

ZAIN BAHRAIN B.S.C.
CONDENSED INTERIM
FINANCIAL INFORMATION
MARCH 31, 2018

ZAIN BAHRAIN B.S.C.

Commercial Registration No. 50603

Chairman Al Shaikh Ahmed Bin Ali Abdulla Al Khalifa

Directors Al Shaikh Rashid Abdulrahman Mohamed Al Khalifa –
Independent Director
Mr. Ali Hassan Al Khaja – Independent Director
Mr. Mohannad Mohammad Al Kharafi – Vice Chairman
Mr. Bader Nasser Al-Kharafi
Mr. Ahmed Tahous Al-Tahous
Mr. Talal Jassem Al-Kharafi

Corporate Secretary Ms. Latifah Salahuddin

Chief Executive Officer Mr. Scott Gegnheimer

General Manager Mr. Mohammed Zainalabedin

Finance Director Mr. Mudasser Muhammad Ali

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
United Bank Ltd.

Auditors Deloitte & Touche – Middle East
P.O. Box 421
Manama
Kingdom of Bahrain

ZAIN BAHRAIN B.S.C.

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REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim statement of financial position of Zain Bahrain B.S.C. (the "Company") as at March 31, 2018 and the related interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respect, in accordance with International Accounting Standard 34.



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

May 9, 2018

ZAIN BAHRAIN B.S.C.
INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2018

	Notes	(Unaudited) March 31, 2018 BD'000	December 31, 2017 BD'000	(Unaudited) March 31, 2017 BD'000
<u>ASSETS</u>				
Current assets				
Cash and bank balances		1,928	1,912	2,135
Accounts receivable and other assets, (net)	5	28,666	23,357	21,346
Inventories	6	2,875	4,347	4,383
Total current assets		<u>33,469</u>	<u>29,616</u>	<u>27,864</u>
Non-current assets				
Property and equipment	7	62,350	65,481	67,038
Intangible assets	8	3,225	6,825	11,036
Total non-current assets		<u>65,575</u>	<u>72,306</u>	<u>78,074</u>
Total assets		<u><u>99,044</u></u>	<u><u>101,922</u></u>	<u><u>105,938</u></u>
<u>LIABILITIES AND EQUITY</u>				
Liabilities				
Current liabilities				
Accounts payable and other liabilities	9	29,774	30,749	30,276
Current portion of term loans	10	938	1,875	7,786
Contract liabilities / deferred revenue		1,918	1,867	3,319
Total current liabilities		<u>32,630</u>	<u>34,491</u>	<u>41,381</u>
Non-current liabilities				
Non-current portion of term loans	10	-	-	938
Provision for employees' end-of-service benefits		267	321	312
Total non-current liabilities		<u>267</u>	<u>321</u>	<u>1,250</u>
Total liabilities		<u>32,897</u>	<u>34,812</u>	<u>42,631</u>
Equity				
Share capital		36,800	36,800	36,800
Treasury shares		(754)	(754)	(754)
Treasury shares reserve		(6)	(6)	(6)
Share premium		3,032	3,032	3,032
Statutory reserve		11,349	11,238	10,857
Retained earnings		15,726	16,800	13,378
Total equity		<u>66,147</u>	<u>67,110</u>	<u>63,307</u>
Total liabilities and equity		<u><u>99,044</u></u>	<u><u>101,922</u></u>	<u><u>105,938</u></u>

The condensed interim financial information was approved and authorized for issue on May 9, 2018 and signed on behalf of the Directors by:



 Al Shaikh Ahmed Bin Ali Al Khalifa
 Chairman

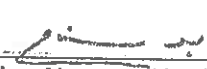

 Mr. Bader Nasser Al-Kharafi
 Director

The attached notes 1 to 17 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.
INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
PERIOD ENDED MARCH 31, 2018

	Notes	Three-month period ended March 31,	
		2018 (Unaudited) BD'000	2017 (Unaudited) BD'000
Revenues	11	16,571	18,310
Cost of revenues		(5,730)	(5,083)
Gross profit		10,841	13,227
Operating and administrative expenses		(6,983)	(7,394)
Depreciation and amortization	7 & 8	(2,590)	(5,027)
Provision for impairment		(142)	(153)
Reversal / (provision) for inventories		1	(77)
Operating profit		1,127	576
Interest income		14	11
Other income		10	39
Foreign exchange gain		(20)	(19)
Finance costs		(23)	(104)
Profit for the period		1,108	503
Other comprehensive income for the period		-	-
Total comprehensive income for the period		1,108	503
Basic earnings per share	12	Fils 3	Fils 1


 Al Shaikh Ahmed Bin Ali Al Khalifa
 Chairman


 Mr. Bader Nasser Al-Kharafi
 Director

The attached notes 1 to 17 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.
INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
PERIOD ENDED MARCH 31, 2018

	Share capital BD '000	Treasury shares BD '000	Treasury shares reserve BD '000	Share premium BD '000	Statutory reserve BD '000	Retained earnings BD '000	Total BD '000
Balance, December 31, 2016	36,800	-	-	3,032	10,807	14,715	65,354
Prior period adjustment (Note 17)	-	(754)	(6)	-	-	29	(731)
Restated - January 1, 2017	36,800	(754)	(6)	3,032	10,807	14,744	64,623
Dividends	-	-	-	-	-	(1,819)	(1,819)
Total comprehensive income for the period	-	-	-	-	-	503	503
Appropriation to statutory reserve	-	-	-	-	50	(50)	-
Balance, March 31, 2017	36,800	(754)	(6)	3,032	10,857	13,378	63,307
Balance, December 31, 2017	36,800	(754)	(6)	3,032	11,238	16,800	67,110
Adjustment from adoption of IFRS 15	-	-	-	-	-	(252)	(252)
Restated - January 1, 2018	36,800	(754)	(6)	3,032	11,238	16,548	66,858
Dividends	-	-	-	-	-	(1,819)	(1,819)
Total comprehensive income for the period	-	-	-	-	-	1,108	1,108
Appropriation to statutory reserve	-	-	-	-	111	(111)	-
Balance, March 31, 2018	36,800	(754)	(6)	3,032	11,349	15,726	66,147

The annual general assembly held on March 28, 2018 approved cash dividends equivalent to 5% of the issued share capital.

The attached notes 1 to 17 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
PERIOD ENDED MARCH 31, 2018

	Three-month period ended March 31	
	2018 (Unaudited) BD'000	2017 (Unaudited) BD'000
Cash flows from operating activities:		
Profit for the period	1,108	503
Adjustments for:		
Depreciation and amortization	2,590	5,027
Provision for impairment of receivables and inventories	141	230
Finance costs	23	104
Interest income	(14)	(11)
Provision for employees' end of service benefits	17	19
	<u>3,865</u>	<u>5,872</u>
Net change in inventories	1,473	(1,070)
Net change in accounts receivable and other assets	(2,232)	(991)
Net change in accounts payable and other liabilities	(2,099)	(4,864)
Net change in contract liabilities/deferred revenue	51	(223)
Payment of employees' end of service benefits	(71)	(7)
Net generated from / (used in) operating activities	<u>987</u>	<u>(1,283)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(25)	(680)
Increase in intangible assets	-	(199)
Interest received	14	11
Net cash used in investing activities	<u>(11)</u>	<u>(868)</u>
Cash flows from financing activities:		
Payment of term loans	(937)	(938)
Dividends paid	-	(7)
Interest paid	(23)	(133)
Net cash used in financing activities	<u>(960)</u>	<u>(1,078)</u>
Net increase/(decrease) in cash and cash equivalents	16	(3,229)
Cash and cash equivalents beginning of period	1,912	5,364
Cash and cash equivalents end of period	<u>1,928</u>	<u>2,135</u>
Non-cash transactions:		
Dividends declared not yet settled at the reporting date	<u>1,819</u>	<u>1,819</u>
Disposal and adjustment of property and equipment against settlement of payables	-	5,885
Write-off property and equipment against payables	<u>695</u>	<u>-</u>

The attached notes 1 to 17 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
PERIOD ENDED MARCH 31, 2018 – (UNAUDITED)

1. INCORPORATION AND ACTIVITIES

Zain Bahrain B.S.C. (the "Company") is a Bahraini Shareholding Company (Public) incorporated in the Kingdom of Bahrain on April 19, 2003 and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration (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.

2. BASIS OF PREPARATION

The condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The condensed interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs"). For more details, please refer to the audited financial statements for the year ended December 31, 2017.

In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial information has been prepared under the historical cost convention.

The same accounting policies, presentation and methods of computation are followed in this condensed interim financial information as were applied in the preparation of the Company's financial statements for the year ended December 31, 2017, except for certain new and revised standards and interpretations that became effective in the current period.

Standards affecting the disclosures and presentation in the current period

None of the new and revised Standards that have been adopted in the current period which are effective for annual periods beginning on or after January 1, 2018 have affected the disclosures and presentation in the financial information, except for IFRS 15 '*Revenue from Contract with customers*' and IFRS 9 '*Financial instruments*' as detailed below under 3.1 and 3.2.

ZAIN BAHRAIN B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
PERIOD ENDED MARCH 31, 2018 – (UNAUDITED)

3.1 IFRS 15 Revenue from Contracts with Customers

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

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

Management has identified the following as areas where key revenue recognition and other accounting changes under IFRS 15 have had an impact on the Company's financial statements. Management did, not apply other areas of the Standard where it has determined the impact determined to be insignificant.

Handsets and telecommunication services

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

The Company provides subsidized handsets to its customers along with mobile telecommunication services and IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. This resulted in a reallocation of a portion of revenue from service revenue to trading revenue and correspondingly a creation of contract asset, which includes also some items previously presented as accounts receivable and other assets. Contract asset represents receivable from customers that has not yet legally come into existence. Revenue from device sales is recognized when device is delivered to the customer. This usually occurs when customer signs a contract. For devices sold separately, customer pay in full at the point of sale. Revenue from voice, messaging, internet services etc. are included in the bundled package are recognized on the period of the contract as the services are rendered.

In the case of locked devices, revenue from the delivery of the device and service is recognized over the period of the contract as the Company concluded that it is a single performance obligation under IFRS 15.

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

ZAIN BAHRAIN B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
PERIOD ENDED MARCH 31, 2018 – (UNAUDITED)

Upgrade rights

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

Value-added services

Revenue from value added services (VAS) sharing arrangements depends on the analysis of the facts and circumstances surrounding these transactions. Revenue from VAS is recognized when the Company performs the related service and, depending on the Company's control or lack of control on the services transferred to the customer, is recognized either at the gross amount billed to the customer or the amount receivable by the Company as commission for facilitating the service.

Significant financing component

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

3.2 IFRS 9 Financial Instruments

The Company has adopted IFRS 9 *Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification of financial assets and financial liabilities

The Company classifies its financial assets as follows:

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

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The Company's financial assets include account receivable, other receivables, cash and bank balances, which continue to be measured at amortized cost.

A financial asset is measured at amortised cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows.

Cash and banks, accounts receivable, contract assets and other financial assets are classified as financial assets at amortised cost.

The Adoption of IFRS 9 did not result in any change in classification or measurement of financial assets and financial liabilities, which continue to be at amortized cost.

ZAIN BAHRAIN B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
PERIOD ENDED MARCH 31, 2018 – (UNAUDITED)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company recognizes ECL for cash and bank balances and other advances using the general approach and using simplified approach for accounts receivable and contract assets as required by IFRS 9.

General approach

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

Simplified approach

The Company applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all accounts receivables and contract assets.

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

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

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

3.3 Impact on adoption of the IFRS 9 and IFRS 15 - Transition

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

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

ZAIN BAHRAIN B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
PERIOD ENDED MARCH 31, 2018 – (UNAUDITED)

(a) Impact of IFRS 9 and IFRS 15 on the statement of financial position:

	Previously Reported Amounts *	IFRS 15	IFRS 9	January 1, 2018 restated
	BD'000	BD'000	BD'000	BD'000
ASSETS				
Cash and bank balances	1,912	-	(43)	1,869
Accounts receivable and other assets	23,357	3,329	43	26,729
Inventories	4,347	-	-	4,347
Property and equipment	65,481	-	-	65,481
Intangible assets	6,825	(3,470)	-	3,355
Total assets	101,922	(141)	-	101,781
LIABILITIES				
Accounts payable and other liabilities	30,749	-	-	30,749
Current portion of term loans from banks	1,875	-	-	1,875
Deferred revenue	1,867	111	-	1,978
Provision for employees' end of service benefits	321	-	-	321
Total liabilities	34,812	111	-	34,923
EQUITY				
Share capital	36,800	-	-	36,800
Treasury shares	(754)	-	-	(754)
Treasury shares reserve	(6)	-	-	(6)
Share premium	3,032	-	-	3,032
Statutory reserve	11,238	-	-	11,238
Retained earnings	16,800	(252)	-	16,548
Total equity	67,110	(252)	-	66,858
Total liabilities and equity	101,922	(141)	-	101,781

* Figures stated after restatement for the effect of prior periods adjustment as explained in Note 17.

(b) Net impact of IFRS 9 and IFRS 15 on retained earnings as at January 1, 2018:

	Retained earnings BD'000
Closing retained earnings, December 31, 2017 as restated for the effect of prior periods adjustments (Note 17)	16,800
Net adjustment from adoption of IFRS 15	(252)
Net adjustment from adoption of IFRS 9	-
Opening retained earnings January 1, 2018 - post IFRS 9 and IFRS 15 restatement	16,548

ZAIN BAHRAIN B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
PERIOD ENDED MARCH 31, 2018 – (UNAUDITED)

- (c) Impact on the statement of profit or loss and other comprehensive income for the three months period ended March 31, 2018:

	Reported March 31, 2018 BD'000	IFRS 15 BD'000	IFRS 9 BD'000	Without impact of IFRS 15 and IFRS 9 BD'000
Revenue	16,571	445	-	17,016
Cost of revenues	(5,730)	690	-	(5,040)
Provision for impairment	(142)	-	(132)	(274)
Depreciation and amortization	(2,590)	(1,009)	-	(3,599)
		<u>126</u>	<u>(132)</u>	

4. **ESTIMATES AND JUDGEMENTS**

The preparation of the condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements as at and for the year ended December 31, 2017, except as follows;

Principal versus agent

The Company determines whether it is acting as a principal or an agent, for each of the arrangement, to provide good or service promised to the customer by:

- a) identifying the specified goods or services to be provided to the customer; and
- b) assessing whether it controls each specified good or service before that good or service is transferred to the customer.

The Company is a principal if it controls the specified good or service before that good or service is transferred to a customer while the Company is an agent if the Company's performance obligation is to arrange for the delivery of the specified good or service for another party.

Financing component

The Company does not expect to have a significant financing component in contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any transaction price for the time value of money.

Measurement of the expected credit loss allowance

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

ZAIN BAHRAIN B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
PERIOD ENDED MARCH 31, 2018 – (UNAUDITED)

5. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET)

	March 31, 2018 (Unaudited) BD'000	December 31, 2017 BD'000	March 31, 2017 (Unaudited) BD'000
<i>Accounts receivable:</i>			
Due from post paid subscribers	20,886	20,911	21,586
Due from roaming partners	1,444	1,394	1,402
Contract assets	10,849	7,728	2,951
Due from distributors	375	130	424
Interconnect receivable from other operators	443	476	455
Allowance for impairment	(10,522)	(10,408)	(9,621)
	<u>23,475</u>	<u>20,231</u>	<u>17,197</u>
Accrued income	91	41	286
	<u>23,566</u>	<u>20,272</u>	<u>17,483</u>
<i>Other assets:</i>			
Prepaid expenses	3,718	1,873	2,024
Due from related parties (Note 14)	1	15	15
Sundry receivables and other assets	1,436	1,227	1,883
Staff receivables	65	92	63
Allowance for impairment	(120)	(122)	(122)
	<u>5,100</u>	<u>3,085</u>	<u>3,863</u>
	<u>28,666</u>	<u>23,357</u>	<u>21,346</u>

6. INVENTORIES

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

	March 31, 2018 (Unaudited) BD'000	December 31, 2017 BD'000	March 31, 2017 (Unaudited) BD'000
Handsets, accessories and others	4,262	5,735	5,642
Allowance for slow moving and obsolete items	(1,387)	(1,388)	(1,259)
	<u>2,875</u>	<u>4,347</u>	<u>4,383</u>

ZAIN BAHRAIN B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Building BD'000	Network Equipment BD'000	Office Equipment BD'000	Furniture and Fixtures BD'000	Vehicles BD'000	Capital Work-in Progress BD'000	Total BD'000
Cost:							
Balance at December 31, 2017	3,025	84,125	35,844	2,788	17	6,109	131,908
Additions	-	-	-	-	-	25	25
Transfer	-	1,481	175	10	-	(1,666)	-
Write-off	-	-	-	-	-	(695)	(695)
Balance at March 31, 2018	3,025	85,606	36,019	2,798	17	3,773	131,238
Accumulated depreciation:							
Balance at December 31, 2017	808	34,553	28,464	2,585	17	-	66,427
Depreciation expense	11	1,791	632	27	-	-	2,461
Balance at March 31, 2018	819	36,344	29,096	2,612	17	-	68,888
Carrying values:							
Balance at March 31, 2018	2,206	49,262	6,923	186	-	3,772	62,350
Balance at December 31, 2017	2,217	49,572	7,380	203	-	6,109	65,481

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8. INTANGIBLE ASSETS

	March 31, 2018 (Unaudited) BD'000	December 31, 2017 BD'000	March 31, 2017 (Unaudited) BD'000
National Fixed Wireless Services license (Note 8.1)	1,431	1,523	1,803
4G Long Term Evolution license (Note 8.2)	670	685	733
Other intangible assets (Note 8.3)	1,124	1,146	1,209
	<u>3,225</u>	<u>3,354</u>	<u>3,745</u>
Subscribers acquisition cost (Note 8.4)	-	3,471	7,291
	<u>3,225</u>	<u>6,825</u>	<u>11,036</u>

The movement of intangible assets is as follows:

	March 31, 2018 (Unaudited) BD'000	December 31, 2017 BD'000	March 31, 2017 (Unaudited) BD'000
Balance beginning of year	6,825	13,451	13,451
Effect of Change in accounting policies	(3,471)	-	-
Restated total Intangible assets at the beginning of the year	3,354	13,451	13,451
Addition - Subscribers acquisition cost	-	1,235	199
Amortization charge	(129)	(7,861)	(2,614)
Balance end of year	<u>3,225</u>	<u>6,825</u>	<u>11,036</u>

- 8.1 The National Fixed Wireless Services ("NFWS") license was obtained on January 8, 2007. Initial cost of BD 5,576,211 is amortized over the license period of 15 years.
- 8.2 The 4G Long Term Evolution ("4G LTE") license was obtained on September 19, 2013. The initial cost of BD 956,700 is amortized over the license period of 15 years.
- 8.3 Other intangible assets are amortized over the contracted period.
- 8.4 The prior year balances related to subscribers acquisition cost consists of the subsidized cost of inventory items sold by the Company to its customers. These items are amortized over the contracted subsidy period which ranges from 1 to 4 years.

With the adoption of IFRS 15 on January 1, 2018, the Company recognized the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings. Accordingly, the carrying amount of subscribers acquisition cost amounting to BD 3.470 million, net of the carrying amount of lock devices which were recognized as other assets, was transferred to retained earnings.

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9. **ACCOUNTS PAYABLE AND OTHER LIABILITIES**

	March 31, 2018 (Unaudited) BD'000	December 31, 2017 BD'000	March 31, 2017 (Unaudited) BD'000
Due to suppliers	5,559	4,972	5,031
Accrued expenses	9,846	11,838	9,287
Interconnection payable	3,628	4,092	3,863
Due to roaming partners, net	861	949	933
Accrued employees' benefits	372	1,061	525
Subscriber deposits	23	24	37
Dividend payable	1,911	92	1,876
Due to related parties (Note 14)	7,289	7,496	8,450
Accrued Directors' remuneration	283	223	218
Accrued interest payable	2	2	56
	<u>29,774</u>	<u>30,749</u>	<u>30,276</u>

10. **TERM LOANS**

	March 31, 2018 (Unaudited) BD'000	December 31, 2017 BD'000	March 31, 2017 (Unaudited) BD'000
<i>Term loans from banks:</i>			
Current portion	938	1,875	7,786
Non-current portion	-	-	938
	<u>938</u>	<u>1,875</u>	<u>8,724</u>

In 2013, the Company obtained 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 utilized balance up to March 31, 2018 amounted to BD 29.5 million (December 31, 2017: BD 29.5 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 period amounted to BD 0.937 million (December 31, 2017: BD 7.786 million).

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11. REVENUE

This caption represents revenue from airtime, data, subscription, handsets, accessories and SIM card starter pack sales, net of roaming expense. Revenue from sale of handsets, accessories and other items amounts to BD 4.021 million (March 31, 2017: BD 3.181 million).

12. BASIC EARNINGS PER SHARE

	<u>Three-month period ended March 31,</u>	
	<u>2018</u> <u>(Unaudited)</u>	<u>2017</u> <u>(Unaudited)</u>
Profit for the period - BD'000	<u>1,108</u>	<u>503</u>
Weighted average number of shares in issue (Restated)	<u>363,883,000</u>	<u>363,883,000</u>
Basic and diluted earnings per share (Restated) - Fils	<u>3</u>	<u>1</u>

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

13. SEGMENT INFORMATION

The Company operates in telecommunication and related services business and its activities are organized into three main business segments; 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.

14. RELATED PARTIES

Transactions with related parties mainly with Zain Group Holding S.P.C. included in the statement of profit or loss and other comprehensive income are as follows:

	<u>Three-month period ended March 31,</u>	
	<u>2018</u> <u>(Unaudited)</u> <u>BD'000</u>	<u>2017</u> <u>(Unaudited)</u> <u>BD'000</u>
Office rent and maintenance costs	245	245
Site and outlet rent	4	12
Management fee	506	561

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14. **RELATED PARTIES (CONTINUED)**

Balances with related parties are as follows:

	March 31, 2018 (Unaudited) BD'000	December 31, 2017 BD'000	March 31, 2017 (Unaudited) BD'000
<i>Due from related parties (Note 5)</i>			
Sudanese Mobile Telephone Company Ltd	-	13	13
Zain – South Sudan	-	1	1
Zain – Lebanon	1	1	1
	<u>1</u>	<u>15</u>	<u>15</u>
<i>Due to related parties (Note 9)</i>			
Zain Group Holding-Bahrain S.P.C.	7,273	7,481	8,447
Zain – Jordan	16	15	3
	<u>7,289</u>	<u>7,496</u>	<u>8,450</u>

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

Remuneration of Directors and other members of key management during the period were as follows:

	Three-month period ended March 31, 2018 (Unaudited) BD'000	2017 (Unaudited) BD'000
Short term benefits	243	260
Other long term benefits	26	22
	<u>269</u>	<u>282</u>

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

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15. CONTINGENT LIABILITIES AND COMMITMENTS

	March 31, 2018 (Unaudited) BD'000	December 31, 2017 BD'000	March 31, 2017 (Unaudited) BD'000
<u>Contingent liabilities</u>			
Letters of credit	1,885	1,885	-
Letters of guarantees	529	532	718
<u>Capital Commitments</u>			
Capital expenditures	670	507	8,096
<u>Commitments under operating leases</u>			
Within one year	4,327	4,555	3,878
From one to five years	11,866	10,417	7,915
Beyond five years	5,254	7,047	3,162
	<u>21,447</u>	<u>22,019</u>	<u>14,955</u>

There were no other contingent financial commitments outstanding at March 31, 2018 (December 31, 2017: BD 646,000).

16. COMPARATIVES

The comparative figures have been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping did not affect the previously reported profit for the year or total equity.

17. RESTATEMENT OF PRIOR YEARS FIGURES

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

	31-Dec-17		1-Jan-17	
	Previously Reported Amounts BD '000	Restated Amounts BD '000	Previously Reported Amounts BD '000	Restated Amounts BD '000
<u>Assets</u>				
Portfolio under management	912	-	912	-
<u>Equity</u>				
Retained earnings	16,750	16,800	14,715	14,744
Treasury shares	-	(754)	-	(754)
Treasury shares reserve	-	(6)	-	(6)
	<u>16,750</u>	<u>16,040</u>	<u>14,715</u>	<u>13,984</u>