

ZAIN BAHRAIN B.S.C.

**CONDENSED INTERIM
FINANCIAL INFORMATION
MARCH 31, 2017**

ZAIN BAHRAIN B.S.C.

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 -
Independent Director
Mr. Jamal Shaker Al Alkazemi
Mr. Waleed A M A Alroudan
Mrs. Shaikha Khalid A A Albahar
Mr. Ali Al Khaja - Independent Director

Corporate Secretary Ms. Latifah Salahuddin

Chief Executive Officer Mr. Scott Ggnheimer

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, 2017 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

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 184

Manama, Kingdom of Bahrain
April 30, 2017

ZAIN BAHRAIN B.S.C.INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

		<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
ASSETS				
Current assets				
Cash and bank balances	5	2,135	5,364	7,398
Accounts receivable and other assets	6	24,812	21,218	22,225
Inventories	7	4,383	3,390	3,188
		-----	-----	-----
Total current assets		31,330	29,972	32,811
		-----	-----	-----
Non-current assets				
Property and equipment	8	67,038	74,656	70,337
Intangible assets	9	11,036	13,451	11,723
		-----	-----	-----
Total non-current assets		78,074	88,107	82,060
		-----	-----	-----
Total assets		<u>109,404</u>	<u>118,079</u>	<u>114,871</u>
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Accounts payable and other liabilities	10	33,032	39,222	31,833
Current portion of term loans	11	7,786	7,786	7,786
Deferred revenue		3,319	3,542	4,176
		-----	-----	-----
Total current liabilities		44,137	50,550	43,795
		-----	-----	-----
Non-current liabilities				
Non-current portion of term loans	11	938	1,875	8,723
Provision for employees' end-of-service benefits		312	300	336
		-----	-----	-----
Total non-current liabilities		1,250	2,175	9,059
		-----	-----	-----
Total liabilities		<u>45,387</u>	<u>52,725</u>	<u>52,854</u>

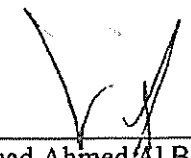
The attached notes 1 to 16 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017 (CONTINUED)

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Equity			
Share capital	36,800	36,800	36,800
Share premium	3,032	3,032	3,032
Statutory reserve	10,857	10,807	10,474
Retained earnings	13,328	14,715	11,711
	-----	-----	-----
Total equity	64,017	65,354	62,017
	-----	-----	-----
Total liabilities and equity	109,404	118,079	114,871
	=====	=====	=====

The condensed interim financial information was approved and authorised for issue on April 30, 2017 and signed on behalf of the Directors by:


Al Shaikh Ahmed Bin Ali Al Khalifa
Chairman



Mr. Asaad Ahmed Al Barwan
Vice Chairman

The attached notes 1 to 16 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

		<u>Three month period ended March 31, 2017 BD '000</u>	<u>Three month period ended March 31, 2016 BD '000</u>
	<u>Notes</u>		
Revenues	12	18,310	16,085
Cost of revenues		(5,083)	(2,329)
Gross profit		----- 13,227	----- 13,756
Operating and administrative expenses		(7,394)	(7,234)
Depreciation and amortisation		(5,027)	(5,170)
Provision for impairment of receivables and other assets		(153)	(287)
Provision for inventories		(77)	(77)
Operating profit		----- 576	----- 988
Interest income		11	28
Other income		39	64
Foreign exchange (loss) / gain		(19)	6
Finance costs		(104)	(169)
Profit for the period		----- 503	----- 917
Other comprehensive income for the period		----- -	----- -
Total comprehensive income for the period		----- 503 =====	----- 917 =====
Basic earnings per share	13	<u>Fils 1</u>	<u>Fils 2</u>


Al Shaikh Ahmed Bin Ali Al Khalifa
Chairman


Mr. Asaad Ahmed Al Banwan
Vice Chairman

The attached notes I to 16 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.**INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**
FOR THE PERIOD ENDED MARCH 31, 2017

	<u>Share Capital</u> BD '000	<u>Share Premium</u> BD '000	<u>Statutory Reserve</u> BD '000	<u>Retained Earnings</u> BD '000	<u>Total</u> BD '000
Balance at December 31, 2015	36,800	3,032	10,382	12,726	62,940
Dividends	-	-	-	(1,840)	(1,840)
Total comprehensive income for the period	-	-	-	917	917
Transfer to statutory reserve	-	-	92	(92)	-
Balance at March 31, 2016	<u>36,800</u>	<u>3,032</u>	<u>10,474</u>	<u>11,711</u>	<u>62,017</u>
Balance at December 31, 2016	36,800	3,032	10,807	14,715	65,354
Dividends	-	-	-	(1,840)	(1,840)
Total comprehensive income for the period	-	-	-	503	503
Transfer to statutory reserve	-	-	50	(50)	-
Balance at March 31, 2017	<u>36,800</u>	<u>3,032</u>	<u>10,857</u>	<u>13,328</u>	<u>64,017</u>

The annual general assembly held on March 22, 2017 approved cash dividends equivalent to 5% of the issued share capital amounting to BD 1,840,000.

The attached notes 1 to 16 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**
FOR THE PERIOD ENDED MARCH 31, 2017

	<u>Three-month</u> <u>period ended</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>Three-month</u> <u>period ended</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Cash flows from operating activities:		
Profit for the period	503	917
Adjustments for:		
Depreciation and amortization	5,027	5,170
Provision for impairment of receivables and inventories	230	364
Interest accrued	104	169
Interest income	(11)	(28)
Provision for employees' end of service benefits	19	74
	-----	-----
Operating profit before working capital changes	5,872	6,666
Increase in inventories	(1,070)	(760)
Increase in accounts receivable and other assets	(3,747)	(948)
Decrease in accounts payable and other liabilities	(2,108)	(2,566)
(Decrease) / increase in deferred revenue	(223)	8
	-----	-----
Cash (used in) / generated from operating activities	(1,276)	2,400
Payment of employees' end of service benefits	(7)	(23)
	-----	-----
Net (used in) / generated from operating activities	(1,283)	2,377
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(680)	-
Increase in intangible assets	(199)	(1,675)
Interest received	11	28
	-----	-----
Net cash used in investing activities	(868)	(1,647)
	-----	-----
Cash flows from financing activities:		
Payment of term loans	(938)	(938)
Dividends paid	(7)	-
Interest paid	(133)	(216)
	-----	-----
Net cash used in financing activities	(1,078)	(1,154)
	-----	-----

The attached notes 1 to 16 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**
FOR THE PERIOD ENDED MARCH 31, 2017 (CONTINUED)

	<u>Three-month</u> <u>period ended</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>Three-month</u> <u>period ended</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Net decrease in cash and cash equivalents	(3,229)	(424)
Cash and cash equivalents beginning of period	5,364	7,822
Cash and cash equivalents end of period (Note 5)	<u>2,135</u>	<u>7,398</u>
Non-cash transactions:		
Dividends declared not yet settled at the reporting date	<u>1,840</u>	<u>1,840</u>
Disposal and adjustment of property and equipment against settlement of payables	<u>5,885</u>	<u>-</u>

The attached notes 1 to 16 form part of this condensed interim financial information

ZAIN BAHRAIN B.S.C.**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2017****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 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).

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. For more details, please refer to the audited financial statements for the year ended December 31, 2016.

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, 2017.

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, 2016.

Standards affecting the disclosures and presentation in the current period

None of the revised Standards that have been adopted in the current period which are effective for annual periods beginning on or after January 1, 2017 have affected the disclosures and presentation in the financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2017

4. JUDGEMENTS AND ESTIMATES:

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, 2016.

5. CASH AND BANK BALANCES:

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Cash and current accounts with banks	1,697	4,983	7,015
Items under collection	438	381	383
	-----	-----	-----
Cash and cash equivalents	<u>2,135</u>	<u>5,364</u>	<u>7,398</u>

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET):

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Accounts receivable:			
Due from post paid subscribers	21,586	21,319	19,751
Due from roaming partners (Note 6.1)	2,371	2,353	3,767
Allowance for impairment	(9,621)	(9,468)	(8,759)
	-----	-----	-----
	14,336	14,204	14,759
Instalment sales receivable	2,951	677	605
Due from distributors	424	397	599
Interconnect receivable from other operators	2,348	2,441	2,133
Accrued income	180	178	315
	-----	-----	-----
	<u>20,239</u>	<u>17,897</u>	<u>18,411</u>

ZAIN BAHRAIN B.S.C.**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**
FOR THE PERIOD ENDED MARCH 31, 2017**6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET): (CONTINUED)**

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Other assets:			
Prepaid expenses	2,024	806	2,203
Due from related parties (Note 15)	15	15	15
Sundry receivables and other assets	1,681	1,631	739
Staff receivables	63	79	67
Portfolio under management	912	912	912
Allowance for impairment	(122)	(122)	(122)
	-----	-----	-----
	4,573	3,321	3,814
	-----	-----	-----
	<u>24,812</u>	<u>21,218</u>	<u>22,225</u>

6.1 Balances due from roaming partners are concentrated within a limited number of counterparties. An allowance for impairment in the amount of BD 239,000 (December 31, 2016: BD 239,000) has been provided for in previous year.

7. INVENTORIES:

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

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Handsets, accessories and others	5,642	4,572	4,217
Allowance for slow moving and obsolete items	(1,259)	(1,182)	(1,029)
	-----	-----	-----
	4,383	3,390	3,188
	=====	=====	=====

ZAIN BAHRAIN B.S.C.NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2017**8. PROPERTY, PLANT AND EQUIPMENT:**

	<u>Freehold</u> <u>Land and</u> <u>Building</u> <u>BD '000</u>	<u>Network</u> <u>Equipment</u> <u>BD '000</u>	<u>Office</u> <u>Equipment</u> <u>BD '000</u>	<u>Furniture</u> <u>and</u> <u>Fixtures</u> <u>BD '000</u>	<u>Vehicles</u> <u>BD '000</u>	<u>Capital</u> <u>Work-in</u> <u>Progress</u> <u>BD '000</u>	<u>Total</u> <u>BD '000</u>
Cost:							
Balance at December 31, 2016	3,014	82,979	39,074	4,013	17	13,115	142,212
Additions	-	-	-	-	-	680	680
Transfer	12	7,866	659	9	-	(8,546)	-
Disposal	(1)	(9,806)	(4,877)	-	-	-	(14,684)
Adjustment	-	-	-	-	-	(695)	(695)
Balance at March 31, 2017	<u>3,025</u>	<u>81,039</u>	<u>34,856</u>	<u>4,022</u>	<u>17</u>	<u>4,554</u>	<u>127,513</u>
Accumulated depreciation:							
Balance at December 31, 2016	765	33,249	29,830	3,695	17	-	67,556
Depreciation expense	11	1,715	655	32	-	-	2,413
Relating to disposal	-	(5,630)	(3,864)	-	-	-	(9,494)
Balance at March 31, 2017	<u>776</u>	<u>29,334</u>	<u>26,621</u>	<u>3,727</u>	<u>17</u>	<u>-</u>	<u>60,475</u>
Carrying values:							
Balance at March 31, 2017	<u>2,249</u>	<u>51,705</u>	<u>8,235</u>	<u>295</u>	<u>-</u>	<u>4,554</u>	<u>67,038</u>
Balance at December 31, 2016	<u>2,249</u>	<u>49,730</u>	<u>9,244</u>	<u>318</u>	<u>-</u>	<u>13,115</u>	<u>74,656</u>

ZAIN BAHRAIN B.S.C.**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**
FOR THE PERIOD ENDED MARCH 31, 2017**9. INTANGIBLE ASSETS:**

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
National Fixed Wireless Services license (Note 9.1)	1,803	1,895	2,174
4G Long Term Evolution license (Note 9.2)	733	749	797
Other intangible assets (Note 9.3)	1,209	1,230	-
	-----	-----	-----
Subscribers acquisition cost (Note 9.4)	3,745	3,874	2,971
	7,291	9,577	8,752
	-----	-----	-----
	<u>11,036</u>	<u>13,451</u>	<u>11,723</u>

The movement of intangible assets is as follows:

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Balance beginning of year	13,451	12,835	12,835
Addition - Subscribers acquisition cost	199	10,009	1,675
- Other intangible asset	-	1,258	-
Amortisation charge	(2,614)	(10,651)	(2,787)
	-----	-----	-----
Balance end of year	<u>11,036</u>	<u>13,451</u>	<u>11,723</u>

- 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. The initial cost of BD 956,700 is amortised over the license period of 15 years.
- 9.3 Other intangible assets are amortised over the contracted period.
- 9.4 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.

ZAIN BAHRAIN B.S.C.NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 201710. ACCOUNTS PAYABLE AND OTHER LIABILITIES:

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Due to suppliers	5,031	11,339	3,221
Accrued expenses	13,084	14,312	13,491
Interconnection payable	1,960	1,379	1,148
Due to roaming partners, net	1,795	2,237	2,346
Accrued employees' benefits	525	887	773
Subscriber deposits	37	40	37
Dividend payable	1,876	43	1,877
Due to related parties (Note 15)	8,450	8,682	8,507
Accrued Directors' remuneration	218	218	347
Accrued interest payable	56	85	86
	-----	-----	-----
	<u>33,032</u>	<u>39,222</u>	<u>31,833</u>

11. TERM LOANS:

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Term loans from banks:			
Current portion	7,786	7,786	7,786
Non-current portion	938	1,875	8,723
	-----	-----	-----
	<u>8,724</u>	<u>9,661</u>	<u>16,509</u>

ZAIN BAHRAIN B.S.C.NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2017**11. TERM LOANS: (CONTINUED)**

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 utilised balance up to March 31, 2017 amounted to BD 29.5 million (December 31, 2016: 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 0.938 million (December 31, 2016: BD 7.786 million).

12. 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 3.181 million (March 31, 2016: BD 0.421 million).

13. BASIC EARNINGS PER SHARE:

	<u>Three month</u> <u>period ended</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>Three month</u> <u>period ended</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Profit for the period	503	917
<i>Number of shares</i>	<i>'000</i>	<i>'000</i>
Weighted average number of shares in issue	368,000	368,000
	<u>Fils</u> <u>per share</u>	<u>Fils</u> <u>per share</u>
Basic and diluted earnings per share	1	2

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

14. SEGMENT INFORMATION:

The Company operates in telecommunication and related services business and its activities are organised 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.

ZAIN BAHRAIN B.S.C.NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2017**15. 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</u> <u>period ended</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>Three month</u> <u>period ended</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Office rent and maintenance costs	245	245
Site and outlet rent	12	12
Management fee	561	488
	<u>=====</u>	<u>=====</u>

Balances with related parties are as follows:

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
<u>Due from related parties balances (Note 6)</u>			
Sudanese Mobile Telephone Company Ltd	13	13	13
Zain – South Sudan	1	1	1
Zain – Lebanon	1	1	1
	<u>-----</u>	<u>-----</u>	<u>-----</u>
	15	15	15
	<u>=====</u>	<u>=====</u>	<u>=====</u>
<u>Due to related parties balances (Note 10)</u>			
Zain Group Holding-Bahrain S.P.C.	8,447	8,679	8,505
Zain – Jordan	3	3	2
	<u>-----</u>	<u>-----</u>	<u>-----</u>
	8,450	8,682	8,507
	<u>=====</u>	<u>=====</u>	<u>=====</u>

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

ZAIN BAHRAIN B.S.C.NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2017**15. RELATED PARTIES: (CONTINUED)****Compensation of key management personnel:**

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

	<u>Three month</u> <u>period ended</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>Three month</u> <u>period ended</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Short term benefits	260	273
Other long term benefits	22	25
	-----	-----
	<u>282</u>	<u>298</u>

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

16. CONTINGENT LIABILITIES AND COMMITMENTS:**(i) Contingent liabilities:**

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Letters of guarantee	<u>718</u>	<u>716</u>	<u>712</u>

(ii) Capital commitments:

Capital commitments outstanding at the reporting dates are as follows:

	<u>(Unaudited)</u> <u>March 31,</u> <u>2017</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Capital expenditures	<u>8,096</u>	<u>7,641</u>	<u>10,933</u>

ZAIN BAHRAIN B.S.C.**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**
FOR THE PERIOD ENDED MARCH 31, 2017**16. CONTINGENT LIABILITIES AND COMMITMENTS: (CONTINUED)****(iii) Commitments under operating leases:**

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

	(Unaudited) <u>March 31,</u> <u>2017</u> <u>BD '000</u>	(Audited) <u>December 31,</u> <u>2016</u> <u>BD '000</u>	(Unaudited) <u>March 31,</u> <u>2016</u> <u>BD '000</u>
Within one year	3,878	4,172	4,186
Later than one year, but not more than five years	7,915	7,784	7,384
Later than five years	3,162	2,935	-
	<u>14,955</u>	<u>14,891</u>	<u>11,570</u>

(iv) Other contingent financial commitments outstanding at the reporting date are BD 741,000 (December 31, 2016: BD 728,000).