

ZAIN BAHRAIN B.S.C. (C)
MANAMA
KINGDOM OF BAHRAIN

INTERIM CONDENSED
FINANCIAL INFORMATION
SEPTEMBER 30, 2014

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

<u>Commercial Registration No.</u>	50603
<u>Chairman</u>	Al Shaikh Ahmed Bin Ali Al Khalifa
<u>Directors</u>	Mr. Asaad Ahmed Al Banwan Al Shaikh Rashed Abdulrahman Mohamed Al Khalifa Mr. Jamal Shaker Al Alkazemi Mr. Waleed A M A Alroudan Mrs. Shaikha Khalid A A Albahar
<u>Chief Executive Officer</u>	Mr. Scott Gegheimer
<u>General Manager</u>	Mr. Mohammed Zainalabedin
<u>Finance Director</u>	Mr. Ahmed Dief
<u>Registered Office</u>	P.O. Box 266 Manama Kingdom of Bahrain
<u>Principal Bankers</u>	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
<u>Auditor</u>	Deloitte & Touche P.O. Box 421 Manama Kingdom of Bahrain

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

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BH 99-8-12

REVIEW REPORT TO THE DIRECTORS

Zain Bahrain B.S.C. (c)
Manama
Kingdom of Bahrain.

Introduction

We have reviewed the accompanying interim statement of financial position of ZAIN BAHRAIN B.S.C. (c) (the "Company") as of September 30, 2014 and the related statement of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-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 interim condensed financial information is not prepared, in all material respect, in accordance with International Accounting Standard 34.

Manama - Kingdom of Bahrain,
October 11, 2014

Deloitte & Touche

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT SEPTEMBER 30, 2014

		<u>(Unaudited)</u> <u>September 30,</u> <u>2014</u>	<u>(Audited)</u> <u>December 31,</u> <u>2013</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2013</u>
	<u>Notes</u>	<u>BD '000</u>	<u>BD '000</u>	<u>BD '000</u>
ASSETS				
Current assets				
Cash and bank balances	5	3,025	3,156	2,530
Accounts receivable and other assets	6	23,868	20,644	18,896
Inventories	7	1,883	2,971	2,395
		-----	-----	-----
Total current assets		28,776	26,771	23,821
		-----	-----	-----
Non-current assets				
Property, plant and equipment	8	64,840	61,367	56,829
Intangible assets	9	17,238	19,166	19,574
		-----	-----	-----
Total non-current assets		82,078	80,533	76,403
		-----	-----	-----
Total assets		110,854	107,304	100,224
		=====	=====	=====
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Bank overdraft	5	-	-	928
Accounts payable and other liabilities	10	30,855	29,166	30,526
Current portion of term loans	11	6,961	3,286	1,696
Deferred revenue		4,063	4,769	4,563
		-----	-----	-----
Total current liabilities		41,879	37,221	37,713
		-----	-----	-----
Non-current liabilities				
Non-current portion of term loans	11	17,927	16,714	10,804
Provisions		365	330	314
		-----	-----	-----
Total non-current liabilities		18,292	17,044	11,118
		-----	-----	-----
Total liabilities		60,171	54,265	48,831
		-----	-----	-----

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

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT SEPTEMBER 30, 2014 (CONTINUED)

	<u>(Unaudited)</u> September 30, 2014 BD '000	<u>(Audited)</u> December 31, 2013 BD '000	<u>(Unaudited)</u> September 30, 2013 BD '000
Equity			
Share capital	32,000	32,000	32,000
Share premium	100	100	100
Statutory reserve	9,745	9,453	9,289
Retained earnings	8,838	11,486	10,004
	-----	-----	-----
Total equity	50,683	53,039	51,393
	-----	-----	-----
Total liabilities and equity	<u>110,854</u>	<u>107,304</u>	<u>100,224</u>

The condensed interim financial information was approved and authorised for issue by the Directors on October 11, 2014 and signed on their behalf by:

 Al Shaikh Ahmed Bin Ali Al Khalifa
 Chairman

 Mr. Mohammed Zainalabedin
 General Manager

 Mr. Ahmed Dief
 Finance Director

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

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

		<u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>	<u>Nine-month</u> <u>period ended</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>Nine-month</u> <u>period ended</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
	<u>Notes</u>				
Revenue	12	17,505	19,198	54,041	57,320
Cost of revenue		(3,476)	(3,972)	(10,911)	(11,628)
Gross profit		14,029	15,226	43,130	45,692
Distribution, marketing and operating expenses		(5,753)	(6,186)	(17,194)	(18,340)
General and administrative expenses		(1,523)	(1,406)	(4,469)	(4,630)
Depreciation and amortisation		(5,432)	(6,065)	(16,265)	(17,823)
Provision for doubtful debts		(290)	(380)	(1,102)	(1,132)
Provision for inventories		(42)	(30)	(190)	(90)
Operating profit		989	1,159	3,910	3,677
Interest income		1	2	8	6
Other income		38	3	105	205
Other provision		(123)	-	(543)	-
Gain on currency revaluation		3	22	38	67
Finance costs		(208)	(102)	(594)	(198)
Profit for the period		700	1,084	2,924	3,757
Total comprehensive income for the period		700	1,084	2,924	3,757
Basic earnings per share	13	Fils 22	Fils 34	Fils 91	Fils 117

Al Shaikh Ahmed Bin Ali Al Khalifa
Chairman

Mr. Mohammed Zainalabedin
General Manager

Mr. Ahmed Dief
Finance Director

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

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	<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, 2012	32,000	100	8,913	13,023	54,036
Dividends	-	-	-	(6,400)	(6,400)
Total comprehensive income for the period	-	-	-	3,757	3,757
Transfer to statutory reserve	-	-	376	(376)	-
Balance at September 30, 2013	<u>32,000</u>	<u>100</u>	<u>9,289</u>	<u>10,004</u>	<u>51,393</u>
Balance at December 31, 2013	32,000	100	9,453	11,486	53,039
Dividends	-	-	-	(5,280)	(5,280)
Total comprehensive income for the period	-	-	-	2,924	2,924
Transfer to statutory reserve	-	-	292	(292)	-
Balance at September 30, 2014	<u>32,000</u>	<u>100</u>	<u>9,745</u>	<u>8,838</u>	<u>50,683</u>

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

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN
STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	<u>Nine-month period ended September 30, 2014 BD '000</u>	<u>Nine-month period ended September 30, 2013 BD '000</u>
Cash flows from operating activities:		
Profit for the period	2,924	3,757
Adjustments for:		
Depreciation and amortisation	16,265	17,823
Allowance for doubtful debts and slow moving inventories	1,292	1,222
Finance costs	594	198
Interest income	(8)	(6)
Gain on disposal of property, plant and equipment	(40)	-
Provision for employees' end of service indemnity	47	46
	-----	-----
Operating profit before working capital changes	21,074	23,040
Decrease / (increase) in inventories	898	(890)
(Increase) / decrease in accounts receivable and other assets	(4,326)	(98)
(Decrease) / increase in accounts payable and other liabilities	(1,677)	6,842
Decrease in deferred revenue	(706)	(186)
	-----	-----
Cash generated from operating activities	15,263	28,708
Payment of employees' end of service indemnity	(12)	(5)
	-----	-----
Net cash from operating activities	15,251	28,703
	-----	-----
Cash flows from investing activities:		
Purchase of property, plant and equipment	(9,755)	(11,455)
Increase in intangible assets	(8,018)	(14,049)
Interest received	8	6
Proceeds from disposal of property, plant and equipment	3	-
	-----	-----
Net cash used in investing activities	(17,762)	(25,498)
	-----	-----
Cash flows from financing activities:		
Long term loans	4,888	12,500
Dividend paid	(1,982)	(6,400)
Interest paid	(526)	(198)
	-----	-----
Net cash from financing activities	2,380	5,902
	-----	-----

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

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014 (CONTINUED)

	<u>Nine- month period ended September 30, 2014 BD '000</u>	<u>Nine- month period ended September 30, 2013 BD '000</u>
Net (decrease) / increase in cash and cash equivalents	(131)	9,107
Cash and cash equivalents at beginning of the period	3,156	(7,505)
	-----	-----
Cash and cash equivalents at the end of the period (Note 5)	<u>3,025</u>	<u>1,602</u>
Non-cash transaction:		
Purchase and disposal of property, plant and equipment in assets swap transaction	20,993	-
	=====	=====

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

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

1. **INCORPORATION AND ACTIVITIES:**

Zain Bahrain B.S.C. (c) (the "Company") is a Bahraini Joint Stock Company Closed 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 launched its services on December 28, 2003.

The Company provides telecommunication services under various licenses issued by the Telecommunications Regulatory Authority ("TRA") of the Kingdom of Bahrain. The initial periods of the licenses are 15 years. In 2013, the Company obtained 4G Long Term Evolution ("4G LTE") license for a period of 15 years. The Company is also involved in the sale of handsets and accessories in the Kingdom of Bahrain.

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

In accordance with the Individual Mobile Telecommunication License ("IMTL") of the Company, as amended, the TRA requested the Company to complete the Initial Public Offering ("IPO") of shares by no later than December 31, 2013.

As the IPO was not completed by the license obligation date of 31 December 2013, the TRA, on July 3, 2014, issued Article 35 Order No.1 of 2014 which considered that the Company had failed to comply with its material license obligation in regard to the launching of an IPO by December 31, 2013, thus constituted a breach of its IMTL, and as a result the TRA ordered the Company to pay a fine. The TRA determined the fine to be in the amount of BD 60,000 for each month of delay in launching the IPO in the period from January 1, 2014 to June 30, 2014; BD 90,000 for each month of delay in launching the IPO in the period from July 1, 2014 to December 31, 2014; and BD 180,000 for each month of delay thereafter. Accordingly, the fine was accrued up to the date of the launch of the IPO.

At an Extraordinary General Meeting held on July 28, 2013, the shareholders resolved to convert the Company's status to a Bahrain Public Joint Stock Company, to increase the issued and authorised share capital by 15% through an IPO and to split the Company's shares with a ratio of 1:10 to each BD 100 fils. Accordingly, the Company launched its IPO on September 2, 2014 for subscription. However, formalities to become a Public Joint Stock Company and to list in the Bahrain Bourse are still in progress as at September 30, 2014 and expected to be finalised by end of October 2014.

2. **BASIS OF PREPARATION:**

The interim condensed financial information has been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The interim condensed 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, 2013.

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

2. **BASIS OF PREPARATION: (CONTINUED)**

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, 2014.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

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

The same accounting policies, presentation and methods of computation are followed in this interim condensed financial information as were applied in the preparation of the Company's financial statements for the year ended December 31, 2013.

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, 2014 have affected the disclosures and presentations in the financial information.

4. **JUDGEMENTS AND ESTIMATES:**

The preparation of the interim condensed 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.

Change in accounting estimates:

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

Category	Initial useful life	Revised useful life
Building	20 years	50 years
Office equipment	2 – 5 years	4 – 5 years
Network equipment	3 – 15 years	3 – 20 years

The above change has resulted in a decrease in the depreciation expense for the current period and current year approximately by BD 1,619,778 and BD 2,033,058 respectively.

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, 2013.

ZAIN BAHRAIN B.S.C. (c)**MANAMA - KINGDOM OF BAHRAIN****NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014****5. CASH AND CASH EQUIVALENTS:**

	<u>(Unaudited)</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2013</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
Short-term deposits	1,400	104	101
Cash at banks and on hand	1,625	3,052	2,429
	-----	-----	-----
Cash and bank balances	3,025	3,156	2,530
Less: Bank overdraft	-	-	(928)
	-----	-----	-----
Cash and cash equivalents	<u>3,025</u>	<u>3,156</u>	<u>1,602</u>

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS:

	<u>(Unaudited)</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2013</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
Accounts receivable:			
Due from post paid subscribers	18,297	16,503	16,097
Allowance for doubtful debts	(6,751)	(5,627)	(5,246)
	-----	-----	-----
	11,546	10,876	10,851
Due from roaming partners	3,186	3,214	1,387
Due from distributors	698	174	602
	-----	-----	-----
	15,430	14,264	12,840
	-----	-----	-----
Other receivables:			
Accrued income	488	534	704
Interconnect receivable from other operators	2,117	2,137	1,698
Prepaid expenses	3,382	1,451	2,200
Due from related parties (Note 15.1)	17	16	15
Advance paid to suppliers	2,143	1,826	908
Staff receivables	111	164	147
Other receivables	180	252	384
	-----	-----	-----
	8,438	6,380	6,056
	-----	-----	-----
	<u>23,868</u>	<u>20,644</u>	<u>18,896</u>

ZAIN BAHRAIN B.S.C. (c)**MANAMA - KINGDOM OF BAHRAIN****NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014****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>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2013</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
Laptops, mobile telephone handsets and accessories	2,468	3,321	2,711
SIM cards, recharge vouchers and calling cards	-	45	49
	-----	-----	-----
	2,468	3,366	2,760
Allowance for inventory write-down	(585)	(395)	(365)
	-----	-----	-----
	1,883	2,971	2,395
	=====	=====	=====

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ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

9. **INTANGIBLE ASSETS:**

	<u>(Unaudited)</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2013</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
Cost:			
Balance at the beginning of the period / year	59,396	42,075	42,075
Additions	8,018	17,321	14,049
	-----	-----	-----
	67,414	59,396	56,124
	-----	-----	-----
Accumulated amortisation:			
Balance at the beginning of the period / year	40,230	26,663	26,663
Amortisation expense	9,946	13,567	9,887
	-----	-----	-----
Balance at the end of the period / year	50,176	40,230	36,550
	-----	-----	-----
Carrying amount at the end of the period / Year	<u>17,238</u>	<u>19,166</u>	<u>19,574</u>

Intangible assets consist of the following license fees:

- 9.1 Fees of BD 5,576,211 for the National Fixed Wireless Services ("NFWS") license obtained on January 8, 2007. This fee is amortised over the license period of 15 years. The net book value of the license at the end of the period amounts to BD 2,731,766 (December 31, 2013: BD 3,010,577).
- 9.2 Subscribers acquisition cost amounting to BD 60,502,284 (December 31, 2013: BD 52,484,646) comprises the subsidised cost of inventory items sold by the Company to its customers. These items are amortised over the contracted subsidy period which ranges from 1 to 3 years. The net book value of the subscribers acquisition cost at the period end amounts to BD 13,613,678 (December 31, 2013: BD 15,214,865).
- 9.3 Fees of BD 956,700 for the 4G Long Term Evolution ("4G LTE") license obtained on September 19, 2013. This fee is amortised over the license period of 15 years. The net book value of the license at the end of the period amounts to BD 892,920 (December 31, 2013: BD 940,755).

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

10. **ACCOUNTS PAYABLE AND OTHER LIABILITIES:**

	<u>(Unaudited)</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2013</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
Due to suppliers	7,398	9,846	10,185
Accrued expenses	6,941	5,398	7,561
Due to telecommunication operators	3,346	2,687	2,439
Due to roaming partners	1,779	1,267	1,708
Accrued employees' benefits	793	1,149	950
Subscriber deposits	28	32	34
Dividend payable	3,694	396	364
Due to related parties (Note 15.1)	6,439	7,909	6,880
Directors' remuneration	339	452	390
Accrued interest	98	30	15
	----- 30,855 =====	----- 29,166 =====	----- 30,526 =====

11. **LONG TERM LOANS:**

	<u>(Unaudited)</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2013</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
Long term loans	24,888	20,000	12,500
Less: current portion of long term loans	(6,961)	(3,286)	(1,696)
	----- 17,927 =====	----- 16,714 =====	----- 10,804 =====

During 2013, the Company obtained three term loans facilities amounting to BD 10.5 million, BD 13 million and BD 7.5 million respectively from three commercial banks in the Kingdom of Bahrain. As at the reporting date, the Company has utilised BD 24.888 million out of the total loan facilities available. These loans carry interest rate of three months BIBOR plus 2.25% per annum. Loans are payable in 8, 7 and 8 semi-annual installments respectively starting after one year and one and half year respectively from the loan agreement date. The Company signed promissory notes against these loans.

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

12. **REVENUE:**

This caption represents revenue from airtime, data, subscription, handsets, accessories and SIM card starter pack sales, net of roaming expense.

13. **BASIC EARNINGS PER SHARE:**

	<u>Three month period ended September 30, 2014 BD '000</u>	<u>Three month period ended September 30, 2013 BD '000</u>	<u>Nine-month period ended September 30, 2014 BD '000</u>	<u>Nine-month period ended September 30, 2013 BD '000</u>
Profit for the period	700	1,084	2,924	3,757
<i>Number of shares</i>	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	32,000	32,000	32,000	32,000
	<u>Fils per share</u>	<u>Fils per share</u>	<u>Fils per share</u>	<u>Fils per share</u>
Basic earnings per share	22	34	91	117

ZAIN BAHRAIN B.S.C. (c)
MANAMA - KINGDOM OF BAHRAIN

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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. Based on the quantitative thresholds, the Company has identified these operations as the basis for disclosing the segment information.

	<u>Mobile</u> <u>operations</u> <u>BD '000</u>	<u>Fixed</u> <u>broadband</u> <u>operations</u> <u>BD '000</u>	<u>Trading</u> <u>BD '000</u>	<u>Total</u> <u>BD '000</u>
September 30, 2014				
Segment revenues	46,993	5,969	1,079	54,041
	-----	-----	-----	-----
Net profit before interest				3,462
Interest income				8
Finance costs				(546)

Profit for the period				<u>2,924</u>

	<u>Mobile</u> <u>operations</u> <u>BD '000</u>	<u>Fixed</u> <u>broadband</u> <u>operations</u> <u>BD '000</u>	<u>Trading</u> <u>BD '000</u>	<u>Total</u> <u>BD '000</u>
September 30, 2013				
Segment revenues	50,365	5,170	1,785	57,320
	-----	-----	-----	-----
Net profit before interest				3,949
Interest income				6
Finance costs				(198)

Profit for the period				<u>3,757</u>

The Company's assets and liabilities have not been identified to any of the reportable segments as the majority of the operating fixed assets are fully integrated between segments. The Company believes that it is not practical to provide the segment disclosure relating to total assets and liabilities since meaningful segregation of available data is not feasible and such information is not provided to the chief operating decision maker.

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15. RELATED PARTIES:

These represent transactions and balances with related parties as defined in International Accounting Standard 24: "Related Party Disclosures", which include Shareholders, Directors and senior management of the Company, their close family members and companies of which they are principal owners.

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

	<u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>	<u>Nine-month</u> <u>period ended</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>Nine-month</u> <u>period ended</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
Office rent and maintenance costs	245	259	749	782
Site and outlet rent	12	17	36	50
Management fee	537	596	1,660	1,771
Employee share option plan charges (Note 15.1)	-	42	8	128
Royalty fee	90	88	269	263
	=====	=====	=====	=====

15.1 The employee share option plan charges relate to the share option plan managed and handled by the Parent Company. The liability of the Company is limited to its contribution as charged by the Parent Company.

	<u>(Unaudited)</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2013</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
<u>Related party balances</u>			
Zain Group Holding-Bahrain S.P.C.	(6,434)	(7,850)	(6,823)
Zain – Jordan	(5)	(5)	(3)
Zain – Kingdom of Saudi Arabia	3	3	2
Sudanese Mobile Telephone Company Ltd	12	12	13
Zain – Iraq	-	(34)	(34)
Mobile Telecommunication Company - Kuwait	-	(20)	(20)
Zain – South Sudan	1	1	-
Zain – Lebanon	1	-	-
	-----	-----	-----
	(6,422)	(7,893)	(6,865)
	=====	=====	=====

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15. **RELATED PARTIES: (CONTINUED)**

Amounts due from / to related parties are presented in Notes 6 and 10 as follows:

	<u>(Unaudited)</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>(Audited)</u> <u>December 31,</u> <u>2013</u> <u>BD '000</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
Due from related parties (Note 6)	17	16	15
Due to related parties (Note 10)	6,439	7,909	6,880

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>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>	<u>Nine-month</u> <u>period ended</u> <u>September 30,</u> <u>2014</u> <u>BD '000</u>	<u>Nine-month</u> <u>period ended</u> <u>September 30,</u> <u>2013</u> <u>BD '000</u>
Short term benefits	305	312	979	938
Other long term benefits	27	22	100	66
	----- 332	----- 334	----- 1,079	----- 1,004

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

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16. CONTINGENT LIABILITIES AND COMMITMENTS:

(i) Contingent liabilities:

	(Unaudited) <u>September 30,</u> 2014 <u>BD '000</u>	(Audited) <u>December 31,</u> 2013 <u>BD '000</u>	(Unaudited) <u>September 30,</u> 2013 <u>BD '000</u>
Letters of guarantee	926 =====	1,091 =====	1,091 =====

(ii) Capital commitment:

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

	(Unaudited) <u>September 30,</u> 2014 <u>BD '000</u>	(Audited) <u>December 31,</u> 2013 <u>BD '000</u>	(Unaudited) <u>September 30,</u> 2013 <u>BD '000</u>
Capital expenditures	19,084 =====	24,050 =====	18,118 =====

(iii) Operating leases:

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

	(Unaudited) <u>September 30,</u> 2014 <u>BD '000</u>	(Audited) <u>December 31,</u> 2013 <u>BD '000</u>	(Unaudited) <u>September 30,</u> 2013 <u>BD '000</u>
Within one year	6,961	6,424	3,878
After one year, but not more than five years.	17,927	3,862	6,693
	24,888 =====	10,286 =====	10,571 =====

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8. PROPERTY, PLANT AND EQUIPMENT:

	<u>Freehold Land and Building BD '000</u>	<u>Network Equipment BD '000</u>	<u>Office Equipment BD '000</u>	<u>Furniture and Fixtures BD '000</u>	<u>Vehicles BD '000</u>	<u>Capital Work-in Progress BD '000</u>	<u>Total BD '000</u>
Cost:							
Balance at December 31, 2013	2,922	88,545	23,471	3,471	30	12,791	131,230
Additions	37	2,671	249	1	-	27,790	30,748
Transfer	-	30,983	5,290	313	-	(36,586)	-
Disposal	-	(51,067)	-	-	(13)	-	(51,080)
Balance at September 30, 2014	2,959	71,132	29,010	3,785	17	3,995	110,898
Accumulated depreciation:							
Balance at December 31, 2013	658	47,403	18,573	3,199	30	-	69,863
Depreciation expense Relating to disposal	26	4,684	1,432	177	-	-	6,319
	-	(30,111)	-	-	(13)	-	(30,124)
Balance at September 30, 2014	684	21,976	20,005	3,376	17	-	46,058
Carrying amount:							
Balance at September 30, 2014	2,275	49,156	9,005	409	-	3,995	64,840
Balance at December 31, 2013	2,264	41,142	4,898	272	-	12,791	61,367