al-Banwan has been re-elected by the shareholders in the AGM held on the 26th of February 2015 as a non-executive non-independent Deputy Chairman of the board. Membership term is for three (3) years from AGM date.

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 Defense 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 in line with CBB Module, Sh. Rashid has been re-elected by the shareholders in the AGM held on 26th of February, 2015 as a non-executive independent member of the board. Membership term is for three (3) years from AGM date.

WALEED ABDULLA 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 in line with CBB Module, Mr. Waleed has been re-elected by the shareholders in the AGM held on 26th of February, 2015 as a non-executive non-independent member of the board. Membership term is for three (3) years from AGM date.

BOARD OF DIRECTORS

Continued

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 27th of October 2011. Post listing and in line with CBB Module, Mr. Al-Kazemi has been re-elected by the shareholders in the AGM held on 26th of February, 2015 as a non-executive non-independent member of the Board. Membership term is for three (3) years from AGM date.

SHAIKHA KHALID AL BAHAR

Non-executive / non-independent

Ms. Shaikha Al Bahar is the Deputy Group Chief Executive Officer of National Bank of Kuwait Group, the largest financial institution in Kuwait and one of the largest banks in the Arab world. Previously, she has been the CEO of NBK Kuwait since 2010. In addition, she is the chairperson of National Bank of Kuwait (Lebanon) & Vice Chairperson of the Turkish Bank and Chairperson of NBK Capital. Ms. Shaikha leads the Bank's efforts in Commercial Banking (Wholesale & Retail), Regional Banking, Private Banking and investment banking. She is specializing in large and structured finance transactions in Kuwait and the region. She is also in charge of relationships with domestic & regional corporate, institutional clients and international Corporates doing business in Kuwait, along with the Trade Finance Business, as well as relationship with local, regional & international banks. She also has first-hand involvement in bank's strategy, planning and branding. Ms. Al Bahar enjoys an extensive experience in privatization, project finance, advisory services, bond issues, Build/Operate/Transfer financing, Initial Public Offerings, Global Deposit Receipts programs and private placements. She has been involved in all of the Kuwait Investment Authority's (KIA) privatization deals since 1994.

Term of Office

Ms. Al-Bahar has been a Director in Zain Bahrain since 27th of October 2011. Post listing and in line with CBB Module, Ms. Al-Bahar has been re-elected by the shareholders in the AGM held on 26th of February, 2015 as a non-executive non-independent member of the Board. Membership term is for three (3) years from AGM date.



ALI AL KHAJA

Non-executive / Independent

Mr. Ali Hasan Al Khaja is backed by a wealth of experience across various sectors, Mr. Al Khaja was the driving force behind the launch of the world's first Customer Service Transparency Standard; an international qualification standard for the services sector. Mr. Al Khaja is a technology entrepreneur and a holder of several patents in 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 Hasan Al Khaja has been elected by the shareholders as a member of the Board in the Extraordinary General Meeting (EGM) by the shareholders on 30th of October 2014. Post listing and in line with CBB Module, Mr. Ali has been re-elected by the shareholders in the AGM held on 26th of February, 2015 as a non-executive independent member of the Board. Membership term is for three (3) years from AGM date.

EXECUTIVE MANAGEMENT TEAM



1. SCOTT GEGENHEIMER
Chief Executive Officer

2. MOHAMMEZAINALABEDIN
General Manager

3. HAMAD AL-ROMAIHI
Director, Technology

4. ESAM ZAINAL
Director, Business Planning and
Excellence

5. ARSLAN KHAN
Director, Sales and Customer Care

6. LATIFA SALAHUDDIN
Director, Legal & Compliance





7. DANA BUKHAMMAS
Director, Human Resources

8. MUDASSER ALI
Director, Finance

9. ALI MUSTAFA
Director, Wholesale Roaming and Interconnect

10. ROLAND LOETSCHER
Director, Marketing

11. SAMYA HUSSEIN
Manager, Corporate Communication



EXECUTIVE MANAGEMENT TEAM

Continued

1. SCOTT GEGENHEIMER, Chief Executive Officer

Date of Appointment: December 2012
Mr. Scott Gegenheimer is the CEO of the parent company (MTC). He is also CEO of a number of telecom operators in the MENA region, and finance executive in a number of companies in the USA. 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.

2. 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 IT Department in July 2003 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.

3. HAMAD AL-ROMAIHI Director, Technology

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.

4. ESAM ZAINAL Director, Business Planning and Excellence

Date of Appointment: July 2010 – December 2015
Mr. Esam Zainal heads the unit responsible for business planning, new business development, programme management, quality assurance and business excellence. 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 year 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.

5. ARSLAN KHAN

Director, Sales and Customer Care

Date of Appointment: November 2012

Mr. Arslan Khan is responsible for customer care and 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.

6. LATIFA SALAHUDDIN

Director, Legal & Compliance

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 year 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.

7. DANA BUKHAMMAS

Director, Human Resources

Date of Appointment: July 2014

Ms. Dana Bukhammas 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.

8. MUDASSER ALI

Director, Finance

Date of Appointment: February 2015

Mr. Mudassar Ali's mandate includes the day-to-day financial management, maintaining full control over the company's revenue and disbursements, annual budgeting and forecasting, managing core system implementation and critical decision making process as well as treasury and cash flow management.

With more than 20 years under his belt, Mudassar held leading positions across several industries such as Telecoms and Services. During his previous role at Zain Kuwait, Mudassar played a significant role in the operational improvement, financial reporting stability and technology utilization. He received a Bachelor of Commerce from University of Punjab, Pakistan, is a certified Oracle Financial connoisseur and obtained an advanced development program certification from the London Business School.

EXECUTIVE MANAGEMENT TEAM

Continued

9. ALI MUSTAFA

Director, Wholesale Roaming and Interconnect

Date of Appointment: June 2015

Backed by over ten years of experience within the telecoms industry; Ali Ahmed Mustafa joined Zain Bahrain as Wholesale, Roaming and Interconnect Director. He began his career as an Account Manager in one of the telecommunication companies operating in the kingdom, climbing the corporate ladder to clench the position of General Manager of Wholesale & Carrier Services. Ali is responsible for developing the overall strategic approach for the Wholesale Roaming and Interconnect department whilst ensuring revenue and profitability for Zain Bahrain. He obtained his Bachelor's Degree in Marketing and Management from the University of Bahrain.

11. 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 year 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.

10. ROLAND LOETSCHER

Director, Marketing

Date of Appointment: September 2015

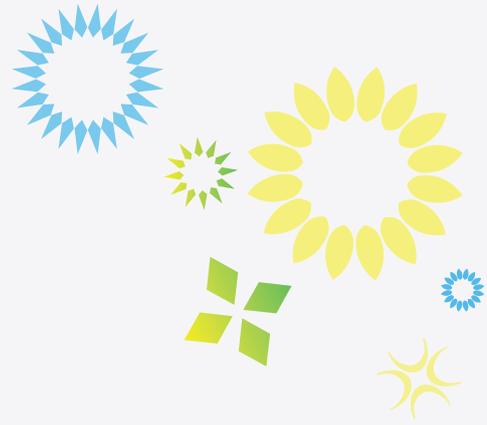
Roland Loestcher is the Marketing Director at Zain Bahrain. He is responsible for the company's strategic and tactical marketing activities. Backed with two decades of international telecoms experience including stints at Swisscom, Telefonica and Orange; Roland first joined Zain Group in 2008 heading the Product Management and Marketing Department for Zain Nigeria. He moved to Orange group where he was appointed as the VP, Mobile Propositions Group.

Roland received his MBA from University of Chicago Booth School of Business, USA and a Bachelor in Business Administration from the School of Economics and Business Administration in Basel, Switzerland.



CUSTOMER EXPERIENCE
POWER TO THE CUSTOMER





51%

OF STAFF IN
CUSTOMER
SERVICE ROLES

The technological superiority gained through Zain Bahrain's investment in its new network allows it to offer wider and more stable coverage, clearer voice call quality, and faster download speeds.

Revolutionized by Zain's entry in 2003, the Kingdom of Bahrain's mobile telephony industry is today one of the region's most competitive, serving an increasingly sophisticated and demanding public. Zain Bahrain foresaw a growing need by customers for greater freedom and control over the user experience, addressing this through a continuously evolving customer empowerment program.

Channels to empower

A range of simple and versatile self-service channels, including Zain Bahrain's recently upgraded online portal and mobile app, offer subscribers access to a level of service comparable to visiting one of its engaging Experience Shops. In addition to routine functions such as viewing and paying bills, and adding or removing services, customers can now log requests and complaints, tracking their status each step of the way. Zain Bahrain added a cutting edge Customer Visit Management System, which books retail store appointments online, avoiding long queues and allowing more efficient processing of requests. The system also identifies members of VIP Signature, Zain's exclusive premium level club, giving them prioritized service through a dedicated service agent at select branches.

The operator also launched the Kingdom's first 24/7 Live Chat. The service, which processes all postpaid and prepaid queries, requests and complaints 24 hours a day throughout the week, was quickly imitated by competitors introducing similar services. Some branches include interactive platforms that give customers the choice of using this service rather than waiting in line.

Such customer empowerment initiatives are communicated to the operator's target markets through a strong customer interfacing workforce made up of more than 51% of the company's total staff, the majority of which are located at its 21 customer touch points across the Kingdom. Instead of the usual one-way communication from provider to consumer, Zain Bahrain embraces a more inclusive digital environment that considers its customers to be partners in innovation. The response has been overwhelmingly positive, with over 80% of interactions last year taking place through Zain self-care channels.

Listening to the customer

In 2015, Zain Bahrain implemented an intelligent survey system to gauge customer satisfaction after every interaction. The first of its kind in the Kingdom, the survey pushes out

five customized questions via SMS to subscribers each time they visit a retail shop or contact the call center. Feedback is translated into tangible action, and in the case of a complaint, an immediate alert is raised with a call agent contacting the customer within 24 hours to resolve the issue. This information is collected and reviewed by senior management on regular basis at a customer-focused forum. These efforts track customer service indicators, looking for variables such as net promoter scores (measuring the likelihood of customers recommending the service to others) and customer effort scores (measuring the perceived effort put in by customers to resolve a particular issue). The collated information is then used to raise customer experience to the next level.

Smarter retail stores

2014 saw a rebranding of all Zain Bahrain retail outlets, placing higher emphasis on vibrant, colorful messaging, self-service machines, device displays and demos, and interactive product screens. These customer-centric features were extended to a new outlet at Seef Mall Muharraq, and a flagship Experience Shop at City Centre Bahrain, both of which opened during 2015. A key innovation carried forward is

CUSTOMER EXPERIENCE

Continued

a Customer Management System which allows priority serving and pre-arranging of appointments to avoid waiting in line.

Another innovation during the year was the Smart Desk service, which provides dedicated after-sales technical assistance for smart phones, laptops, tablets, broadband devices and other items at all flagship Zain outlets. Tech support staff assist with tasks such as new mobile set ups, network configurations, app downloads, contacts transfers between devices, and other general troubleshooting. Zain Bahrain is unique among Bahrain operators in offering these services directly to the customer within stores, rather than outsourcing them to other locations or third party vendors. These simple, seamless and transparent offerings are how Zain Bahrain elevates its image in the eyes of the customer.

Exciting new products

The technological superiority gained through Zain Bahrain's investment in its new network allows it to offer wider and more stable coverage, clearer voice call quality, and faster download speeds. This greater bandwidth enables it to further diversify its product portfolio, reaching a higher number of market segments.

Furthering its partnership with Ericsson, Zain Bahrain became one of the first operators in the region to roll out the groundbreaking Radio Dot System (RDS), the most cost-effective way to improve mobile network performance within buildings. RDS relies on a small antenna or "Dot", weighing less than 300 grams, which is installed on the premises to

provide seamless indoor connectivity, with high voice clarity, even in noisy environments such as shopping malls.

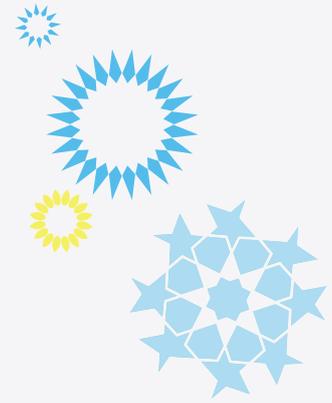
Personalized high data packages and add-ons, branded 'The Big Gigs Family', 'Dangerous Prepared' and 'Addicted to Data', made use of the network's cutting edge ultra-fast speeds, serving an increasing demand for higher performance and connectivity. Customized enterprise packages were also developed for corporate clients, including financial institutions, hospitality groups, multi-nationals, transportation companies and tech companies.

Serving a broad customer base

Zain Bahrain serves a highly diverse market, including locals and expatriates, adults and children, and businesses and individuals. This requires a multi-faceted strategy that takes the needs of each of these segments into account.

Protecting the experiences of children and their parents is a priority for Zain Bahrain, which became the first operator in the Kingdom to launch an anti-child abuse and cyber bullying campaign, reinforcing a similar drive by the Telecommunications Regulatory Authority (TRA). The effort included hard-hitting regional television, print and social media messaging to complement an earlier 'Anti-Abusive Words' SMS service that blocks hostile terms from reaching children's mobile devices. The operator is currently working on new services aimed at child safety.

Zain Bahrain touches all Bahrain's segments through clubs, schools and other community organizations.



It regularly rewards subscriber loyalty through a range of initiatives, such as marking the New Year by offering 12 GB of free data to all customers, and value added services for expatriates sending remittances home via partner exchanges. Discounted call rates are also made available to mark the national days of select countries, including India and Pakistan.

Industry recognition

Innovations by Zain Bahrain have been acknowledged by the company's peers many times, most recently at the annual Middle East Customer Experience (CX) Conference in Dubai in December 2015. At the event, Zain Bahrain was honored as having the Middle East Customer Experience Program of the Year and

Best Customer Experience Brand Strategy. The competition, judged by a panel of internationally renowned customer experience experts, surveyed a wide range of industries, including finance, telecoms, IT, utilities, education and automotive.

OUR PEOPLE
INVESTING IN TALENT





ALMOST
90%
BAHRAINIZATION
RATE

Working at Zain Bahrain is an opportunity to participate in the future development of the entire mobile telecommunications sector.

Although leading the market in technology, Zain Bahrain is first and foremost a people-oriented organization, which values talent above all else. A flat organizational structure and decentralized decision-making process gives every employee a voice, creating an open culture and rewarding working environment that sets the company apart from most large corporations. This dynamic and interactive setting cultivates innovation, and it is this, combined with cutting edge tech, which helps Zain rise above its competition.

Commitment to training

Working at Zain Bahrain is an opportunity to participate in the future development of the entire mobile telecommunications sector. With an almost 90% Bahrainization rate, the operator is considered an employer of choice in the local labor market. In addition to generous rewards

and benefits, it is committed to continuous training and development to help its employees realize their full potential and take advantage of the opportunities available.

In October 2015 the operator held the second edition of its Knowledge Week, this year focusing on Customer Experience, Zain's key brand promise. A total of 24 three-hour tutorials were conducted by nine trainers over five days. More than 250 employees of Zain and its partners attended the event during their normal working hours, exploring new ways of enhancing customer interactions.

In addition, Zain Bahrain undertakes a number of outreach programs to foster creativity and innovation among young people, and create a fertile environment in which new talents can thrive. Its summer training program, Future University Network (F.U.N.), placed 18 trainees in various

departments for a period of two months, giving them the opportunity to develop and test their ideas in a real world setting. The best of these interns are invited to join Zain Bahrain as permanent staff. The operator also lends its support to local educational institutions, such as the University of Bahrain and Bahrain Polytechnic.

These efforts won the operator notable accolades from the Bahrain Government, which honored Zain Bahrain General Manager, Mohammed Zainalabedin with the Best CEO Award at the Ministry of Labor's prestigious Annual Labor Awards ceremony. The prize recognized his leadership in providing a rewarding and empowering work environment, as well as Zain Bahrain's investment in ongoing training and development. The company also secured other awards at the same event for overall excellence and achievements by other team members.

DATA GROWTH
A DATA EXPLOSION





145TB

DAILY DATA USAGE

Zain Bahrain is grooming its customers for the high speed data demands of the future, inviting them to be part of a new digital lifestyle.

The ongoing surge in Big Data usage brings unparalleled business opportunities to telecoms companies like Zain Bahrain. Mobile data growth in the Middle East and Africa soared 117% in 2015, and is expected to continue growing at a compounded annual rate of 71% in the next five years*. These figures, far ahead of global rates, confirm Zain's belief that these developing regions represent the most exciting geographies for mobile telecommunications activity.

Anticipating these upward movements, more than USD 100 million was invested in one of the world's most advanced 4G LTE networks, placing Zain Bahrain in a strong position to harness this exponential growth. Experiencing the benefits first hand, customers have already rewarded this investment, sending daily data usage to a record 145TB in 2015. Meanwhile, the number of LTE users surged by 141%, growing Zain Bahrain's customer base to 795,071, another all time high. But this is only the beginning...

Mega opportunities

Future strategies to accommodate these global mega-trends were detailed at the fifth annual Zain Technology Conference, held in Bahrain under the theme, 'Transforming Our World'. Gathering more than 65 global technology vendors, the three-day event explored

5G, business enablement solutions, big data analytics, energy efficiency, site optimization, and other topics. The aim was to identify tools Zain can leverage to drive its innovation forward. The gathering, covered live on social media, highlighted huge growth opportunities in the B2B, enterprise and Smart City sectors. Mobility, broadband, virtualization, cloud technology and enhanced customer experience are the drivers of transformation in the modern ICT space. Zain is on a never-ending mission to deliver cutting-edge apps, services and devices to support such developments.

Embracing a digital lifestyle

Zain Bahrain is grooming its customers for the high speed data demands of the future, inviting them to be part of a new digital lifestyle. Worldwide data traffic increased eightfold, and is expected to exceed 30.6 exabytes a month by 2020. Mobile video, already accounting for 55% of all mobile data traffic, is predicted to increase to 75% over the same period*, turning the world into one big village requiring higher speeds and data capacities. These trends are reflected locally; data speeds testing and benchmarking define Zain Bahrain as one of the Kingdom's best mobile data providers, with more than 50% of customers experiencing average data throughputs above 10Mbps.

Almost all transactions are now conducted online and via mobile devices, including subscriptions and renewals of a host of broadband and data products, such as "The Big Gigs Family" home packages, and data add-on service, "Addicted to Data". Customers responded with a 24% increase in home broadband subscribers in 2015.

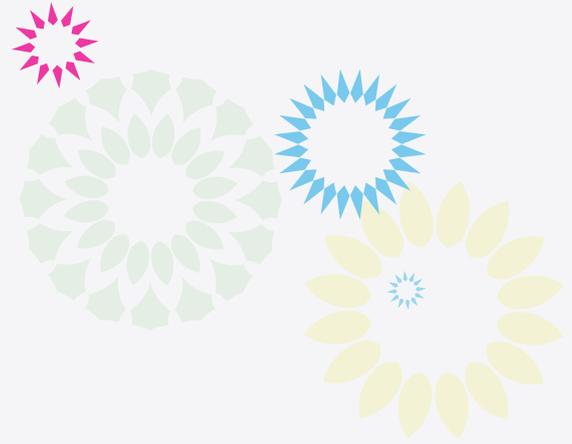
A digital lifestyle requires the right infrastructure. Zain Bahrain delivers Smart City spaces through cutting-edge apps and devices that complement the breakneck speeds of its long-haul 4G network. Last year it became one of the first in the region to deploy Ericsson's Radio Dot System (RDS), which caters to high data traffic buildings. The operator is a partner to key private and public institutions and companies. In 2015 it signed an agreement with Bahrain Public Transport Company, powering all Bahrain's public buses with 4G data connectivity. Other agreements to provide B2B mobility, broadband and connectivity services have been signed with banks, hospitality groups and multinationals.

Zain Bahrain tailors its services to meet the data demands of the future. In line with Bahrain's Vision 2030, digital innovation and enhanced customer experience lie at the heart of its strategy.

* Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2015-2020 White Paper

EFFECTIVENESS
IN PURSUIT OF EXCELLENCE





INFORMATION SECURITY MANAGEMENT SYSTEM (ISMS) ISO 27001:2013 UPGRADE

A Streamlining of Zain Bahrain's operations during 2015 resulted in lower costs and enhanced effectiveness, as departments were merged, processes simplified and routine tasks automated.

Zain Bahrain's core value of innovation demands a commitment to efficiency and excellence, an area in which the operator continued to invest heavily in during 2015. The replacement in 2014 of its 2G and 3G radio network with cutting edge LTE technology by Ericsson provides a solid platform offering customers unmatched stability, quicker downloads, and wider coverage. Once again boasting the Kingdom of Bahrain's newest and most advanced network, Zain Bahrain also enjoys effectual managing services, a competitive advantage that the operator intends to fully utilize in the years ahead.

The labor-intensive day-to-day management of network operations continues to be delegated to Ericsson's expert technicians, allowing Zain Bahrain to focus on its core strengths: customer experience and product development. A streamlining of Zain Bahrain's operations during 2015 resulted in lower costs and enhanced effectiveness, as departments were merged, processes simplified and routine tasks automated. This realignment and improved synergy enabled the

operator to better execute its strategic plans, maintain a solid financial position, improve earnings and strengthen cash flow, all in the pursuit of higher shareholder value.

Following the lead of Zain Group's overall strategy, Zain Bahrain actively institutionalizes effectiveness throughout its corporate culture. A quarterly Zain Excellence Award rewards employees who go the extra mile to produce a project that benefits the company in efficient and resourceful ways, such as saving resources or enhancing operations.

Zain Bahrain has always been committed to globally recognized standards and best practices. In January 2015 it became one of the first operators in the region to upgrade its Information Security Management System (ISMS) to meet the new ISO 27001:2013 standards. Awarded following an audit by international certifying body, DNV GL, this exercise confirmed the operator's compliance with world-class processes. Zain Bahrain has been certified as conforming to both ISO 9001 Quality Management System

(QMS) standard and the ISO 27001 Information Security Management System (ISMS) standard since 2005. This underpins the company's systematic and disciplined approach towards customer satisfaction and improvement practices, in addition to the institutionalization of risk management and control and governance processes.

ZAIN BAHRAIN IN THE COMMUNITY

THOUGHT LEADERSHIP... YOUTH EMPOWERMENT... INNOVATION





270,000

**BACK TO
SCHOOL
BENEFICIARIES
TO DATE**

In an era where technology and telecommunications have the potential to significantly impact societies across the world, Zain Bahrain is committed to the safety and well-being of the communities it serves.

Zain Group seeds innovation into all its initiatives. It is a cornerstone of its overall strategy, which is taken very seriously at all levels, including within its Corporate Social Responsibility (CSR) program.

A Zain thought-leadership report, unveiled in January 2016 at the annual World Economic Forum in Davos, Switzerland, set the tone for a Group-wide revamp of CSR strategy. Entitled *Bringing the Future Closer with Innovation: Pursuing Innovation as a Means to Overcome Challenges in the MENA Region*, the report was conveyed to leading political and economic personalities from across the globe by Zain Group CEO, Scott Gegenheimer; Group Chief Strategy and Business Development Officer, Emre Gurkan; and the Group Head of Corporate Sustainability, Jennifer Suleiman. It illustrated the indispensable role of innovation in achieving sustainable development and transitioning towards a knowledge-based economy.

The report addressed a range of challenges faced by the region, including high unemployment (particularly among youth); insufficient economic growth; undiversified economies; ongoing socio-economic exclusion and inequality; high rates of displacement due to conflict;

an innovation deficit; and high vulnerability to climate change, to name a few. The report was supported by case studies from across the group, including several Zain Bahrain initiatives that successfully translated these themes into action, such as the Future University Network (F.U.N.) capacity sessions; entrepreneurship workshops; the Zain Bahrain E-Learning Centre, which has been operating at the University of Bahrain (UoB) since 2006; and '#5ameesnaZain', a weekly event that gives local start-ups a venue to showcase their products and services at the company's Seef headquarters, while also promoting them through social media.

Recognizing the profound impact that telecommunications has on people's lives and how it can dramatically raise living standards, Zain pledged to use its thought leadership efforts as a leading regional innovator to look at ways of aiding socio-economic development from a technological standpoint.

Local focus

Taking its cues from Zain Group's overall message, Zain Bahrain fine-tuned its local CSR strategy to focus on three pillars: Thought Leadership, Youth Empowerment and Innovation.

The themes interlock, each feeding the other, forming a sustainable cycle generating returns far beyond its initial inputs. For example, the youth leaders created through Zain-supported programs such as Startup Bahrain, Youth Pioneers, the Zain Bahrain E-learning Center, and #5ameesnazain, have become champions of innovation, spurring debates that continue to shape public opinion and inspire new generations of thought leaders.

And so the cycle continues, bringing new ideas and empowerment to the wider community...

National e-waste campaign

Zain Bahrain spearheaded the second National Mobile Phone and e-Waste Recycling Campaign in cooperation with the Supreme Council for Environment (SCE), and with the outreach support of the United Nations Industrial Development Organization (UNIDO) and the United Nations Development Program (UNDP). The annual campaign, in line with World Environment Day's theme, 'Seven Billion Dreams. One Planet. Consume with Care', is awakening the public to the dangers of carelessly disposing of mobile phones and batteries, which make up the bulk of e-waste.

ZAIN BAHRAIN IN THE COMMUNITY

Continued

Electronic waste is an epidemic growing at three times the rate of municipal waste. Though e-waste makes up only 3 to 5% of the waste stream, the amount of overall toxic waste is 70%. When e-waste is sent to landfill, toxic chemicals in electronics products can leach into the land over time or are released into the atmosphere, impacting nearby communities and the environment.



The e-waste gets collected through drop boxes placed at Zain Bahrain, SCE and UNIDO, as well as other key locations such as shopping malls and schools, where the campaigners were also able to interact directly with the public. Mobile and electronic devices which had not yet completed their useful lives are being reused, while all e-waste was disposed of in the safest manner possible using international facilities outside Bahrain.

Electronic waste is an epidemic growing at three times the rate of municipal waste. Though e-waste makes up only 3 to 5% of the waste stream, the amount of overall toxic waste is 70%. When e-waste is sent to landfill, toxic chemicals in electronics products can leach into the land over time or are released into the atmosphere, impacting nearby communities and the environment.

Fostering an entrepreneurial spirit

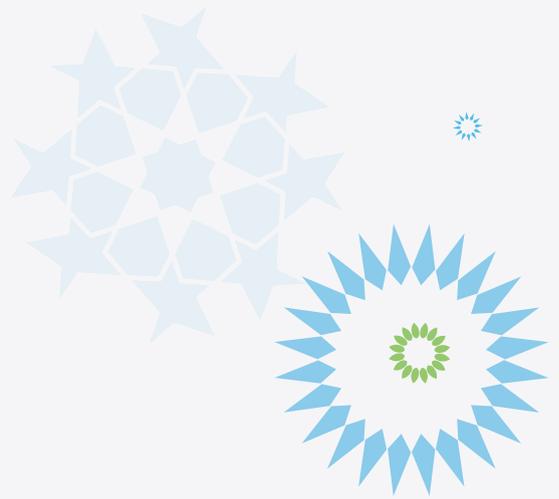
Other entrepreneur-focused initiatives by Zain Bahrain include its partnership with Startup Bahrain, to which it provides mentorship and media support, and special offers for small and medium-sized enterprises (SMEs). Zain Bahrain also engages other

thought leaders through social events, such as ghabgas for bloggers and media personalities.

At the Group level, Zain was a key partner of the ninth-annual MIT Enterprise Forum Arab Start-up Competition, which offered more than USD 150,000 in prize money to innovative new business ideas. The initiative saw a series of roadshows in 10 Arab countries aimed at fostering entrepreneurial spirit in the region. Zain Bahrain hosted two sessions at Zain Tower, providing mentorship and inspiration to the participants.

Furthering its relationship with the Zain Bahrain E-Learning Center at UoB, the operator was the official sponsor of the fifth International E-Learning Conference, which offered a number of presentations on the latest digital learning developments. The initiative also supports the Bahrain Government's policy shift towards digitization in all areas, including education and training.

Other technology-focused initiatives during the year included Zain Bahrain's Gold sponsorship of the eGovernment Excellence Awards, in which sixteen Bahrain innovators were honored, and its support of Bahrain Polytechnic's



Annual ICT Exhibition, at which one of Zain Bahrain's most experienced technical experts delivered a speech on his 12 years with the company.

Youth initiatives

Zain Bahrain's Back to School campaign is a mainstay project within the company's annual CSR plan and the longest-running to date. This year it distributed 20,000 school bags and kits. Now in its twelfth year, a total of 270,000 students have benefited from the initiative, held under the patronage of HH Shaikh Nasser bin Hamad Al Khalifa, Chairman of the Board of Trustees of the Royal Charity Organization, which helped in the distribution effort. Extending last year's 'go green' approach, Zain Bahrain ensured that all items presented to the children were eco-friendly and recyclable.

Zain also sponsored the first Iron Man 70.3 Middle East Championship, held under the patronage of His Highness Shaikh Nasser in his capacities as Chairman of the Supreme Council for Youth and Sports and President of the Bahrain Olympic Committee. The

unique point-to-point triathlon, which passed by many of the Kingdom's significant new and historic attractions, drew thousands of local and international participants, including some renowned sports champions.

Community empowerment

In an era where technology and telecommunications have the potential to significantly impact societies across the world, Zain Bahrain is committed to the safety and well-being of the communities it serves. The operator aids society's most worthy causes through outreach programs such as 'Enrich Your Ramadan', which offered tailor-made packages for special needs individuals, a Ramadan ghabga for Bahrain Mobility Institute and an iftar drive which delivered meals to low-income families. Zain Bahrain customers joined the effort by sending SMSs, each worth BD1.5, which were used to purchase meals for needy Bahraini families.

Zain Bahrain also launched a portable phone booth offering free international calls for lower income expatriates. Relocated on a weekly basis across key

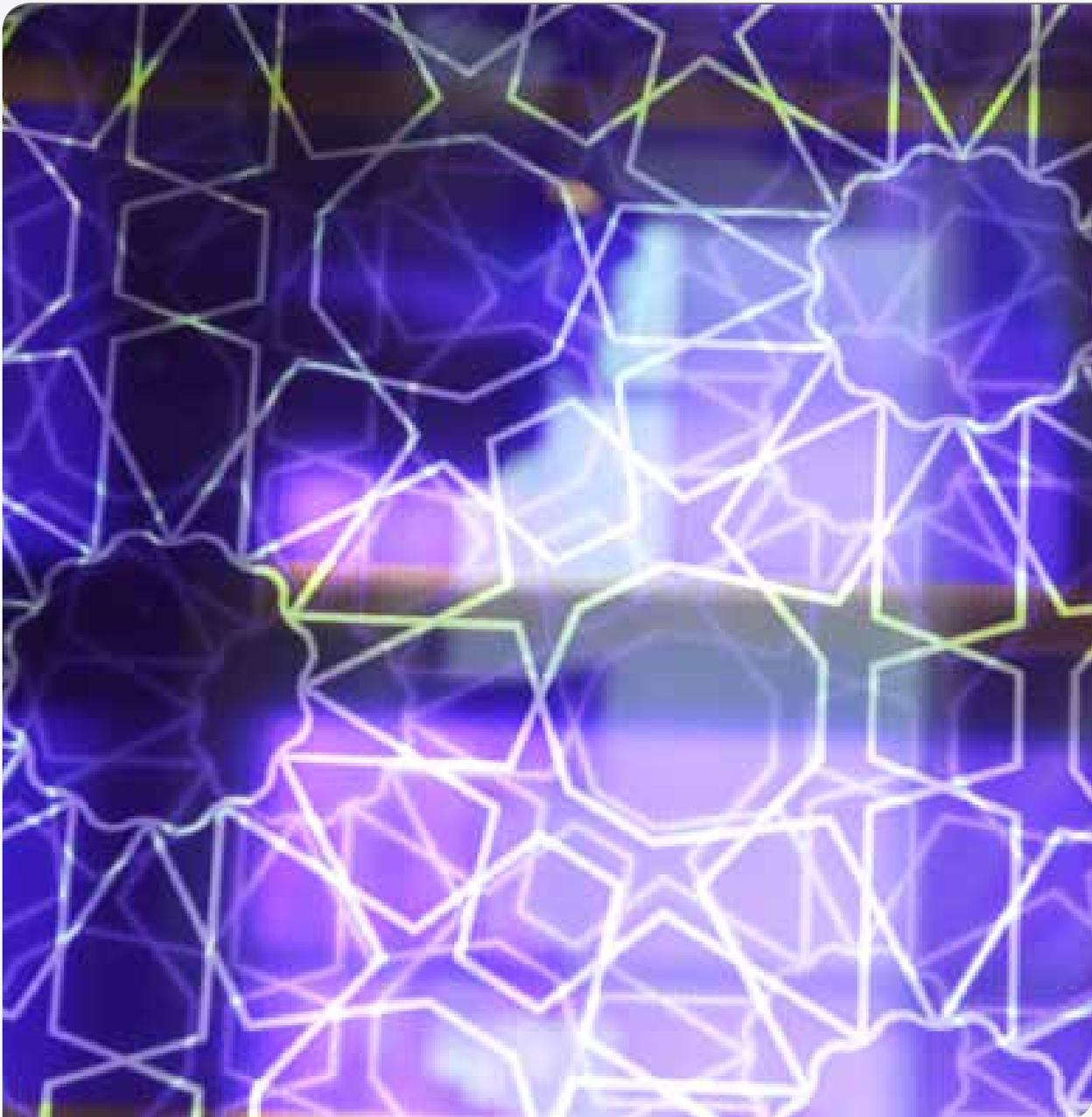
locations in the Kingdom, the booth helped people to stay in touch with their relatives and friends back home.

Zain Bahrain marked Childhood Cancer Awareness Month in September, launching an ongoing fundraising effort through which subscribers sent SMSs to a designated number, automatically giving permission for a BD1 deduction towards the cause. The donations were collected at the end of the month and contributed to the Bahrain Cancer Society. In October, Zain repeated the exercise focusing on International Breast Cancer Awareness Month.

A hard-hitting media campaign against child abuse and cyber bullying was also run to complement an "Anti-Abusive Words" SMS offering that blocks abusive messages from being sent to children's mobile phones.

Zain Bahrain has a big stake in the Kingdom of Bahrain's development and future. The incredible power of communications it holds is a tool the operator is proud to share for the betterment of the wider community.

CORPORATE GOVERNANCE



OVERVIEW

Committed to the universal corporate governance practices and regulatory requirements which are the key elements of its corporate governance goals.

The Corporate Governance Code of the Kingdom of Bahrain was issued by the Ministry of Industry and Commerce in 2010. The Code mandates all listed companies on the Bahrain Bourse to adopt written Corporate Governance guidelines complying with the principles stated in the Code, and to annually report 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 ("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 on the Bahrain Bourse, Zain Bahrain BSC ("Zain Bahrain") is committed to the universal corporate governance practices and regulatory requirements which are the key elements of its corporate governance goals. Its commitment to achieving the highest standards of corporate governance is reflected by its approach which embraces the governance principles outlined by the CBB and the MOIC. It is expected that all our directors, employees and suppliers 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.

In accordance with the Company's Corporate Governance guidelines, Zain Bahrain explains the non-compliance with the CBB and the MOIC Codes ("the Code").

Zain Bahrain is in compliance with the principles of the Code with the exception of the following:

- Shaikh Ahmed Bin Ali Al-Khalifa has been appointed by the Board of Directors as the Chairman of the Board. The Code recommends that the Chairman should be an independent and non-executive Director. The Chairman is not the Company's CEO, however he owns 16.1% of the Company's shares and therefore is not considered an independent Director. The Board has reviewed this recommendation and does not believe its non-compliance will affect the balance of power and greater capacity of the Board for independent decision making.
- The Code states that the Audit Committee and the Nomination and Remuneration Committee should have majority of independent directors and that the chairman is an independent director. The Board is of the opinion that as Zain Bahrain is reliant on the expertise and management of Mobile Telecommunication Company K.S.C.P (MTC), these Committees do require such members in order to be able to achieve their objectives.

CORPORATE GOVERNANCE

Continued

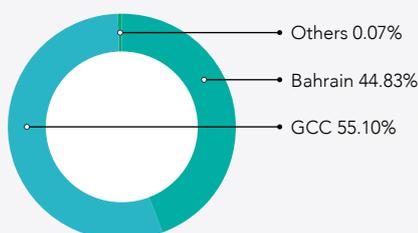
1. Ownership Structure

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	165,363,787	44.83%
GCC	202,487,381	55.10%
Others	148,832	0.07%

Distribution of Shares By Nationality

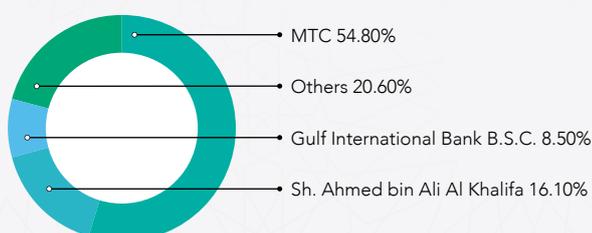


1.2 Ownership Structure by Size

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	54.8%
Sh. Ahmed bin Ali Al Khalifa	59,260,000	16.1%
Gulf International Bank B.S.C. ©	31,285,097	8.5%
Others (below 5%)	75,854,903	20.6%

Distribution of Shares By Size



1.3 Ownership Structure by Category

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

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

Directors	Number of Shares	% of shares held
Sh. Ahmed bin Ali Al Khalifa	59,260,000	16.1%
Sh. Rashid bin Abdulrahman Al Khalifa	1,200,000	0.32%
Mr. Ali Al Khaja	1,440,000	0.39%
Mr. Asaad Al Banwan		
Mr. Jamal Alkazemi	201,600,000	54.8% (MTC)
Mr. Waleed Al Roudhan		
Ms. Shaikha Al Bahar		

Executive Management	Number of Shares	% of shares held
Mr. Esam Zainal (Resigned effectively on 31 December 2015)	18,000	0.0019%

2. Board Function, Structure, Members and Management

2.1 Function

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

The Board has a fiduciary duty of care and loyalty to the Company and its shareholders and is accountable to them for the proper conduct of the business. In addition, the Board is also responsible for overseeing the accuracy and completeness and the Company's compliance with its Corporate Governance Framework.

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

- 1. Vision, Objectives and Strategy:** The Board sets the vision of the Company and is providing direction in addressing what the Company is looking to achieve in the short, medium and long-term. From that, the Board sets the objectives which define the stages towards realizing the set vision. The Board shall then define the strategy, which assists the Company in meeting its objectives.
- 2. Risk Management:** The Board lays-down policies relating to risk management and reviews and updates such policies as and when deemed necessary. In addition, the Board ensures 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 assesses 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 aims 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 conducts 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 reviews 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 provides the framework for identifying long-term successors for key Management positions and details 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 ensures 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 acts 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 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 commits to monitor and safeguard the Company's reputation and continuously work towards enhancing it.
- 10. Whistle-blowing:** The Board adopts an effective whistle-blower programme under which employees can confidentially raise concerns about possible improprieties in financial, business, regulatory or legal matters. The Whistle-Blowing Policy has been approved by the Board in its meeting held in 31st of January 2015.

2.2 Structure

The Board comprises of seven (7) members with four (4) members representing Mobile Telecommunication Company K.S.C.P (MTC) which has entered into an exclusive management agreement with Zain Bahrain in order for it to benefit from MTC's standing in the telecommunication industry and its expertise. Zain Bahrain currently has two (2) Independent Directors. Shaikh Rashed Bin AbdulRahman Al-Khalifa and Mr. Ali Al-Khaja represent the Independent Directors of Zain Bahrain as defined in the Code. The Chairman of the Board is Sh. Ahmed Bin Ali Al Khalifa.

CORPORATE GOVERNANCE

Continued

Detailed information about the directors, including directorships of other Board, position, qualification and experience is presented in Board of Director's section (page 12-17)

2.3 Number and Names of Independent Members

Can be found in section 3.2

2.4 Board Term

Can be found in section 2.2

2.5 New Directors' Orientation and Education

In accordance with CBB Module and Company's Board Charter, the Chairman of the Board ensures 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/ Compliance Officer. Details of new directors' orientation are set out in the Company's Board Charter.

2.6 Election and Termination Process of Directors

2.6.1 Election

Directors are appointed by the shareholders from amongst candidates proposed by the Board on the recommendations of the Nomination and Remuneration Committee. 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 when it becomes subject to re-election.

2.6.2 Director's Appointment Letters

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

2.6.3 Termination process

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

- If a Director does not have the appropriate legal qualifications or has been sentenced for an act, a fraud or a crime affecting his 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;
- If the shareholder appointing the member removes him; or
- 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 Meetings' Dates and Attendance

The members of the Board have met four (4) times during the year 2015 on the following dates:

31 January 2015

04 May 2015

10 August 2015

19 October 2015

The record of their attendance is set out below:

Director's Name	Status of Director	Meetings Attended (out of 4)	% of Attendance
Sh. Ahmed Bin Ali Al-Khalifa	Non-executive/ Non-independent	3	75%
Mr. Asaad Al-Banwan	Non-executive/ Non-independent	4	100%
Sh. Rashid Bin AbdulRahman Al-Khalifa	Non-executive/ Independent	3	75%
Mr. Waleed Al-Roudhan	Non-executive/ Non-independent	4	100%

Director's Name	Status of Director	Meetings Attended (out of 4)	% of Attendance
Mr. Jamal Al-Kazemi	Non-executive/ Non-independent	4	100%
Ms. Shaikha Al-Bahar	Non-executive/ Non-independent	3	75%
Mr. Ali Al-Khaja	Non-executive/ independent	4	100%

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 2015, a total of BHD 306,800 was recommended by the Board.

2.9 List of Executive Management and Profile of Each

Profiles of Zain Bahrain executive management, including qualification and experience is Presented In Executive Management Team section (page 18-22)

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 2015, the annual remuneration fees of the executive management were in the form of salaries, allowances and bonus. Refer to the note 20 (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 Directors and the Company's employees are expected to maintain the highest level of corporate ethics and personal behavior. Therefore, the Company has adopted a code of conduct which provides an ethical and legal framework for all employees in the conduct of its Business. The Director's Code of Conduct

has been initiated, approved and effective during the year of 2015 in accordance with CBB Module and MOIC Corporate Governance Code.

3. Board Committees

3.1 Name and Function of the Committees

3.1.1 Audit Committee

The Company's Board Audit Committee (BAC) formation and the establishment of its charter have been approved and effective by the Board Meeting held on the 4th of May, 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

The Company's Nomination and Remuneration Committee (NRC) formation and the establishment of its charter have been approved and effective by the Board Meeting held on the 4th of May, 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", upon the expiry of the Board members term
- Recommend nominees for each committee of the Board.
- Oversee matters related to the compensation, skills and expertise requirements, orientation and conduct of the

CORPORATE GOVERNANCE

Continued

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 Bahrain'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 Committee Members and Meetings Attendance

Set out below are the Committee members and the number of meetings attended. The BAC is required to hold and attend at least four times a year while the NRC is required to hold and attend at least twice a year. The Committees' members have met several times during the year of 2015, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Audit Committee Meetings attendance:

Board Member's	Position (Board/ Committee)	Meetings Attended (out of 3)
	Deputy Chairman/ Audit Committee	
Mr. Asaad Ahmed Al-Banwan	Chairman	3

Board Member's	Position (Board/ Committee)	Meetings Attended (out of 3)
Sh. Rashid Bin Abdulrahman Al Khalifa	Member/ Member	3
Mr. Waleed Abdulla Al-Roudan	Member/ Member	3

Nomination and Remuneration Committee Meetings attendance:

Board Member's	Position (Board/ Committee)	Meetings Attended (out of 2)
Mr. Jamal Shaker Al-Kazemi	Member/ Member	2
Ms. Shaikha Khalid Al-Bahar	Member/ Nomination and Remuneration Committee Chairman	2
Mr. Ali Hasan Al Khaja	Member/ Member	2

Note: The Committees were formed and approved by the Board in its meeting held on 4th May 2015. The Audit Committee has met three times during this seven-month period, however it shall ensure it will be holding four meetings a year in accordance with the Code from the year 2016.

4. Corporate Governance

The Company will be including a statement on Corporate Governance in the printed annual report from the year ending December 2015. Reference is made to the Company's compliance with the Code.

5. Auditors

- The External Auditors of Zain Bahrain for the audit year ended 2015 is Deloitte & Touché and the agreed audit fee for that year is BHD 32,000. The non-audit service fee for 2015 is BHD 13,425.
- Reappointment of Deloitte & Touché for the audit year ended 2015 was endorsed by the Shareholders at the Annual General Assembly Meeting held on the 26th

February, 2015 based upon the recommendation of the Management and the Board Audit Committee.

- Copies of the Charters of the Board, the Audit Committee and the Nominating and Remuneration Committee may be inspected with Zain Bahrain's Compliance Officer.

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 The 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 financial statements note 23.

9. Review of the Internal Control

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

The Internal Auditor reports significant issues and effectiveness of controls and any other matters deemed appropriate to the BAC, CEO of the parent company (MTC), CFO of the parent company (MTC) and Zain Bahrain's 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 scope of internal control activities is subject to the BAC review and approval but will not otherwise be restricted. All staff and management of MTC shall make all efforts to provide necessary assistance to, and cooperate with our staff in performing their duties effectively.

Throughout the year of 2015, 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 CBB, MOIC 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'

CORPORATE GOVERNANCE

Continued

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 AGM should be held within ninety days after the year end. The Notice of AGM should be published in the Arabic and English newspapers fifteen (15) days prior to the AGM.

11. Directors' Responsibilities for the Preparation of Financial Statements

The BAC is 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

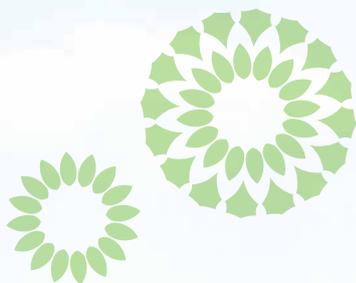
The Directors are obliged to arrange their personal and business affairs to avoid any conflict of interest with the Company. If any conflict of interest arises, such Director is responsible to inform the entire Board in writing.

For the year of 2015, no conflict of interest was raised to the Board and no Director abstained from voting.

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

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





Financial Statements and Independent Auditor's Report

FOR THE YEAR ENDED DECEMBER 31, 2015

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

Commercial Registration No.	50603
Chairman	Al Shaikh Ahmed Bin Ali Al Khalifa
Directors	Mr. Asaad Ahmed Al Banwan - Vice Chairman Al Shaikh Rashed Abdulrahman Mohamed Al Khalifa Mr. Jamal Shaker Al Alkazemi Mr. Waleed A M A Alroudan Mrs. Shaikha Khalid A A Albahar Mr. Ali Al Khaja – Acting Independent Director
Corporate Secretary	Ms. Latifah Salahuddin
Chief Executive Officer	Mr. Scott Gegnheimer
General Manager	Mr. Mohammed Zainalabedin
Finance Director	Mr. Ahmed Dief (Up to January 13, 2015) Mr. Mudasser Muhammad Ali (from February 1, 2015)
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
Auditors	Deloitte & Touche - Middle East P.O. Box 421 Manama Kingdom of Bahrain

DIRECTORS' 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, 2015.

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

	2015 (%)	2014 (%)
Shareholders:		
Mobile Telecommunication Company K.S.C. - Kuwait	54.78	54.78
Al Sheikh Ahmed Bin Ali Al Khalifa	16.10	16.10
Gulf International Bank B.S.C.	8.50	8.50
Others	20.62	20.62
	100.00	100.00

CHANGES IN DIRECTORS

None.

DIRECTORS REMUNERATION

Director's remuneration charged during the year ended December 31, 2015 amounted to BD 306,800 (2014: BD 188,042).

AUDITORS

A resolution proposing the reappointment of Deloitte & Touche - Middle East as auditors of the Company for the year ending December 31, 2016 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



Al Sheikh 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, 2015, 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, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 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, the Central Bank of Bahrain (CBB) Rule Book (applicable provision of volume 6) CBB directives and regulations and associated resolution, rules and procedures of the Bahrain Bourse, having occurred during the year ended December 31, 2015 that might have had a material adverse effect on the business of the Company or on its financial position.



Manama, Kingdom of Bahrain
February 9, 2016

Deloitte & Touche - Middle East
Partner Registration No. 184

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	Notes	2015 BD '000	2014 BD '000
ASSETS			
Current assets			
Cash and bank balances	5	7,822	2,974
Accounts receivable and other assets	6	21,564	21,238
Inventories	7	2,505	2,128
Total current assets		31,891	26,340
Non-current assets			
Property and equipment	8	72,720	69,806
Intangible assets	9	12,835	15,940
Total non-current assets		85,555	85,746
Total assets		117,446	112,086
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Accounts payable and other liabilities	10	32,606	25,669
Current portion of term loans	11	7,786	6,961
Deferred revenue		4,168	4,529
Total current liabilities		44,560	37,159
Non-current liabilities			
Non-current portion of term loans	11	9,661	14,971
Provision for employees' end of service benefits	12	285	323
Total non-current liabilities		9,946	15,294
Total liabilities		54,506	52,453
EQUITY			
Share capital	13	36,800	36,800
Share premium	14	3,032	3,032
Statutory reserve	15	10,382	9,867
Retained earnings		12,726	9,934
Total equity		62,940	59,633
Total liabilities and equity		117,446	112,086

The financial statements were approved and authorised for issue by the Board of Directors on February 9, 2016 and signed on their behalf by:



Al Sheikh Ahmed Bin Ali Al Khalifa
Chairman



Mr. Asaad Ahmed Al Banwan
Vice Chairman

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

	Notes	2015 BD '000	2014 BD '000
Revenue	16	71,112	71,804
Cost of revenue		(11,226)	(14,306)
Gross profit		59,886	57,498
Operating and administrative expenses		(29,832)	(28,725)
Depreciation and amortization		(22,478)	(21,799)
Provision for impairment of receivables and other assets		(1,476)	(1,491)
Provision for inventories		(324)	(233)
Operating profit		5,776	5,250
Other income – net		-	127
Other expenses		-	(543)
Gain on currency revaluation		57	64
Interest income		35	29
Finance costs	17	(721)	(785)
Profit for the year	18	5,147	4,142
Total comprehensive income for the year		5,147	4,142
Basic and diluted earnings per share	19	Fils 14	Fils 13



Al Sheikh Ahmed Bin Ali Al Khalifa
Chairman



Mr. Asaad Ahmed Al Banwan
Vice Chairman

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	Notes	Share Capital BD '000	Share Premium BD '000	Statutory Reserve BD '000	Retained Earnings BD '000	Total BD '000
Balance at January 1, 2014		32,000	100	9,453	11,486	53,039
Dividends declared		-	-	-	(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
Dividends declared	13	-	-	-	(1,840)	(1,840)
Total comprehensive income for the year		-	-	-	5,147	5,147
Transfer to statutory reserve		-	-	515	(515)	-
Balance at December 31, 2015		36,800	3,032	10,382	12,726	62,940

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

Notes	2015 BD '000	2014 BD '000
Cash flows from operating activities:		
Profit for the year	5,147	4,142
Adjustments for:		
Depreciation and amortization	22,478	21,799
Provision for doubtful debts and slow moving inventories	1,800	1,724
Finance costs	721	785
Interest income	(35)	(29)
Provision for employees' end of service benefits	105	61
(Gain) / loss on property and equipment written off	-	(40)
Operating profit before working capital changes	30,216	28,442
Increase in accounts receivable and other assets	(1,802)	(2,085)
(Increase) / decrease in inventories	(701)	610
Increase / (Decrease) in accounts payable and other liabilities	4,885	(3,184)
Decrease in deferred revenue	(361)	(240)
Cash generated from operating activities	32,237	23,543
Payment of employees' end of service benefits	(143)	(68)
Net cash from operating activities	32,094	23,475
Cash flow from investing activities:		
Purchase of property and equipment	(10,440)	(16,919)
Increase in intangible assets	(9,852)	(10,056)
Proceed from sale of property and equipment	-	3
Interest received	35	29
Net cash used in investing activities	(20,257)	(26,943)
Cash flows from financing activities:		
Net proceeds from issue of shares	-	7,732
Term loans	(4,485)	1,932
Interest paid	(701)	(702)
Dividends paid	(1,803)	(5,676)
Net cash (used in) / from financing activities	(6,989)	3,286
Net increase / (decrease) in cash and cash equivalents	4,848	(182)
Cash and cash equivalents at beginning of the year	2,974	3,156
Cash and cash equivalents at end of the year	7,822	2,974

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

1. CORPORATE INFORMATION:

Zain Bahrain B.S.C. (the "Company") is a Bahraini Shareholding Company (Public) incorporated in the Kingdom of Bahrain on April 19, 2003 and registered with the Ministry of Industry 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's registered office is P.O. Box 266, Manama, Kingdom of Bahrain.

The Company is mainly engaged in the provision of public telecommunications and related products and services. Effective December 4, 2014, the Company became a Bahraini Shareholding Company (Public) with shares 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 new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs

- IFRS 14 *Regulatory Deferral Accounts*.
Effective for annual periods beginning on or after January 1, 2016
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative.
Effective for annual periods beginning on or after January 1, 2016
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.
Effective for annual periods beginning on or after January 1, 2016
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
Effective for annual periods beginning on or after January 1, 2016
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants.
Effective for annual periods beginning on or after January 1, 2016
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
Effective for annual periods beginning on or after January 1, 2016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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

2.2 New and revised IFRS in issue but not yet effective (continued)

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
Effective for annual periods beginning on or after January 1, 2016
- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.
Effective for annual periods beginning on or after January 1, 2016
- IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements 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. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. 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:** The 2014 version of IFRS 9 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 recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Effective for annual periods beginning on or after January 1, 2018

- Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.
Effective for annual periods beginning on or after when IFRS 9 is first applied
- IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.
Effective for annual periods beginning on or after when IFRS 9 is first applied

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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

2.2 New and revised IFRS in issue but not yet effective (continued)

- IFRS 15 *Revenue from Contracts with Customers*.

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Effective for annual periods beginning on or after January 1, 2018

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture
Effective date deferred indefinitely
- IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17

Effective for annual periods beginning on or after January 1, 2019

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. The application of IFRS 9, IFRS 15 and IFRS 16 may have a significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers, impairment of financial assets and recognition, measurement and disclosure of leases. The Company's management has not yet performed a detailed review to quantify the effect of the application of these standards and therefore it is not practicable at present to provide a reasonable estimate of their effect.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES:

3.1 Statement of compliance

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

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

The principal accounting policies are set out below.

3.3 Revenue

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 cards*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

3.3 Revenue (continued)

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.

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.

3.4 Property and equipment

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

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

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

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

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

An item of property and equipment is 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 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, if any. 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 the contract period (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.

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

3.6 Impairment of non-financial assets

Where there is an indication of impairment in value, such that the recoverable amount of an asset (other than inventories) falls below its net book value, an impairment loss is 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

3.6 Impairment of non-financial assets (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset 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. 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 in the ordinary course of business less all estimated selling expenses.

3.9 Financial assets

Financial assets include trade and other receivables, unbilled revenue, due from telecommunication operators, cash and bank balances. Financial assets are recognised on the date at which they are originated. Financial assets are initially recognized at fair value plus directly attributable transaction costs for instruments not at fair value through profit or loss.

3.9.1 Receivables

Subsequent to initial recognition, accounts receivables are measured at amortised cost, less any allowance for impairment.

3.9.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banks with original deposit period of 3 months or less.

3.9.3 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

3.9 Financial assets (continued)

3.9.3 Impairment of financial assets (continued)

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.

3.9.4 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 include trade and other payables, due to telecommunication operators and borrowings. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs.

Accounts payable are stated at their nominal value. Borrowings are initially recognised net of transaction costs and subsequently measured at amortised cost using the effective interest rate method.

3.10.1 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

3.12 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.

3.13 Provision for employees' end-of-service benefits

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

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

3.14 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.

3.15 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.

3.16 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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

Critical judgements in applying the Company's accounting policies

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

Property and equipment - network:

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

The Company's policy is to provide for late receivables 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 such as Government agencies, VIPs, employees of the Company and amounts in the process of being collected by collection agencies. These percentages and the exceptions provided to certain categories of subscribers 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. Refer to Note 6 for further details.

Provision for obsolete and slow moving inventory items

Considerable judgement by management is required in the estimation of the obsolete and slow moving inventory.

Management review of inventory obsolescence is mainly based on the aging of inventory items and applying percentages which reflect management assessment of obsolescence.

Where the Company expects exchanging old inventory items with supplier, the provision amount is reduced to reflect inventory items at their net realisable value as estimated by management (see Note 7).

5. CASH AND CASH EQUIVALENTS:

	2015 BD '000	2014 BD '000
Short-term deposits with banks	-	2,002
Cash and current accounts with banks	7,822	972
Cash and bank balances	7,822	2,974

The average interest rate on short-term deposits was 1.32% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS, (NET):

	Notes	2015 BD '000	2014 BD '000
Accounts receivable:			
Due from post paid subscribers	6.1	19,898	18,552
Due from roaming partners	6.2	3,846	3,472
Allowance for impairment		(8,472)	(7,118)
		15,272	14,906
Due from distributors		674	569
Interconnect receivables from other operators		1,717	1,896
Accrued income	6.3	481	535
Other receivables		571	169
		18,715	18,075
Other assets:			
Prepaid expenses	6.4	1,480	1,484
Due from related parties	20	15	15
Sundry receivables and other assets		494	648
Staff receivables		70	104
Portfolio under management	6.5	912	912
Allowance for impairment		(122)	-
		2,849	3,163
		21,564	21,238

The allowance for impairment of receivables is broken down as follows:

	2015 BD '000	2014 BD '000
Allowance for post paid subscribers (collectively assessed)	8,250	7,118
Allowance for a roaming partner	222	-
Allowance for other receivables	122	-
	8,594	7,118

The movement in the allowance for impairment of receivables is as follow:

	2015 BD '000	2014 BD '000
Balance beginning of year	7,118	5,627
Additions	1,476	1,491
Balance end of year	8,594	7,118

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS, (NET): (continued)

6.1 The aging of receivables of post paid subscribers is as follows:

	2015		
	Gross BD '000	Impairment allowance BD '000	Net exposure BD '000
Up to 60 days	3,896	-	3,896
61 to 90 days	560	40	520
91 to 365 days	3,364	219	3,145
More than 1 year	12,078	7,991	4,087
	19,898	8,250	11,648

	2014		
	Gross BD '000	Impairment allowance BD '000	Net exposure BD '000
Up to 60 days	4,030	-	4,030
61 to 90 days	753	52	701
91 to 365 days	4,067	1,272	2,795
More than 1 year	9,702	5,794	3,908
	18,552	7,118	11,434

No interest is charged on overdue balances receivable from subscribers. These amounts are provided for impairment based on a collective assessment on the following basis:

- Management considers that invoices outstanding up to 60 days are considered within the acceptable credit period.
- No allowance for impairment is made with respect to overdue balances related to certain categories of subscribers irrespective to the aging of these receivables. These mainly include government agencies, VIP customers and certain long overdue amounts under execution with collective agencies to the extent where management believes that these are recoverable and no objective evidence of impairment exists at the reporting date.
- For other categories of subscribers, overdue balances beyond 60 days are provided based on certain percentages applied to different aging brackets. Amounts outstanding beyond one year which are not assigned to collection agencies are fully provided for.

6.2 Due from roaming partners include a balance of BD 2,090,751 (2014: BD 2,087,254) receivable from one roaming partner and has been outstanding for more than 2 years. The Company's management expects settlements to be received starting the first quarter of 2016 upon completion of reconciling roaming traffic. During 2015 the Company has provided an amount of BD 222,000 against this balance.

6.3 Accrued income comprises unbilled charges for services provided at the yearend where the billing was not due at that date.

6.4 Prepaid expenses comprise the unamortised portion of advance payments in connection with rentals, insurance, maintenance and other miscellaneous expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS, (NET): (continued)

6.5 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 and it has been renewed during the current year. 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, 2015, the portfolio under management includes shares amounting to BD 517 thousand (2014: BD 305 thousand).

7. INVENTORIES (NET):

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

	2015 BD '000	2014 BD '000
Handsets, accessories and others	3,457	2,756
Allowance for slow moving items	(952)	(628)
	2,505	2,128

Inventory items include old balances of approximately BD 500 thousand as at December 31, 2015 which the Company expects to exchange with a supplier in the subsequent period. These inventories are provided for to the extent of BD 100 thousand approximately.

8. PROPERTY 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 January 1, 2014	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
Additions	21	266	575	-	-	11,573	12,435
Transfers	-	5,194	1,624	120	-	(6,938)	-
Balance at December 31, 2015	2,988	82,790	32,012	4,009	17	8,681	130,497
Accumulated Depreciation:							
Balance at January 1, 2014	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
Depreciation expense	35	6,837	2,509	140	-	-	9,521
Balance at December 31, 2015	728	30,336	23,138	3,558	17	-	57,777

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

8. PROPERTY, PLANT AND EQUIPMENT: (continued)

	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
Carrying amount:							
December 31, 2015	2,260	52,454	8,874	451	-	8,681	72,720
December 31, 2014	2,274	53,831	9,184	471	-	4,046	69,806

Capital work in progress mainly relates to network equipment in respect of network expansions and improvements. As at December 31, 2015 capital work in progress outstanding for more than one year amounted to approximately BD 880 thousand.

9. INTANGIBLE ASSETS:

	2015 BD '000	2014 BD '000
National Fixed Wireless Services license	2,267	2,639
4G Long Term Evolution license	814	877
Subscribers acquisition cost	9,754	12,424
	12,835	15,940

The movement of intangible assets is as follows:

	2015 BD '000	2014 BD '000
Balance beginning of year	15,940	19,166
Addition - Subscribers acquisition cost	9,852	10,056
Amortisation charge	(12,957)	(13,282)
Balance end of year	12,835	15,940

- 9.1 The National Fixed Wireless Services ("NFWS") license was obtained on January 8, 2007. Initial cost of BD 5,576,211 is amortised over the license period of 15 years.
- 9.2 The 4G Long Term Evolution ("4G LTE") license was obtained on September 19, 2013. Initial cost of BD 956,700 is amortised over the license period of 15 years.
- 9.3 Subscribers acquisition cost consists of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES:

	Notes	2015 BD '000	2014 BD '000
Due to suppliers		10,330	8,569
Accrued expenses		7,616	5,399
Interconnection payable		2,136	2,822
Due to roaming partners		2,287	1,957
Accrued employees' benefits		1,227	909
Subscriber deposits		31	31
Dividend payable		37	-
Due to related parties	20	8,502	5,681
Accrued Directors' remuneration		307	188
Accrued interest		133	113
		32,606	25,669

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 1,658,526 (2014: BD 2,108,000) due to four (2014: three) operators in respect of interconnect charges, supplies and services received prior to the year end for which invoices were under review as of that date.

11. TERM LOANS:

	2015 BD '000	2014 BD '000
Term loans from banks:		
Current portion	7,786	6,961
Non-current portion	9,661	14,971
	17,447	21,932

In 2013, the Company obtained three term loans from resident banks in the aggregate amount of BD 31 million for the purpose of financing the Company's capital expenditures, including network expansion, and its working capital requirements. Total utilised balance up to December 31, 2015 amounted to BD 29.5 million (2014: BD 26.2 million). These loans are payable over 7 to 8 semi-annual installments starting after one year from loan agreements' dates and carry interest rate of three month BIBOR + 2.25%, payable quarterly.

Settlements made during the year amounted to BD 7.786 million (2014: BD 5.268 million).

The Company was in compliance with the financial covenants as at the year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

12. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS:

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

	2015 BD '000	2014 BD '000
Balance beginning of year	323	330
Additional provision	105	61
Reductions arising from payments	(143)	(68)
Balance end of year	285	323

13. SHARE CAPITAL:

The Company's issued share capital consists of 368,000,000 ordinary shares at 100 Fils each, issued and fully paid.

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 2015 and 2014	% of share holding 2015 and 2014
Mobile Telecommunication Co. K.S.C.	Kuwait	201,600,000	54.78%
Sh. Ahmed Bin Ali Al-Khalifa	Bahrain	59,260,000	16.1%
Gulf International Bank B.S.C. ("Underwriter")	Bahrain	31,285,097	8.5%

Distribution schedule of equity shares:

Categories	Number of Shares		Number of shareholders		% of total outstanding shares	
	2015	2014	2015	2014	2015	2014
Less than 1%	51,254,903	56,054,903	490	585	13.93	15.24
1 % up to less than 5%	24,600,000	19,800,000	3	2	6.69	5.38
5 % up to less than 10%	31,285,097	31,285,097	1	1	8.50	8.50
10 % up to less than 20%	59,260,000	59,260,000	1	1	16.10	16.10
More than 50%	201,600,000	201,600,000	1	1	54.78	54.78
	368,000,000	368,000,000	496	590	100.00	100.00

The Annual General Assembly of shareholders held on February 10, 2015 approved the distribution of dividend of 5 fils per share totaling BD 1,840,000 (2014: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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 2,632,266 (2014: BD 1,716,448).

17. FINANCE COSTS:

	Notes	2015 BD '000	2014 BD '000
Interest on borrowings	11	721	785

18. PROFIT FOR THE YEAR:

Profit for the year has been arrived at after charging

	Notes	2015 BD '000	2014 BD '000
Employees' costs and benefits:			
End-of-service benefits		105	61
Employees costs		7,660	7,839
		7,765	7,900
Site rental		2,681	2,345
Provision for doubtful debts and slow moving inventories		1,800	1,724
Business promotion cost		2,113	1,763
Depreciation	8	9,521	8,517
Amortisation expense	9	12,957	13,282
License fees	18.1	2,245	2,295
Royalty fees	18.2	208	357
Management fees	18.3	2,162	2,197

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 480,000 (2014: Euro 700,000). This has been terminated effective from August 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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:

	2015 BD '000	2014 BD '000
Profit for the period	5,147	4,142
Weighted average number of shares in issue (in thousands)	368,000	330,915
Basic and diluted earnings per share	Fils 14	Fils 13

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

20. RELATED PARTIES:

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 are summarised as follows:

	Notes	2015 BD '000	2014 BD '000
Office rent and maintenance costs		980	994
Site and outlet rent		48	48
Management fees	18.3	2,162	2,197
Royalty fees	18.2	208	357

During the year, Management accrued for Board of Directors' remuneration (Note 10) an amount of BD 306,800 (2014: BD 188,042). The amount due for the year 2015 is subject to the approval by the Shareholders' general assembly.

Balances with related parties are as follows:

	2015 BD '000	2014 BD '000
Due to related party balances		
Zain Group Holding-Bahrain S.P.C.	8,500	5,681
Zain – Jordan	2	-
	8,502	5,681
Due from related party balances		
Sudanese Mobile Telephone Company Ltd	13	13
Zain – South Sudan	1	1
Zain – Lebanon	1	1
	15	15

Transactions and balances involving telecommunication services in the ordinary course of business are not reported above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

20. RELATED PARTIES: (continued)

Compensation of key management personnel:

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

	2015 BD '000	2014 BD '000
Short-term benefits	1,175	841
Other long-term benefits	72	126
	1,247	967

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:

	2015 BD '000	2014 BD '000
Letters of guarantee	743	930

22.2 Capital commitments:

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

	2015 BD '000	2014 BD '000
Capital expenditures	11,370	14,552

22.3 Commitments under operating leases:

The Company only operates as a lessee. Operating leases relates substantially to its office, branches and properties on which telecommunication equipment have been installed with lease terms of between 1 to 10 years. These operating lease contracts contain clause for auto renewal on the expiry of the term for the same period as agreed at the inception of the lease. The Company does not have option to purchase these properties at the expiry of the lease periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

22. CONTINGENT LIABILITIES AND COMMITMENTS: (continued)

22.3 Commitments under operating leases: (continued)

Payments recognised as an expense

	2015 BD '000	2014 BD '000
Minimum lease payments	4,209	3,879
<u>Non-cancellable operating lease commitments</u>		
	2015 BD '000	2014 BD '000
Within one year	2,209	2,358
Later than one year and not later than five years	8,720	9,431
Later than five years	2,443	3,108
	13,372	14,897

22.4 Other financial commitments outstanding at the reporting date are BD 512,000 (2014: BD 305,000).

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, financial 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:

	2015 BD '000	2014 BD '000
Financial assets	7,822	2,974
Cash and bank balances at amortised cost	20,084	19,755
Receivables at amortised cost	27,906	22,729
Financial liabilities at amortised cost	50,053	47,601

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

23. FINANCIAL INSTRUMENTS: (continued)

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 Company's overall strategy remains unchanged from 2014.

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 end of each year was as follows:

	Notes	2015 BD '000	2014 BD '000
Debts (i)		17,447	21,932
Cash and cash equivalents	5	(7,822)	(2,974)
Net debts		9,625	18,958
Equity (all capital and reserves)		62,940	59,633
Net debt to equity ratio		15.29%	31.8%

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

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 risks associated with financial instruments and the respective approach to manage 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

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

23. FINANCIAL INSTRUMENTS: (continued)

23.5 Market risk (continued)

23.5.1 Interest rate risk (continued)

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, 2015 would decrease/increase by BD 87,235 (2014: decrease/increase by BD 109,660). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

23.5.2 Currency Risk

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

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.

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

	Liabilities		Assets	
	2015 BD '000	2014 BD '000	2015 BD '000	2014 BD '000
Euros	17	17	3	21

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

23. FINANCIAL INSTRUMENTS: (continued)

23.5 Market risk (continued)

23.5.2 Currency Risk (continued)

Foreign currency sensitivity analysis (continued)

	Euro Impact	
	2015 BD '000	2014 BD '000
Profit or loss	1	(1)

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

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

For concentration of credit risk refer to note 6. The credit risk on liquid funds is limited because the counterparties are banks with good financial standing.

The Company's maximum exposure to credit risk is as follows:

	Notes	2015 BD '000	2014 BD '000
Cash and bank balances	5	7,822	2,974
Receivables		20,084	19,755
Letters of guarantee	22	743	930
		28,649	23,659

23.7 Liquidity risk

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 10.5 million with three commercial banks in the Kingdom of Bahrain.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

23. FINANCIAL INSTRUMENTS: (continued)

23.7 Liquidity risk (continued)

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	1-5 years BD '000	Total BD '000
2015						
Non-interest bearing	-	7,433	6,579	12,420	6,174	32,606
Variable interest bearing	3.5	50	2,410	9,913	5,926	18,299
		7,483	8,989	22,333	12,100	50,905
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

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
2015					
Non-interest bearing	-	4,115	4,521	19,270	27,906
2014					
Non-interest bearing	-	2,930	2,011	15,786	20,727
Fixed interest rate instruments	1.32	2,005	-	-	2,005
		4,935	2,011	15,786	22,732

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

25. STATEMENT OF CASH FLOWS:

The following non-cash transactions were excluded from the statement of cash flows:

	2015 BD '000	2014 BD '000
Purchase and disposal of property and equipment in assets swap transaction	-	20,994
Purchase of property and equipment not yet settled	1,995	-



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