PROSPECTUS

Initial Public Offering of 48,000,000 new shares, equivalent to 15% of Zain Bahrain B.S.C.(c)'s issued share capital immediately prior to the Offering, at an Offer Price of BHD 0.190 per share

Zain Bahrain B.S.C. (c)

A closed joint stock company incorporated under the laws of the Kingdom of Bahrain with Commercial Registration number: 50603
Offering Period: 2 September 2014 to 16 September 2014

Zain Bahrain B.S.C. (c) ("**Zain Bahrain**" or the "**Company**" or the "**Issuer**"), was founded as a closed joint stock company in the Kingdom of Bahrain with commercial registration number 50603 on 19 April 2003. The current issued share capital of the Company is BHD 32,000,000 divided into 32,000,000 shares of BHD 1 each. Under the laws of the Kingdom of Bahrain, ordinary shares in a closed joint stock company may not be sold in a public offering and therefore the Company has applied to the Ministry of Industry & Commerce to convert to a public joint stock company ("**Conversion**"). Upon Conversion, any reference to "**Zain Bahrain**" or the "**Company**" herein will refer to the Company as a public joint stock company and any reference to "**Ordinary Shares**" will be to the ordinary shares of Zain Bahrain as a public joint stock company. Pursuant to a resolution of an Extraordinary General Meeting of the Company held on 28 July 2013, the authorised share capital of the Company was resolved to be increased from BHD 32,000,000 to BHD 36,800,000 divided into 368,000,000 ordinary shares of 100 fils each (the "**Shares**"). The Initial Public Offering (the "**Offering**") of 48,000,000 new Shares (the "Offer Shares") with a fully paid nominal value of 100 fils each and at a price of BHD 0.190 per Share "**Offer Price**", which is equivalent to 15% of the Company's issued share capital immediately prior to the Offering, is directed at institutional and retail investors in the Kingdom of Bahrain and institutional investors in the wider GCC. The Offer Price represents a premium of 90 fils per share (premium of 90% over the nominal value).

The proceeds from the Offering, after deducting the Offering expenses (the "**Net Proceeds**"), will be retained in the Company (see "**Use of Proceeds**" in section 3). The Underwriter has committed to fully underwrite the Offering (see section 12.2.1, "**The Underwriting Agreement**").

The Offering will commence on 2 September 2014 and will remain open for a period of 15 calendar days up to and including 16 September 2014 (the "**Offering Period**"). The Offer Share may be subscribed to through branches ("**Approved Branches**") of the receiving bank (the "**Receiving Bank**") during the Offering Period (see section 14, "Subscription Terms and Conditions").

An Applicant (each an "**Applicant**" and collectively the "**Applicants**") is deemed to be an Institutional Applicant if it subscribes for a minimum of 100,001 Ordinary Shares. An Applicant is deemed to be a Retail Applicant if it subscribes for less than or equal to 100,000 Ordinary Shares. If the total number of Ordinary Shares applied for by Eligible Applicants is less than or equal to the number of Offer Shares offered, all Eligible Applicants will be allotted the number of Ordinary Shares they have applied for. If the total number of Ordinary Shares applied for by Eligible Applicants exceeds the number of Offer Shares offered then an Eligible Applicant may be allotted less than the number of Ordinary Shares it applied for (see "Applicant Categories and Allotment Basis" in section 3.) Excess subscription monies, if any, will be refunded to the Applicants without any charge or withholding by the Receiving Bank. Notification of the final allotment and refund of subscription monies, if any, will be made by 30 September 2014 (see section 14, "Subscription Terms and Conditions"). **NO EQUITY SECURITIES SHALL BE ALLOTTED ON THE BASIS OF THE PROSPECTUS LATER THAN 3 MONTHS AFTER THE DATE OF REGISTRATION OF THE PROSPECTUS BY THE CENTRAL BANK OF BAHRAIN ("CBB")**.

The Company has one class of shares. Each Share entitles the holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at a General Assembly. No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle holders to receive dividends declared by the Company after the approval of the Offering by the CBB and for subsequent fiscal years (see section 11.5.1 "Dividend Policy"). Currently, no public market exists for the Ordinary Shares. The Company has applied to the CBB for all of the Ordinary Shares in the Offering to be admitted to trading on the Bahrain Bourse under the symbol "ZAINBH". The Ordinary Shares shall be registered under ISIN code BH000421H896.

A COPY OF THIS PROSPECTUS HAS BEEN SUBMITTED AND REGISTERED BY THE CBB. REGISTRATION OF THE PROSPECTUS BY THE CBB DOES NOT IMPLY THAT THE CBB LAW, OR ANY OTHER LEGAL OR REGULATORY REQUIREMENT, HAS BEEN COMPLIED WITH. THE CBB HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE EQUITY SECURITIES BEING OFFERED FOR INVESTMENT. THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX, OR OTHER PROFESSIONAL ADVISOR. AN INVESTMENT IN THE ORDINARY SHARES INVOLVES RISKS. SEE "RISK FACTORS" IN SECTION 13.2.

The Offering does not constitute an offer to sell or issue, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. For a description of these and certain further restrictions on transfers of the Ordinary Shares, see section 14, "Subscription Terms and Conditions".

Issue Managers
Lead Manager: GULF INTERNATIONAL BANK
Co-Manager: NBK CAPITAL

Joint Financial Advisors and Joint Book Runners
GULF INTERNATIONAL BANK
NBK CAPITAL

Underwriter
GULF INTERNATIONAL BANK

Legal Advisors
trowers & hamlins

Central Registry and Depository
BAHRAIN BOURSE

Receiving Bank
BBK

THE CENTRAL BANK OF BAHRAIN AND THE BAHRAIN BOURSE ASSUME NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS DOCUMENT AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS, HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS DOCUMENT.

The date of registration of this Prospectus is 20 July 2014

Directors' Responsibility Statement

THE DIRECTORS OF THE COMPANY, WHOSE NAMES APPEAR HEREIN, ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THE DOCUMENT.

Director's Name	Signature
Shaikh Ahmed Bin Ali Al Khalifa	
Asaad Ahmed Al-Banwan	
Shaikh Rashid Abdulrahman Al Khalifa	
Waleed A. M. A. Al-Roudan	
Jamal Shaker Al-Kazemi	
Shaikha Khalid Al-Bahar	

Important Notice

This Prospectus is delivered on behalf of Zain Bahrain, by Gulf International Bank B.S.C. ("GIB" or the "Lead Manager") and Watani Investment Company K.S.C.C. ("NBK Capital" or the "Co-Manager"), who are collectively referred to in this Prospectus as the "**Issue Managers**".

No person has been authorised to make any representations or give any information with respect to Zain Bahrain or the Initial Public Offering of its equity securities except the information contained in this Prospectus. Any representation or information not contained in this Prospectus with respect to Zain Bahrain or the Offering must not be relied upon as having been authorised by the Directors of Zain Bahrain, the Lead Manager or the Co-Manager. This Prospectus does not constitute an offer to sell or issue or a solicitation of an offer to buy the equity securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Prospectus includes details given in compliance with the CBB Law, rules and regulations. The Directors, whose names appear in this Prospectus, collectively and individually confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete and that there are no other facts or omissions which, if disclosed, would render any statement in this Prospectus materially misleading. Substantial portions of the market and industry information in this Prospectus are derived from the management analysis as well as external sources. The market and industry information contained in this Prospectus has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

While Zain Bahrain and its Directors have made all reasonable enquiries as to the accuracy and completeness of the information contained in this Prospectus, such information is subject to change. In particular, the actual financial position of Zain Bahrain and the value of the equity securities may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which Zain Bahrain and its Directors have no control. Neither the delivery of this Prospectus, nor any oral, written, or printed communication in relation to the equity securities offered is intended to be, or should be construed as or relied upon in any way, as a promise or representation as to future earnings, results or events.

Zain Bahrain has appointed GIB as the Lead Manager and Underwriter. As part of the appointment, GIB has undertaken to carry out due diligence in respect of the Offer and the Issuer. The Lead Manager has made all reasonable enquiries, and to the best of its knowledge and belief, confirms that there is no false or misleading statement contained in, or material omission from, the information that is included in this Prospectus. In addition to the Lead Manager, Zain Bahrain has appointed Trowers & Hamlins to act as the legal adviser to organise and assist with the legal verification exercise of the information pertaining to Zain Bahrain in this Prospectus, and Zu'bi & Partners Attorneys & Legal Consultants to advise on relevant Bahrain law matters and requirements with respect to the Prospectus, Offering and Conversion. The requisite due diligence exercises have been duly completed by all the advisors in accordance with applicable standards.

None of the Directors, their respective officers, agents, employees, the Issue Managers, nor any of the external independent advisor(s) assume any liability for any representation or warranty (express or implied) enclosed within, or omitted from this Prospectus, or any other written or verbal information transmitted to the recipient (or any of their advisors), in the course of the recipient's assessment of any proposed investment.

Each Applicant may, prior to the submission of its application form, ask questions and seek clarification from the Lead Manager and/or the Co-Manager concerning Zain Bahrain and this Offering. Answers to such questions and clarification will be provided by the Lead Manager and/or the Co-Manager to the extent that they possess or can acquire the requisite information without unreasonable effort or expense. The contents of this Prospectus should not be treated as investment, tax, or legal advice by an Applicant. All Applicants should make their own investigation and evaluation of the opportunity to invest in Zain Bahrain, and should seek to consult their own advisors concerning the evaluation of the risks of the investment and its suitability for their individual financial and risk preferences. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information contained in this Prospectus with regard to individual objectives, financial situations and needs.

The Prospectus is not to be regarded as a recommendation on the part of Zain Bahrain, the Directors or any of their advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situations or particular investment needs.

The Offering is only being made to, and is only capable of acceptance by, Applicants fulfilling the subscription application requirements. The distribution of this Prospectus and the sale and issue of equity securities offered in a jurisdiction may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about, and observe all such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of that jurisdiction. This Prospectus does not constitute an offer to sell or issue, or to solicit an offer to buy or for the supply of equity securities in any jurisdiction in which such offer or solicitation is unlawful.

Zain Bahrain, the Directors, the Lead Manager, the Co-Manager and other advisors require recipients of this Prospectus to inform themselves about and observe all such restrictions. Zain Bahrain and the Directors reserve the right to terminate, at any time, the further participation of any party in the Offering.

Forward Looking Statements

The statements contained in this Prospectus that are not historical facts are "forward-looking statements". The terms "plans", "estimates", "believes", "expects", "may", "will", "should", "are expected", "will be", "anticipates" or the negative or other variation of such terms or comparable terminology are intended to identify a number of these forward-looking statements.

These forward-looking statements reflect the current views of Zain Bahrain and its Directors with respect to prospective events, and are not a guarantee of future performance. Many factors could cause the actual performance, achievements, or results of Zain Bahrain to be significantly different from any prospective performance, achievements or results that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see section 13, "Risk Factors and Investment Considerations".)

Should any one or more of the risks or uncertainties materialise or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected. As a result of these and other risks, the forward looking events and circumstances discussed in this Prospectus might not occur in the way Zain Bahrain expects, or at all. Applicants should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Copies of this Prospectus may be obtained from the Issue Managers, the Receiving Bank, the Underwriter and the Central Registry and Depository.

General Risk Statement

An investment in equity securities involves risk. Prospective investors should consider carefully, together with all other information contained in this Prospectus, the principal risk factors in section 13, "Risk Factors and Investment Considerations", before deciding to invest in equity securities.

Prospective investors should not place undue reliance on any information contained in published news reports, in particular, any financial projections, valuations or other forward-looking information. Prospective investors should not only rely on the information included in this Prospectus and the documents referred to in it or available for inspection to make their investment decision.

Prospective investors should seek professional advice from their relevant advisors regarding their prospective investment in the context of their particular circumstances.

For more information about the risks involved in an investment in the Ordinary Shares, see section 13.2, "Risk Factors." Important factors could cause the Company's actual results, performance or achievement to differ materially from plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to:

- Inflation, interest rate, and exchange rate fluctuations;
- The effects of, and changes in, the policies of the Government of Bahrain;
- The effects of competition in the business areas in which the Company operates;
- The effects of changes in laws, regulations, taxation or accounting standards or practices;
- The Company's ability to increase market share for its products and to control expenses;
- The Company's ability to leverage the support of its Parent Company, Mobile Telecommunications Company K.S.C., in the management and operations of the Company as well as access to the Parent Company's intellectual property including its brand;
- Changes in the efficiency and effectiveness of the technology utilized by the Company; and
- The Company's success at managing the risks of the aforementioned factors.

Applicants Identification and Anti-Money Laundering Requirements

Zain Bahrain, the Lead Manager and the Receiving Bank reserve the absolute right to require further verification of the identity of each Applicant, or that of the person or entity who is applying on behalf of the Applicant for the purchase of equity securities.

Each Applicant will provide satisfactory evidence of identity and, if so required, the source of its funds no later than the Subscription Closing Date. Pending the provision of such evidence, an application to subscribe for equity securities will be postponed.

If an Applicant fails to provide satisfactory evidence within the time specified, or if an Applicant provides evidence which is not to the Receiving Bank's satisfaction, the application may be rejected immediately, in which event any money received from the Applicant will be returned to the Applicant, without any addition and at the risk and expense of the Applicant.

In respect of any Bahraini investors, the Issuer will comply with Bahrain Legislative Decree No. 4/2001 with respect to Prohibition and Combating of Money Laundering and Various Ministerial Orders issued thereunder including, but not limited to, Ministerial Orders No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering, in addition to complying with the relevant provisions of the Anti-Money Laundering and Combating Financial Crime Module of the CBB Rulebook, Volume 6.

Zain Bahrain will also comply with international anti-money laundering requirements as existing from time-to-time. Under the above regulatory requirements Zain Bahrain may be obliged to report certain information to regulatory agencies.

Notices to Certain Investors

Each Applicant must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Ordinary Shares or possesses this Prospectus, and it must obtain any consent, approval or permission required for the purchase, offer or sale by it of such Ordinary Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. The Company is not, and none of the Issue Managers is, responsible for ensuring that Applicants comply with all applicable laws and regulations or the obtaining of any consents, approvals or permissions. A prospective purchaser may not deliver or distribute this Prospectus to any other person in any form.

Notice to Prospective Investors in the DIFC and the UAE

The Ordinary Shares may not be, are not and will not be sold, issued, subscribed for, transferred or delivered, directly or indirectly, to any person in the Dubai International Financial Centre (the "DIFC") who is not a professional client within the meaning of the Conduct of Business Module of the rules of the Dubai Financial Services Authority (the "DFSA") or a "Professional Investor" within the meaning of the Offered Securities Rules of the DFSA.

The DFSA and the DIFC assume no responsibility for the contents of this Prospectus, make no representation as to the accuracy or completeness of the information included in this Prospectus, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the content of this Prospectus.

The Ordinary Shares may not be, are not and will not be issued, sold, subscribed for, transferred or delivered directly or indirectly to any person in the UAE other than in compliance with the laws of the UAE governing the issue, sale, subscription for, transfer and delivery of securities.

The Central Bank of the United Arab Emirates and the Emirates Securities and Commodities Authority assume no responsibility for the contents of this Prospectus, make no representation as to the accuracy or completeness of the information included in this Prospectus, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the content of this Prospectus.

The Company, the Issue Managers and the Receiving Bank are not, by distributing this Prospectus, advising individuals who are resident in the UAE (including the DIFC) as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the UAE (including the DIFC).

Notice to Prospective Investors in the State of Qatar

By receiving this Prospectus, the person or entity to whom it has been provided understands, acknowledges and agrees that: (i) neither this Prospectus nor the Ordinary Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; and (ii) none of the Company or the Issue Managers has been authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market, issue or sell the Ordinary Shares within the State of Qatar. The Qatar Central Bank, the Qatar Financial Markets Authority and the Qatar Financial Centre Regulatory Authority assume no responsibility for the contents of this Prospectus, make no representation as to the accuracy or completeness of the information included in this Prospectus, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the content of this Prospectus.

The Company, the Issue Managers and the Receiving Bank are not, by distributing this Prospectus, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

The Ordinary Shares may not be, have not been and are not being issued, sold, subscribed for, transferred or delivered directly or indirectly to any person in the State of Qatar other than in compliance with the laws of the State of Qatar governing the issue, sale, subscription for, transfer and delivery of securities.

Notice to Prospective Investors in the Kingdom of Saudi Arabia

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "Capital Market Authority").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

Notice to Prospective Investors in the Sultanate of Oman

The Ordinary Shares may not be, are not and will not be issued, sold, subscribed for, transferred or delivered directly or indirectly to any person in the Sultanate of Oman other than in compliance with the laws of the Sultanate of Oman governing the issue, sale, subscription for, transfer and delivery of securities.

The Central Bank of Oman and the Oman Capital Market Authority assume no responsibility for the contents of this Prospectus, make no representation as to the accuracy or completeness of the information included in this Prospectus, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the content of this Prospectus.

The Company, the Issue Managers and the Receiving Bank are not, by distributing this Prospectus, advising individuals resident in the Sultanate of Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the Sultanate of Oman.

Selling Restrictions

No action has been taken or will be taken in any jurisdiction, other than in the Kingdom of Bahrain in relation to the Retail Offering, that would permit a public offering of the Ordinary Shares in any country or jurisdiction where action for that purpose is required.

United States

The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be issued, offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

The Issue Managers have agreed that they will not offer or sell the Shares (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offer and the closing date of the Offer, within the United States. Nor will they offer or sell the Shares to, or for the account or benefit of, U.S. persons. The Issue Managers will send to each dealer responsible for selling Shares during the distribution compliance period, a confirmation or other notice, setting out the restrictions on offers and sales of the Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S of the U.S. Securities Act.

The Shares are being issued, offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S of the U.S. Securities Act.

DIFC

The Ordinary Shares may not be, are not and will not be issued, sold, subscribed for, transferred or delivered, directly or indirectly, to any person in the DIFC who is not a Professional Client within the meaning of the Conduct of Business Module of the Rules of the DFSA or a Professional Investor within the meaning of the Offered Securities Rules of the DFSA.

UAE

The Ordinary Shares may not be, have not been and are not being issued, sold, subscribed for, transferred or delivered in the UAE other than in compliance with the laws of the UAE governing the issue, sale, subscription for, transfer and delivery of securities.

The State of Kuwait

The Shares described in this Prospectus have not been, and are not being, publicly offered, issued, sold, promoted or advertised in the State of Kuwait other than in compliance with the laws of the State of Kuwait governing the issue, offering and sale of securities. Further, this document does not constitute a public offer of securities in the State of Kuwait and is not intended to be a public offer.

The Sultanate of Oman

The Ordinary Shares may not be, have not been and are not being issued, sold, subscribed for, transferred or delivered in the Sultanate of Oman other than in compliance with the laws of the Sultanate of Oman governing the issue, sale, subscription for, transfer and delivery of securities.

The State of Qatar

The Ordinary Shares have not been offered, issued, sold or delivered, and will not be offered, issued, sold or delivered at any time, directly or indirectly, in the State of Qatar in a manner that would constitute a public offering. This Prospectus has not been reviewed, approved or registered with the Qatari Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatari regulatory body, whether under Law No. 25/2002 concerning investment funds, Central Bank Resolution No. 15/1997, as amended, or any associated regulations.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "Saudi Investor") who acquires Ordinary Shares pursuant to this Offering should note that the offer of Ordinary Shares is a limited offer under Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2/11/2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1/28/2008 dated 18 August 2008 (the "KSA Regulations"). The offer of Ordinary Shares will not be directed at more than 60 Saudi Investors (excluding "Sophisticated Investors" (as defined in Article 10 of the KSA Regulations)) and the minimum amount payable per Saudi Investor will be not less than Saudi Riyal (SR) 1 million or an equivalent amount.

The offer of Ordinary Shares shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Ordinary Shares pursuant to a limited offer may not offer or sell those Ordinary Shares to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and: (a) the Ordinary Shares are offered or sold to a Sophisticated Investor; or (b) the price to be paid for the Ordinary Shares in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

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1 Glossary/Definitions

2G	Second Generation Mobile Technology
2.5G	Technology that is an enhancement of 2G allowing higher data speeds than basic 2G
3G	Third Generation Mobile Technology
3.5G	Technology that is an enhancement of 3G allowing higher data speeds than basic 3G
4G or 4G LTE	See below the reference to LTE
AED	United Arab Emirates Dirham, the lawful currency of the United Arab Emirates
AGM	Annual General Meeting
Allotment	The act of distributing shares in the Zain Bahrain IPO by apportioning according to the approved plan set out in this Prospectus
Allotment Date	Tuesday, 23 September 2014, which is the day when the Allotment of Ordinary Shares will be finalised
Allotment Notice(s)	A notice informing Eligible Applicants of their respective Allotments
Allotted Shares	Ordinary Shares allocated to Eligible Applicants based on the Allotment
AMPU	Average Margin Per User
App	Application software on a mobile device
Apple	Apple Inc., developer and supplier of smartphones, tablet computers and other devices
Applicant	An eligible person or entity who applies for Ordinary Shares through the Offering
Approved Branch	Designated branch of the Receiving Bank appointed to receive the completed Subscription Application Forms
ARPU	Average Revenue per User, defined for any period of time as the revenue for the period divided by the average number of subscribers during the period divided by the number of months in the period
AUB	Ahli United Bank
Audit Committee	One of the Board Committees to be established by the Board, which shall be responsible for overseeing the financial, risk management and internal controls aspects of the Company's operations
Audited Financial Statements	Financial statements for the five financial years ended 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2012, and 31 December 2013
Bahrain	The Kingdom of Bahrain
Banking Hours	The working hours of the Approved Branches as set out in section 14.4
Batelco	Bahrain Telecommunications Company B.S.C.

Batelco Reference Offer	An offer prepared by Batelco and approved by the TRA, that combines the Reference Interconnection Offer and the Reference Access Offer that Batelco is required to publish in accordance with the Telecommunications Law.
BBK	A commercial bank headquartered in Bahrain and licensed by the CBB, formerly known as Bank of Bahrain and Kuwait B.S.C.
BHD or Bahraini Dinars	Bahraini Dinars, the lawful currency of the Kingdom of Bahrain
BIBOR	Bahrain Inter-Bank Offered Rate
BlackBerry	BlackBerry Ltd, a company based in Canada, or the set of mobile communications devices and applications developed and supplied by this company
Blife	A Post-paid mobile solution offered by Zain Bahrain for corporate clients
Board	Board of Directors of the Company
Board Committees	Audit Committee, Nomination and Remuneration Committee, or any combination thereof and any other committees that may be formed by the Board and designated as Board Committees
BS, B.S., BSc or B.Sc.	Bachelor of Science degree
BSC or B.S.C.	Bahraini Shareholding Company
BSC(c) or B.S.C.(c)	Bahraini Shareholding Company (Closed)
BSS	Business Support Systems
Business Day(s)	Any day in the year that is not a weekend day or a public holiday in Bahrain
CAGR	Compound Annual Growth Rate
Calendar Day (Day)	Any day in the year, including all weekends and public holidays
CAPEX	Capital Expenditure
CBB	Central Bank of Bahrain
CBB Law	The Central Bank of Bahrain and Financial Institutions Law of 2006, promulgated on 6 September 2006 with the issuance of Decree No. (64) of 2006
CBB Rulebook	A seven-volume book of regulations published by the Central Bank of Bahrain, covering capital markets, banking licences, investment undertaking amongst other items.
CBIO	Charging-and-Billing-In-One
Central Depository and Central Registry	Bahrain Bourse, acting as central depository and central registry
CEO	Chief Executive Officer
CG-Framework	Corporate Governance Framework
Chairman	Chairman of the Board of the Company
CMSD	Capital Markets Supervision Directorate of the Central Bank of Bahrain

COGS	Cost of Goods Sold
Co-Manager	Watani Investment Company K.S.C.C. ("NBK Capital"), forming part of the Issue Managers
Commencement of Trading	Commencement of trading of the Shares on the Bahrain Bourse
Commencement of Trading Date	A date announced by Bahrain Bourse, on which the trading in Ordinary Shares will commence
Commercial Companies Law	The Commercial Companies Law 2001 of the Kingdom of Bahrain, promulgated by Legislative Decree No. 21/2001
Commercial Launch Date	28 December 2003
Company	Zain Bahrain B.S.C.(c)
Conversion	The conversion of the Company from a closed joint stock company into a public joint stock company
Core Sites	The two Zain Bahrain technical buildings located at Tubli and Sanad districts in Bahrain
Corporate Governance Code	Code of Corporate Governance issued by the MoIC in respect of corporate entities in the Kingdom of Bahrain
Corporate Governance Framework	The Company's Corporate Governance Framework, which shall be based on the principles of (i) accountability, (ii) fairness and (iii) transparency, prepared in accordance with the "Central Bank of Bahrain Rulebook – Volume 6: Capital Markets" issued by the CBB, the "Corporate Governance Code" issued by the MoIC, the "Disclosure Standards" issued by the CBB, and the "Commercial Companies Law" issued by the MoIC
CRM	Customer Relationship Management
CSSR	Corporate Sustainability and Social Responsibility
Customer	An individual or institution subscribing to voice, data or messaging services provided, under licence, by the Company
CWIP	Capital work in progress
DCF	Discounted Cash Flow
Dec	The month of December
Deloitte	Deloitte and Touche – Middle East
Depository Account	A Central Securities Depository account with the Bahrain Bourse
DFSA	Dubai Financial Services Authority
DIFC	Dubai International Financial Centre
Directors	Members of the Board of Directors of Zain Bahrain
Distribution of Refunds Date	Tuesday, 30 September 2014, which is the date when the Receiving Bank will pay to the Company in BHD the Gross Proceeds of the Offering and refund the Applicants with any excess Subscription Funds (in case of over-subscription)

Dividend Pay-Out Ratio	The dividend paid divided by net earnings during the year
Dividend Yield	The dividend paid divided by total equity
DMO	Distribution, Marketing and Operating (expenses)
EasyTalk	A mobile Prepaid price plan offered by the Company to Customers
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
Economic Development Board	A governmental agency with overall responsibility for attracting inward investment into the Kingdom of Bahrain and supporting initiatives that help enhance the investment climate in the country
EDGE	Enhanced Data Rates for GSM Evolution, part of 2G technology
EGM	Extraordinary General Meeting
e-Go	A Zain-branded USB-based data transmission device which incorporates a data SIM provided by Zain
e-Government	A suite of services provided by government agencies to the population via on-line portals (websites)
Eligible Applicant	An Applicant from any nationality subscribing for Offer Shares in the Offering, provided that the legislation of the country of the Applicant's citizenship, residence or domicile permits the Applicant to do so, who satisfies the subscription terms and conditions, and who has the ability to evaluate and bear the risk of investing in the Company. It is the responsibility of each Applicant to establish his/her eligibility and suitability to purchase Shares through this Offering. The Founders, including their subsidiaries, associates, affiliates, parent companies or Zain Bahrain's related parties are not allowed to subscribe in this issue and hence do not qualify as Eligible Applicants. Such restriction shall not apply to Zain Bahrain's employees, who are qualified to subscribe for the Offer Shares in accordance with the terms and conditions of the Offering. The employees will be subject to the requirements and restrictions imposed by the Bahrain Bourse including the requirement that such employees shall not be considered part of the 100 minimum number of Shareholders required for the listing of the Company on the Bahrain Bourse
Ericsson	Ericsson AB (Sweden), network equipment supplier
Euro	The lawful currency of the adopting member countries of the European Union
EV	Enterprise Value
EVD	Electronic Voucher Distribution
External Auditor	External Auditor of the Company
fils	The 1000-unit sub-division of each Bahraini Dinar
Fixed Wireless	National Fixed Wireless Services
Founders	All Shareholders of the Company prior to this Offering
FUN	"Future University Network", a training and development programme of Zain Bahrain for the youth
FY	Fiscal year
G&A	General and Administration (expenses)

GCC	The Gulf Co-operation Council comprising the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia, and the United Arab Emirates
GDP	Gross Domestic Product
General Assembly	An annual, ordinary or extraordinary meeting of the Shareholders
General Director	General Director of the Telecommunications Regulatory Authority, appointed in accordance with the provisions of Article 8 of the Telecommunications Law;
General Manager	General Manager of the Company
GHz	Giga-Hertz, equal to 1,000,000,000 Hz
Government	Government of the Kingdom of Bahrain
Gross Proceeds	An amount equal to the Offer Price multiplied by the number of Offer Shares allotted to Applicants
GPRS	General Packet Radio Services, part of 2G technology
GSM	Global System for Mobile Communications, part of 2G technology
HD Voice	High-definition voice, referring to the next generation of voice quality for telephony audio, resulting in significantly improved voice clarity compared to standard telephony
Hewar	A set of mobile Post-paid price plans offered by the Company to Customers
Historical Period	The period extending from 1 January 2009 to 31 March 2014. This period covers the financial years ending 31 December 2009, December 2010, 31 December 2011, 31 December 2012, and 31 December 2013, and the three-month period ended 31 March 2014
Home Broadband	A portfolio of fixed internet services bundled with voice (telephone) services, directed at residential customers
HSDPA	High Speed Downlink Packet Access, part of 3G technology
HSPA	High Speed Packet Access, part of 3G technology
HSPA+	An advanced version of HSPA, part of 3G technology
HSUPA	High Speed Uplink Packet Access, part of 3G technology
Huawei	Huawei Technologies Company Ltd., a vendor of technology products based in the People's Republic of China
Hz	Hertz, unit of frequency
IAS	International Accounting Standards
IBAN	International Bank Account Number, an internationally agreed means of identifying bank accounts across national borders
ICT	Information and Communication Technology
IEEE802.16d / IEEE802.16e	Two technical standards developed by the Institute of Electrical and Electronics Engineers (IEEE), forming the basis of two variants of the WiMAX technology

IFRS	International Financial Reporting Standards
IMTL	Individual Mobile Telecommunications Licence
IN	Investor Number
INCOTERMS	International commercial terms which are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) that are widely used in international commercial transactions or procurement processes
Independent Director	A Director of the Company: whom the Board specifically determines has no material relationship which could affect his independence of judgment, taking into account all known facts; who, or whose family members who are also Shareholders either separately or together with him/her or each other, does not have any material pecuniary relationships or transactions with the Company and in particular who, during the one year preceding the time in question met all the following conditions: was not an employee of the Company and did not make to, or receive from, the Company payments of more than BHD 31,000 or equivalent; did not own more than a 5% share or other ownership interest, directly or indirectly, in an entity that made to or received from the Company payments of more than such amount; did not act as a general partner, manager, director or officer of a partnership or Company that made to or received from the Company payments of more than such amount; did not have any significant contractual or business relationship with the Company which could be seen to materially interfere with the person's capacity to act in an independent manner; did not own directly or indirectly 5% or more of the shares of any type or class of the Company; was not engaged directly or indirectly as an auditor or professional advisor for the Company; and was not an associate of a director or a member of senior management of the Company
Individual Mobile Telecommunications Licence	A licence awarded by the TRA to the Company authorising the Company to provide mobile telecommunications services, including voice calling, text messaging, multimedia messaging, data and access to the internet, using the Company's mobile telecommunications network
Initial Public Offering	The initial public offering of 48,000,000 Offer Shares which is equivalent to 15% of the Company's issued share capital immediately prior to the Offering
Institutional Applicant	An Applicant who applies for in excess of 100,000 Ordinary Shares
Institutional Offering	Ordinary Shares offered to institutional investors through this Offering
Investor Number	A unique number issued by Bahrain Bourse for any investor who opens a Depository Account
Investor Number Fee or IN Fee	A fee levied by the Bahrain Bourse for the opening of a Depository Account and assigning an Investor Number to an investor
iOS	The operating system of the iPhone family of smartphones and other devices developed by Apple
IP	Internet Protocol
IPO	Initial Public Offering
ISA	International Standards on Auditing

ISIN	International Securities Identification Number, which is assigned by the Bahrain Bourse under code BH000421H896
ISO	International Organisation for Standardisation
ISP	Internet Service Provider
Issuer	Zain Bahrain B.S.C.(c)
Issue Coordinator	Fakhro Karvy Computershare WLL
Issue Managers	The Lead Manager, Gulf International Bank B.S.C. ("GIB"), and the Co-Manager, Watani Investment Company K.S.C.C. ("NBK Capital")
IT	Information Technology
IVR	Interactive Voice Response
KIA	Kuwait Investment Authority
KPI	Key Performance Indicator
K.S.C.	Kuwaiti Shareholding Company
K.S.C.C.	Kuwaiti Shareholding Company – Closed
Lead Manager	Gulf International Bank B.S.C. ("GIB"), forming part of the Issue Managers
Licence Obligation Date	31 December 2013, the date by which the Company's IMTL requires the Company to make the IPO
Lock-in Period	A period of one year beginning on the Commencement of Trading Date, during which the Shares that do not form part of the Offering shall be restricted from being transferred
LTE	Long Term Evolution, also referred to as Fourth Generation Mobile Technology, or 4G
Mada	Mada Communication Company S.P.C., a wholly owned subsidiary of the Parent Company that specialises in the provision of international connectivity solutions for voice and data to telecommunications operators and corporate customers
Management	Senior managers of the Company
Management Agreement	An exclusive management agreement between Zain Bahrain and the Parent Company signed on 28 December 2003 (and subsequently amended on 28 December 2013) that enables Zain Bahrain to benefit from the Parent Company's technical expertise and commercial know-how as defined under "Related Party Transactions" in section 7.2
Mar	The month of March
Market Maker	An asset management and broker-dealer firm that manages a discretionary investment portfolio, on behalf of the Issuer, consisting of cash and Shares. Utilising the investment portfolio, the market maker executes buy and sell orders with the sole purpose of achieving price stabilisation of the Shares in the after-market (post-IPO) and to facilitate trading in the Shares on the Bahrain Bourse
MBA	Master of Business Administration
Mbps	Mega-bits per second, unit of data speed equal to 1,000,000 bits per second

m-commerce	Mobile commerce, the service of delivering of electronic commerce capabilities directly into the consumer's hand via wireless technology
Memorandum and Articles of Association	Memorandum and articles of association of the Company and all amendments to the documents
MENA	Middle East and North Africa
m-finance	Mobile finance, the service of delivering of financial transactions capabilities directly into the consumer's hand via wireless technology
MHz	Mega-Hertz, equal to 1,000,000 Hz
Minister	Minister of State for Communications Affairs
Minor	A person who is below 21 years of age
MMS	Multimedia Messaging System
Mobile Broadband	Internet service provided via a mobile device or other devices connected to a mobile network
MoIC	Ministry of Industry and Commerce
MoU	Memorandum of Understanding
MS, M.S., MSc, or M.Sc.	Master of Science degree
MSC	Mobile Switching Centre
MVNO	Mobile Virtual Network Operator
National Fixed Wireless Services	A TRA-licensed wireless data (including broadband internet) and voice telecommunications service using the 3.5 GHz frequency band
National Identity Card	The official identification card, in the form of a smart card, issued by the government of the Kingdom of Bahrain to Bahraini citizens and people of other nationalities residing in Bahrain
NBB	National Bank of Bahrain B.S.C.
NBK	National Bank of Kuwait
NBV	Net Book Value
Net Proceeds	Gross Proceeds from the Offering minus the Offering expenses
NFWS	National Fixed Wireless Services
No.	Number
Nomination and Remuneration Committee	One of the Board Committees to be established by the Board, which shall be responsible for the identification, review, nomination and suggested remuneration of prospective candidates for Board appointments and key Management of the Company
NRI	Network Readiness Index, a term defined by the World Economic Forum, which measures the propensity for countries to exploit the opportunities offered by information and communications technology

NSN	Nokia Solutions and Networks OY, formerly named Nokia Siemens Networks Tietoliikenne OY (Finland), network equipment supplier
NSS	Network Switching Sub-System
NTP	National Telecommunications Plan of the Kingdom of Bahrain
Offer or Offering	The Initial Public Offering of the Offer Shares
Offer Period	The period starting on the Subscription Opening Date and ending on the Subscription Closing Date (inclusive), during which Subscription Application Forms and Subscription Funds for Offer Shares pursuant to the Offer will be received by the Receiving Bank
Offer Price	The price of BHD 0.190 for each of the Offer Shares
Offer Share(s)	48,000,000 Ordinary Shares of the Company, which form the whole of this Offering
OPEX	Operating Expenditure
Ordinary Share(s)	Pre-IPO: 32,000,000 issued and fully paid up ordinary shares of the Company with a par value of BHD 1 each Post-IPO: 368,000,000 issued and fully paid-up ordinary shares of the Company with a par value of 100 fils each
OSS	Operations Support Sub-System
OTT	Over-the-Top, referring to the delivery of video, audio and other media over the Internet without the mobile network operator being involved in the control or distribution of such content
P&L	Profit and Loss Statement
Parent Company	Mobile Telecommunications Company K.S.C., incorporated under the laws of the State of Kuwait on 19 June 1983, with commercial registration number 36025
Parent Company Affiliate(s)	An entity or entities under the control of the Parent Company (either directly or indirectly and either alone or acting in concert with other persons) which allow(s) the Parent Company to secure that the affairs of that entity or entities are conducted in accordance with the wishes of the Parent Company
PAYG	Pay-as-you-go, another term for Prepaid
PayPerCall™	A Prepaid price plan offered by the Company in which a local voice call is charged a fixed amount regardless of the call duration
PBX	Private Branch Exchange
PC	Personal computer
P/E	Price-to-earnings ratio
PhD	Doctor of Philosophy
PLC or plc	Public Limited Company
PMO	Programme Management Office

Post-Conversion Memorandum and Articles of Association	The new memorandum and articles of association to be adopted by the Company following the Conversion, drafts of which are set out in the Appendix B
Post-Offer Issued Share Capital	368,000,000 Ordinary Shares of nominal value 100 fils each
Post-paid	A type of subscription to telecommunications services whereby the customer is billed at the end of each month, or other period, for his/her use of the service provider's services during that month or period, based on either the terms of a contract and/or on the amount of services he/she has used.
PP&E	Property Plant and Equipment
PPP	Purchasing Power Parity
Prepaid	A type of subscription to telecommunications services whereby the customer purchases credit in advance of service use. The purchased credit is used to pay for such services at the time the service is accessed or used. If there is no available credit then access to the requested service is denied by the service provider.
Prospectus	This document prepared by the Company in relation to this Offering in accordance with the applicable laws, rules and regulations of Bahrain
Q1	First quarter of the year
RAN	Radio access network
R&D	Research and development
Receiving Bank	BBK, being the appointed bank managing the subscription process, including the collection of application forms, monies, reconciliation of subscriptions, etc.
Red Herring Prospectus	The preliminary prospectus filed by the Company with the CMSD in connection with the Offering. This Prospectus contains most of the information pertaining to the Company's operations and prospects, but does not include key details of the Offering such as the Offer Price
Reference Access Offer	An offer that the Telecommunications Law mandates a licensed telecommunications operator to publish, subject to the TRA's approval, if the TRA determines that such an operator has a dominant position, as defined by the TRA, in a particular telecommunications market within Bahrain. Such an offer must include a full list of basic access services, conditions of access and the tariff for every service.
Reference Interconnection Offer	An offer that the Telecommunications Law mandates a licensed telecommunications operator to publish, subject to the TRA's approval, if the TRA determines that such an operator has a dominant position, as defined by the TRA, in a particular telecommunications market within Bahrain. Such an offer must include a full list of basic interconnection services, conditions of interconnection and the tariff for every service.
Retail Applicant	An Applicant who applies for a maximum of 100,000 Offer Shares
Retail Offering	Offer Shares offered to retail investors through the Offering
ROI	Return on investment
ROIC	Return on invested capital
Rotana	Rotana Group, a pan-Arab media conglomerate that is active in film production, music recording and television and radio broadcasting

Sadad	Sadad Electronic Payment System WLL, a software development company providing electronic payment services
SAC	Subscriber acquisition costs
Securities Account	An account with a brokerage firm authorised by the Bahrain Bourse
Securities Account Fee	A fee charged by the Bahrain Bourse for the assignment of an Applicant's IN Number to a brokerage firm authorised by the Bahrain Bourse
Self-Care Mobile App	A smartphone- and tablet-based application software which enables Customers to access their accounts' details, make payments and obtain information on products and promotions on offer by Zain Bahrain
Share Capital Account	The bank account designated by the Company where the Gross Proceeds of the Offering will be transferred on the Distribution of Refunds Date
Share Premium	BHD 0.090 per Offer Share
Shareholder	Any registered shareholder of the Company
Share(s)	Ordinary Shares or Offer Shares or other shares in the Company, as the context requires
SICO	Securities & Investment Company BSC(c), a closed joint stock company incorporated in Bahrain in 1995 and listed on the Bahrain Bourse in 2003, with head office in Bahrain and operating under a conventional wholesale banking licence issued by the Central Bank of Bahrain. SICO has been appointed by the Issuer to act as a Market Maker
SIM	Subscriber identity module or subscriber identification module, an integrated circuit that securely stores the international mobile subscriber identity (IMSI) and the related key used to identify and authenticate subscribers on mobile telephony devices
SMS	Short Message Service
SPC	Single Person Company
Spectrum Usage Rights Fee	A non-recurring fee imposed by the TRA for the right to use assigned frequencies which may be paid by the assignee in a single lump sum or in instalments as determine by the TRA.
Stakeholders	The major Shareholders, Directors and key Management of the Company
Subscription Application Form	The form of subscription application set out in Appendix A to this Prospectus
Subscription Closing Date	Tuesday, 16 September 2014, which is the last day upon which Subscription Application Forms for Offer Shares pursuant to the Offer will be received by the Receiving Bank
Subscription Funds	The total amount of monies received by the Receiving Bank during the Offering Period, pursuant to the Offering
Subscription Monies Bank Account	The bank account at the Receiving Bank where all the Subscription Funds will be held until the Distribution of Refunds Date
Subscription Opening Date	Tuesday, 2 September 2014, which is the first day upon which Subscription Application Forms for Offer Shares pursuant to the Offer will be received by the Receiving Bank
Subscription Terms and Conditions	The Terms and Conditions shall have the meaning as defined in section 14

TABS	Telecommunications Advanced Business Solutions, an integrated software package designed by International Turnkey Systems for the mobile, ISP, and traditional fixed network billing services
Telecom	Telecommunications
Telecommunications Law	The Telecommunications Law of the Kingdom of Bahrain, promulgated by Legislative Decree No. 48 of 2002 and issued on 23 October 2002
Terabyte	An amount of data approximately equal to one trillion bytes
TRA	Telecommunications Regulatory Authority of the Kingdom of Bahrain
TV	Television
UAE	United Arab Emirates
UN	United Nations
Underwriter	Gulf International Bank B.S.C. ("GIB"), having entered into the Underwriting Agreement with the Company
Underwriting Agreement	An agreement signed by the Company and the Underwriter prior to the Subscription Opening Date
Underwriting Commitment	A firm and irrevocable binding commitment made by the Underwriter, subject to certain conditions set forth in the Underwriting Agreement, to purchase the number of Offer Shares in the Offering which remains unsubscribed for during the Subscription Period up to a maximum of 48,000,000 Ordinary Shares at a price of BHD 0.190 per Ordinary Share
Underwriting Date	The date on which the Underwriter receives an Allotment Notice from the Lead Manager setting out the number of Remaining Offer Shares (as defined in the Underwriting Agreement) which the Underwriter is required to subscribe for pursuant to the Underwriting Agreement
USA	United States of America
USB	Universal Serial Bus
USD	United States Dollar, the lawful currency of the United States of America
VAS	Value Added Services
VIP	Very Important Person
Viva	Viva Bahrain B.S.C.
Vodafone or Vodafone Group	Vodafone Group plc, a British multinational telecommunications company headquartered in London and with its registered office in Newbury, Berkshire, United Kingdom
Vodafone Global Enterprise	A portfolio of communication and information technology products and services, aimed at large corporate customers, developed and marketed by Vodafone Global Enterprise Limited, a subsidiary of Vodafone Group plc
Vodafone Partner Network Agreement	Non-equity partnership agreement entered into by Vodafone Group and Mobile Telecommunications Company K.S.C., signed on 3 September 2012. Under the terms of this partner market agreement, Vodafone and Zain Group co-operate in the marketing of global products and services and branding
VoIP	Voice over IP

VSAT	Very Small Aperture Terminal
WACC	Weighted Average Cost of Capital
WCDMA	Wideband Code Division Multiple Access
Wi-Fi	Wireless Fidelity, Wireless Local Area Network
WiMAX	Worldwide Interoperability for Microwave Access, a technology for wireless broadband internet access that is currently employed by Zain Bahrain in its Fixed Wireless services
W.L.L. or WLL	With Limited Liability
WoW Portal	An integrated content and services portal developed and marketed by Zain Bahrain enabling customers to obtain access to and to download a variety of multimedia content from one central online location on the Internet or on mobile devices
y-o-y	Year-on-year
Zain Bahrain	Zain Bahrain B.S.C.(c)
Zain Brand	The Parent Company's master brand (and associated intellectual property) utilised in all the countries where the company operates with the exception of the Republic of Lebanon.
Zain Group	A group of companies consisting of the Parent Company and the Parent Company's Affiliates as described in section 5.5 of this Prospectus
Zain Group Holding Bahrain S.P.C.	A fully owned entity of the Parent Company specialised in the provision of management services to the Parent Company Affiliates including the Company, and is the owner of the Zain Tower
Zain KSA	Mobile Telecommunications Company Saudi Arabia, a Saudi joint stock company and the 3rd mobile telecommunications operator in the Kingdom of Saudi Arabia
Zain Tower	The building housing the Issuer's main offices, the address of which is building No. 401, road No. 2806, block No. 428, Seef District, Kingdom of Bahrain
Zain Wallet	A mobile wallet service launched by the Company in 2008
ZB	Zain Bahrain
Zone 2	In relation to international calling destinations, Bangladesh, India, Pakistan, the Philippines and Sri Lanka
Zone 3	In relation to international calling destinations, Australia, Canada, France, Germany, Greece, Italy, Iran, New Zealand, Thailand, UK, USA and Yemen
Zone 4	In relation to international calling destinations, all other international destinations not it the GCC, Zone 2, Zone 3, or Zone 4

2 Resolutions and Approvals

The Company has received the resolutions and approvals set out below:

a) TRA

The TRA issued an IMTL to Zain Bahrain on 22 April 2003. The IMTL, as amended by a licence modification on 12 August 2012, requires the Company to make, no later than 31 December 2013 ("Licence Obligation Date"), a public offering of new shares equivalent to fifteen per cent (15%) of its issued share capital immediately prior to the offer. Moreover, the TRA issued a new IMTL to Zain Bahrain on 19 September 2013. The IMTL of 19 September 2013 requires the Company to comply with the requirements of the IMTL of 22 April 2003, and any amendments thereof, with regard to making a public offering of new shares. The public offering was not completed by the Licence Obligation Date, and the Company made representations to the TRA in respect of the elapsed deadline and the circumstances surrounding it, and of the progress the Company was making in the run-up to the launch of the IPO. However, the TRA, on 3 July 2014, issued Article 35 Order No.1 of 2014 in which the TRA considered that Zain Bahrain had failed to comply with its material license obligation in regard to the launching of an IPO by the License Obligation Date, something that constituted a severe breach of its IMTL, and as a result the TRA ordered Zain Bahrain to pay a fine. The TRA determined the fine to be in the amount of BHD 60,000 for each month of delay in launching the IPO in the period from 1 January 2014 to 30 June 2014; BHD 90,000 for each month of delay in launching the IPO in the period from 1 July 2014 to 31 December 2014; and BHD 180,000 for each month of delay thereafter. By virtue of launching the IPO Zain Bahrain has now fulfilled the IPO obligation as set out in its IMTL.

b) Council of Ministers' Resolution

The Council of Ministers, at its meeting on 7 April 2013, issued its decision number 2202-01 for the Company to offer fifteen per cent (15%) of the Ordinary Shares of the Company prior to the Offering, pursuant to the letter sent by the Minister of State for Communications Affairs dated 17 April 2013.

c) Board Resolutions

The Board resolved, during a Board meeting held on 5 June 2013, to refer the resolutions listed in paragraph d) below to the Shareholders for approval at an EGM. These resolutions were put forward to allow for the conversion of the Company to a public joint stock company, to have the Shares admitted for trading on the Bahrain Bourse and to pass any other resolution required to allow for the IPO of forty-eight million (48,000,000) Shares.

Furthermore, the Board resolved during a subsequent Board meeting held on 23 January 2014 to, among other things, approve the information contained in the Prospectus and set the price of the Shares offered pursuant to the IPO.

d) Shareholders' Resolutions

The Shareholders resolved during the EGM held on 28 July 2013 as follows:

- To convert the Company to a public joint stock company in accordance with the Council of Ministers' resolution;
- To increase the authorised share capital of the Company from BHD thirty-two million (32,000,000) to BHD thirty-six million eight hundred thousand (36,800,000);
- To divide each of the authorised and issued Shares of nominal value BHD one (1) each into ten (10) shares with a nominal value of one hundred (100) fils each so that the number of Shares shall be three hundred and sixty-eight million (368,000,000);
- To allow the issue by the Company of forty-eight million (48,000,000) Shares with a nominal value of one hundred (100) fils each to be offered by way of an IPO;
- To agree the unconditional waiver by all Shareholders of any pre-emption rights they may have in relation to the new Shares or existing Shares that form part of the IPO;
- To permit the Company to complete the IPO that shall comprise forty-eight million (48,000,000) new Ordinary Shares;
- To list the Shares for trading on the Bahrain Bourse;
- To mandate the Chairman or a delegated person to take all necessary steps and do all things to give effect to the Shareholders' resolutions including to complete the transformation of the Company from a closed joint stock company into a public joint stock company publicly traded on the Bahrain Bourse;

- To mandate the Chairman to execute the Post-Conversion Memorandum and Articles of Association for the Company; and
- To authorise the Board to determine the terms and conditions of the IPO including but not limited to the Offer Price and the Offer Period.

e) Central Bank of Bahrain – CMSD

The Company has obtained a no-objection letter from the Central Bank of Bahrain's Capital Markets Supervision Directorate dated 20 July 2014 stating that it has no objection to the use of this Prospectus for Zain Bahrain IPO.

f) Ministry of Industry & Commerce

The Company submitted an application to the MoIC for the conversion of the Company into a public joint stock company and the MoIC approved the Post-Conversion Memorandum and Articles of Association set out in Appendix B. No objection was received to the conversion of the Company to a public joint stock company within the time allowed for such objections. The approval for the conversion process was granted by the decision of the Minister of Industry and Commerce issued under Resolution 162 for the year 2013.

g) Bahrain Bourse

The Company has made an application to the Bahrain Bourse to list all the Ordinary Shares of the Company on the Bahrain Bourse. Trading in the Ordinary Shares of the Company will commence once all registration formalities are completed. A formal announcement by the Bahrain Bourse will be made to announce the commencement of trading.

3 Summary of the Offering & Use of Proceeds

Each potential investor should note that this section of the Prospectus represents a summary of the Offering only and is not intended to be a full presentation of the Offering, further details of which can be found in other sections of this Prospectus.

Offering Terms	The IPO consists of an offer of forty-eight million (48,000,000) Shares equivalent to fifteen per cent (15%) of the Company's issued share capital immediately prior to the Offering. Each Share shall have a nominal value of one hundred (100) fils and is offered at a price of BHD 0.190 per Share. The Offer is directed at institutional and retail investors in the Kingdom of Bahrain and institutional investors in the wider GCC, under the terms and subject to the conditions contained in this Prospectus. The Offer Price represents a premium of 90 fils per Share (a premium of 90% over the nominal value)
The Issuer	Zain Bahrain is a Bahraini closed joint stock company under commercial registration No. 50603, incorporated and existing under the laws of the Kingdom of Bahrain as at the date of this Prospectus. Prior to listing, the Company shall convert from a closed joint stock company into a public joint stock company
Number of Shares in the Offer	Number of Shares in the OfferForty-eight million (48,000,000) new Ordinary Shares
Type of Offering	Issue of forty-eight million (48,000,000) new Ordinary Shares to the public through an initial public offering (IPO)
Eligible Applicants	The Offering is open to Applicants from all nationalities that satisfy the Subscription Terms and Conditions, provided that the legislation of the country of the Applicant's citizenship, residence or domicile permits the Applicant to do so. Only Eligible Applicants with the ability to evaluate and bear the risk of investing in the Company should subscribe. It is the responsibility of each Applicant to establish his/her suitability to purchase Shares through this Offering. The Founders, including their subsidiaries, associates, affiliates, parent companies or Zain Bahrain's related parties are not allowed to subscribe in this Offering. Such restriction shall not apply to Zain Bahrain's employees, who are qualified to subscribe for the Offer Shares in accordance with the terms and conditions of the Offering. The employees will be subject to the requirements and restrictions imposed by the Bahrain Bourse including the requirement that such employees shall not be considered part of the 100 minimum number of Shareholders required for the listing of the Company on the Bahrain Bourse
Issued, Fully Paid and Authorised Share Capital of the Company Prior to this Offering	Pursuant to the EGM held on 28 July 2013, the Shareholders resolved that each of the thirty-two million (32,000,000) issued Shares of the Company, of nominal value BHD one (1) each, be divided into ten (10) Shares, each with a nominal value of one hundred (100) fils. Consequently, the total number of Ordinary Shares shall increase from thirty-two million (32,000,000) to three hundred and twenty million (320,000,000) with the Company's share capital remaining at BHD thirty-two million (32,000,000)
Issued, Fully Paid and Authorised Share Capital of the Company After this Offering	BHD thirty-six million eight hundred thousand (36,800,000) comprising three hundred and sixty eight million (368,000,000) Ordinary Shares, each with a nominal value of one hundred (100) fils
The Offer Price	Each Offer Share will be offered at an Offer Price of BHD 0.190 (including Share Premium)
Nominal Value	The nominal value per Share is one hundred (100) fils
Share Premium	The Share Premium for each of the Offer Shares (which is the Offer Price less the nominal value per Offer Share) is 90 fils
Total Proceeds Pending Allotment	Pending Allotment, the Subscription Funds will be held in the Subscription Monies Bank Account maintained by the Receiving Bank

Offer Shares Ranking	The Company has one class of Share, and all Shares (including Offer Shares) carry equal rights and obligations. The Shares are indivisible but two or more persons may jointly hold title to one or several Shares provided that they shall be represented in relation to the Shares by one person. Joint owners of Shares shall be jointly responsible for liabilities arising from such ownership. The Offer Shares to be issued as part of the Offer will rank in all regards pari passu with the existing Ordinary Shares of the Company, which means that they will share in the dividends, if declared, of the Company and have the rights of enjoyment and voting which match the rights of each currently issued Share. The Offer Shares will also participate in any dividends, if declared, due to be paid to the Shareholders in respect of the financial year ending 31 December 2014 on a pari passu basis with the currently issued Shares
Subscription Currency	Bahraini Dinars and fils
Pricing Methodology	The Lead Manager, the Co-Manager and the Underwriter determined the Offer Price through a book-building process targeting institutional investors. Their role and the details are set out in section 12.1.2, "Pricing of this Offering"
Minimum Subscriptions	The minimum allowable subscription is one (1) Offer Share. Applicants who apply for up to one hundred thousand (100,000) Offer Shares will be deemed to be Retail Applicants. Applicants who apply for one hundred thousand and one (100,001) or more Offer Shares will be deemed to be Institutional Applicants
Use of Proceeds	The Net Proceeds from the Offering will be used by the Company for the purposes set out below: • Capital expenditures (95% to 98% of the Net Proceeds), in order to: - Upgrade its network infrastructure to improve indoor coverage, to expand the capacity to meet high bandwidth demand and to introduce smart features for smartphones - Expand the current 4G LTE nationwide to offer data transmission speeds of up to 100 Mbps and subsequently to 150 Mbps - Deploy a nationwide fibre-optic network • General corporate expenses (2% to 5% of Net Proceeds)
Subscription Opening Date	Tuesday, 2 September 2014 (At the commencement of Banking Hours. The Banking Hours for each Approved Branch are set out in section 14.4, "Receiving Bank")
Subscription Closing Date	Tuesday, 16 September 2014 (At the cessation of Banking Hours. The Banking Hours for each Approved Branch are set out in section 14.4, "Receiving Bank")
Allotment Date	Tuesday, 23 September 2014
Distribution of Refunds Date	Tuesday, 30 September 2014

Applicant Categories and Allotment Basis	An Applicant will be categorised as either an Institutional Applicant or a Retail Applicant based on the criteria set out below: • Institutional Applicant: An Applicant is deemed to be an Institutional Applicant if it subscribes for a minimum of one hundred thousand and one (100,001) Ordinary Shares • Retail Applicant: An Applicant is deemed to be a Retail Applicant if it subscribes for less than or equal to one hundred thousand (100,000) Ordinary Shares If the total number of Ordinary Shares applied for by Eligible Applicants is less than or equal to the number of Offer Shares offered, all Eligible Applicants will be allotted the number of Ordinary Shares they have applied for. If the total number of Ordinary Shares applied for by Eligible Applicants exceeds the number of Offer Shares offered, the Company shall, in consultation with the Lead Manager and the Co-Manager, establish an Allotment basis in which the Offer Shares will be allocated as set out below: • If the number of Ordinary Shares applied for by Institutional Applicants is less than twenty-four million (24,000,000), Offer Shares will be allotted to all Eligible Applicants (Retail Applicants and Institutional Applicants) pro-rata to the number of Ordinary Shares each Applicant applied for • If the number of Ordinary Shares applied for by Retail Applicants is less than twenty-four million (24,000,000), all Retail Applicants will be allotted the number of Ordinary Shares they have applied for. The remaining Offer Shares, after allocation to Retail Applicants, will be allotted pro-rata to the Institutional Applicants based on the number of Ordinary Shares each Institutional Applicant applied for • If the number of Ordinary Shares applied for under each category, Retail Applicants and Institutional Applicants, exceeds twenty-four million (24,000,000), Applicants under each category will be allotted twenty-four million (24,000,000) Offer Shares pro-rata to the number of Ordinary Shares each Applicant applied for under its respective category Other subscription and allotment conditions are set out below: • The results of the subscription and confirmation of the basis of Allotment will be published in two (2) local newspapers in the Kingdom of Bahrain within two (2) Business Days of the Subscription Closing Date. The decision of the Company and the Lead Manager and the Co-Manager on the basis of Allotment and on each individual Allotment shall be final • Applicants under the age of twenty-one (21) should make their applications through their legal guardian • Allotment of the Shares is expected to be completed on the Allotment Date • No Shares shall be distributed pursuant to this Prospectus on any date falling three (3) months after the date of this Prospectus All Eligible Applicants will be required to make payment at the time that they submit a Subscription Application Form, and such funds will be held in the Subscription Monies Bank Account maintained by the Receiving Bank. On the Allotment Date, Applicants' deposits in the Subscription Monies Bank Account will be transferred to the Company's Share Capital Account The Company does not provide any Applicant with any assurance, representation, warranty, covenant or other statement to the effect that it will receive the full Allotment of Ordinary Shares requested by the Applicant in the Subscription Application Form
Announcement of Results of the Ordinary Share Offering and Allotment Basis of Ordinary Shares	The results of the Offering, along with the Ordinary Share Allotment basis, will be published in at least two (2) local newspapers, one in Arabic and one in English, within two Business Days from the Subscription Closing Date

Allotment and Refunds Notification to Applicants	Following the Allotment of the Offer Shares and by no later than the Distribution of Refunds Date, Allotment Notices informing the Applicants of their respective Allotments of Offer Shares pursuant to the IPO shall be made available to the Applicants for collection from the Bahrain Bourse or the Applicants' designated brokerages, and excess Subscription Funds, if any, shall be refunded. For Applicants who have paid their Subscription Funds by means of manager's cheques/demand drafts, such refunds (if any) shall be made through refund cheques that will be made available for collection by the relevant Applicants from the particular Approved Branches of the Receiving Bank where the applications were submitted. For Applicants who have paid their Subscription Funds by means of telegraphic transfers, refunds (if any) shall be made through telegraphic transfers. The bank charges for such telegraphic transfers shall be borne by the Applicants. For Applicants who have paid their Subscription Funds by means of internal transfers from bank accounts held with the Receiving Bank, the refund amounts (if any) will be credited to their bank accounts with the Receiving Bank The Ordinary Shares will be in a dematerialised form, and there will be no physical certificates representing the Ordinary Shares. Issuance of the Allotment Notices shall not constitute proof of ownership of the Ordinary Shares
Listing of Ordinary Shares on the Bahrain Bourse	The Company has applied to the CBB and the Bahrain Bourse to admit all of the Ordinary Shares for trading on the Bahrain Bourse under the symbol "ZAINBH". The Ordinary Shares shall be registered under ISIN code BH000421H896
Lock-In Period	Under the laws of the Kingdom of Bahrain, Founders shall be restricted from transferring their Ordinary Shares for a period of one year beginning on the Commencement of Trading Date
Commencement of Trading Date	Trading of the Shares on the Bahrain Bourse will commence as soon as practicable following the Subscription Closing Date. An announcement will be made by the Bahrain Bourse confirming the date that the trading of the Shares will commence, after signing the required listing and trading agreement with the Bahrain Bourse
Rights and Obligations of Shareholders	The rights and obligations of the Shareholders are set out in section 15.2 "Post-Conversion Memorandum and Articles of Association"
Dividend	Each Ordinary Share shall entitle the holder to participate in the dividends, if declared by the Company. Each Ordinary Share will also participate in any dividend due to be paid to Shareholders in respect of the financial year ending 31 December 2014 on a pari passu basis with the currently issued Shares
Subscription Application Forms	Subscription Application Forms will be made available to Applicants at the Approved Branches of the Receiving Bank Each Applicant is permitted to submit only one Application Form. Submission of multiple Subscription Application Forms by an Applicant may void all Subscription Application Forms except for the Subscription Application Form first submitted to the Receiving Bank or the Subscription Application Form seeking the purchase of the highest number of Ordinary Shares Once a Subscription Application Form has been accepted by the Receiving Bank and Subscription Funds have been transferred to the Receiving Bank by an Applicant, the Subscription Application Form cannot be withdrawn and Subscription Funds will not be returned except under the circumstances described in this Prospectus

Mode of Payment of the Subscription Funds	Applicants must remit to an Approved Branch their cleared Subscription Funds in Bahraini Dinars using one of the methods set out below: • by way of internal transfer from an account held with the Receiving Bank; • by way of manager's cheque/demand draft (to be drawn in Bahraini Dinars for the Receiving Bank); or • by way of telegraphic transfer (payment instructions to clearly mention the related Subscription Application Form number and the amount of funds that are payable, net of any bank charges). Telegraphic transfers can only be made in Bahraini Dinars and can only be made for amounts greater than BHD five hundred (500) Cash deposits or personal cheques will not be accepted. Applicants who do not already have an Investor Number (IN) and a Securities Account with the Bahrain Bourse must include with their Subscription Funds the Bahrain Bourse IN Fee and the Securities Account Fee. Applicants who already have a Bahrain Bourse IN must state the IN on the Subscription Application Form and provide documentary evidence of such account. Applicants must make their payments net of any bank charges, at the same time as submitting their Subscription Application Forms
Issue Managers	The Issue Managers comprise Gulf International Bank B.S.C. (as Lead Manager) and Watani Investment Company K.S.C.C. (as Co-Manager)
Receiving Bank	BBK, a CBB-licensed bank. For details concerning the Approved Branches, please refer to "Receiving Bank" in section 14.4
Underwriting Arrangement	The Underwriter has, subject to customary terms and conditions included in the Underwriting Agreement entered into with the Company, agreed to underwrite the issue of forty-eight million (48,000,000) new Ordinary Shares offered to the public pursuant to the Offering
Depositary Arrangements	All Applicants are required to have an Investor Number (IN) and a Securities Account with the Bahrain Bourse. Applicants who do not have Investor Numbers or a Securities Account with the Bahrain Bourse will be required to pay the Investor Number Fee and the Securities Account Fee at the time of application for subscription. Initially, all Ordinary Shares purchased in the Offering will be held in Applicants' Bahrain Bourse Depository Accounts. Refer to section 15.8 "The Securities Market in Bahrain" Subscription Funds collected from Applicants will be deposited in the Subscription Monies Bank Account held by the Receiving Bank Following the Allotment and the refund of excess Subscription Funds, the Gross Proceeds of the Offering will be transferred to the Company's Share Capital Account until the Shares are admitted to trading
Risk Factors	There are certain risks relating to an investment in the Company. Some of these risks are described in section 13.2 "Risk Factors" which should be considered carefully by all Applicants prior to making a decision to invest in the new Ordinary Shares

4 Expected Offering Timetable

Tuesday, 2 September 2014 to Tuesday, 16 September 2014	Offer Period
Tuesday, 2 September 2014	Subscription Opening Date
Tuesday, 16 September 2014	Subscription Closing Date
Thursday, 18 September 2014	Subscription results and Allotment basis announcement date (within two Business Days from Subscription Closing Date)
Tuesday, 23 September 2014	Allotment Date
Tuesday, 30 September 2014	Distribution of Refunds Date
No later than 14 October 2014	Extraordinary General Assembly
To be announced by the Bahrain Bourse	Commencement of Trading Date

5. Information on the Issuer

The information and statements provided in this section have been compiled solely by the Company's Management.

5.1 Background and History

5.1.1 Background

Zain Bahrain B.S.C. (Closed) was incorporated in the Kingdom of Bahrain on 19 April 2003 under its former name, MTC-Vodafone Bahrain B.S.C. (Closed). The Company is a closed joint stock company, in accordance with the Commercial Companies Law, having its headquarters and its operations in Bahrain.

Zain Bahrain has been constituted to install, operate and manage telecommunications operations in accordance with the licences awarded to it by the TRA and in compliance with Articles 25, 29 and 39(b)(1) of the Telecommunications Law, which is the law regulating telecommunications markets in Bahrain.

The following table highlights the Company's official address, contact numbers and other incorporation details.

Table 1 – Company Details

Indicator	Description
Name	Zain Bahrain B.S.C. (Closed)
Domicile	Kingdom of Bahrain
Address of Principal Office	Building No. 662 Road No. 2811, Block No. 428 Al-Seef District, P.O. Box 266, Kingdom of Bahrain
Telephone Number	(+973) 3603 1000
Facsimile Number	(+973) 3603 1900
Web Address	www.bh.zain.com
Primary Areas of Business	Telecommunications
Date of Incorporation	19 April 2003
Operating Period	10 years and 7 months (as at 28 July 2014)
Company Registration Number	50603
Changes of Name	8 September 2007: Company name was changed from "MTC-Vodafone (Bahrain) B.S.C. (Closed)" to "Zain B.S.C. (Closed)" 19 February 2009: Company name was changed from "Zain B.S.C. (Closed)" to "Zain Bahrain B.S.C. (Closed)" Source: The Company

Source: The Company

5.1.2 History

Zain Bahrain is a leading telecommunications operator in the Kingdom of Bahrain, offering state-of-the-art fixed and mobile telecommunications services, including voice, video, messaging (SMS and MMS), high-speed data connectivity and VAS services to Post-paid and Prepaid customers.

Zain Bahrain was awarded an Individual Mobile Telecommunications Licence (IMTL) on 22 April 2003 by the TRA. The licence authorised the Company to constitute a public telecommunications network and to hold the second facilities-based mobile services licence to operate a 2G and 3G telecommunications network in Bahrain in the 900 MHz, 1800 MHz and 2100 MHz frequency bands. Subsequently, on 18 August 2003, the Company was awarded an ISP licence, authorising the Company to provide public internet services on a non-exclusive basis. The Company completed the rollout of its 2G, EDGE and 3G networks and launched its commercial operations on 28 December 2003.

The Company's network infrastructure and services have undergone continued enhancements since the Commercial Launch Date. In October 2004, the Company established its own international facilities for carrying international calls. During January 2005, the Company completed the process of adding 3G service to the portion of its base stations that were hitherto 2G-only base stations, thereby significantly expanding the coverage of the 3G network. In June 2006, the Company introduced the HSDPA service, offering Mobile Broadband services of speeds of up to 1.8 bps. During year 2011, the Company upgraded its network infrastructure, following an area-by-area implementation plan, to support HSPA+, a technology offering end-user downlink data transmission speeds of up to 21 Mbps and uplink data speeds of up to 1.6 Mbps. During year 2012, the Company subsequently further upgraded its network, also following an area-by-area implementation plan, to support end-user downlink data speeds of up to 42 Mbps.

On 8 January 2007, Zain Bahrain was awarded one of two licences for National Fixed Wireless Services (NFWS) to offer fixed wireless services in Bahrain utilising the 3.5 GHz frequency band. By adopting the WiMAX technology for this service, Zain Bahrain completed the rollout of its network (at the time utilising the IEEE802.16d WiMAX variant) and launched commercial services in September 2007. The Company thereby became a provider of fixed telephony and internet services, serving residential as well as business customers, alongside and complementing its mobile telecommunications offerings. In year 2011, the Company took a strategic decision to begin offering enterprise services, including PBX voice, dedicated internet access and local private data lines.

In the first quarter of 2013, the Company started a project for replacing its network with a completely new network. This project included the introduction of fourth generation mobile technology, known as 4G LTE, offering data speeds of up to 100 Mbps, which was commercially launched in April 2013. The project also included a new fully IP-based transmission network and enhanced signal coverage, and was near completion at the time of preparing this Prospectus.

As at 31 December 2013, Zain Bahrain had 724,548 mobile subscribers, representing a mobile market share of around 33%, as well as 47,914 Fixed Wireless subscribers. For the year ended 31 December 2013, Zain Bahrain's annual revenues amounted to BHD 78,081,000 and its profit for the year amounted to BHD 5,403,000.

To date, Zain Bahrain has invested heavily in the deployment of its network infrastructure, systems and services. Over FY 2011-2013 and Q1 2014, Zain Bahrain invested BHD 65,549,000 in land and buildings, network equipment, office equipment fixtures and furniture whilst it disposed of assets with a historical cost of BHD 10,267,325. The capitalised work-in-progress primarily relates to network equipment. As at 31 December 2013, 84.7% of the Company's capitalised work-in-progress was earmarked for network equipment enhancement amounting to BHD 10,831,000. Of this amount, 51.5% relates to 2G, 3G, 4G, transmission links and a telecom support system.

5.1.3 Public Take-Overs

No public take-overs of the Company's shares have taken place since incorporation of the Company.

5.2 Principal Business Activities

- The principal business activities of Zain Bahrain, as defined in the Company's Memorandum and Articles of Association, are set out below:
- To hold the second mobile licence in Bahrain and build, roll out, and commercially operate the associated mobile network and such other related business as the Board may determine
- To import, export and sell communications systems
- To provide mobile telecommunications services
- To provide communications products and services as well as support services
- To provide international telecommunications facilities services
- To act as an ISP
- To provide VAS services
- To build, roll out and commercially operate National Fixed Wireless Services

The requisite telecommunications licences required by the Company to fulfil its objects have been secured. Details of these licences are provided in section 5.3.7 ("Licences").

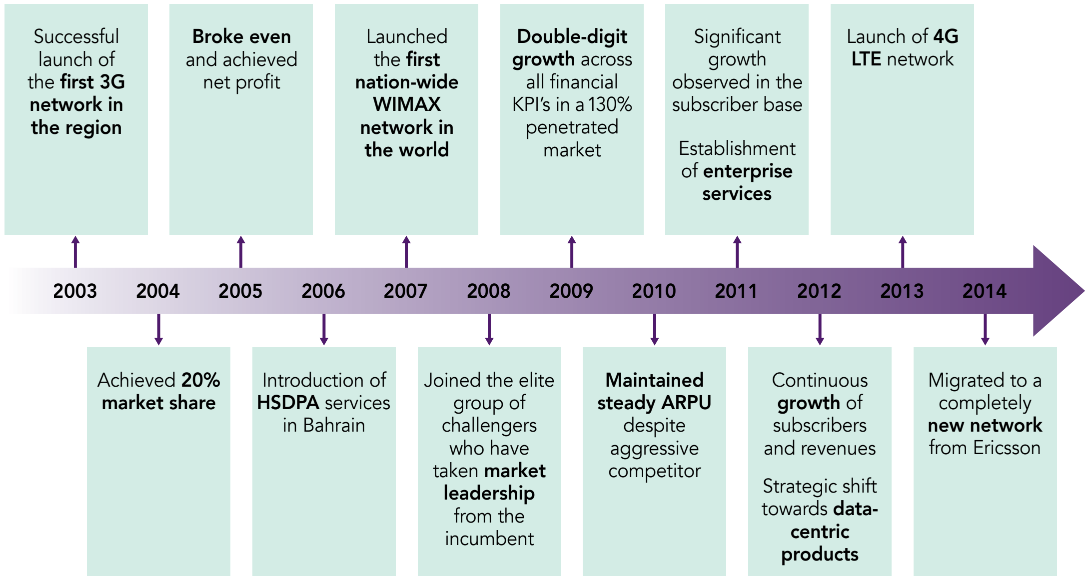
5.3 Business Overview and Strategy

5.3.1 Business Overview

To date, Zain Bahrain has re-shaped the Bahraini telecommunications landscape with an innovative technological and marketing approach. In over a decade of operations, Zain Bahrain has accumulated extensive experience in transforming leading-edge technology into effectively segmented products and services and has demonstrated a track record of excellence in commercial operations.

The following timeline provides a non-exhaustive list of the major milestones and achievements of Zain Bahrain since the Commercial Launch Date.

Figure 1 – Zain Bahrain's Major Milestones since Launch



Source: The Company

Zain Bahrain's proven pedigree is the transformation of the market to next-generation technologies. Zain Bahrain has a track-record of deploying high-quality products and services as well as value-generating commercialisation of leading-edge mobile technologies. Zain Bahrain pioneered the deployment of 2.5G, 3G and 3.5G in Bahrain, and most recently the 4G LTE networks, becoming the first to package and market the unique features and services enabled by these technologies.

5.3.2 Company's Vision

The Company's vision is "to deliver on the promise of a wonderful world; empowering people, businesses and communities we serve through an inspiring digital lifestyle experience". The core philosophies that drive Zain Bahrain's operating activities aim at delivering cutting-edge and innovative products and services to enhance its customers' lifestyles and to ensure best-in-class customer experience across the entire customer value-chain. Over the next 3 to 5 years, the Company's goal is to build a strong and sustainable integrated telecommunications business with a renewed focus on customers, employees and stakeholders. The Company's strategy aims to protect its core business, identify new revenue streams and inspire its people.

The Company will continue to focus on the strategic pillars set out below:

- Customer experience
- Business growth through acceleration of data take-up, enterprise and adjacent services
- Operational effectiveness
- People development

These strategic pillars are designed to engender greater focus on delivering an enriching customer experience, whilst extracting more value from the Company's existing assets through operational efficiency.

Enterprise services and adjacent growth opportunities, such as machine-to-machine services, strategic partnerships with Over-The-Top (OTT) players, will stimulate the take-up of data services and will provide new revenue streams to further enhance the financial performance of the Company.

Finally, the Company's strategy focuses on its employees and stakeholders. The employees are the Company's most valuable assets. As a socially responsible business, the Company will seek to continuously engage with its stakeholders, address community deficits and promote sustainable development.

5.3.3 A Pioneering Culture of Innovation

Zain Bahrain's strategic focus on delivering sustained value-creating innovation and superior customer experience has driven the launch of multiple pioneering products and services and resultantly has played an important role in the development of the telecommunications market in Bahrain. Zain Bahrain continues to have a profound impact on the telecommunications market in Bahrain by addressing various market segments more effectively through its deep understanding of the value-drivers of its customers.

A non-exhaustive list of the Company's key innovations and pioneering efforts in Bahrain and the broader Middle East region is set out below:

- First to launch a nationwide combined EDGE and 3G network in the Middle East region on 28 December 2003.
- First to launch mobile entertainment services "World of WoW" in Bahrain in December 2003.
- First in the Middle East region to launch mobile TV services in July 2004.
- First in Bahrain to commercialise and package high-speed mobile data connectivity with the launch of its data connectivity card in partnership with Vodafone in year 2004.
- First in Bahrain to introduce sophisticated VAS services for its corporate clients such as closed user group and private mobile network dialling in year 2005.
- First to launch a nationwide 3G service worldwide, in year 2005.
- First in Bahrain to introduce the ring-back tones service in June 2005, allowing its customers to choose their preferred music tracks for playing back to their callers while the phone is ringing.
- First in Bahrain to commercialise and package high-speed mobile data connectivity enabled by its cutting-edge HSDPA network through the launch of its e-GO mobile Post-paid portfolio of products in year 2006.
- Launched eeZee CC, an innovative mobile Prepaid package, in year 2007, targeted towards the under-served international expatriate segment, with an innovative preferential international rates proposition. This marketing initiative resulted in a significant upward shift in mobile service adoption within the segment, whereby penetration increased from approximately 40% to approximately 80% within a period of 18 months.
- First in Bahrain to introduce handset subsidies via its Hewar mobile portfolio of Post-paid mobile products in year 2008. This feature proved to be immensely popular in the market and drove the adoption of mobile computing and email in Bahrain.
- First in Bahrain to launch an m-commerce product/mobile wallet service, in year 2008, aptly named Zain Wallet.
- First to offer "family multi-play services" in Bahrain, in year 2011, through the launch of the "Zain Family Offer" with its Home Broadband portfolio of products. This offer is a unique proposition that bundles multiple mobile data connections with fixed home internet connections to ensure affordable on-the-go data connectivity for the whole family. The proposition changed the customer behaviour in the market with the resulting evolution of internet service offerings from a household product to an individual one.
- First in Bahrain to launch and market a mobile self-care application fully integrated with its billing, provisioning and CRM systems, in the first half of year 2013. The application is fully compatible with Android, iOS, and BlackBerry operating systems.
- Launched a portfolio of ultra-high speed Home Broadband packages powered by its latest 4G LTE network in the first half of year 2013.
- First in Bahrain to introduce mobile HD Voice (high-definition voice), which embodies the next generation of voice audio quality for telephony, providing a dramatic improvement in voice clarity compared to standard digital mobile telephony.

5.3.4 Competitive Strengths

The Company has several competitive strengths that enable it to compete effectively with other mobile telecommunications operators in Bahrain, particularly by supporting its unique positioning and enabling it to build and maintain its market share as the market grows.

Management believes that the Company's principal competitive advantages and opportunities are as set out below:

Advanced Network Infrastructure: The Company possesses state-of-the-art advanced network infrastructure supporting its mobile and WiMAX-based Fixed Wireless access operations. The infrastructure consists of radio base stations, core network systems (switches, intelligent network platforms, and ISP platforms), IT, billing systems and mediation devices. Zain Bahrain currently supports 2G, 3G, 3.5G and 4G LTE services and is poised to migrate towards the latest LTE-advanced technology. The network infrastructure allows Zain Bahrain to flexibly grow its subscriber base, offer high-speed data connectivity (up to 100 Mbps per user) and offer enterprise solutions to corporate users. Furthermore, with Zain Bahrain's planned deployment of Ericsson's convergent Charging-and-Billing-In-One (CBIO) platform, which is an end-to-end real-time revenue management environment for customer management, charging and billing and discount and promotion handling solution, the Company will have the flexibility to offer targeted product bundles, tariff plans and payment options to the market.

Licences: The Company possesses operating service licences and accompanying frequency licences which provide full authorisation to provide 2G, 3G and 4G mobile services (through to 19 September 2028), Fixed Wireless (WiMAX or equivalent) services (through to 7 January 2022) and ISP services (through to 18 August 2018).

Strong Brand Positioning and Recognition: The key objective of the Company in marketing its products and services is to convey the Zain Brand, its values and its customer offerings in a positive and proactive manner in order to differentiate the Company from its competitors. The Zain Brand is an award-winning brand, rated number one in the Arab world by the Arab Society for Intellectual Property[1]; rated number nine amongst the top 50 brands in the MENA region with brand equity of USD 1.18 billion[2]; and rated number 73, with an AA- rating, by Brand Finance[3], the global brand tracker. The Company continues to draw on each aspect of its branding, acknowledged by customers as delivering high customer satisfaction, value and innovation, to drive growth and profitability. The Company does this through a variety of initiatives, including but not limited to sponsoring high profile sporting and educational events. In September 2007, along with its Parent Company and other operating companies in the Zain Group's portfolio, the Company was rebranded as "Zain" changing its name from "MTC-Vodafone (Bahrain)" to "Zain Bahrain". Zain Bahrain believes that its brand is a key competitive strength and the brand positioning in relation to its customers is an essential factor to achieve its aim of attracting and retaining a diverse mix of customers. Zain Bahrain believes that the Zain Brand gives the Company the credibility, awareness and appeal of a recognised regional brand, broadly communicated in regional media across multiple countries in the Middle East region. Zain Bahrain focuses its marketing efforts on leveraging the emotional attributes of the Zain Brand: "spirited, imaginative, optimistic, strong, caring, sociable, daring and colourful". Zain Bahrain seeks to align its brand and services portfolio to reflect these attributes and, in turn, to enhance the customer experience in order to build customer loyalty to the Zain Brand. Zain Bahrain aims to maintain and strengthen its vibrant brand image that resonates with its customers and distinguishes it from other telecommunications operators by focusing on the positioning of its emotional brand to reflect the key values of its target customers.

Strategic Partnerships: A core component of Zain Bahrain's product innovation and differentiation strategy is to actively develop strategic partnerships that enable it to bundle its products with complementary products and services. As such, Zain Bahrain has pivotal partnerships with global and regional brands, such as Apple, Samsung, and BlackBerry to fulfil customers' needs more comprehensively, generating synergies and efficiencies across the entire organisation. Zain Bahrain's partnership with Vodafone, via the Zain Group partner market agreement with Vodafone, is one of the most crucial among its portfolio, especially in terms of data products, services and devices. The agreement provides Zain Bahrain's customers with greater support in Vodafone's global footprint. Zain Bahrain has access to Vodafone data products, devices and services. Vodafone brings to Zain Bahrain a suite of world class consumer, business and global enterprise products and services.

Diversified Product Portfolio: The Company has developed and launched a range of products and services and tariff plans which have been designed with appropriate customer segmentation. The Company offers tailored consumer and business packages or bundles in relation to voice, messaging (SMS and MMS), high-speed data connectivity and VAS services as well as roaming services.

Relationship with the Parent Company: The Company has entered into an exclusive Management Agreement with its Parent Company, Mobile Telecommunications Company K.S.C., which enables the Company to benefit from the Parent Company's technical expertise and commercial know-how in establishing, building and managing mobile telecommunications networks over the last 30 years. Furthermore, the Parent Company's existing commercial relationships assist the Company to exploit opportunities, benefit from economies of scale and, accordingly, optimise costs. For example, the Parent Company has supported and continues to support the Company's operations by negotiating and agreeing advantageous terms with equipment and device vendors in respect of the on-going development of the network – thereby leveraging Zain Group's stronger purchase power.

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1 Arab Society for Intellectual Property ("ASIP'): Online poll across 54 countries, commencing in September 2012 to promote and highlight the most famous Arab trademarks, which concluded in May 2013. The survey included 200 of the most recognizable Arab trademarks across all Arab countries with over 100,000 respondents participating in a questionnaire issued through ASIP's website (www.toparabbrands.com)

2 Brand Finance and Gulf Marketing Review; Top 50 MENA Brands 2013, May 2013

3 Brand Finance, (www.brandfinance.com), a leading brand valuation consultancy

The Parent Company also continuously supports the Company in its negotiations with international roaming partners as well as facilitates employee recruitment and the participation in regional initiatives. In addition, the Company benefits from the brand awareness created through Zain Group's regional media advertising.

Culture of New Innovative Products and Services: The introduction of new and innovative products and services along with the Company's continuous efforts to position itself as the best value proposition for its customers has been one of the key success factors behind the growth of the Company's mobile customer base.

Strong Distribution Network and Partner Relationships: Zain Bahrain has 22 branded stores in Bahrain and a network of more than 2800 authorised points of sale, that provide the Company with a range of distribution channels across the country, helping the Company to support the strong acquisition of new subscribers. In addition, the Company has strong relationships with distribution partners that have telecommunications expertise and a high level of retail knowledge, and has implemented a commission scheme in order to incentivise high performance. Moreover, the Company has introduced a variety of innovative payment methods including the utilisation of mobile money, electronic top-up, credit transfer, web-based payment, mobile app-based payment, and cash deposits at retail shops.

Experienced Management Team: The Company's management team comprises individuals with extensive experience in the mobile telecommunications sector, most of whom have been with the Company for a decade (since incorporation) and others who have had experience launching mobile telecommunications operators in Middle Eastern countries and other emerging markets. The Company has been successful at attracting and retaining the best Bahraini and expatriate employees, with very high employee engagement. The General Manager of the Company, Mr Mohammed Zainalabedin was listed by the Global Telecom Business in two consecutive years – year 2009 and year 2010 - amongst the top 40 business executives under the age of 40 in the telecommunications industry worldwide. Zain Bahrain has also secured several Bahraini as well as GCC awards for its focus on the localisation of employment opportunities in Bahrain, including the Outstanding Establishment Achievement award bestowed by the Minister of Labour and Social Affairs in year 2007.

5.3.5 Description of Operations

5.3.5.1 Mobile network

Zain Bahrain's mobile network comprises 2G (GSM/GPRS/EDGE), 3G (WCDMA/HSPA/HSPA+), and 4G LTE technologies and services. There are two Network Switching Sub-system (NSS) sites, also referred to as "Core Sites", housed in buildings owned by Zain Bahrain and located in the Tubli and Sanad districts. In March 2013, the Company signed a contract with Ericsson to swap the previous network, supplied by NSN, with the latest core network technology and the latest single Radio Access Network (single RAN) comprising equipment chassis that combines 2G, 3G, and 4G LTE equipment. The contract also includes a significant increase in the number of base stations to enhance the network coverage and capacity, adding full geographical redundancy in the core network to ensure maximum service availability and, for the first time in Bahrain, introducing high-definition voice (HD Voice), a feature that will significantly improve the clarity of the voice in mobile telephone conversations. The swap of network infrastructure ensures that the Company has access to the latest evolution of technology solution, with a useful life of eight years.

At the time of preparing this Prospectus, all of the functions of the core network and the majority of radio base stations have been migrated to the new network.

5.3.5.2 WiMAX network

Zain Bahrain operates a WiMAX network to provide fixed and nomadic broadband and voice services in accordance with the NFWS licence granted by the TRA.

The technology deployed in this network is based on the IEEE802.16e standard. Zain Bahrain's network comprises base stations that cover over 95% of the population of Bahrain, and are collocated, on the same towers or buildings, with those of the mobile network.

5.3.5.3 Transmission network

The transmission network interconnects all the sites in the network together using two technologies: microwave links and optical fibres. Historically, all the base stations were connected to the Core Sites through microwave links.

In order to cater for the high bandwidth demand generated as a consequence of the advancement in mobile internet services and devices in recent years, Zain Bahrain has initiated a new programme for the deployment of a national fibre-optic network, initially connecting "hub sites" (base stations used to connect to other base stations), and gradually increasing its capillarity to encompass more base stations at the edges of the network. As at 1 March 2014, the Company had 138 kilometres of fibre-optic network cables. This is planned to reach 300 kilometres by the end of year 2014.

In addition to the dramatic increase in the capacity and reliability of the physical layer of the transmission network that is brought about by fibre-optic cables, the part of the transmission network that remains on microwave links is also undergoing a complete replacement. This is part of the same contract with Ericsson referred to in section 5.3.5.1 above, and includes not only the swap of the radio hardware to the latest products of Ericsson, but also the conversion to full IP, where all the traffic, voice and data, over microwave or fibre, is transmitted using IP, thereby providing the greatest resilience, protection and efficiency in routing the traffic between the network nodes.

5.3.5.4 Internet Service Provider (ISP)

Zain Bahrain's ISP platform provides internet and other data services through mobile (2G, 3G and 4G LTE), WiMAX, and dedicated links. The ISP systems, which are located at the same two mobile Core Sites, are, at the time of preparing this Prospectus, undergoing a major revamp that will bring about capacity expansion, and will render the two sites fully redundant to provide maximum protection. This revamp project is due for completion by the end of the second quarter of 2014.

5.3.5.5 Billing management system

The Company currently operates with an advanced and integrated billing platform, otherwise known as TABS™ – Telecom Advanced Business Solutions (designed by International Turnkey Systems and now part of Huawei's portfolio of products) for mobile, ISP and traditional fixed network services and applications. Post-paid Customers are provided with facilities that enable them to review and query their bills online.

Zain Bahrain is currently in the process of replacing its billing and intelligent network platforms with a convergent Charging-and-Billing-In-One (CBIO) platform, an end-to-end real-time revenue management environment for customer management, charging and billing, and a new Customer Relationship Management system (CRM). The new CBIO platform will allow the Company to handle all customers, partners and services in a streamlined, convergent process, covering Prepaid and Post-paid, voice and data, fixed and mobile, retail and wholesale customers in real-time. Traditional telecom services such as voice, messaging (SMS and MMS) and broadband including bundled quadruple play offerings are all supported. Furthermore, the billing platform will allow the Company to expand into new machine-to-machine offerings and advanced subscriber and partner management capabilities, which creates vast opportunities for innovation.

5.3.5.6 Information Technology systems

Zain Bahrain operates and manages a wide range of Operation Support Systems (OSS) and Business Support Systems (BSS) supporting network management, customer provisioning and billing, customer service, marketing analysis, financial, human resources, enterprise resource management and other functions. The Company owns additional business intelligence tools which are employed for revenue assurance, fraud management, and performance monitoring. The Company also operates a call centre with an advanced IVR system, and a comprehensive web portal that allows Customers to view their account balances, pay their bills (in case of Post-paid), top up their accounts (in case of Prepaid), subscribe to various Zain services, be updated with the latest offers and promotions currently available at Zain Bahrain, and obtain information on Zain Bahrain's outlets' locations and working hours. The IT department complies with the related policies and procedures in order to ensure information security, performance and business continuity. IT applications maintain appropriate levels of redundancy to ensure optimal operation and systems availability at all times. Through its relationship with the Parent Company, the Company is able to acquire systems and applications at competitive terms.

5.3.6 Telecommunications Regulatory Framework

The Telecommunications Law identifies the stakeholders and their responsibilities as well as the regulatory framework and policies governing the telecommunications industry in Bahrain. The Telecommunications Law sets out the following salient principles:

- The Telecommunications Law formally establishes the TRA as a financially and administratively independent public sector regulatory body with the responsibility of protecting the interests of subscribers and users, promoting effective and fair competition among established and newly licensed telecommunications operators and ensuring that, during any new licensing process, the suitably qualified operators are selected to provide public telecommunications services. Matters which fall within the remit of the TRA include but are not limited to:
  - Technical standards and rules;
  - All licences and payment of licence fees;
  - All licensing;
  - Frequency migration;
  - Accounting separation;
  - Interconnection;
  - Access to the network and its facilities;
  - Services tariffs;
  - Access to, acquisition and removal of encumbrances on real property;
  - Numbering;
  - Universal service;
  - Promotion of competition;
  - Equipment approvals; and
  - Compliance with licence and other conditions.

- The Telecommunications Law also sets out the authorities and responsibilities of the TRA's chairman, its board of directors, the General Director, and the Minister who has responsibilities for telecommunications affairs. The General Director is responsible for setting up the internal structure and organisation of the TRA and, in conjunction with the Ministry of Finance, the General Director is responsible for the preparation of the budget for each financial year. The budget is approved by the TRA board of directors.
- The Telecommunications Law also stipulates the joint role of the Minister and the TRA in developing and preparing a National Telecommunications Plan (NTP), issued every three years, to be approved by a resolution of the Council of Ministers as well as in proposing drafts of laws pertaining to the telecommunications sector in coordination with the TRA. This plan will set out the strategic policies on the telecommunications sector. To date three national plans[4,5,6] have been issued. Furthermore, it sets out the role of the Minister in supervising the implementation of the NTP as well as in representing Bahrain in regional, Arab and international organisations, committees and unions that are concerned with telecommunications affairs.
- The Telecommunications Law defines the terms and conditions of "individual licences" (which may also require the use of scarce resources such as spectrum and numbering ranges) and "class licences" as well as frequency spectrum management, customer registration, interconnection between operators; and dispute resolution between operators and between customers and operators.
- The TRA issues telecommunications regulations, orders and determinations as may be necessary in accordance with Article 3(c) of the Telecommunications Law. Furthermore, in accordance with Article 3(f) of the Telecommunications Law, the TRA issues public consultations (to which interested parties may comment) when determining to take measures that will have a material effect on a particular telecommunications sector.

There are two different classes of licences that are issued under the Telecommunications Law as set out below:

- Individual Licences: For the establishment or operation of public telecommunications networks, the establishment or operation of international telecommunications infrastructure or the offering of public telecommunications services or international access services that require the use of national scarce resources (such as frequency spectrum). Licences in this category include: mobile telecommunications services, paging services, Very Small Aperture Terminal (VSAT) Services, Public Access Mobile Radio (PAMR) Services, international telecommunications facilities, international telecommunications services, national fixed services and National Fixed Wireless Services.
- Class Licences: For the establishment or operation of private telecommunications networks or services that may or may not be connected to the public network but which do not use any national scare resource such as frequency spectrum, numbering ranges nor require the obligation to connect to other licensed networks in Bahrain. These licences include those for internet services and for VAS services.

Since 1 January 2003, a total of 185 telecommunications licences[7] have been awarded to 74 companies in Bahrain, 52% of which are individual licences in the national fixed, Fixed Wireless access, mobile, international services and international facilities domains; 46% of which are of the class licence variety in the ISP and VAS service spaces, and the remaining 2% of which cover frequency and internet exchange licences.

5.3.7 Licences

As a telecommunications services provider, Zain Bahrain must have the necessary service licences as well as radio frequency licences issued by the TRA. Zain Bahrain operates in accordance with the telecommunications licences awarded by the TRA, and as such must comply with the terms and conditions of these licences and with the TRA's regulations in general, as well as other governmental regulations and decisions relating to, among other things, commercial, national security, municipal and environmental regulations.

The Company currently holds seven telecommunications licences in Bahrain as set out below:

a. Individual Mobile Telecommunications Licence (2013 Form) (IMTL)

Zain Bahrain's IMTL was issued on 19 September 2013 for a 15-year term. This licence supersedes the first IMTL licence that was issued to Zain Bahrain on 22 April 2003. This licence grants Zain Bahrain the right to provide mobile telecommunications services, including voice calling, text messaging, multimedia messaging, data and access to the internet, using the Company's mobile telecommunications network.

This licence also permits the licensee to apply to the TRA for the right to use frequencies or frequency bands in accordance with a frequency licence to be granted under Article 44 of the Telecommunications Law. Zain Bahrain has secured an amended frequency licence (dated 19 September 2013) which restates the period of authorisation of the use of the Company's existing spectrum bands. In addition, the Company has obtained a new frequency licence (also dated 19 September 2013) setting out the period of authorisation of the use of a new 2 x 5 MHz spectrum block in the 2100 MHz spectrum band. The following table highlights the currently allocated spectrum bands under the terms of the associated frequency licences.

4 First national Telecommunications Plan, issued 20 July 2003
5 Second National Telecommunications Plan, issued on 13 February 2008
6 Third National Telecommunications Plan, issued on 3 July 2012; subsequently amended on 20 July 2013
8 Telecommunications Regulatory Authority Website (www.tra.org.bh) – Current Licensees

Table 2 - Spectrum Bands Allocated for Zain Bahrain's IMTL

Frequency Band	Transmission Frequency Bands (MHz)		Zain Bahrain's Frequency Licences Dates	
	Mobile station	Base station	Grant Date	Expiry Date
900 MHz	885.6 – 890 901.8 – 909.4	930.6 – 935 946.8 – 954.4	13 August 2003	12 August 2018
1800 MHz	1710 – 1735	1805 – 1830	13 August 2003	12 August 2018
2100 MHz	1920 – 1935	2110 – 2125	13 August 2003	12 August 2018
2100 MHz	1975 – 1980	2165 – 2170	19 September 2013	18 September 2028

Source: The Company

Other salient points in respect of the terms and conditions of the IMTL and the accompanying frequency licences are set out below:

- Payment of an annual licence fee of up to 1% of the licensee's gross annual turnover calculated according to a schedule of fees approved by the board of the TRA.
- Payment of an annual frequency licence fee for the spectrum allocated to the Company according to a schedule of fees approved by the board of directors of the TRA.
- Payment of any spectrum usage rights fee stipulated in the frequency licence – Zain Bahrain is required to pay BHD 900,000 in four (4) instalments over a period of three years.
- Making 15% of the Company's issued share capital available for public subscription on or before 31 December 2013. (Note: The public offering was not completed by the Licence Obligation Date, and the Company made representations to the TRA in respect of the elapsed deadline and the circumstances surrounding it, and of the progress the Company was making in the run-up to the launch of the IPO. However, the TRA, on 3 July 2014, issued Article 35 Order No.1 of 2014 in which the TRA considered that Zain Bahrain had failed to comply with its material license obligation in regard to the launching of an IPO by the License Obligation Date, something that constituted a severe breach of its IMTL, and as a result the TRA ordered Zain Bahrain to pay a fine. The TRA determine the fine to be in the amount of BHD 60,000 for each month of delay in launching the IPO in the period from 1 January 2014 to 30 June 2014; BHD 90,000 for each month of delay in launching the IPO in the period from 1 July 2014 to 31 December 2014; and BHD 180,000 for each month of delay thereafter. By virtue of launching the IPO Zain Bahrain has now fulfilled the IPO obligation as set out in its IMTL.)
- Achieving 99% population coverage (based on an outdoor measurement) within a period of nine months from the licence award.
- Maintaining a performance bond amounting to BHD 500,000 to guarantee satisfaction of the coverage obligation for a period of at least four years, subject to a subsequent approval by the TRA, at its sole discretion, for releasing the performance bond.
- Ensuring that at all times the equity-to-debt ratio does not exceed 1:0.75.
- Renewal of the licence for a further 10 years, provided that the Company has not committed a material breach as defined in the terms and conditions of its licence.
- Applying for and securing access to the microwave spectrum for backhaul transmission in the 7, 13, 18, 23, 38, and 42 MHz bands. The licence for these frequencies is renewable on an annual basis for individual frequencies.

b. Individual National Fixed Wireless Telecommunications Service Licence (NFWS)

The NFWS licence was issued on 8 January 2007 with a 15-year term. This licence authorises Zain Bahrain to provide fixed and nomadic telecommunications services, including broadband internet service as well as local and international voice service, using a wireless network that operates in the frequency spectrum band of 3.5 GHz.

The following table highlights the currently allocated spectrum bands under the terms of the associated frequency licences.

Table 3 - Frequency Spectrum Bands Allocated for Zain Bahrain's NFWS Service

Frequency Band (MHz)	Zain Bahrain's Frequency Licences Dates	
	Grant Date	Expiry Date
3410 MHz – 3500 MHz	8 January 2007	7 January 2022

Source: The Company

Other salient points in respect of the terms and conditions of the licence are set out below:

- Payment of an annual licence fee of up to 1% of the licensee's gross annual turnover calculated according to a schedule of fees approved by the TRA's board of directors.
- Renewal of the licence for a further term of 10 years provided the Company has not committed a material breach as defined in the terms and conditions of its licence.
- Applying for and securing access to the microwave spectrum for backhaul transmission in the 7, 13, 18, 23, 38, and 42 MHz bands.

c. Individual International Telecommunications Services Licence

The individual international telecommunications services licence was issued on 1 July 2004 with a 15- year term. This licence authorises Zain Bahrain to provide international telecommunications services. The initial licence fee amounting to BHD 10,000 has been fully paid by the Company.

Other salient points, in respect of the terms and conditions of the licence, are set out below:

- Payment of an annual licence fee of up to 1% of the gross annual turnover of the licensee attributable to the licensed services.
- Renewal of the licence for a further term of 10 years provided the Company has not committed a material breach as defined in the terms and conditions of its licence.

d. Individual International Telecommunications Facilities Licence

The individual international telecommunications facilities licence was issued on 9 May 2004 with a 15-year term. This licence authorises Zain Bahrain to install, operate, and manage international telecommunications facilities in Bahrain such as cable landing stations and satellite earth stations. The initial licence fee amounting to BHD 20,000 has been fully paid by the Company.

Other salient points, in respect of the terms and conditions of the licence, are set out below:

- Payment of an annual renewal licence fee of up to 1% of the gross annual turnover of the licensee attributable to the licensed services.
- Renewal of the licence for a further term of 10 years provided that the Company has not committed a material breach as defined in the terms and conditions of its licence.

e. Individual Very Small Aperture Terminal Licence (VSAT)

The Individual VSAT licence was issued on 9 May 2004 with a 15-year term. This licence authorises Zain Bahrain to provide telecommunications services by means of satellite networks between fixed points, where the point at the Bahrain end is equipped with very small aperture (antenna) terminal equipment. The initial licence fee amounting to BHD 5,000 has been fully paid by the Company.

Other salient points, in respect of the terms and conditions of the licence, are set out below:

- Payment of an annual renewal licence fee of up to 1.0% of the gross annual turnover of the licensee attributable to the licensed services.
- Renewal of the licence for a further term of 10 years provided that the Company has not committed a material breach as defined in the terms and conditions of its licence.

f. Internet Services Provider (ISP) Class Licence

The ISP class licence was issued on 18 August 2003 with a 15-year term. This licence authorises Zain Bahrain to provide internet services in Bahrain. It is important to highlight that this licence does not permit the holder to provide public voice services. The initial licence fee amounting to BHD 1,000 has been fully paid by the Company.

Other salient points, in respect of the terms and conditions of the licence, are set out below.

- Payment of an annual renewal licence fee of up to 1% of the gross annual turnover of the licensee attributable to the licensed services.
- Renewal of the licence for a further term of 10 years upon licence expiry.

g. Value Added Services Class Licence (VAS)

The VAS class licence was issued on 18 August 2003 with a 15-year term. This licence authorises Zain Bahrain to provide VAS telecommunications services relating to data and voice (other than public voice services) that act on the format, content, code, or protocol of information in order to provide additional or different information or that involve customer interaction with stored information.

Other salient points, in respect of the terms and conditions of the licence, are set out below:

- Payment of an annual renewal licence fee of up to 1% of the gross annual turnover of the licensee attributable to the licensed services.
- Renewal of the licence for a further term of 10 years upon licence expiry.

5.3.8 Certifications and Standards

Zain Bahrain has always been committed to work towards globally recognised standards and best practices in all areas of its business. As such, the Company has been certified as conforming to the ISO Management System Standard ISO9001:2008 (quality standard) and the ISO Management System Standard ISO27001:2005 (information security standard) since year 2005, assuring all its stakeholders, from customers to government institutions, that Zain Bahrain operates in accordance with internationally recognised standards in terms of quality and information security. This certification underpins Zain Bahrain's systematic and disciplined approach to the identification, assessment and resolution of risks and the institutionalisation of risk management, control and governance processes, as well as its overall accomplishments in terms of business excellence.

5.3.9 Zain Bahrain Corporate Sustainability and Social Responsibility (CSSR)

In order to deliver on its brand promise, Zain Bahrain has put its CSSR programme at the heart of the organisation. Working together with a variety of stakeholders, Zain Bahrain has always endeavoured to make a tangible contribution to the Bahrain community. A selection of the most significant CSSR activities of Zain Bahrain is set out below:

- **Future University Network (FUN):** Zain Bahrain's unique FUN youth jobs training programme was launched in year 2009 and remains active today. This programme aims at empowering university students with workplace skills through on-job training as well as mentoring by Zain Bahrain's expert management team. During year 2011, Zain Bahrain signed a contract with Tamkeen, the public-private partnership labour fund which formulates strategic and operational plans to enhance the overall prosperity of Bahrain by investing in Bahraini employment, job creation and social support. The contract reflects Zain Bahrain's plans to support the FUN program over a period of two years as part of its human capital development efforts.
- **"E-Waste" and "Go Green" Initiatives:** Zain Bahrain's national "e-Waste" recycling campaign supports the responsible disposal of old unusable and usable mobile phones, batteries and accessories, thus preventing pollution of Bahrain water and land resources. During year 2012, Zain Bahrain expanded its environmental awareness campaign with an innovative Go Green movement for school children at selected schools. These children are encouraged to start clean-up and recycling movements as well as awareness events such as painting contests. Zain Bahrain supports such children with logistics, mentoring and prizes.
- **Back-to-School:** Zain Bahrain's Back-to-School programme, in conjunction with different charities and non-governmental organizations in the five governorates of the Kingdom of Bahrain, provides schoolbags and other school material to over 20,000 children in need at the beginning of each school year.
- **Zain E-Learning Centre at the University of Bahrain:** Zain Bahrain's e-Learning Centre was established in year 2004 in coordination with the University of Bahrain, to provide tailored information, communications and technology (ICT) e-Learning services to the university's undergraduate students. Zain Bahrain continues to support this centre financially. The centre has become a landmark in the education sector in the GCC region.

5.3.10 Products and Services

Zain Bahrain provides a diverse range of Prepaid, Post-paid, broadband and enterprise services whilst keeping in mind the varied telecommunication service needs of its residential and business customers in Bahrain. A synopsis of the product portfolio and services is set out below.

5.3.10.1 Post-paid

Smartphone plans

Zain Bahrain offers Post-paid packages, bundled with products from the leading global smartphone manufacturers to ensure that its customers in Bahrain have access to the cutting-edge global innovation at affordable prices. These packages include the following:

- **Smart Plans:** Zain Bahrain offers smartphones such as Samsung, HTC and Nokia which are packaged with free bundled minutes, unlimited bundled data as well as attractive tariffs. Such bundles form very competitive packages in the Bahraini market.
- **iPhone Plans:** Zain Bahrain's global partnership with Apple ensures that its customers are the first in the Bahraini market to purchase the latest iPhone as well as other iOS devices, providing them with competitive packages.
- **BlackBerry Plans:** Zain Bahrain provides competitive BlackBerry plans to its customers with features such as the latest BlackBerry devices, unlimited BlackBerry usage, unlimited calls to Zain Bahrain's customers (on-net) and free minutes to other networks (off-net).

FamilyShare™ plans

Zain Bahrain is a pioneer in introducing products that cater for the needs of the entire family under one unified package. Zain Bahrain offers both mobile and broadband FamilyShare™ plans with unique features such as multiple connections (SIMs), multiple smartphones and tablets, as well as shared minutes and data. The pricing for the bundle is structured as a one monthly rental fee.

"Hewar" voice plans

Zain Bahrain provides customers with the option of choosing "Hewar", an array of voice packages which offer great value with features such as free bundled minutes, SMS and data.

Post-paid data, BlackBerry and voice add-on's

Zain Bahrain offers its Post-paid customer a rich portfolio of services including unlimited data, unlimited BlackBerry, and free unlimited VAS services that enable the Company's customers to browse, chat, email, download, stream and enjoy unlimited calls as well as SMS (on-net).

Corporate plans – Blife

Zain Bahrain offers Blife, a Post-paid innovative tariff plan for corporate clientele. Blife includes unique business solutions such a Private Mobile Network (PMN), tailored tariff structures, special day/night rates, latest handsets and detailed billing statements which allow corporate clients to be in complete control of their expenses whilst being provided with superior business communication services.

Signature plans

Zain Bahrain offers an exclusive members club, Signature Plans, designed to provide the highest quality of services and offers to the Company's most valued customers. These plans offer customers a unique and premium experience with VIP airport lounge access around the world, 24/7 concierge services, premium numbers and the latest handsets. Such services are delivered by a dedicated team of account managers.

5.3.10.2 Prepaid

EasyTalk

Zain Bahrain offers EasyTalk, an unrivalled Prepaid value product, based on the revolutionary PayPerCall™ feature, through which customers are charged one flat fee per call irrespective of the duration of the call. EasyTalk offers customers a rich communication experience whilst retaining control and flexibility inherent in Prepaid products. EasyTalk customers have access to a rich portfolio of competitively priced service add-ons such as unlimited data, unlimited BlackBerry, and free unlimited calling add-on's that enable customers to browse, chat, email, download, stream and enjoy unlimited calls as well as SMS (on-net).

EasyTalk also boasts the most competitive international rates catering to the expatriate population in Bahrain, making EasyTalk one of the best packages in the Bahraini telecommunications market.

Zain Bahrain offers its Prepaid customers flexible recharge options with an array of top-up card denominations.

5.3.10.3 Broadband

Zain Bahrain offers a complete portfolio of internet connectivity products and services via its Home Broadband and Mobile Broadband range of packages, ensuring that its customers are connected at home and on the go. These offerings are enabled by Zain Bahrain's expansive WiMAX, 3G, and 4G networks.

Home Broadband

Zain Bahrain's portfolio of Home Broadband products offers unmatched value in catering for household internet as well as for fixed connectivity needs. Zain Bahrain is the pioneer operator in Bahrain in offering truly unlimited home internet packages with no usage thresholds and speed downgrades, as well as dual-/triple-play propositions. Zain Bahrain is also the first telecommunications operator in Bahrain to offer a bundled fixed and mobile voice proposition, whereby Zain Bahrain's Home Broadband customers can make on-net calls for free. Home Broadband packages are competitively priced and Wi-Fi routers are offered for free on all the plans. Zain Bahrain partners with leading global brands to bundle its Home Broadband products with various complimentary products and services. Home Broadband products also offer propositions to customers with free leading household devices such as Samsung and Lenovo laptops, Samsung and Sony Smart TV's, and tablet computers.

4G LTE Broadband

Zain Bahrain offers the ultra-high speed Home Broadband products powered by the latest 4G LTE network. The products are designed to significantly enhance the customer experience with data intensive gaming, video streaming and other online applications. These packages offer speeds of up to 100 Mbps and data usage thresholds of up to 1 Terabyte.

Mobile Broadband

Zain Bahrain also provides internet connectivity for customers on the go with options of Prepaid and Post-paid package offerings as set out below:

- **Post-paid Mobile Broadband:** Zain Bahrain offers Post-paid e-GO packages with unlimited, "always-on", mobile data connectivity. e-GO packages offer a range of device options including free tablets, USB dongles, potable Wi-Fi devices and a variety of the latest tablets and laptops.
- **Prepaid Mobile Broadband:** Zain Bahrain offers Prepaid e-GO packages with unlimited mobile broadband internet connectivity on their laptops and tablets on a pay-as-you-go (PAYG) basis giving customers more control on their mobile broadband usage. Zain Bahrain was the first telecommunications operator in Bahrain to offer unlimited data usage on Prepaid mobile broadband packages. Zain Bahrain offers Prepaid mobile broadband packages both as stand-alone data SIM and with a USB dongle.

5.3.10.4 Other exclusive mobile services for Zain Bahrain customers

International Roaming

Zain Bahrain has expanded its global reach by entering into more than 1000 service agreements with over 450 partner operators in over 160 countries and territories around the world. With such global reach, Zain Bahrain customers traveling abroad have seamless access to voice, high speed data, and other services, both Post-paid and Prepaid as they do in Bahrain.

Content Services Portal

Zain Bahrain offers an integrated content services portal, which brings together in one central platform, all types of content from the internet on a customer's mobile device. These services include ring-back tunes, information channels and games.

Self-Care Mobile Application

The Zain Bahrain Self-Care Mobile Application is a smartphone- and tablet-based application software for use by the Company's customers, and is the first of its kind in Bahrain. This application allows Customers to view their account balances, pay their bills (in case of Post-paid) or top up their accounts (in case of Prepaid). It also allows Customers to subscribe to various Zain services, be updated with the latest and most competitive offers and promotions currently available at Zain Bahrain and obtain information on Zain Bahrain's outlets' locations and working hours, all through one application on their mobile device.

Zain Bahrain's Self-Care Mobile Application is currently available for smartphones, tablets, and other mobile devices using the following operating systems:

- Android, from Google Play
- iOS, from Apple Store
- BlackBerry, from BlackBerry App World
- Window, from Windows Store (soon to come)

Zain wallet

Zain Bahrain is the first and the only operator in Bahrain that offers a full m-finance solution via its wallet service, in partnership with Bank Muscat International. Zain Wallet customers have access to a fully functioning mobile wallet with cash-in/cash-out, peer-to-peer transfer, international money transfer and a host of other transaction services.

5.3.10.5 Enterprise solutions

Zain Bahrain offers a range of enterprise products and solutions to its corporate customers including those set out below:

- **Private Branch Exchanges (PBX):** Zain Bahrain has built the capability in its network to serve PBX's for enterprises' telephony requirements. The Company entered into several agreements with reputable vendors to supply and support the PBX equipment.
- **Leased Bandwidth:** This is a solution for point-to-point and point-to-multipoint data connectivity that enables companies to connect multiple sites together such as connecting branch offices to the main office IT systems.
- **Dedicated Internet:** This solution offers companies internet access with symmetrical download and upload speeds ranging from 1 Mbps to over 100 Mbps combined and with a very high quality of service.
- **Data Centre Hosting:** Enterprises can house their computer servers at Zain Bahrain's data centre facility that provides the space and the optimum environment, such as air conditioning, uninterruptible power supply and data communications services.

5.3.11 Sales Channels

Zain Bahrain employs a combination of direct and indirect sales channels for targeting the consumer and business segments, with the objective of making Zain Bahrain products available anywhere, anytime and everywhere with close proximity to the customer for sales and services.

Zain Bahrain currently has 22 branded stores ("Experience Centres") covering all major populated areas in Bahrain, acting as a one-stop shop for all products, solutions and customer care cases, servicing more than 80,000 unique customers on a monthly basis. Home delivery service is also offered under the retail channel through tele-sales, website and social media channels, for added customer convenience.

Zain Bahrain Prepaid SIM cards are available at more than 2,800 authorised points of sale in Bahrain, managed by two exclusive distributors. Prepaid registration is further conducted by more than 1,100 active registration dealers in the market. Electronic vouchers and international calling cards are distributed via electronic voucher distribution (EVD) terminals, managed by four exclusive distributors. Zain Bahrain has also entered into a relationship with Sadad, for further voucher availability at more than 300 Sadad self-service kiosks in Bahrain.

Zain Business, enterprise and Signature sales are managed by their respective teams which are comprised of key account managers who provide dedicated sales and service resources to each account.

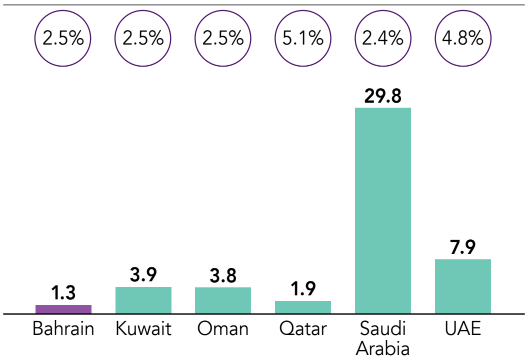
5.4 Industry Analysis and General Overview

5.4.1 Demographics Overview

Although the Kingdom of Bahrain is the smallest country in the GCC region in terms of geographical size and population, it has been at the forefront of economic development initiatives. The Kingdom of Bahrain has a population of 1.3 million inhabiting an archipelago covering a land surface area of 760 square kilometres situated in the Arabian Gulf.

Figure 2 – Map of Bahrain

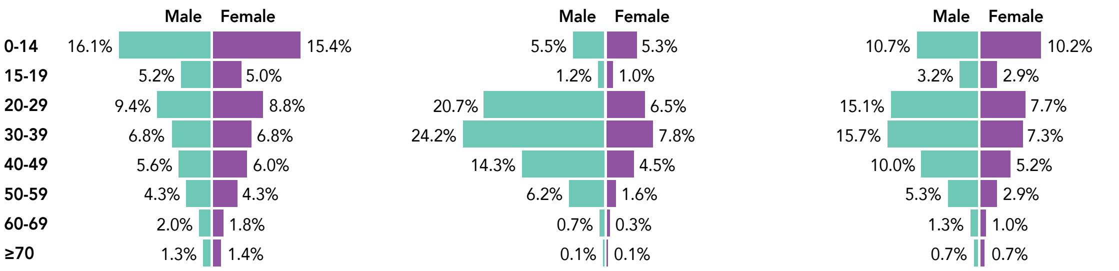
Figure 3 – GCC Countries Population (millions and Growth



Source: Bahrain Central Informatics Organisation (2011)

According to the Central Informatics Organisation, the population of Bahrain comprises approximately 48.9% Bahraini nationals and 51.1% expatriates. Bahrain's average annual population growth is approximately 2.5%. People under 30 years of age currently comprise 49.8% of the total population. The age distributions for the overall population, the Bahraini population and the expatriate population are set out below.

Figure 4 – Bahrain's Demographics (as at 2011)



Bahraini Population Distribution	***Expatriate Population Distribution***	***Total Population Distribution***
Population: 584,688	*Population: 610,332*	*Population: 1,195,020*
Population Under 30 years: 59.9%	*Population Under 30 years: 40.2%*	*Population Under 30 years: 49.8%*

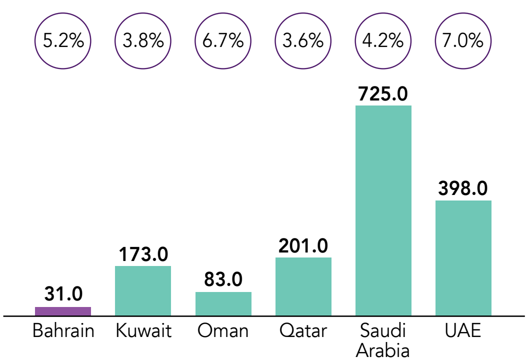
Source: Bahrain Central Informatics Organisation (2011)

5.4.2 Macroeconomics Overview

Key characteristics of the Bahraini economy are set out below:

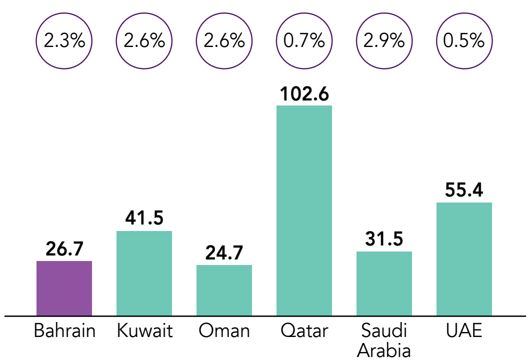
- Bahrain pioneered the Middle East region's oil production in year 1932, thus establishing the region's initial framework for the petroleum industry[8]. Today, the Economic Development Board reports current production from the country's onshore fields at approximately 43,000 barrels per day. Work is underway to significantly increase the production by over 100% to 100,000 barrels per day by year 2020 through the investment of USD15 billion in the oil and gas sector[9].
- Bahrain's economy in terms of GDP ranks 110th worldwide (52nd on a per capita basis), and the 6th in the GCC (the 5th on a per capita basis). During year 2012, Bahrain's nominal GDP was USD 31 billion with a per capita figure of USD 26,700. During year 2013, the economy rebounded with an annual real growth rate of 4.1% representing a sharp increase compared to a 1.9% growth rate recorded in year 2011. The economy is largely dependent on oil, with the public revenue projected contributions in years 2013 and 2014 set at approximately 86.2% of the overall budget compared to non-oil services at approximately 12.4% and grants at 1.4%. Aware of the oil's finite nature, Bahrain has sought, over the years, to diversify its economy at an early stage and consequently established itself as a leading regional financial centre with a highly regarded regulatory system. The non-hydrocarbons sectors have also played a key role in boosting GDP growth in year 2012, making up for a slower year for the hydrocarbons. According to the Bahraini Ministry of Finance National Accounts[10], oil constituted 24.6% of the GDP in year 2012 while reflecting a decrease of 4.9% compared with the non-oil sector, which constituted 75.4% of GDP with growth rates of 8.0%. The financial services sector has been the single largest contributor to Bahrain's GDP at 15.9% reflecting high growth in the sector. The transport and communications sector (which includes mobile, fixed and internet services) accounted for 6.4% of the GDP in year 2012.

Figure 5 – Nominal GDP (USD Billions) and CAGR 2013-2017



Source: Economic Intelligence Unit

Figure 6 – GDP per Capita (PPP) USD ('000) and CAGR 2013-2017



Source: Economic Intelligence Unit

8 Oxford Business Group, The Report – Bahrain 2013
9 Economic Development Board, "Bahrain Factsheet - Bahrain Oil and Gas", March 2013
10 Bahrain Central Informatics Organisation, National Accounts 2012

- Bahrain is the 8th most economically free nation in the world (and the 2nd in the GCC), according to the Economic Freedom of the World: 2013 Annual Report published by the Fraser Institute[11]. This is the second consecutive year in which Bahrain has been ranked amongst the top 10. Similarly, Bahrain[12] has been ranked as a regional leader holding first place in the Middle East region and holding the 12th place worldwide in the Wall Street Journal / Heritage Foundation Economic Freedom Index, thereby setting a critical example for other countries in the MENA region. Its transition to greater openness, diversification, and modernisation is based on strong foundations of economic freedom. Despite the challenging external and internal environments, Bahrain has maintained above-average levels of economic freedom in almost every measure. It remains a financial hub for dynamic economic activity, with high levels of trade and investment bolstered by a competitive and efficient regulatory environment.
- Relative to other GCC countries, Bahrain was the first to implement a Free Trade Agreement with the United States of America. This agreement was signed on 14 September 2004 and it came into effect on 1 August 2006[13].
- During year 2012, Bahrain was ranked 48th in the world[14] in respect of the Human Development Index and was recognised by the World Bank as a high income economy. Bahrain is a member of the United Nations, the World Trade Organisation, the Arab League, the Non-Aligned Movement and the Organization of the Islamic Conference as well as a founding member of the Cooperation Council for the Arab States of the Gulf.
- In the financial services sector, Bahrain is home to the highest number of Islamic financial institutions (24 out of 111 or 21.6% country-wide) in the Middle East region, and competes with Malaysia as a worldwide centre for Islamic banking. Bahrain continues to seek new natural gas supplies as feedstock to support its expanding petrochemical and aluminium industries. Bahrain also plays host to a number of regulatory institutions that provide international standards for the financial services sector, such as the Accounting and Auditing Organisation for Islamic Financial Institutions, the International Islamic Financial Market, the Islamic International Rating Agency, and the General Council for Islamic Banks and Institutions.
- According to the World Bank's 2013 "Doing Business" report, the country ranks 42nd in the world (and the 3rd in the GCC behind Saudi Arabia and Qatar) for the ease of conducting business, and the World Economic Forum's 2012-13 "Global Competitiveness Report" ranks Bahrain 35th.

On the ICT front, significant achievements have also been made as follows:

- Bahrain has had an open and forward-thinking approach, investing heavily in the ICT infrastructure. Bahrain was the first in the region to fully deregulate its telecommunications market with the founding of the TRA in year 2002. Since then, the TRA has issued more than 182 licences.
- The increasing power of ICT has also provided governments with the flexibility of providing services and information to citizens through multi-channels. Bahrain's national e-Government strategy[15] for year 2016 (codenamed "ADVANCE") aims to increase the awareness to 90% and customer satisfaction level to over 80% for all key services used by both residents and businesses online. For business, this includes business and office registrations, work permits, banking services, environmental compliance and tendering of government contracts. It is planned that 50% of Government entities will interact with clients on a weekly basis through social networks by year 2014. As of the date of this Prospectus, the country has made significant strides in e-Government services. In June 2010, Bahrain became one of the only three countries to receive a UN e-Government special award for making significant progress in improving its e-service and strengthening its service delivery through e-participation. In January 2012, Bahrain was ranked 2nd in the Middle East region in the United Nations e-Government Survey[16]. The UN Global e-Government Readiness Survey placed Bahrain the 36th out of 192 countries worldwide in its application of ICT to provide access and inclusion for its citizens. In the survey, Bahrain outperformed the world average across e-readiness, Web measure, infrastructure, human capital and e-participation.
- According to the global information technology report of year 2012[17], issued by the World Economic Forum, Bahrain leads the Arab World in the global ICT measure - Networked Readiness Index (NRI) – ranking 27th world-wide. Bahrain has created a fairly sophisticated enabling environment for entrepreneurship and innovation (ranking 11th) that, coupled with a good ICT readiness (ranking 25th) in terms of infrastructure, affordability, and overall skills, has brought the country to this good position. The NRI measures the degree to which economies across the world leverage ICT for enhanced competitiveness.

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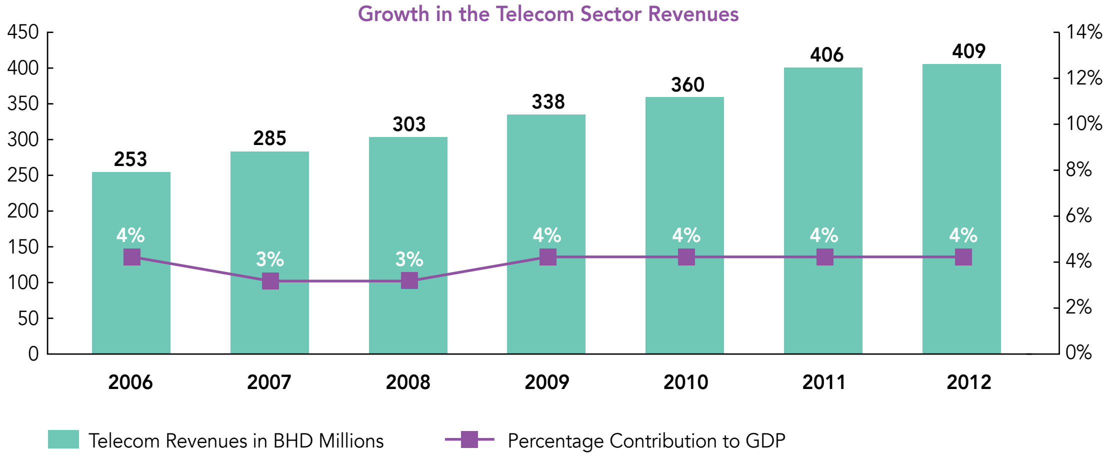
[11] Economic Freedom of the World 2013 Annual Report: The EFW index, first published in 1996, now covers 152 countries and territories. The index measures the degree to which the policies and institutions of countries are supportive of economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of privately owned property. Forty-two variables are used to construct a summary index and to measure the degree of economic freedom in five broad areas: Size of Government, Legal System and Property Rights, Sound Money, Freedom to Trade Internationally and Regulation.
[12] The Heritage Foundation in partnership with the Wall Street Journal, "2013 Index of Economic Freedom", 2013
[13] Ministry of Interior – Custom Affairs
[14] UNDP, "Human Development Report 2013 – The Rise of the South: Human Progress in a Diverse World", 2013
[15] Summary - National e-Government Strategy 2016
[16] United Nations Department of Economic and Social Affairs, "E-Government Survey 2012 – E-Government for the People", 2012
[17] World Economic Forum and INSEAD Business School, "The Global Information Technology Report 2012"

- Bahrain's Economic Vision 2030[18], its long-term development strategy launched in October 2008, outlines plans to build upon Bahrain's success through further diversification of its economy. It aims to enhance private sector growth while the Government invests in infrastructure projects, affordable housing and human resources. The National Economic Strategy, which is designed to realise the Economic Vision 2030, has prioritised six areas for development: financial services, professional and industrial services, logistics, education and training, manufacturing and ICT.

5.4.3 Telecommunications Industry

Based on the figures published by the TRA in the "Telecommunications Markets Indicators in the Kingdom of Bahrain" annual report issued in September 2013, the Bahraini telecom market experienced a strong and sustained revenue growth of almost 8% CAGR since year 2006, reaching BHD 409 million in year 2012. The growth in the telecom market has been in line with the overall economic growth in Bahrain, resulting in a stable contribution to the GDP of 4% during year 2012.

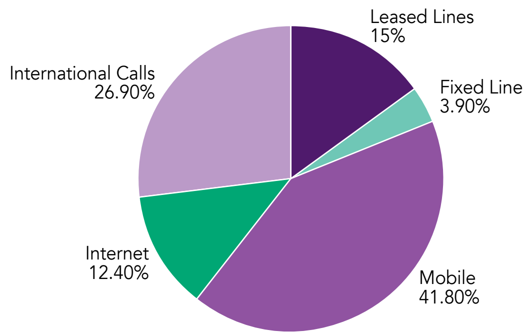
Figure 7- Bahrain Telecom Market Revenues Evolution



Source: TRA

The main drivers of growth in the market are the mobile segment, which accounted for over 42% of the telecom retail services revenues, and the broadband segment, which accounted for over 12% of total revenues. International calling revenues also form a significant revenue stream with over 26% share of the total retail revenues. Fixed line (local voice) has experienced a sustained and sharp decline since year 2006, mainly driven by strong mobile substitution, accounting for less than 4% of the market revenues. The percentage contributions to retail revenues are illustrated in Figure 8.

Figure 8 – Breakdown of Retail Services Revenue in Year 2012



Source: TRA

5.4.4 Mobile Market Overview

According to the TRA's "Quarterly Market indicators – Data at the end of Q4 2013", there were 2.21 million mobile subscribers in Bahrain at the end of year 2013, representing a market penetration of 173%. This also represents a growth of 5.2% from 2.1 million subscribers at the end of year 2012. The subscribers' growth over the previous 12-month period, i.e. since the end of year 2011, was 23.5%, from 1.7 million subscribers.

[18] Economic Development Board, "From Regional Pioneer to Global Contender: The Economic Vision 2030 for Bahrain", 2008

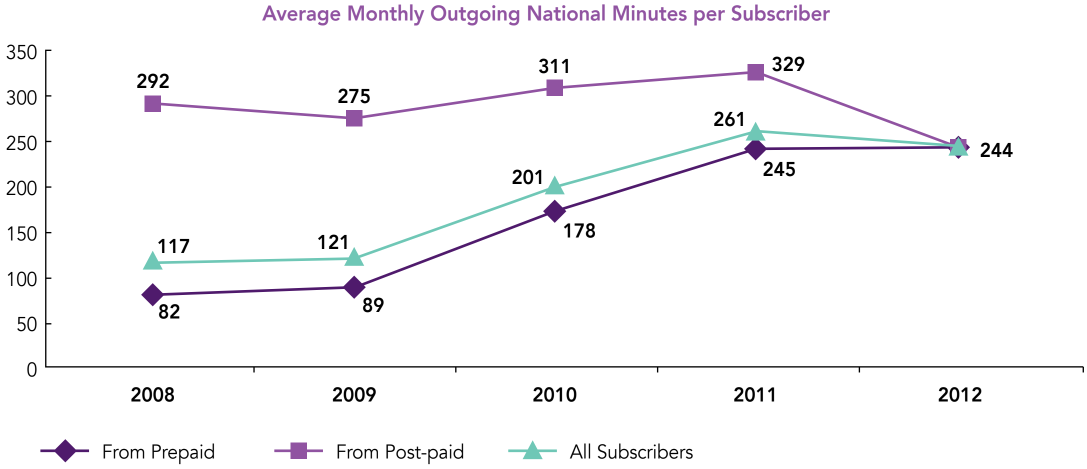
In year 2012, national voice and data on mobile represented nearly half of the telecommunications retail services revenue. Within national voice, traffic has grown at a very fast pace in the past four years. Traffic growth has been particularly sharp among Prepaid customers, where monthly minutes of use per subscriber increased significantly from 89 in year 2009 to 178 in year 2010, 245 in year 2011 and 244 in year 2012, mainly driven by the entry of the third mobile telecommunications operator in the market resulting in a sharp decline in price per minute and free on-net offers.

Table 4 – Mobile Revenue Evolution

Mobile Revenues (BHD Millions)	2007	2008	2009	2010	2011	2012	Growth 2011–2012
Prepaid	65.9	95.3	90.9	86.9	99.0	96.3	(2.7%)
Post-paid	58.8	88.4	91.2	91.2	92.9	96.8	4.2%
Total	**124.7**	**183.7**	**182.1**	**178.1**	**191.9**	**193.1**	**0.6%**

Source: TRA

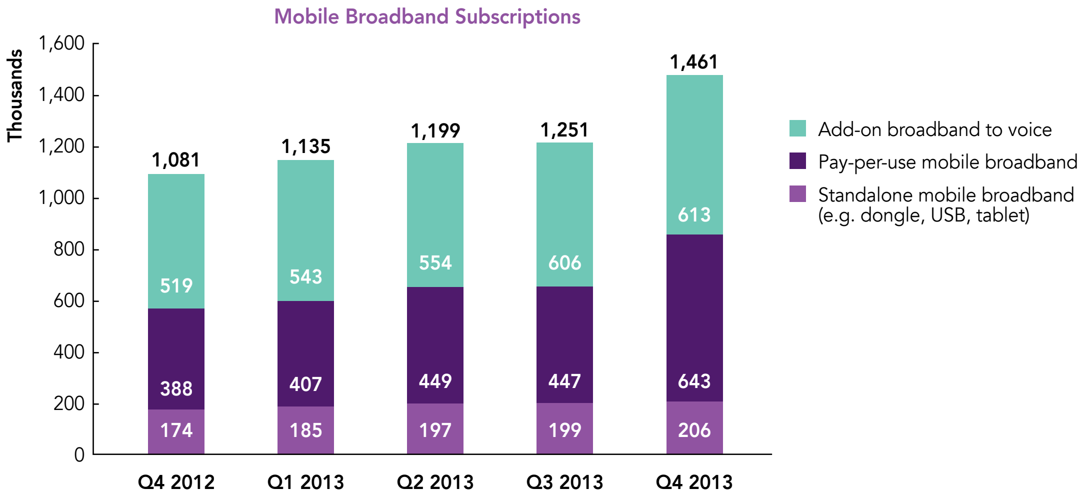
Figure 9 – Voice Traffic per Subscriber Evolution



Source: TRA

With the launch of 3.5G services, data has become the main driver of the telecommunications market growth in Bahrain. Mobile data experienced an explosive growth from year 2011 onwards. At the end of year 2012 the number of mobile broadband subscribers was 1.081 million. This grew further by 35% to 1.461 million at the end of year 2013.

Figure 10 – Mobile Broadband Subscriptions



Source: TRA

5.4.5 Fixed Market Overview

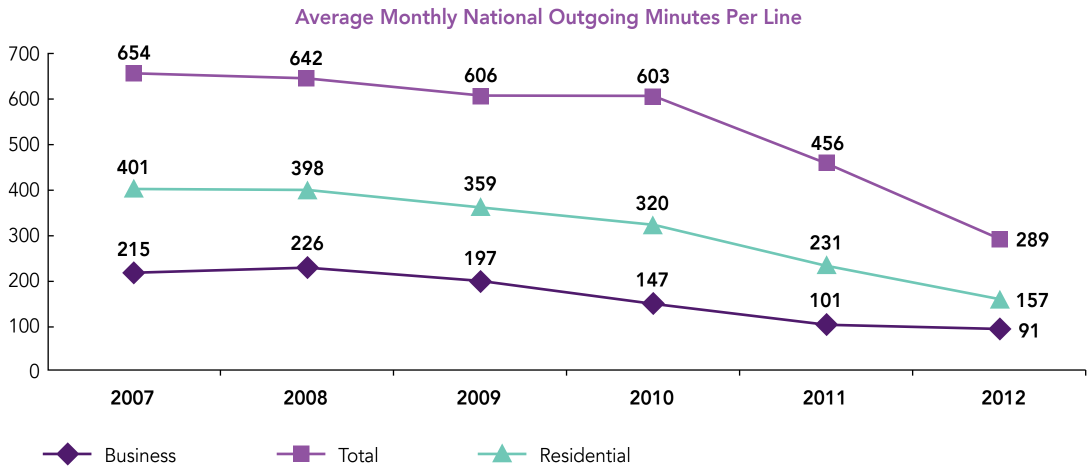
Fixed lines subscribers reached 261,000 customers as of December 2012, with a slight drop to 251,000 customers by the end of year 2013, with Fixed Wireless service constituting 35% of the total fixed lines. Monthly national outgoing voice traffic per fixed subscriber, both among business and residential customers, has experienced a sharp decline from year 2007 to year 2012, with revenues declining at nearly 7.5% CAGR, mainly driven by mobile substitution. In 2012, fixed voice revenues (excluding fixed international revenues) accounted for less than 4% of the retail market.

Table 5 – Fixed Voice Revenue Evolution

Fixed Voice Revenue (BHD Millions)	2007	2008	2009	2010	2011	2012	Growth 2011–2012
Residential	10.8	10.5	10.7	7.6	4.7	3.7	(21.3%)
Non-residential	6.6	6.6	6.8	7.0	7.5	8.1	8.0%
Total	**17.4**	**17.1**	**17.5**	**14.6**	**12.2**	**11.8**	**(3.3%)**

Source: TRA

Figure 11 – Fixed Voice Traffic Evolution



Source: TRA

5.4.6 International Market Overview

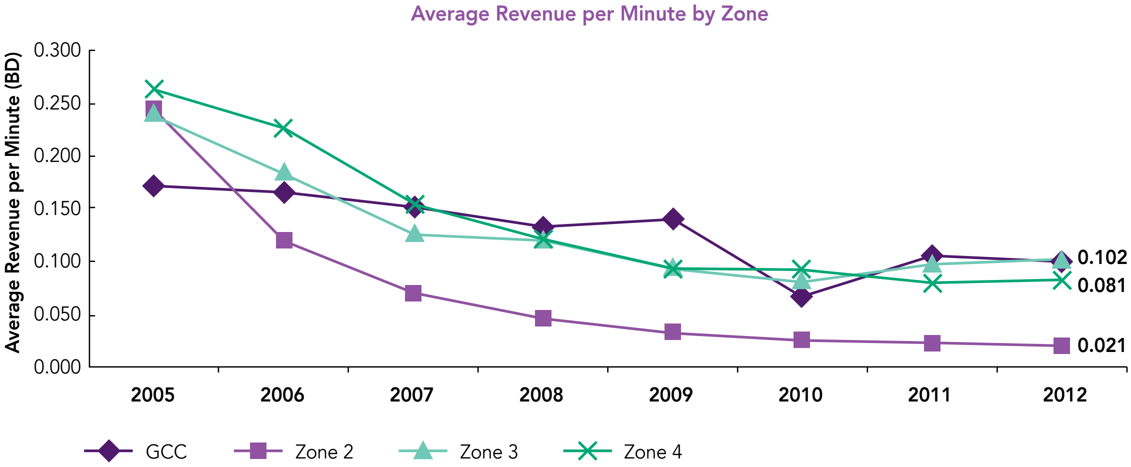
The outgoing international calls traffic, which includes calls from mobile, fixed and calling cards, witnessed a significant growth over the past several years. This growth was in line with the expatriate inflow into Bahrain, and was the driver for the significant revenue growth of this segment of the telecommunications market until year 2009, despite strong pressure on prices. Between year 2009 and year 2011, blended prices declined by 85%, thereby lowering revenues by nearly 9%. However, international voice revenues grew in year 2012 by 18%, driven by 28% growth in international outgoing minutes, proving to be a significant component of the Bahrain telecommunications market that accounted for over 26% of the retail revenues in year 2012.

Table 6 - International Revenue Evolution

International Mobile Revenue (BHD Millions)	2006	2007	2008	2009	2010	2011	2012	Growth 2011–2012
GCC	15.4	16.6	13.93	18.3	12.7	11.4	12.14	6.5%
Zone 2	19.7	27.6	31.56	36.5	38.8	38.8	47.08	21.3%
Zone 3	7.3	7.4	6.36	7.8	6.7	5.1	8.86	73.7%
Zone 4	14.3	11.5	13.13	13.2	13.9	13.9	13.89	(0.1%)
Total	**56.7**	**63.1**	**65.00**	**75.8**	**72.1**	**69.2**	**81.97**	**18.5%**

Source: TRA

Figure 12 - International Price-Per-Minute Evolution

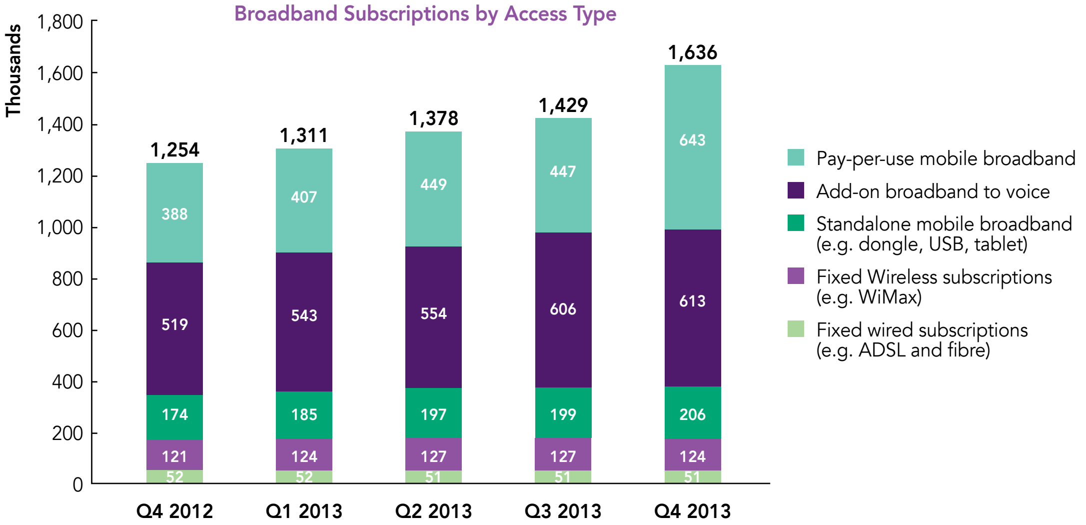


Source: TRA

5.4.7 Broadband Market Overview

Broadband, including both fixed and mobile, has been one of the key drivers of the market in recent years and in 2012 accounted for over 12% of the overall telecommunications retail services revenues. Broadband subscribers reached 1.25 million as at December 2012. At the end of year 2013, there were approximately 1.63 million broadband subscribers, representing a broadband penetration of 128%. Much of the growth in broadband services in recent years has been driven by mobile broadband, which reflects the popularity of smartphones and tablets.

Figure 13 – Broadband Subscriber Evolution by Access Type



Source: TRA

Although the number of broadband subscribers increased dramatically in year 2012 compared to year 2011, broadband revenues dropped by 2% due to reductions in broadband prices. Based on year 2012 Price Benchmarking Study of telecom services in Arab countries, fixed broadband prices in Bahrain declined by up to 53% between year 2011 and year 2012. Also, mobile broadband prices in Bahrain declined by up to 63% between year 2011 and year 2012.

Table 7 - Broadband Revenue

Broadband Revenue (BHD Millions)	2009	2010	2011	2012	Growth 2011–2012
Residential	24.0	28.97	30.5	30.8	1.0%
Business	8.5	9.95	8.1	6.9	(14.8%)
Total	**32.5**	**38.92**	**38.6**	**37.7**	**(2.3%)**

Source: TRA based on operators data
Note: Broadband revenues include fixed (wired and wireless) and mobile broadband

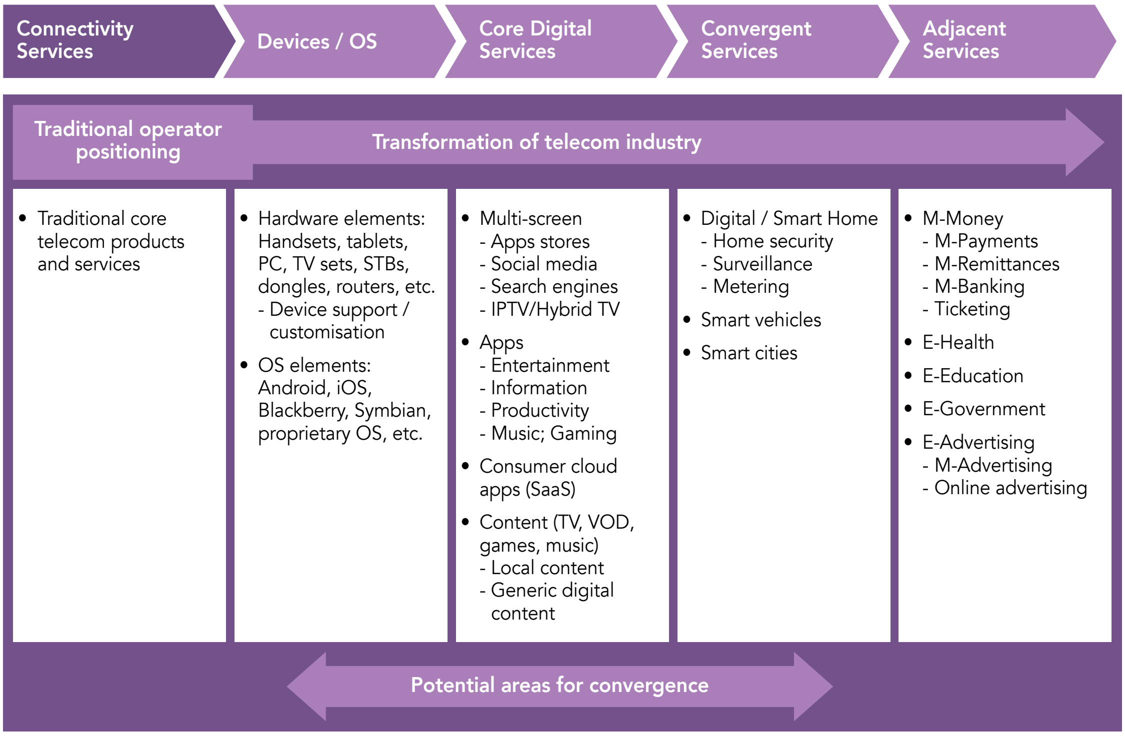
Based on the "2011 Residential Consumer Survey Report" published by the TRA in February 2012, broadband customers spent 56% of their time on mobile connections in year 2011, up from only 20% in year 2007. According to the survey, the main reasons behind this significant usage pattern shift are enhanced experience in mobile devices (e.g. larger screens), reduced prices for mobile internet and improved download speed.

Mobile broadband access via 'PC data card' (also known as dongle data SIMs) and data add-on's increased fourfold and access via mobile phones more than doubled, up from 2% and 16% in year 2007 to 8% and 39% in year 2011, respectively. According to the same survey, one of the main factors driving the sharp increase in mobile broadband usage is the access to social networking sites.

5.4.8 Adjacent Markets Overview

It is anticipated that adjacent markets, along with data, will be the main driver of the telecommunications market in the upcoming years, softening to some extent the impact of the decline in voice. Convergent offers are becoming the key element for customer acquisition and retention, opening up opportunities for operators for triple-play and quadruple-play strategies. The chart below illustrates a significant number of opportunities that can be pursued by operators.

Figure 14 – Transformation into Adjacent Markets



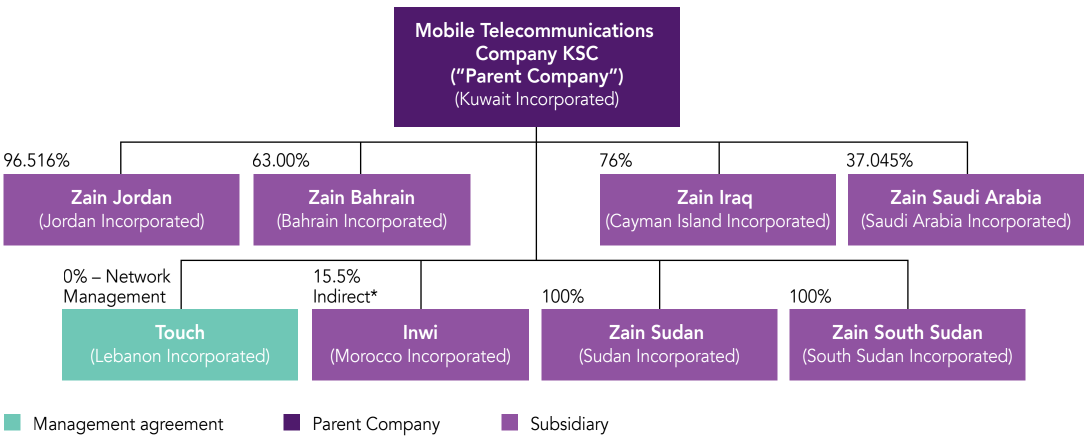
Source: The Company

Zain Bahrain's strategy of bundling digital services and hardware with core telecommunications products and services is already paying dividends. Moreover, the organisational and commercial competencies built in the mobile data space coupled with the recent large-scale investments in rolling out the latest mobile data and broadband networks will ensure that Zain Bahrain stays at the forefront of the telecommunications industry evolution towards convergent and adjacent services.

5.5 Organisational Structure

Zain Bahrain is a subsidiary of the Parent Company. The Parent Company holds 63% of the equity in Zain Bahrain prior to the IPO, has majority board representation on the Board, and has entered into the Management Agreement to manage the Company's operations.

Figure 15 – Zain Group – Principal Mobile Operations



Source: The Company
**The Parent Company holds 50% of a joint venture (Zain Al Ajial Holdings) which in turn holds 31% of the equity of Inwi.*

5.5.1 Zain Group Overview

The Parent Company, established in June 1983, is a leading mobile telecommunications operator in the Middle East and North Africa with an international pedigree spanning 30 years – in building and managing mobile and WiMAX telecommunications operations.

Zain Group has commercial points of presence in eight countries, providing voice, messaging (SMS and MMS) as well as high-speed broadband data services to more than 46.1 million customers as at 31 December 2013 and over 7,573 employees.

The Parent Company is the majority shareholder and manages the business, network assets and commercial operations in its subsidiaries in Jordan, Bahrain, Iraq, Saudi Arabia, Sudan and South Sudan. The equity stakes[19] held in each of these operations are as follows:

- Jordan: 96.516%
- Bahrain: 63%
- Iraq: 76%
- Saudi Arabia: 37.045%
- Sudan: 100%
- South Sudan: 100%

In the Republic of Lebanon, the Parent Company manages the mobile network assets and commercial operations on behalf of the Lebanese Government under the brand name "Touch". In Morocco, the Parent Company has a 50:50 joint venture with the Kuwait Investment Authority (KIA) in Al-Ajial Investment Fund Holding, a Moroccan based joint venture investment vehicle which, in turn, holds 31% of the equity shareholding of 'Inwi', the third telecommunications operator in Morocco.

Zain Group is the market leader by market share in six of the markets in which it operates. As of December 2013, Zain Group generated consolidated revenues of USD 4.4 billion, consolidated EBITDA of USD 1.9 billion and a consolidated net income of USD 764 million.

The Parent Company is the largest non-banking listed corporation on the Kuwait Stock Exchange with a market capitalisation of over USD 10.6 billion as of 31 December 2013. The Kuwait Investment Authority is the largest shareholder in the Parent Company (holding approximately 24.6% of its shares). Between years 2002 and 2009, the Parent Company pursued a strategy of expansion which led it to grow from a Kuwait-based single mobile telecommunications operator to a diversified multinational telecommunications operator with an active customer base of 72.5 million as at 31 December 2009. In June 2010, the Parent Company sold its wholly-owned subsidiary Zain Africa B.V. to Bharti Airtel International Netherlands B.V.

The Parent Company has established an award-winning brand, rated No. one in the Arab world by the Arab Society for Intellectual Property[20]; rated No. 9 amongst top 50 brands in MENA with a brand equity of USD 1.18 billion[21]; and rated No. 73 (with an AA rating) by Brand Finance[22], the global brand tracker.

Zain Group has deployed state-of-the-art technologies in almost all of its markets. The following table highlights the technologies deployed, the population coverage, the market share held by each of the operating companies, as well as relevant financial metrics.

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19 The quoted equity percentages include statutory shareholdings held by the directors of the companies in accordance with the relevant local company laws.

20 Arab Society for Intellectual Property ("ASIP'): Online poll across 54 countries, commencing in September 2012 to promote and highlight the most famous Arab trademarks concluded in May 2013. The survey included 200 of the most recognizable Arab trademarks across all Arab countries with over one hundred thousand respondents participating in a questionnaire issued through ASIP/s website (www.toparabbrands.com).

21 Brand Finance and Gulf Marketing Review; Top 50 MENA Brands 2013, May 2013.

22 Brand Finance, (www.brandfinance.com), a leading brand valuation consultancy

Table 8 – Key Characteristics of Zain Group Operating Companies

Operator Name	Operation Type	Operating Years	Type of Technology	Subscribers as at 31 December 2013	Market Share & Market Position
Zain Kuwait	Management Control and Board Representation	31 years	GSM, 3G, HSPA+, LTE	2.5 million	39% (#1)
Zain Jordan	Management Control and Board Representation	11 years	GSM, 3G, HSPA+, WiMAX (802.16e)	3.9 million	39% (#1)
Zain Bahrain	Management Control and Board Representation	11 years	GSM, 3G, HSPA+, LTE, WiMAX (802.16e)	724,548 (Mobile) 47,914 (WiMAX)	33% (#2)
Zain Saudi Arabia	Management Control and Board Representation	6 years	GSM, 3G, HSPA+, LTE	8.5 million	15% (#3)
Zain Iraq	Management Control and Board Representation	10 years	GSM	15.9 million	49% (#1)
Wana Morocco	Board Representation	5 years	GSM, 3G, CDMA-WLL	8.4 million	26.4% (#3)
Touch, Lebanon	Management Contract	10 years	GSM, 3G, HSPA+	2.0 million	53% (#1)
Zain Sudan	Management Control and Board Representation	8 years	GSM, 3G, HSPA+	11.7 million	43% (#1)
Zain South Sudan	Management Control and Board Representation	2 year	GSM, 3G	812,000	41% (#1)

Source: The Parent Company

5.5.2 Relationship with Zain Group

The benefits of the Company's association with Zain Group include those set out below:

- **Zain Group's Expertise in Building Mobile Networks in the Middle East:** Zain Group has over 30 years' of experience in establishing, building and managing mobile telecommunications operations. Zain Group has deployed state-of-the-art technologies and has deployed a vast array of telecommunications products and services. Furthermore, Zain Group's strategy, focusing on customer experience, enterprise services, operational excellence, adjacent services, leadership and talent management as well as effective stakeholder engagement, facilitates strong growth and development of its subsidiaries. Zain Group's management team comprises individuals with extensive experience in the mobile telecommunications sector, in particular in the Middle East region, who have been instrumental in growing Zain Group's market share.
- **Zain Group's Financial Relationships:** Zain Group's existing financial relationships and access to funds assist the Company in exploiting opportunities to access multiple sources of financing that facilitate the Company's operations, marketing and expansion strategies.
- **Economies of Scale and Zain Group's Commercial Relationships:** Zain Group's existing commercial relationships assist the Company to exploit opportunities, benefit from economies of scale and, accordingly, optimise costs. For instance, Zain Group has supported and continues to support the Company's operations by negotiating and agreeing advantageous terms with equipment and device vendors in respect of the on-going development of the network, thereby leveraging Zain Group's stronger purchasing power. Zain Group also continuously supports the Company in its negotiations with roaming partners as well as facilitating employee recruitment and participation in regional initiatives. In addition, the Company benefits from the brand awareness created through Zain Group's regional media advertising.

6. Corporate Governance Practices

The Corporate Governance Framework ("CG-Framework") of the Company defines and sets out the approach to the formulation of the Company's objectives, how risks are monitored and assessed and how the Company's performance is evaluated and optimised. The CG-Framework also regulates the relationships amongst Shareholders, the Board, the Management and other stakeholders. This CG-Framework shall be adopted by the Board as part of the listing requirements.

The CG-Framework was developed using the "Central Bank of Bahrain Rulebook – Volume 6: Capital Markets" issued by the CBB, the "Corporate Governance Code" issued by the MoIC and the "Disclosures Standards" issued by the CBB. The external source documents used to develop this CG-Framework are set out below:

Table 9 – External source Documents Used to Develop the CG-Framework

Source Document	Date of Issuance	Issuing Authority	Description
Rulebook – Volume 6: Capital Markets	January 2012	CBB	"Rulebook – Volume 6: Capital Markets" covers the regulation and supervision of Bahrain's "Capital Markets". It applies to all participants in Bahrain's "Capital Markets"
Corporate Governance Code	January 2011	MoIC	The "Corporate Governance Code" establishes best-practices in relation to the Corporate Governance Framework. This "Corporate Governance Code" is intended to apply to all operating "Joint Stock Companies" incorporated under the Commercial Companies Law in Bahrain
Disclosure Standards	December 2003	CBB	The "Disclosure Standards" apply to listings, public offerings and sales of securities in Bahrain. All listed companies quoted on the Bahrain Bourse must comply in full with the "Disclosure Standards"
Commercial Companies Law	2001	MoIC	The Commercial Companies Law is the main source of Bahraini legislation governing the establishment, business and management of corporate entities in Bahrain

Source: The Company

The CG-Framework is based on the following three main pillars:

- **Accountability:** To ensure that Management is accountable to the Board and that the Board is accountable to the Shareholders;
- **Fairness:** To protect Shareholders' rights and treat all Shareholders equitably; and
- **Transparency:** To ensure timely and accurate disclosure on all material matters, including the financial situation, performance, ownership and corporate governance of the Company.

The Center for Corporate Services SAL (CCS) assisted the Company in developing the CG-Framework compendium. This compendium comprises the following charters, policies, frameworks, codes and manuals which are available for inspection:

- Audit Committee charter.
- Nomination and Remuneration Committee charter.
- Disclosure and transparency policy, including insider trading issues.
- Communications policy.
- Corporate sustainability and social responsibility policy.
- Succession planning policy.
- Whistle-blowing policy.
- Internal controls framework.
- Enterprise risk management framework.
- Code of conduct and ethics.
- Shareholders' manual.
- Board of Directors' manual.

The CG-Framework compendium also includes charters for the optional risk, executive and corporate governance Board Committees.

6.1 Board of Directors and Senior Management

6.1.1 Information on Directors and Senior Management

6.1.1.1 Board of Directors

The Company is managed by its Board which has the ultimate responsibility for the overall conduct of the Company's business.

The primary responsibility of the Board is to provide effective oversight over the Company's affairs for the benefit of its Shareholders and to balance the interests of its Stakeholders.

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

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

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

6.1.1.2 Appointment of Directors and their responsibilities

The Board currently comprises six non-executive Directors, appointed as representatives of the Founders. The Board currently does not have any Independent Directors.

In accordance with the Company's Board of Directors' manual, the Directors are required to meet at least four times in a given financial year.

Directors are appointed by the Shareholders from amongst candidates proposed by the Board on the recommendations of the Nomination and Remuneration Committee. The Board is appointed for a period of three years on a renewable basis. At the request of the Board, the Minister of Industry and Commerce may extend the membership term of a Director for no more than six months at which time the relevant Director becomes subject to re-election.

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

- If a Director does not have the appropriate legal qualifications or has been sentenced for an act, a fraud or a crime affecting his honour or integrity;
- If a Director is appointed or elected in a manner contrary to the provisions of the law;
- If a Director abuses his membership to carry on a competitive business to the Company or causes damages to the Company; or
- If the Shareholder appointing the member removes him.

Termination of a member of the Board or indeed the whole Board can also be effected by a General Assembly in accordance with Article 178 of the Commercial Companies Law of Bahrain.

All of the existing Directors were appointed during the General Assembly on 22 February 2012 for a three-year term expiring on 22 February 2015. Following the Conversion, the Company shall hold an Extraordinary General Assembly meeting for the appointment of an additional Director, who shall be an Independent Director, to be part of the Board. The names of the current Directors as at the date of this Prospectus, their initial appointment dates and brief biographies are set out below:

Table 10 – Members of the Board of Directors

Name	Designation	Date of Initial Appointment
Shaikh Ahmed Bin Ali Al Khalifa	Chairman	19 April 2003
Mr Asaad Ahmed Al-Banwan	Deputy Chairman	7 February 2005
Shaikh Rashid Abdulrahman Al Khalifa	Director	19 April 2003
Mr Waleed A. M. A. Al-Roudan	Director	27 October 2011
Mr Jamal Shaker Al-Kazemi	Director	27 October 2011
Ms Shaikha Khalid Al-Bahar	Director	27 October 2011

Source: The Company

Shaikh Ahmed Bin Ali Al Khalifa

Shaikh Ahmed Bin Ali Al Khalifa (born 16 January 1955) was elected as the Chairman of the Board on 19 April 2003. He also acts as the chairman of the board of DHL International Bahrain W.L.L., DHL Aviation W.L.L. and MENA Aerospace Enterprises W.L.L. He has been acting as the chairman of the board of MENA Aerospace Enterprises W.L.L. since its establishment in year 2004. Shaikh Ahmed Bin Ali Al Khalifa is also the chairman of Muharraq Club since year 1989 and prior to that he was the vice chairman of the club from year 1978 to year 1988.

Mr Asaad Ahmed Al-Banwan

Mr Asaad Ahmed Al-Banwan (born 13 February 1959) was appointed as the chairman of Mobile Telecommunications Company K.S.C. (the Parent Company) in March 2005. Mr Asaad Ahmed Al-Banwan started his career with the Kuwait Foreign Trading Contracting and Investment Company (KFTCIC, now the Kuwait Investment Company), where he became a senior vice-president in year 1996. He then took over as the deputy general manager of Wafra International Investment Company in Kuwait, from year 1996 to year 1999. Mr Asaad Ahmed Al-Banwan was the vice-chairman and the chief executive officer of the National Investment Company in Kuwait from year 2000 to year 2012. Prior to that, he was the chairman and the managing director of the National Investment Company from year 1999 and the managing director and member of the board of directors since year 1996. In addition, Mr Asaad Ahmed Al-Banwan is a member of the board of directors of several regional and international companies. Prior to being appointed as the chairman of the Parent Company, Mr Asaad Ahmed Al-Banwan was the vice-chairman and a member of its investment committee. Mr Asaad Ahmed Al-Banwan is also the vice-chairman of the Kazma Sports Club. Mr Asaad Ahmed Al-Banwan holds a BSc in Finance and Administration from the University of Kuwait, Kuwait.

Shaikh Rashid Abdulrahman Al Khalifa

Shaikh Rashid Abdulrahman Al Khalifa (born 24 January 1955) is the managing director of Mi'mar Architecture & Engineering since year 1992. Prior to that, he was with the Bahrain Defence Force, holding the position of Director of Military Works from year 1982 to year 1991 and Head of Engineering Department from year 1978 to year 1980. Shaikh Rashid Abdulrahman Al-Khalifa holds a BSc in Architectural Engineering from the University of Cairo, Egypt, a Master's degree in City Planning from Howard University, USA, and a certificate of Advanced Management program from Harvard University, USA. He is a registered member of the Committee for Organizing Engineering Professional Practice (COEPP), the American Institute of Architects and the American Planning Association.

Mr Waleed A. M. A. Al-Roudan

Mr Waleed A. M. A. Al-Roudan (born 22 March 1963) was elected as a board member of the Parent Company in year 2011. Mr Waleed A. M. A. Al-Roudan joined the Kuwait Investment Authority (KIA) in year 1986 and held several positions until he was appointed as the manager of investments – general reserves in year 2006. This area of the KIA manages local and Arab investments in companies and funds in which the KIA is a shareholder or a unit-holder. Mr Waleed A. M. A. Al-Roudan also represents the KIA on the boards of companies where it is a shareholder. Apart from being a board member of the Parent Company, Mr Waleed A. M. A. Al-Roudan is also the chairman of the board of EK Holding. He is also a member of the Supreme Commission, which oversees projects that are held on State property. Mr Waleed A. M. A. Al-Roudan holds a BSc in Economy from the University of Kuwait, Kuwait.

Mr Jamal Shaker Al-Kazemi

Mr Jamal Shaker Al-Kazemi (born 28 July 1956) was elected as a board member of the Parent Company in year 2010. Apart from his role at the Parent Company, Mr Jamal Shaker Al-Kazemi also acts as the chief executive officer and the chairman of Shaker Al-Kazemi & Sons. He has held this position since year 1982. Mr Jamal Shaker Al-Kazemi has also been the chairman of Al-Arabi Sporting Club since year 2000. He is also a board member of Ahli United Bank and the vice-chairman of Marsa Alam Holding Company.

Ms Shaikha Khalid Al-Bahar

Ms Shaikha Al-Bahar (born 14 December 1954) is the chief executive officer of National Bank of Kuwait (NBK) and a board member of various divisions within the National Bank of Kuwait (NBK). Ms Shaikha Al-Bahar has extensive experience in the Middle East region in the areas of privatisation, project finance, advisory services, bond issues, other financial transactions and private placements. Ms Shaikha Al-Bahar has been involved in all of the Kuwait Investment Authority's (KIA) privatisation deals since year 1994. A well sought-out public speaker in many local, regional and international conferences, Ms Shaikha Al-Bahar is also the chairman of: National Bank of Kuwait (NBK), Lebanon, Al-Assima Real Estate Co., Kuwait and also the chairman of the audit committee of International Bank of Qatar (IBQ). Ms Shaikha Al-Bahar is a board member of: International Bank of Qatar (IBQ), National Bank of Kuwait (International) P.L.C., Turkish Bank, NBK Global Asset Management Ltd., Intra Investment Co. S.A.L., Lebanon and a member of the Board of Trustees of the Kuwait University-College of Business Administration. Ms Shaikha Al-Bahar has major personal achievements, out of which: Arabian Business (March 2011): The World's 500 Most Influential Arabs (ranked 8th locally and 141st Arabian) and 100 Most Powerful Arab Women (ranked 3rd locally and 15th Arabian), Forbes (December 2004, April 2006 and February 2008): Most Powerful Woman in the Arab World and GCC Executive Woman of the Year (1997) – Dubai. Ms Shaikha Al-Bahar holds a BSc with honours in international marketing and minor in statistics. The educational institutions she has attended include Stanford University, Duke University, Stanford – National University of Singapore, Wharton Business School, University of Southern California, INSEAD, Harvard Business School and International Marketing Citibank's Correspondent Bank School.

6.1.1.3 Senior managers of the Company

As at the date of this Prospectus, the names of the senior members of the Management team are set out below (please note that the senior management are appointed based on open-ended contracts without any date of expiry):

Table 11 – Senior Management of the Company

Name	Designation	Date of Appointment
Mr M. Scott Gegenheimer	Chief Executive Officer	December 2012
Mr Mohammed Zainalabedin	General Manager	May 2008
Mr Esam Zainal	Director, Business Planning & Excellence	July 2010
Mr Muneeb Shahid	Director, Marketing	April 2011
Mr Hamad Al-Romaihi	Director, Network	July 2010
Ms Khawla Allan	Director, IT	May 2008
Mr Ahmed Dief	Director, Finance	September 2007
Mr Arslan Khan	Director Sales and Customer Care	November 2012
Mr Jaffar Abdulla	Manager, Regulatory and Interconnection	December 2008
Ms Dana Bukhamamas	Manager, Human Resources	July 2009
Ms Samya Hussein	Manager, Corporate Communication	September 2007
Ms Latifa Salahuddin	Director, Legal	May 2014
Mr Abdulrahman Al-Shafei	Manager, Investor Relations	November 2013

Source: The Company

Brief biographies of the senior managers of the Company are set out below:

Mr M. Scott Gegenheimer

Mr M. Scott Gegenheimer (Born 14 December 1966) was appointed as the CEO of Zain Bahrain in December 2012. Prior to that, he was the CEO of a number of telecom operators in the MENA region, and finance executive in a number of companies in the USA. He is also the CEO of the Parent Company. Additionally, Mr M. Scott Gegenheimer has 25 years of extensive international and operational experience in wireless telecommunications and technology sectors. Mr M. Scott Gegenheimer holds an MBA from DePaul University and a BSc in Finance and Management from Northern Illinois University, USA.

Mr Mohammed Zainalabedin

Mr Mohammed Zainalabedin (Born 10 October 1971) is the General Manager of Zain Bahrain since May 2008. Mr Mohammed Zainalabedin is responsible for the overall strategy, planning, operation and management of the business, as well as for creating, communicating and implementing the organisation's vision and mission and achieving its financial targets. Mr Mohammed Zainalabedin joined Zain Bahrain in July 2003 in the IT department and progressed to become the Chief Commercial Officer of the Company. Prior to that, he was extensively involved in the banking IT field. Mr Mohammed Zainalabedin holds a BSc degree in Computer Engineering from the King Fahad University of Petroleum & Minerals, Kingdom of Saudi Arabia.

Mr Esam Zainal

Mr Esam Zainal (Born 15 December 1960) is the director of business planning and excellence of Zain Bahrain since July 2010. Mr Esam Zainal heads the unit responsible for business planning, new business development, programme management, and quality assurance. Prior to that, Mr Esam Zainal was the head of the network department and was responsible for the planning, development, operation and maintenance of Zain Bahrain's network. Mr Esam Zainal joined Zain Bahrain in year 2003. Prior to that, he worked for another major telecommunications operator in Bahrain as a senior manager in product development and mobile services and as a mobile and satellite communications engineer. Mr Esam Zainal holds MS and BS degrees, both in Electrical Engineering from the University of Texas at Arlington, USA.

Mr Muneeb Shahid

Mr Muneeb Shahid (Born 15 March 1978) is the director of marketing of Zain Bahrain since year 2011. Mr Muneeb Shahid is responsible for all aspects relating to strategic and tactical marketing. Mr Muneeb Shahid joined Zain Bahrain in year 2004 as a member of the network department and was responsible for radio access network planning, deployment and management. After that, Mr Muneeb Shahid held positions in strategy and business planning within Zain Bahrain and the Parent Company. Prior to that, Mr Muneeb Shahid was a network planning engineer in WorldCALL Wireless and Mobilink in Pakistan. Mr Muneeb Shahid holds an MBA in Corporate Finance and Strategy from INSEAD, France, a Master's degree in Engineering from Rensselaer Polytechnic Institute, USA and a BSc in Electrical Engineering from the National University of Science and Technology, Pakistan.

Mr Hamad Al-Romaihi

Mr Hamad Al-Romaihi (Born 13 August 1979) is the director of network of Zain Bahrain since July 2010. Mr Hamad Al-Romaihi is responsible for planning, development, operation and maintenance of the network, including ensuring coverage and quality. Additionally, Mr Hamad Al-Romaihi is responsible for planning and developing technical strategies, policies, service level agreements and business plans, negotiating with network vendors and planning and managing yearly CAPEX and OPEX budgets. Prior to that, Mr Hamad Al-Romaihi worked in the field of network technology with the Parent Company, HP and Ericsson AB. Mr Hamad Al-Romaihi holds a BSc in Electronic and Electrical Engineering from the Strathclyde University, United Kingdom.

Ms Khawla Allan

Ms Khawla Allan (Born 18 November 1963) is the director of IT since May 2008. Ms Khawla Allan is responsible for the planning, development, operation and maintenance of all IT systems including the billing system, enterprise applications (human resources and finance), ISP infrastructure, business intelligence system and call centre voice system. Ms Khawla Allan is also responsible for planning and managing the annual IT CAPEX and OPEX budgets as well as negotiating with vendors. Ms Khawla Allan joined Zain Bahrain in June 2003. Prior to that, Ms Khawla Allan held a number of managerial and technical positions in other telecommunications operators in Bahrain and in other countries. Ms. Khawla Allan holds an MBA in Financial Management from Hull University, United Kingdom and a BSc in Computer Science from the Jordan University, Jordan.

Mr Ahmed Dief

Mr Ahmed Dief (Born 29 August 1968) is the director of finance of Zain Bahrain. Mr Ahmed Dief is responsible for accounting and financial operations, budget and forecasting management, profitability and cost analysis, cost optimization management, revenue assurance, interconnection carrier billing as well as treasury and cash flow management. Mr Ahmed Dief joined Zain Bahrain in May 2004. Prior to that, Mr Ahmed Dief was in leading positions in the telecom, oil, trading and auditing sectors. Mr Ahmed Dief holds a BSc in Accounting from Ain Shams University, Egypt and is a Certified Cash Flow Manager.

Mr Arslan Khan

Mr Arslan Khan (Born 19 November 1974) is the director of sales and customer care of Zain Bahrain. Mr Arslan Khan is responsible for acquisition targets in the consumer segment (indirect sales and retail sales), signature (high value and VIP) and business segment (corporate and enterprise). Mr Arslan Khan joined Zain Bahrain in November 2012. Prior to that, Mr Arslan Khan held senior positions in sales and marketing with telecommunications operators in the MENA region including: group commercial director for Vtel Holdings, group chief commercial officer for Bintel Ltd, chief marketing officer for MTN, commercial director for Digicel, marketing director/head of residential market for Etisalat and marketing director for Millicom International Cellular. Mr Arslan Khan holds an MBA from Preston University, USA and a BSc in General Studies from Punjab University, Pakistan.

Mr Jaffar Abdulla

Mr Jaffar Abdulla (Born 26 December 1979) is the manager for regulatory and interconnection department of Zain Bahrain. Mr Jaffar Abdulla is the main contact with the telecom regulator (the TRA), ensuring the Company's compliance with licence conditions and with regulations. Mr Jaffar Abdulla is also the main contact with other licensed operators in Bahrain and in other countries for all matters relating to interconnection and wholesale. Prior to that, Mr Jaffar Abdulla was a radio engineer with Zain Bahrain's network team. Mr Jaffar Abdulla joined Zain Bahrain in July 2003. Mr Jaffar Abdulla holds an MBA from New York Institute of Technology, Bahrain and a BSc in Instrumentation and Control Engineering from the University of Bahrain, Bahrain.

Ms Dana Bukhammas

Ms Dana Bukhammas (Born 21 March 1980) is the manager of human resources of Zain Bahrain since July 2009. Ms Dana Bukhammas is responsible for learning and development, performance management, employee relations and services, staffing and organizational development. Prior to this role, Ms Dana Bukhammas had held other positions in Zain Bahrain's Human Resources department, and supervisory roles in the Sales Department. Ms Dana Bukhammas joined Zain Bahrain in July 2003. Ms Dana Bukhammas holds a BSc in Business Management from the University of Bahrain, Bahrain and is currently enrolled in an MBA programme.

Ms Samya Hussein

Ms Samya Hussein (Born 6 October 1966) is the manager for corporate communication of Zain Bahrain since year 2007. Ms Samya Hussein manages the public relations activities of public events and maintains positive relations with the public, the press and the electronic media. Ms Samya Hussein also develops and oversees the delivery of all publications, press and media communications, calendars, special promotions and general information on related activities and events. Ms Samya Hussein joined Zain Bahrain in year 2003. Ms Samya Hussein previously worked at Almoayyed Computers as CEO Office Manager from year 1999 to year 2002 and Accor Group handling Novotel Hotel in the CEO'S Office from year 2002 to year 2003. Ms Samya Hussein holds a Business Administration Degree from the University of Bahrain, Bahrain.

Ms Latifa Salahuddin

Ms Latifa Salahuddin (Born 16 July 1981) is the director of legal of Zain Bahrain. She joined Zain Bahrain in May 2014 and heads the legal department providing and managing legal support to the Company. Ms Latifa Salahuddin is responsible for advising on, drafting and reviewing Zain Bahrain's local and international agreements and for liaising with regulatory agencies and government authorities. She is also secretary to the Board and supervises the implementation of its decisions. Ms Latifa Salahuddin is a qualified Bahraini lawyer. Prior to joining Zain Bahrain, and since year 2006, Ms Latifa Salahuddin was a senior associate at Zu'bi & Partners Attorneys & Legal Consultants. Ms Latifa Salahuddin holds an LLB (Bachelor of Laws) from London Guildhall University and an LLM (Master of Laws) from University of London – The School of Oriental & African Studies (SOAS) in the United Kingdom.

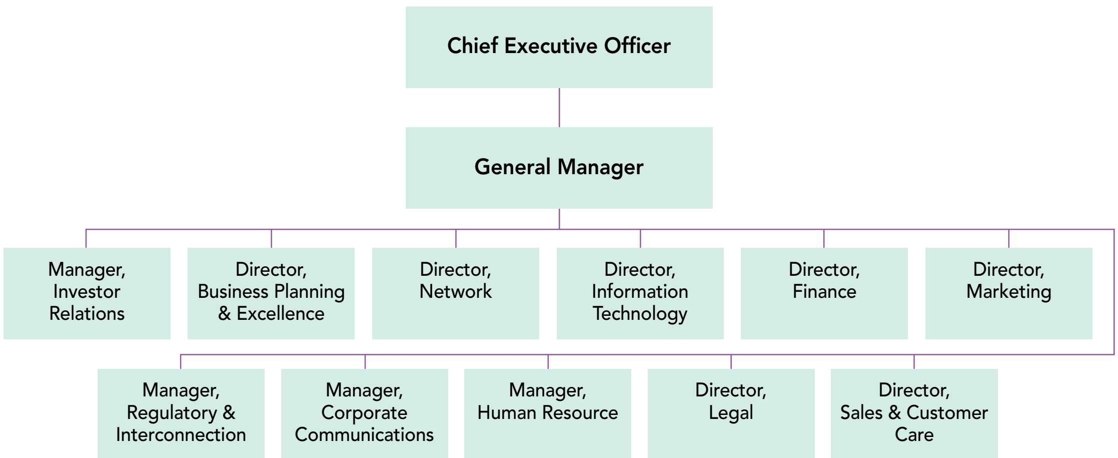
Mr Abdulrahman Al-Shafei

Mr Abdulrahman Al-Shafei (Born 8 December 1982) joined the Company as investor relations manager, ahead of the IPO launch. Mr Abdulrahman Al-Shafei is responsible for coordinating matters of finance, communication, marketing, and securities law compliance for Zain Bahrain as the Company prepares to launch its IPO. His work will involve creating and implementing the most effective two-way communication between the Company and the financial community and other constituencies, which ultimately contributes to the Company's securities achieving fair valuation. Mr Abdulrahman Al-Shafei joined Zain Bahrain at its inception in year 2003 and continued with it until the year 2006, when he moved to the banking industry to become a finance professional. As a former banker, Mr Abdulrahman Al-Shafei brings to his new role at Zain Bahrain valuable experience gained as financial advisor with Mashreq Bank (UAE), as senior manager with Global Banking Corporation (Bahrain) and as director at Abu Dhabi Investment House (Bahrain). Mr Abdulrahman Al-Shafei completed his MBA from the University of Glamorgan, United Kingdom, and updated his financial professional credentials with specialist certifications at the Bahrain Institute of Banking & Finance as well as other financial training institutions such as the American Academy of Financial Management.

6.1.2 Management Reporting Structure

The current management reporting structure of the Company is set out below:

Figure 16 – Zain Bahrain Organizational Structure



Source: The Company

6.1.3 Shareholding Structure of the Company

As at the date of this Prospectus, the names of the major Shareholders, the Directors, and the CEO are set out below:

Table 12 – Shareholding by Major Shareholders, the Directors and the CEO

Interest Holder	Designation	Nationality	Pre-Offer		Post-Offer	
			Number of Shares	% of Ownership	Number of Shares	% of Ownership
Mobile Telecommunications Company K.S.C.	Shareholder	Kuwaiti	20,160,000	63.00%	201,600,000	54.78%
Shaikh Ahmed Bin Ali Al Khalifa	Shareholder, Director and Chairman	Bahraini	5,926,000	18.52%	59,260,000	16.10%
Shaikh Rashid Abdulrahman Al Khalifa	Shareholder and Director	Bahraini	120,000	0.38%	1,200,000	0.33%
Mr Asaad Ahmed Al-Banwan	Director and Deputy Chairman	Kuwaiti	-	0%	-	0%
Mr Waleed A. M. A. Al-Roudan	Director	Kuwaiti	-	0%	-	0%
Mr Jamal Shaker Al-Kazemi	Director	Kuwaiti	-	0%	-	0%
Ms Shaikha Khalid Al-Bahar	Director	Kuwaiti	-	0%	-	0%
Mr M. Scott Gegenheimer	CEO	American	-	0%	-	0%

Source: The Company
Note: Pursuant to the EGM held on 28 July 2013, the Company's authorised share capital was resolved to be increased from BHD 32,000,000 to BHD 36,800,000 and each Ordinary Share of BHD 1 was resolved to be split into 10 Ordinary Shares, each with a nominal value of 100 fils. The stock split will be effective on Conversion.

All the Shares, including those in the previous table, are Ordinary Shares and carry voting rights equal to those being offered. This presents the share ownership position as at the date of this Prospectus.

The significant changes in the ownership structure for the past three years are set out below:

Table 13 – Most Recent Changes in the Ownership Structure

Shareholder	From	To
Mobile Telecommunications Company K.S.C.	56.25%	63.00%
Shaikh Ahmed Ali Bin Al Khalifa	15.33%	18.52%
Shaikh Rashid Abdulrahman Al Khalifa	3.66%	0.38%

Source: The Company

The Issuer is controlled by Mobile Telecommunications Company K.S.C. through its equity ownership, majority Board representation, and the Management Agreement.

6.1.4 Material Background Information

The Company confirms that none of its major Shareholders, Directors or key Management, collectively referred to as Stakeholders, has:

- at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against the Stakeholder, or against a partnership of which the Stakeholder was a partner at the time when the Stakeholder was a partner, or at any time within two years from the date the Stakeholder ceased to be a partner;
- at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which the Stakeholder was a director or an equivalent person or a key executive, at the time when the Stakeholder was a director or equivalent person or a key executive of that entity, or at any time within two years from the date the Stakeholder ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- had any unsatisfied judgment against the Stakeholder;
- ever been convicted of any offence, in Bahrain or elsewhere, involving money laundering, financial crimes, fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which the Stakeholder is aware) for such purpose;
- ever been convicted of any offence, in Bahrain or elsewhere, involving a breach of any law or regulatory requirement that relates to the capital market in Bahrain or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which the Stakeholder is aware) for such breach;
- at any time during the last 10 years, had a judgment entered against the Stakeholder in any civil proceedings in Bahrain or elsewhere involving a breach of any law or regulatory requirement that relates to the capital market in Bahrain or elsewhere, or a finding of fraud, misrepresentation or dishonesty on the Stakeholder's part, nor has any Stakeholder been the subject of any civil proceedings (including any pending civil proceedings of which the Stakeholder is aware) involving an allegation of fraud, misrepresentation or dishonesty on the Stakeholder's part;
- ever been convicted in Bahrain or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining the Stakeholder from engaging in any type of business practice or activity;
- ever, to the Stakeholder's knowledge, been concerned with the management or conduct of the affairs of:
  - any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Bahrain or elsewhere;
  - any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Bahrain or elsewhere;
  - any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Bahrain or elsewhere; or
  - any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the capital market in Bahrain or elsewhere

  in connection with any matter occurring or arising during the period when the Stakeholder was so concerned with the entity or business trust; and
- been the subject of any current or past investigation or disciplinary proceedings, or been reprimanded or issued any warning by the CBB or any other regulatory authority, exchange, professional body or government agency, whether in Bahrain or elsewhere.

6.1.5 Board Committees

The Directors are responsible both individually and collectively for performing their responsibilities. Although the Board may delegate certain functions to its Board Committees or to the Management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent CG-Framework is in place.

Board Committees must act only within their mandates and therefore the Board must not allow any Committee to dominate or effectively replace the whole Board in its decision-making responsibility.

To enshrine effective CG-Framework within the Company and to prepare the Company towards its anticipated status as a public joint stock company, the Board is in the process of establishing the following Board Committees:

- **Audit Committee:** the Audit Committee shall be established to oversee financial matters, risk management and internal controls of the Company's operations. The Audit Committee's responsibilities shall include the review and discussion of the Company's interim and annual financial statements. The Audit Committee shall oversee the Company's appointment of the External Auditor and shall review the effectiveness of external and internal audits. Furthermore, the Audit Committee shall have the authority to engage external experts as it considers necessary to discharge its responsibilities regarding the financial affairs of the Company.
- **Nomination and Remuneration Committee:** the Nomination and Remuneration Committee shall be established to make decisions on the evaluation of the Board's performance and shall propose objective performance criteria to assess the Board's contribution to the enhancement of the Shareholders' value. The Nomination and Remuneration Committee shall be responsible for the identification, review, nomination and suggested remuneration of prospective candidates for Board appointments and key Management of the Company. Furthermore, the Nomination and Remuneration Committee shall review the Company's human resources management systems and organisational structures and governance models to identify areas requiring improvement.

A written charter has been developed for each Board Committee using the "Central Bank of Bahrain Rulebook – Volume 6: Capital Markets" issued by the CBB, the "Corporate Governance Code" issued by the MoIC, the "Disclosure Standards" issued by the CBB and the Commercial Companies Law issued by the MoIC. The charters set out the mission and responsibilities of the Board Committees as well as the procedures for the appointment and removal of committee members, committee structure and organisation as well as operations and reporting protocol to the Board.

6.1.6 Compensation Policy

The Company's compensation policy for Directors ensures that the Board is reasonably compensated for the time, resources and effort spent in performing their fiduciary duties. The Board's compensation, which is approved annually by the Shareholders at the annual General Assembly, includes an annual stipend and allowances for out-of-pocket expenses.

The estimated amount to be paid to all Directors for the year ending 31 December 2014 is BHD 452,000.

The Company's compensation policy for Management and employees is designed to attract, retain and motivate employees of diverse skill sets and business acumen, educational backgrounds and experience.

The Company's compensation packages include but are not limited to: basic salaries, fringe benefits such as non-salary perquisites, bonuses and gratuity (deferred-benefit compensation). The Company has a pre-set five-level hierarchical grading system and utilizes scorecards and key performance indicators to assess the periodic performance of all of its employees. The Company also conducts periodic evaluations as well as self-evaluations for all of its employees in order to keep their interests aligned with the Company's Shareholders.

The total compensation (including the employer's contributions to the Social Insurance Organisation of Bahrain and other applicable governmental charges and levies) paid to all employees was BHD 7,554,283 for the year ended 31 December 2012 and BHD 7,417,733 for the year ended 31 December 2013. Furthermore, the cumulative amount which the Company has set aside or accrued to provide for retirement, pension or similar benefits, such as leaving indemnities, as at 31 December 2013 was BHD 329,938.

The total estimated compensation to be paid to the five most senior executive managers of the Company for the year ending 31 December 2014 (including the employer's contributions to the Social Insurance Organisation of Bahrain and other applicable governmental charges and levies) is BHD 549,539.

None of the Directors have entered into a service contract with the Company which provides for benefits upon termination.

The non-Bahraini members of the Management of the Company receive a statutory leaving indemnity which is calculated in accordance with the provisions of the Bahraini law at the end of the term of employment.

6.2 Employees

The Company's selection and recruitment policy is consistent with leading best practices with regards to selection, recruitment and career development.

The Company supports a business environment which fosters the development of employees and seeks to attract, retain, and motivate employees of diverse skill sets, business acumen, educational backgrounds and experience.

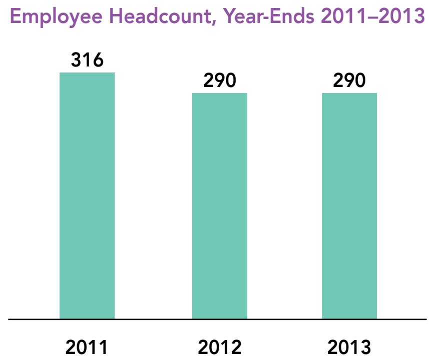
Each position or vacancy has specific terms of reference stating the job duties and responsibilities, qualifications needed including interpersonal requirements and other relevant matters.

Recruitment of employees is accomplished based on a case-by-case assessment of the relevant experience, performance, skills and future planned career paths. The Company encourages initiative and innovation, recognizes and rewards individual performance and promotes employees solely on merit.

The Company endeavours to be the first choice for employment in the market of Bahrain. To this end, the Company uses various means to attract and retain the best talents for its operations. The recruitment and selection function is fulfilled through internal and external recruitment, transfers, as well as job rotation. The Company ensures equal opportunities to all candidates applying to open vacancies, taking into consideration performance, competencies, technical expertise, and values. The Company's direction, nevertheless, is to fulfil, as much as possible, open vacancies through internal recruitment.

The Company's employee headcounts at the end of the last three financial years prior to the Offering were as follows:

Figure 17 – Employee Headcount for the Last Three Years

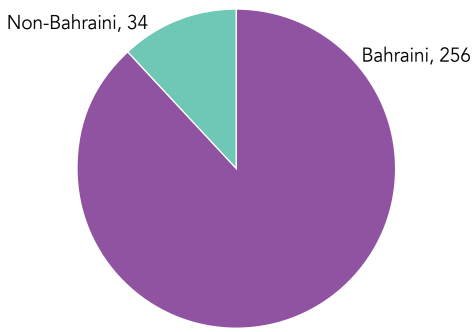


Source: The Company

In addition, the Company employs a number of temporary employees. The average number of temporary employees during year 2013 was approximately 116.

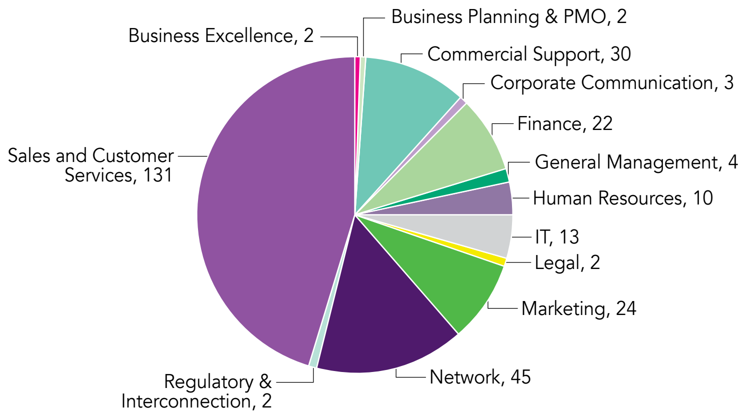
The breakdown of employees by nationality and main category of activity is set out below:

Figure 18 – Employees Distribution by Nationality, Year-End 2013



Source: The Company

Figure 19 – Employees Distribution by Activity Category, Year-End 2013



Source: The Company

6.3 Employee Share Ownership and Options

Currently the Company has no stock option plans or employee share scheme in place in respect of its Management or employees, nor is there currently an intention to introduce such plans or schemes following the Conversion and completion of the IPO.

As the employees of the Company are qualified to subscribe for the Offer Shares in the Offering, there will be no restrictions, limitations, or preferential treatment in the event that such employees become Shareholders of the Company pursuant to the Offering. However, the employees will be subject to the requirements and restrictions imposed by the Bahrain Bourse including the requirement that such employees shall not be considered part of the 100 minimum number of Shareholders required for the listing of the Company on the Bahrain Bourse.

6.4 External Auditor

The Company has a policy for the appointment, dismissal and remuneration of the External Auditor. The policy also provides guidance in the terms of the appointment, the role and responsibility as well as the selection criteria of the External Auditor. The policy shall take into consideration the independence, cost and competency of the External Auditor. A formal documented evaluation of the short-listed external auditors shall be carried out by the Audit Committee. The evaluation shall take into account specific industry expertise, size of the audit firm, other similar audits, the value that could be added, as well as the fees.

The External Auditor's independence shall be examined at least each year by determining whether his performance of any non-audit service compromised his independence. The Audit Committee shall pre-approve all non-audit services provided by the External Auditor, including specific pre-approvals of internal controls related services, and shall not engage the External Auditor in any non-audit service which is prohibited by applicable laws, rules and regulations.

The Company reviews and evaluates the External Auditor's qualifications, regulatory approvals, performance and independence on an annual basis, including a review and evaluation of the lead partner. The Company also considers the regular rotation of external auditors to ensure their continuing independence in fact and in appearance.

Deloitte & Touche – Middle East has been the External Auditor of the Company for the last nine years. The External Auditor's contact details are:

Al Zamil Tower
Government Avenue
P.O. Box 421
Manama,
Kingdom of Bahrain
Telephone: +973 17214490
Facsimile: +973 17214550

The names and addresses of the Company's principal bankers, legal advisor and other advisors are set out below:

Table 14 – Principal Bankers, Legal Advisor and Other Advisors

Name	Relationship	Address
National Bank of Bahrain B.S.C. (NBB)	Banker	P.O. Box 106, Manama, Kingdom of Bahrain
BBK	Banker	P.O. Box 597, Manama, Kingdom of Bahrain
National Bank of Kuwait (NBK)	Banker	P.O. Box 5290, Manama, Kingdom of Bahrain
Ahli United Bank (AUB)	Banker	P.O. BOX 2424, Manama, Kingdom of Bahrain
Arab Bank	Banker	P.O. Box 813, Manama, Kingdom of Bahrain
Elham Ali Hassan & Associates	Legal advisor	P.O. Box 2366, Manama, Kingdom of Bahrain
Seven Brands	Branding and advertising agency	Platinum Tower, 19th Floor, Office 242, Road 2803 Block 428, Seef District, Kingdom of Bahrain
Mindshare Bahrain	Media agency	Almoayyad Tower, 5th Floor, Office 504, Road 2831 Block 428, Seef District, Kingdom of Bahrain

Source: The Company

7 Major Shareholders, Related Party Transactions and Conflicts of Interest

7.1 Major Shareholders

The following table highlights the pre-Conversion Share ownership based on the categories set out below:

Table 15 – Pre-Conversion Share Ownership

Category	Number of Shares	Number of Shareholders	% of Total Authorised Shares
Less than 1%	3,094,000	22	9.67%
1% up to less than 5%	2,820,000	4	8.81%
5% up to less than 10%	-	-	0%
10% up to less than 30%	5,926,000	1	18.52%
30% up to less than 50%	-	-	0%
50% up to less than 75%	20,160,000	1	63.00%
Above 75%	-	-	0%

Source: The Company

The following table highlights the major Shareholders of the Company, holding 5% or more of its shares:

Table 16 – Major Shareholders

Name	Number of Shares Pre-Conversion	% of Ownership Pre-Conversion
Mobile Telecommunications Company K.S.C.	20,160,000	63.00%
Shaikh Ahmed Bin Ali Al Khalifa	5,926,000	18.52%

Source: The Company

Information on Mobile Telecommunications Company K.S.C. and Shaikh Ahmed Bin Ali Al Khalifa are provided under sections 5.5.1 "Zain Group Overview" and 6.1.1 "Information on Directors and Senior Management", respectively.

7.1.1 Most Recent Changes in Ownership Structure

The following table highlights the significant changes in the ownership structure in the past three years:

Table 17 – Most Recent Changes of the Ownership Structure

Shareholder	From	To
Mobile Telecommunications Company K.S.C.	56.25%	63.00%
Shaikh Ahmed Ali Bin Al Khalifa	15.33%	18.52%
Vodafone Holding Jersey Limited	6.25%	0.00%
Shaikh Rashid Abdulrahman Al Khalifa	3.66%	0.38%

Source: The Company

7.1.2 Shareholder Rights

All the Shares, including those in the previous table, are Ordinary Shares and carry voting rights equal to those being offered. This represents the Share ownership position as at the date of this Prospectus.

7.1.3 Control of the Issuer

The Issuer is controlled by Mobile Telecommunications Company K.S.C. through its equity ownership, majority Board representation and the arrangements agreed in the Management Agreement described in section 7.2.1.

7.2 Related Party Transactions

7.2.1 Parent Company Management Agreement

The Company entered into an exclusive Management Agreement with the Parent Company (Mobile Telecommunications Company K.S.C.) on 28 December 2003 under which the Parent Company agreed to manage the business affairs of the Company as an independent contractor.

The original agreement was for a period of 10 years (expiring on 27 December 2013). The agreement has been extended for a further term of 10 years starting on 29 December 2013. The services provided under this Management Agreement include a number of management oversight services such as: the monitoring of accounting, billing, collections and other financial reports; the marketing of products and services for the Company; the negotiation of interconnection and roaming agreements; the identification of opportunities of investment for the Company; the monitoring of employees; the co-ordination, supervision and maintenance of the network; and the provision of such other services as the Board may request.

The Parent Company also has the authority to perform all such acts of management as it determines in its reasonable business judgment, are necessary or advisable in order to conduct the business of the Company.

In consideration of the services provided by the Parent Company under the Management Agreement it is entitled to receive 3.0% of the Company's total annual revenue for the duration of the Company's IMTL and any extension thereof.

7.2.2 Supply Chain Management Services Agreement with Proctel

Proctel WLL ("Proctel") is a company incorporated in Bahrain which is a wholly owned subsidiary entity of the Parent Company. Proctel has been established by the Parent Company for the purpose of centralising the purchase of certain products for and on behalf of its operating entities and thus enabling the negotiation of competitive offers from the suppliers.

On 13 December 2011, the Parent Company and Proctel entered into a Supply Chain Management Services Agreement under which Proctel agreed to act as a purchasing agent on a non-exclusive basis on behalf of the Parent Company Affiliates. This agreement was for an initial term of one year, renewable automatically thereafter.

Under the terms of the Supply Chain Management Services Agreement, each Parent Company Affiliate wishing to be bound by and take advantage of the Supply Chain Services Agreement has to enter into a contract of adherence to the main agreement. However, the Parent Company Affiliate has either the option to deal directly with Proctel or directly with the suppliers. This option applies equally to the Company. The Company entered into a contract of adherence to the Supply Chain Management Services Agreement on 12 November 2012.

7.2.3 Memorandum of Understanding in Relation to the Headquarters of the Company

On 28 October 2010, Zain Bahrain and Zain Group Holding Bahrain S.P.C. signed a memorandum of understanding (MoU) for the sale of unimproved property and the lease and purchase option of improved property relating to the headquarters of the Company, the ownership of which belongs to Zain Group Holding Bahrain S.P.C.

The rent rate is on a per square metre basis.

The MoU was extended for an indefinite period as of 28 December 2010.

7.2.4 Purchase Orders with Mada for Wholesale Services

During years 2013 and 2014, the Company placed orders with Mada Communication Company S.P.C. for the provision of wholesale services, similar to those that the Company receives from other wholesale service providers.

The Company pays Mada a one-time installation fee and a monthly lease rate. Recently the Company renewed IP transit and BlackBerry connectivity services until March 2015.

The purchase orders contain sensitive market information that will expose the cost of sales, thus affecting the competitiveness of such services. Therefore, these purchase orders are not available for inspection.

7.3 Conflict of Interest

Mada, a wholly owned subsidiary of the Parent Company, currently holds two telecommunications licences similar to those held by Zain Bahrain, namely an Individual Licence for International Telecommunications Facilities and an Individual Licence for International Telecommunications Services. Both licences were granted by the TRA to Mada on 17 September 2009.

The acquisition of Mada was approved by the TRA on 18 March 2012. Mada is a company specialised in the provision of international connectivity solutions for voice and data to telecommunications operators and corporate customers. No conflict of interest has arisen or is expected to arise in practice between the Company and Mada.

7.4 Interests of Experts and Counsellors

The Company confirms that none of the named experts or counsellors in this Prospectus employed on a contingency basis by the Company:

- has a material interest, whether direct or indirect, in the Shares of the Company; or
- has a material economic interest, whether direct or indirect, in the Company, including an interest in the success of the Offer.

7.5 Interests of the Underwriter or Issue Managers

National Bank of Kuwait and NBK Capital provide financing and advisory services to the Parent Company and its subsidiaries in the normal course of business.

Gulf International Bank BSC has provided financing facilities to Zain KSA guaranteed by the Parent Company in the normal course of business.

7.6 Material Contracts

7.6.1 Main Domestic Interconnection Agreements with other Network Operators in Bahrain (Batelco and Viva)

Under the Telecommunications Law of Bahrain, all licensed telecommunications operators in Bahrain have the right to interconnect with other networks. As such, all telecommunications operators are obliged to negotiate in good faith on the receipt of a request to interconnect their telecommunications network to the telecommunications network of another licensed telecommunications operator in Bahrain at any technically feasible point in time.

Interconnection is defined as the physical and logical linking of telecommunications networks used by the same or a different organisation in order to allow the customers of one organisation to communicate with the customers of the same or another organisation, or to access services provided by another organisation.

The Company has interconnection agreements in place with Batelco and Viva. Such interconnection agreements enable subscribers of either party to the agreements to communicate with each other.

Batelco and the Company have entered into a supply agreement with each other on 29 January 2006 which was prepared by reference to the Batelco Reference Offer dated 15 August 2005. This agreement amended certain terms of the Batelco Reference Offer, and together with the Batelco Reference Offer governs Batelco's and the Company's wholesale services arrangements with each other.

This agreement determines the conditions under which each party will supply the other party services when acting in a capacity of access provider.

The services under this agreement are provided under individual schedules and include, without limitation, the following:

- Interconnection services;
- Access services;
- Such other service that may be specified in the Batelco Reference Offer from time to time;
- Certain other services, as specified in paragraphs 2, 3 and 4 of schedule 2 of the supply agreement; and
- Any other service which may be agreed to be provided pursuant to the supply agreement from time to time.

Viva and the Company entered into an interconnection agreement on 3 September 2009. The services to be provided mutually by the parties relate to the conveyance of the traffic (including voice and signalling, SMS, MMS, video calls, data, termination of international traffic and any other service agreed upon by the parties) of the other party.

As these agreements set out the technical, commercial and financial terms to the licensed telecom providers in Bahrain, they are deemed highly confidential and sensitive information in relation to this market, and which will expose parties that are not related to the Company or this Offer if disclosed. Therefore these agreements are not available for inspection.

7.6.2 Ericsson

The Parent Company and Ericsson entered into a framework agreement ("Zain-Ericsson Framework Agreement") for the supply of hardware, software and related services on 2 March 2009. This framework agreement sets out the terms and conditions upon which Ericsson will supply its products and services to the Parent Company Affiliates. Since the negotiation of the agreement was undertaken directly by the Parent Company after taking into consideration possible volume transactions that could be generated by its affiliates, the Parent Company is able to negotiate very competitive offers for the Parent Company Affiliates, the details of which are summarized in the Zain-Ericsson Framework Agreement.

The Parent Company Affiliates can become a party to the Zain-Ericsson Framework Agreement by entering into a contract of adherence to it. There is no obligation under the Zain-Ericsson Framework Agreement and/or contract of adherence to purchase equipment from Ericsson. Such contracts of adherence are, however, ruled by the terms and conditions of the Zain-Ericsson Framework Agreement and the Parent Company Affiliate and Ericsson can, subject to the Parent Company's prior approval, amend certain provisions of this agreement in the contract of adherence in order to address certain local issues such as specific tax issues or INCOTERMS.

The Company and Ericsson have entered into two contracts of adherence with reference to the Zain-Ericsson Framework Agreement for respective products and services in relation to the full swap of Zain Bahrain's network. The swap was in relation to the replacement of the previous telecommunications network, which was supplied by NSN. The swap arrangement saw the introduction of the latest 2G and 3G technologies, as well as the new 4G LTE technology, into the Zain Bahrain network, and significantly increased the number of base stations. This project was near completion at the time of preparing this Prospectus.

The terms, conditions and pricing of these types of agreements in the telecom industry is extremely sensitive as there are always different terms and conditions, liabilities and penalties clauses with different suppliers and operators, which will in turn affect the prices for such hardware, software and related services. Therefore these agreements are not available for inspection.

7.6.3 NSN

The Parent Company and NSN entered into a framework agreement on 28 April 2009. The terms and the structure of this agreement are similar to those with Ericsson. Additionally, the Company entered into a contract of adherence to this agreement on 24 June 2009 which was later amended on 29 June 2010.

Under the contract of adherence, the Company issued a purchase order in excess of BHD 500,000 on 13 March 2013 for the maintenance of its telecommunications network for the year 2013 in order to ensure that its telecommunications network was covered under suitable maintenance arrangements until the swap of the network with Ericsson was completed in the first quarter of 2014.

The terms, conditions and pricing of these types of agreements in the telecom industry are extremely sensitive as there are always different terms and conditions, liabilities and penalties clauses with different suppliers and operators which will in turn affect the prices for such hardware, software and related services. Therefore this agreement is not available for inspection.

7.6.4 Huawei

The Company and Huawei entered into a facilities management agreement on 4 April 2013, under which the Company outsources its IT services and related telecommunications services to Huawei. The term of this agreement is one year and is automatically renewable unless a party notifies the other party in writing at least six months prior to the expiration of the initial term or any renewal term of its decision not to renew this facilities management agreement for another term.

This type of facilities management agreement is subject to different penalties, KPIs and service credit with different service providers and therefore such disclosure will impact these factors when supplying other parties. Therefore this agreement is not available for inspection.

7.6.5 Partner Market Agreement with Vodafone

The Parent Company entered into a Partner Market Agreement with Vodafone Sales & Services Limited on 18 July 2012. This agreement provides the Parent Company Affiliates' subscribers with greater support by providing access to Vodafone's global footprint. The agreement also significantly expands Vodafone Group's partner market presence in the Middle East region.

Under this Partner Market Agreement, Vodafone will work with the Parent Company Affiliates in the Kingdom of Saudi Arabia, Bahrain, Kuwait, Jordan and Iraq and other countries to provide customers with high quality communications services.

Under this agreement, the Parent Company Affiliates which have acceded to it will have access to Vodafone Group's devices and services in their home markets and will become the preferred partner of Vodafone in respect of the agreed areas of cooperation. The Company entered into a contract of accession to the Partner Market Agreement on 30 September 2012. The duration of the contract of accession that the Company has entered into is three years commencing on the date of the contract of accession.

Vodafone and the Parent Company Affiliates work together to provide customers with enhanced network coverage and harmonized roaming rates across multiple countries with greater cost efficiencies. The agreement shall also provide the Parent Company Affiliates access to the brand, its branding materials, products and services.

In addition, this agreement allows the Parent Company Affiliates who have acceded to it to use the Vodafone brand in branding jointly developed products. Vodafone's multinational customers served by Vodafone Global Enterprise will benefit by being able to add the Parent Company Affiliates to their existing contracts for international managed services, while continuing to be serviced via a single point of contact.

This agreement is extremely price sensitive and disclosure of the price and the terms of the agreement will impact both parties with other contracting parties. Therefore this agreement is not available for inspection.

8 Comparative Summary Financial Statements

Deloitte.

Deloitte & Touche - Middle East
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Kingdom of Bahrain

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C.R. 18670

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONDENSED INTERIM FINANCIAL INFORMATION TO THE DIRECTORS OF ZAIN BAHRAIN B.S.C. (C)

Introduction

The accompanying summary condensed interim financial information, which comprise the summary condensed statement of financial position as at March 31, 2013 and March 31, 2014, the summary condensed statement of profit or loss and other comprehensive income, summary condensed statement of changes in equity and summary condensed statement of cash flows for the three-month periods then ended are derived from the reviewed condensed interim financial information of Zain Bahrain B.S.C. (C) ("the Company") for the three-month periods ending March 31, 2013 and March 31, 2014 respectively, which has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". We expressed an unmodified review conclusion on those condensed interim financial information in our reports dated April 7, 2013 and April 9, 2014 respectively, based on our review conducted in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The summary condensed interim financial information does not contain all the disclosures required by International Accounting Standard 34 "Interim Financial Reporting". Reading the summary financial information, therefore, is not a substitute for reading the reviewed condensed interim financial information of Zain Bahrain B.S.C. (C).

Management's Responsibility for the Summary Financial Information

Management is responsible for the preparation of summary financial information in accordance with the respective financial statements audited or reviewed by us.

Auditor's Responsibility

Our responsibility is to express a conclusion on the summary condensed interim financial information based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Conclusion

Based on our procedures, nothing has come to our attention that causes us to believe that the summary condensed interim financial information derived from the reviewed condensed interim financial information of Zain Bahrain B.S.C. (C) comprising the summary condensed statement of financial position, the summary condensed statement of profit or loss and other comprehensive income, summary condensed statement of changes in equity and summary condensed statement of cash flows data are not consistent, in all material respects, with those condensed interim financial information from which it was derived from.

For a better understanding of the Company's condensed interim financial information and the results of its operations for the financial periods ended March 31, 2013 and March 31, 2014 and the scope of our review, the summary financial information should be read in conjunction with the condensed interim financial information from which the summary condensed interim financial information was derived and our reports thereon.

This special purpose report has been prepared for the purpose of inclusion in the Prospectus of Zain Bahrain B.S.C. (C) in connection with the proposed offering of the Company's Shares.

Deloitte & Touche

Manama – Kingdom of Bahrain,
May 19, 2014

Deloitte & Touche

The financial data set forth below is not a presentation of complete financial statements and should be read in conjunction with the financial statements and related notes included elsewhere in this Prospectus, "Key Financial Information," "Operating and Financial Review and Prospects" and "Audited Financial Statements."

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

Table 18 – CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2013 AND 2014

	March 31, 2013 BD '000	March 31, 2014 BD '000
ASSETS		
Current assets		
Cash and bank balances	2,299	2,824
Accounts receivable and other receivables	18,534	22,604
Inventories	2,825	3,781
Total current assets	**23,658**	**29,209**
Non-current assets		
Property, plant and equipment	52,232	63,761
Intangible assets	15,790	18,721
Total non-current assets	68,022	82,482
Total assets	**91,680**	**111,691**
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Bank overdraft	4,954	-
Accounts payable and accruals	32,838	33,769
Current portion of term loans	-	4,568
Deferred revenue	4,722	4,349
Total current liabilities	**42,514**	**42,686**
Non-current liabilities		
Non-current portion of term loans	-	19,832
Provisions	286	334
Total non-current liabilities	286	20,166
Total liabilities	**42,800**	**62,852**
Equity		
Share capital	32,000	32,000
Share premium	100	100
Statutory reserve	9,037	9,561
Retained earnings	7,743	7,178
Total equity	**48,880**	**48,839**
Total liabilities and equity	**91,680**	**111,691**

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

Table 19 – CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013 AND 2014

	Three-month period ended March 31, 2013 BD '000	Three-month period ended March 31, 2014 BD '000
Revenue	19,077	18,398
Cost of revenue	(3,873)	(3,497)
Gross profit	**15,204**	**14,901**
Distribution, marketing and operating expenses	(6,037)	(5,691)
General and administrative expenses	(1,602)	(1,426)
Depreciation and amortisation	(5,882)	(5,629)
Provision for doubtful debts	(382)	(408)
Provision for slow moving inventories	(30)	(299)
Operating profit	**1,271**	**1,448**
Interest income	2	2
Other income	6	9
Other provision	-	(210)
Gain on currency revaluation	20	17
Finance costs	(55)	(186)
Profit for the period	**1,244**	**1,080**
Total comprehensive income for the period	**1,244**	**1,080**
Basic earnings per share	Fils 39	Fils 34

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

Table 20 – CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013 AND 2014

	Share Capital BD '000	Share Premium BD '000	Statutory Reserve BD '000	Retained Earnings BD '000	Total BD '000
Balance at December 31, 2012	**32,000**	**100**	**8,913**	**13,023**	**54,036**
Dividends	-	-	-	(6,400)	(6,400)
Total comprehensive income for the period	-	-	-	1,244	1,244
Transfer to statutory reserve	-	-	124	(124)	-
Balance at March 31, 2013	**32,000**	**100**	**9,037**	**7,743**	**48,880**
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	-	-	-	1,080	1,080
Transfer to statutory reserve	-	-	108	(108)	-
Balance at March 31, 2014	**32,000**	**100**	**9,561**	**7,178**	**48,839**

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

Table 21 – CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013 AND 2014

	Three-month period ended March 31, 2013 BD '000	Three-month period ended March 31, 2014 BD '000
Cash flows from operating activities:		
Profit for the period	1,244	1,080
Adjustments for:		
Depreciation and amortisation	5,882	5,629
Allowance for doubtful debts and slow moving inventories	412	707
Finance costs	55	186
Interest income	(2)	(2)
Gain on disposal of property, plant and equipment	-	(3)
Provision for employees' end of service indemnity	15	16
Operating profit before working capital changes	7,606	7,613
Increase in inventories	(1,260)	(1,109)
Decrease / (increase) in accounts receivable, advances, prepayments and other receivables	1,014	(2,368)
Increase / (decrease) in accounts payable and accruals	2,754	(679)
Decrease in deferred revenue	(27)	(420)
Cash generated from operating activities	10,087	3,037
Payment of employees' end of service indemnity	(2)	(12)
Net cash from operating activities	**10,085**	**3,025**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,554)	(4,624)
Increase in intangible assets	(3,628)	(2,954)
Interest received	2	2
Proceeds from disposal of property, plant and equipment	-	3
Net cash used in investing activities	**(5,180)**	**(7,573)**
Cash flows from financing activities:		
Long term loans	-	4,400
Interest paid	(55)	(184)
Net cash (used in) / from financing activities	(55)	4,216
Net increase / (decrease) in cash and cash equivalents	**4,850**	**(332)**
Cash and cash equivalents at beginning of the period	(7,505)	3,156
Cash and cash equivalents at the end of the period	**(2,655)**	**2,824**

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C.R. 18670

REPORT OF THE INDEPENDENT EXTERNAL AUDITOR ON THE SUMMARY FINANCIAL INFORMATION TO THE DIRECTORS OF ZAIN BAHRAIN B.S.C. (C)

Introduction

The accompanying summary financial information, which comprise the summary statement of financial position as at December 31, 2009, December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the years then ended listed out in Appendix C of the Prospectus, are derived from the audited financial statements of Zain Bahrain B.S.C. (C) ("the Company") for the years ended December 31, 2009, December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013 respectively. We expressed an unmodified audit opinion on those financial statements in our reports dated January 10, 2010, January 19, 2011, January 10, 2012, January 6, 2013 and January 12, 2014 respectively. Those financial statements, and the summary financial information, do not reflect the effects of events that occurred subsequent to the dates of our respective reports on those financial statements.

The summary financial information does not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial information, therefore, is not a substitute for reading the audited financial statements of Zain Bahrain B.S.C. (C).

Management's Responsibility for the Summary Financial Information

Management is responsible for the preparation of summary financial information in accordance with the respective financial statements audited or reviewed by us.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial information based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial information derived from the audited financial statements of Zain Bahrain B.S.C. (C) comprising statement of financial position, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows data listed out in Appendix C of the Prospectus, are consistent, in all material respects, with those financial statements from which it was derived from.

For a better understanding of the Company's financial statements and the results of its operations for the financial years and the scope of our audits, the summary financial information should be read in conjunction with the financial statements from which the summary financial information was derived and our reports thereon.

This special purpose report has been prepared for the purpose of inclusion in the Prospectus of Zain Bahrain B.S.C. (C) in connection with the proposed offering of the Company's Shares.

Deloitte & Touche

Manama – Kingdom of Bahrain,
May 14, 2014

Deloitte & Touche

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

Table 22 – STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009, 2010, 2011, 2012 AND 2013

	2009 BD '000	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000
ASSETS					
Current assets					
Cash and bank balances	19,740	18,097	5,238	1,766	3,156
Accounts and other receivables	25,035	19,111	21,554	19,930	20,644
Inventories	2,407	2,625	2,601	1,595	2,971
Total current assets	**47,182**	**39,833**	**29,393**	**23,291**	**26,771**
Non-current assets					
Property, plant and equipment	41,139	46,309	49,848	53,310	61,367
Intangible assets (Note 1)	7,754	8,096	10,155	15,412	19,166
Total non-current assets	48,893	54,405	60,003	68,722	80,533
Total assets	**96,075**	**94,238**	**89,396**	**92,013**	**107,304**
LIABILITIES AND EQUITY					
Liabilities					
Current liabilities					
Bank overdraft	-	-	839	9,271	-
Accounts payable and accruals	24,450	26,442	25,466	23,684	29,166
Current portion of term loans	2,585	-	-	-	3,286
Deferred revenue	4,377	4,144	3,950	4,749	4,769
Finance lease obligations	*127*	-	-	-	-
Total current liabilities	**31,539**	**30,586**	**30,255**	**37,704**	**37,221**
Non-current liabilities					
Non-current portion of term loans	311	-	-	-	16,714
Provision for employees' end of service benefits	317	272	314	273	330
Total non-current liabilities	628	272	314	273	17,044
Total liabilities	**32,167**	**30,858**	**30,569**	**37,977**	**54,265**
Equity					
Share capital	32,000	32,000	32,000	32,000	32,000
Share premium	100	100	100	100	100
Statutory reserve	4,781	6,968	8,272	8,913	9,453
Retained earnings	27,027	24,312	18,455	13,023	11,486
Total equity	**63,908**	**63,380**	**58,827**	**54,036**	**53,039**
Total liabilities and equity	**96,075**	**94,238**	**89,396**	**92,013**	**107,304**

Note: The subscriber acquisition costs have been reclassified in the financial information of 2009, 2010 and 2011 from accounts and other receivables to intangible assets to conform with the presentation of years 2012 and 2013. For further details refer to section 11.1

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Table 23 – STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2010, 2011, 2012 AND 2013

	2009 BD '000	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000
Revenue	93,016	88,882	77,021	73,533	78,081
Cost of revenue	(21,038)	(20,437)	(22,108)	(16,250)	(16,304)
Gross profit	**71,978**	**68,445**	**54,913**	**57,283**	**61,777**
Distribution, marketing and operating expenses	(26,152)	(25,309)	(20,286)	(22,100)	(24,597)
General and administrative expenses	(7,312)	(7,255)	(4,601)	(6,492)	(6,225)
Depreciation and amortisation	(10,450)	(14,175)	(15,770)	(20,877)	(24,320)
Provision for doubtful debts	(388)	(295)	(2,013)	(1,336)	(1,513)
Provision for inventories	(24)	(24)	(72)	(72)	(120)
Operating profit	**27,652**	**21,387**	**12,171**	**6,406**	**5,002**
Interest income	343	287	144	27	8
Other income	297	31	489	8	610
Gain on currency revaluation	155	226	243	176	104
Finance costs	(530)	(59)	-	(208)	(321)
Profit for the year	**27,917**	**21,872**	**13,047**	**6,409**	**5,403**
Total comprehensive income for the year	**27,917**	**21,872**	**13,047**	**6,409**	**5,403**
Basic earnings per share	Fils 872	Fils 684	Fils 408	Fils 200	Fils 169

Note: The amortisation of subscriber acquisition costs have been reclassified in the financial information of 2009, 2010 and 2011 from distribution, marketing and operating expenses to depreciation and amortisation to conform with the presentation of years 2012 and 2013. For further details refer to section 11.1

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Table 24 – STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009, 2010, 2011, 2012 AND 2013

	Share Capital BD '000	Share Premium BD '000	Statutory Reserve BD '000	Retained Earnings BD '000	Total BD '000
Balance at December 31, 2008	**32,000**	**100**	**1,989**	**17,902**	**51,991**
Dividend declared	-	-	-	(16,000)	(16,000)
Total comprehensive income for the year	-	-	-	27,917	27,917
Transfer to statutory reserve	-	-	2,792	(2,792)	-
Balance at December 31, 2009	**32,000**	**100**	**4,781**	**27,027**	**63,908**
Payment of dividends	-	-	-	(22,400)	(22,400)
Total comprehensive income for the year	-	-	-	21,872	21,872
Transfer to statutory reserve	-	-	2,187	(2,187)	-
Balance at December 31, 2010	**32,000**	**100**	**6,968**	**24,312**	**63,380**
Dividends declared	-	-	-	(17,600)	(17,600)
Total comprehensive income for the year	-	-	-	13,047	13,047
Transfer to statutory reserve	-	-	1,304	(1,304)	-
Balance at December 31, 2011	**32,000**	**100**	**8,272**	**18,455**	**58,827**
Dividends declared	-	-	-	(11,200)	(11,200)
Total comprehensive income for the year	-	-	-	6,409	6,409
Transfer to statutory reserve	-	-	641	(641)	-
Balance at December 31, 2012	**32,000**	**100**	**8,913**	**13,023**	**54,036**
Dividends declared	-	-	-	(6,400)	(6,400)
Total comprehensive income for the year	-	-	-	5,403	5,403
Transfer to statutory reserve	-	-	540	(540)	-
Balance at December 31, 2013	**32,000**	**100**	**9,453**	**11,486**	**53,039**

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Table 25 – STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010, 2011, 2012 AND 2013

	2009 BD '000	2010 BD '000	2011 BD '000	2012 BD '000	2013 BD '000
Cash flows from operating activities:					
Profit for the year	27,917	21,872	13,047	6,409	5,403
Adjustments for:					
Depreciation and amortisation	10,450	14,175	15,770	20,877	24,320
Gain on disposal of property, plant and equipment	-	-	(359)	-	-
Insurance claim	-	-	-	-	(470)
Provision for doubtful debts and slow moving inventories	412	319	2,085	1,408	1,633
Finance costs	530	59	-	208	321
Interest income	(343)	(287)	(144)	(27)	(8)
Provision for employees' end of service benefits	89	150	81	78	62
Loss on property, plant and equipment written off	-	-	-	-	65
Operating profit before working capital changes	39,055	36,288	30,480	28,953	31,326
(Increase) / decrease in accounts and other receivables	(2,369)	6,225	(4,426)	288	(1,757)
(Increase) / decrease in inventories	(640)	(242)	(48)	934	(1,496)
(Decrease / increase in accounts payable and accruals	(287)	1,788	(1,064)	(1,866)	5,420
Increase / (decrease) / in deferred revenue	1,498	(233)	(194)	799	20
Cash generated from operating activities	37,257	43,826	24,748	29,108	33,513
Payment of employees' end of service benefits	(35)	(103)	(39)	(119)	(5)
Net cash from operating activities	**37,222**	**43,723**	**24,709**	**28,989**	**33,508**
Cash flow from investing activities:					
Purchase of property, plant and equipment	(9,522)	(15,182)	(13,824)	(13,230)	(18,875)
Interest received	328	273	144	27	8
Increase in intangible assets	(4,190)	(5,087)	(7,215)	(16,366)	(17,321)
Net cash used in investing activities	**(13,384)**	**(19,996)**	**(20,895)**	**(29,569)**	**(36,188)**
Cash flows from financing activities:					
Interest paid	(491)	(59)	-	(208)	(291)
Dividend paid	(15,920)	(22,288)	(17,512)	(11,116)	(6,368)
Term loans	(7,590)	(2,585)	-	-	20,000
Repayment of capital element of finance lease	(144)	(438)			
Net cash (used in) / from financing activities	**(24,145)**	**(25,370)**	**(17,512)**	**(11,324)**	**13,341**
Net (decrease) / increase in cash and cash equivalents	(307)	(1,643)	(13,698)	(11,904)	10,661
Cash and cash equivalents at beginning of the year	20,047	19,740	18,097	4,399	(7,505)
Cash and cash equivalents at end of the year	**19,740**	**18,097**	**4,399**	**(7,505)**	**3,156**

Note: The subscriber acquisition costs and the related amortisation have been reclassified in the financial information of 2009, 2010 and 2011 as stated in the previous pages; accordingly the amounts relating to depreciation and amortisation, change in accounts and other receivables and the increase in intangible assets have been reclassified to conform with the presentation of years 2012 and 2013. For further details refer to section 11.1

9 Key Financial Information

9.1 Selected Financial Data

Sections 9, 10, and 11 of this Prospectus are based on the Company's Audited Financial Statements which were prepared in accordance with the International Financial Reporting Standards ("IFRS"). The Company's financial statements and respective accounting records have been audited/reviewed by Deloitte & Touche in accordance with the International Standards on Auditing ("ISA").

The following tables set forth selected historical financial information, including summarised statement of comprehensive income, summarised statement of financial position, and summarised statement of cash flows, derived from the Company's Audited Financial Statements as at and for the years ended 31 December 2009, 2010, 2011, 2012 and 2013, as well as the Company's reviewed quarterly financials for the 3-month periods ended 31 March 2013 and 31 March 2014.

The Audited Financial Statements for the years ended 31 December 2011, 2012, and 2013, as well as the reviewed financial statement for the three months ended 31 March 2014 can be found in Appendix C of this Prospectus. The Audited Financial Statements for the years ended 2009 and 2010 are part of the documents available for inspection.

Table 26 – Key Financial Information – Income Statements (Q1 2013 and Q1 2014)

Currency: BHD '000	Q1 2013	Q1 2014
Revenue	19,077	18,398
Gross profit	15,204	14,901
Operating profit	1,271	1,448
Profit for the year	1,244	1,080
Basic Earnings per Share (fils)	39	34
Basic Earnings per Share – adjusted to reflect sale of new shares (fils)	34	29

Source: Reviewed financial statement for the three months ended 31 March 2014

Table 27 – Key Financial Information – Income Statements (2009 – 2013)

Currency: BHD '000	2009	2010	2011	2012	2013
Revenue	93,016	88,882	77,021	73,533	78,081
Gross profit	71,978	68,445	54,913	57,283	61,777
Operating profit	27,652	21,387	12,171	6,406	5,002
Profit for the year	27,917	21,872	13,047	6,409	5,403
Basic Earnings per Share (fils)	872	684	408	200	169
Basic Earnings per Share – adjusted to reflect sale of new shares (fils)	759	594	355	174	147

Source: Audited financial statements

Table 28 – Key Financial Information – Statements of Financial Position (31 Mar 2013, 31 Mar 2014)

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Total assets	91,680	111,691
Total liabilities	42,800	62,852
Total shareholder's equity	48,880	48,839
Issued and paid-up share capital and statutory reserves	41,037	41,561

Source: Reviewed financial statement for the three months ended 31 March 2014

Table 29 – Key Financial Information – Statements of Financial Position (31 Dec 2009 – 31 Dec 2013)

Currency: BHD '000	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013
Total assets	96,075	94,238	89,396	92,013	107,304
Total liabilities	32,167	30,858	30,569	37,977	54,265
Total shareholder's equity	63,908	63,380	58,827	54,036	53,039
Issued and paid-up share capital and statutory reserves	36,781	38,968	40,272	40,913	41,453

Source: Audited Financial Statements

Table 30 – Key Financial Information – Statements of Cash Flows (Q1 2013 and Q1 2014)

Currency: BHD '000	Q1 2013	Q1 2014
Net cash flows generated from operating activities	10,085	3,025
Net cash flows used in investing activities	(5,180)	(7,573)
Net cash flows (used in)/generated from financing activities	(55)	4,216
Net (decrease)/increase in cash and cash equivalents	**4,850**	**(332)**
Cash and cash equivalents at beginning of the year	(7,505)	3,156
Cash and cash equivalents at end of the year	**(2,655)**	**2,824**
Bank overdraft	4,954	-
Cash and bank balance	**2,299**	**2,824**

Source: Reviewed financial statement for the three months ended 31 March 2014

Table 31 – Key Financial Information – Statements of Cash Flows (2009 – 2013)

Currency: BHD '000	2009	2010	2011	2012	2013
Net cash flows generated from operating activities	33,032	38,636	24,709	28,989	33,508
Net cash flows used in investing activities	(9,194)	(14,909)	(20,895)	(29,569)	(36,188)
Net cash flows (used in)/generated from financing activities	(24,145)	(25,370)	(17,512)	(11,324)	13,341
Net (decrease)/increase in cash and cash equivalents	**(307)**	**(1,643)**	**(13,698)**	**(11,904)**	**10,661**
Cash and cash equivalents at beginning of the year	20,047	19,740	18,097	4,399	(7,505)
Cash and cash equivalents at end of the year	**19,740**	**18,097**	**4,399**	**(7,505)**	**3,156**
Bank overdraft	-	-	839	9,271	-
Cash and bank balance	**19,740**	**18,097**	**5,238**	**1,766**	**3,156**

Source: Audited Financial Statements

9.2 Capitalisation and Indebtedness

9.2.1 Capitalisation

The following table shows the total short-term debt and current portion of long-term debt, total shareholder's equity and total capitalisation of Zain Bahrain at 31 March 2014. This table should be read in conjunction with this section 9 ("Key Financial Information"), section 10 ("Operating and Financial Review and Prospects") and section 11 ("Audited Financial Statements") of the Prospectus.

Table 32 – Total Capitalisation at 31 March 2014

Currency: BHD '000	31 March 2014
Share capital	32,000
Share premium	100
Statutory reserve	9,561
Retained earnings	7,178
Total short-term debt	4,568
Long-term debt	19,832
Total capitalisation	**73,239**

Source: The Company

9.2.2 Indebtedness

As at 31 March 2014, the Company's total indebtedness amounted to BHD 34,638,000 including the short-term financial debt of BHD 4,568,000 and the long-term financial debt of BHD 19,832,000.

The indebtedness is denominated in BHD. The short-term financial debt represents the current portion of term loans whereas the long-term financial debt represents the non-current portion of term loans.

The following table shows the total indebtedness of Zain Bahrain at 31 March 2014.

Table 33 – Total Indebtedness at 31 March 2014

Currency: BHD '000	31 March 2014
Liquidity	
Cash and cash equivalents	2,824
Short-term financial debt	(4,568)
Overdraft financial debt	-
Current receivables	17,528
Long-term financial debt	(19,832)
Contingent liabilities:	
Letters of guarantee	(904)
Capital commitments	(19,789)
Operating leases	(9,897)
Total indebtedness	**(34,638)**

Source: The Company

The following table provides the breakdown of the credit facilities at 31 March 2014.

Table 34 – Breakdown of the Credit Facilities – External Sources at 31 March 2014

Type	Lender/ Agent	Currency	Credit Facility Amount	Draw Down Amount	Available Facility	Validity
Overdraft	BBK	BHD '000	2,500	-	2,500	Open
Total Overdraft		**BHD '000**	**2,500**	**-**	**2,500**	
Term Loan and Overdraft	Arab Bank	BHD '000	13,000	11,500	1,500	Five years from 6 May 2013
Term Loan	BBK	BHD '000	10,500	10,500	-	Five years from 10 April 2013
Term Loan	AUB	BHD '000	7,500	2,400	5,100	Five years from 1 October 2013
Total Term Loans		**BHD '000**	**31,000**	**24,400**	**6,600**	
Total			**33,500**	**24,400**	**9,100**	

Source: The Company

As per the reviewed financial statements – 31 March 2014, "During the year, 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 20 million out of the total loan facilities available. These loans carry interest rate of three months BIBOR plus 2.25%. Loans are payable in 8, 7 and 8 semi-annual instalments respectively starting after one year from the loan agreement date. The Company signed promissory notes against these loans."

As at 31 March 2014, Zain Bahrain had facilities amounting to BHD 33,500,000, of which BHD 24,400,000 has been availed of. The available credit facilities amount to BHD 9,100,000.

As per the agreement with Arab Bank, the total facilities from Arab Bank are BHD 13,000,000 which initially comprised BHD 10,000,000 long term and BHD 3,000,000 overdraft facility. The agreement provides Zain Bahrain with an option to convert the BHD 3,000,000 overdraft into a long term loan. Zain Bahrain has already utilised BHD 1,500,000 from the overdraft facility limit of BHD 3,000,000 and converted it to a long term loan. Hence, the balance of the conversion facility amounting to BHD 1,500,000 is available as of 31 March 2014, as highlighted in the table above. Moreover, as per the audited financial statement, the full BHD 13,000,000 is disclosed as a term loan.

The following table highlights the loans maturity profile as at 31 March 2014.

Table 35 – Loans Maturity Profile as at 31 March 2014

Currency: BHD '000	2013	2014	2015	2016	2017	2018	Total
BBK (BHD 10.5m)							
Principal	-	2,625	2,625	2,625	2,625	0	10,500
Interest	42	292	223	135	46	0	738
Arab Bank (BHD 11.5m)							
Principal	-	1,643	3,286	3,286	3,285	-	11,500
Interest	84	377	290	179	67	-	997
AUB (BHD 2.4m)							
Principal	-	-	600	600	600	600	2,400
Interest		83	70	53	32	11	249
Loan Repayment Summary							
Total principal	**-**	**4,268**	**6,511**	**6,511**	**6,510**	**600**	**24,400**
Total interest	**126**	**752**	**583**	**367**	**145**	**11**	**1,984**

Source: The Company

The grace period against each term loan is set out below:

BBK:	One year from the signing date
Arab Bank:	One and a half year from the signing date
AUB:	One and a half year from the signing date

10. Operating and Financial Review and Prospects

The following is the Management's discussion of the Company's financial condition and results of operations. This is not a presentation of the complete financial statements and should be read in conjunction with Zain Bahrain's Audited Financial Statements, including the notes thereto, for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013, as well as the Company's unaudited reviewed interim condensed financial statements, including the notes thereto, for the three months ended 31 March 2014. The following discussion should also be read in conjunction with the information presented under section 5.3 ("Business Overview and Strategy"), section 5.4 ("Industry Analysis and General Overview") and section 9 ("Key Financial Information").

The unaudited reviewed interim condensed financial statements for the periods indicated above include all adjustments, consisting of normal recurring accruals, considered necessary for a fair statement of the results for the unaudited interim period. The interim results are not necessarily indicative of the results that may be expected for any other period or for the full year.

The Audited Financial Statements for the years ended 31 December 2011, 2012, and 2013, as well as the reviewed financial statement for the three months ended 31 March 2014 can be found in Appendix C of this Prospectus. The Audited Financial Statements for the years ended 2009 and 2010 are part of the documents available for inspection.

10.1 Statements of Comprehensive Income

The following tables show the operating results of the Company during FY 2011-2013 and Q1 2014:

Table 36 – Statements of Comprehensive Income, 2011-2013

Currency: BHD '000	2011	2012	2013
Revenue	77,021	73,533	78,081
Cost of revenue	(22,108)	(16,250)	(16,304)
Gross profit	**54,913**	**57,283**	**61,777**
Distribution and marketing expenses	(20,286)	(22,100)	(24,597)
General and administrative expenses	(4,601)	(6,492)	(6,225)
Depreciation and amortisation charges	(15,770)	(20,877)	(24,320)
Provision for doubtful debts	(2,013)	(1,336)	(1,513)
Provision for inventories	(72)	(72)	(120)
Operating profit	**12,171**	**6,406**	**5,002**
Interest income	144	27	8
Other income	489	8	610
Other provision	-	-	-
Gain on currency revaluation	243	176	104
Finance costs	-	(208)	(321)
Profit for the year	**13,047**	**6,409**	**5,403**
Basic Earnings per Share (fils)	*408*	*200*	*169*

Source: Audited Financial Statements

Table 37 – Statements of Comprehensive Income, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Revenue	19,077	18,398
Cost of revenue	(3,873)	(3,497)
Gross profit	**15,204**	**14,901**
Distribution and marketing expenses	(6,037)	(5,691)
General and administrative expenses	(1,602)	(1,426)
Depreciation and amortisation charges	(5,882)	(5,629)
Provision for doubtful debts	(382)	(408)
Provision for inventories	(30)	(299)
Operating profit	**1,271**	**1,448**
Interest income	2	2
Other income	6	9
Other provision	-	(210)
Gain on currency revaluation	20	17
Finance costs	(55)	(186)
Profit for the year	**1,244**	**1,080**
Basic Earnings per Share (fils)	*39*	*34*

Source: Reviewed financial statement for the three months ended 31 March 2014

10.1.1 Revenue

Mobile services are the core business segment of Zain Bahrain and are segregated into Post-paid and Prepaid mobile services. Within the mobile segment, Post-paid segment constitutes a larger proportion of the Company's mobile revenue. The following tables show a breakdown of the Company's revenue during FY 2011-2013 and Q1 2014.

Table 38 – Key Financial Information – Revenue, 2011-2013

Currency: BHD '000	2011	2012	2013
Mobile	54,594	57,934	60,974
Interconnection	5,134	4,017	3,331
Fixed Wireless	5,050	5,816	6,993
Others	12,243	5,767	6,782
Total revenue	**77,021**	**73,533**	**78,081**
Composition of revenue			
Mobile	*70.9%*	*78.8%*	*78.1%*
Interconnection	*6.7%*	*5.5%*	*4.3%*
Fixed Wireless	*6.6%*	*7.9%*	*9.0%*
Others	*15.9%*	*7.8%*	*8.7%*
Total revenue	***100.0%***	***100.0%***	***100.0%***

Source: The Company

Table 39 – Key Financial Information – Revenue, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Mobile	14,806	14,093
Interconnection	893	764
Fixed Wireless	1,648	1,873
Others	1,730	1,668
Total revenue	**19,077**	**18,398**
Composition of revenue		
Mobile	*77.6%*	*76.6%*
Interconnection	*4.7%*	*4.2%*
Fixed Wireless	*8.6%*	*10.2%*
Others	*9.1%*	*9.1%*
Total revenue	***100.0%***	***100.0%***

Source: The Company

Mobile revenue increased year-on-year ("y-o-y") by 6.1% and 5.2% during the years 2012 and 2013, respectively, principally driven by an introduction of attractive and competitively priced Postpaid and Prepaid voice and data bundle packages coupled with smartphones. This strategy has resulted in a y-o-y increase in the Company's subscribers by 21.3% and 25.3% in the years 2012 and 2013, respectively. However, mobile revenue marginally declined by 4.8% in Q1 2014 compared with Q1 2013 due to competitive tariffs offered by the Company. Correspondingly, total subscribers were 12.9% higher in Q1 2014 relative to Q1 2013.

Interconnection revenue represents the amounts receivable from other network operators for their subscribers' traffic terminated on the Company's network. Interconnection revenue is generated from both Post-paid and Prepaid mobile services. Interconnection revenue decreased y-o-y by 21.8% and 17.1% in years 2012 and 2013, respectively. Interconnection revenue decreased 14.4% in Q1 2014 compared with Q1 2013. The decrease in interconnection revenue during FY 2011-2013 and Q1 2014 was driven by a decrease in traffic volume mainly due to (i) competitive interconnection rates offered by telecom operators, (ii) an increased trend of using Over-the-Top ("OTT") content, and (iii) an on-net community (family and friend packages, etc.) impact.

Fixed Wireless revenue is driven by subscriptions only and excludes the revenue generated through sale of broadband devices. Fixed Wireless revenue increased y-o-y by 15.2% and 20.3% in years 2012 and 2013, respectively. Fixed Wireless revenue was 13.6% higher in Q1 2014 relative to Q1 2013. Fixed Wireless revenue had an increasing trend during FY 2011-2013 and Q1 2014 due to competitive tariffs offered by the Company and the resultant increase in the Company's Fixed Wireless subscriber base.

Other revenue comprises revenue from Prepaid calling cards, broadband device usage and trading revenue. During year 2012, other revenue declined y-o-y by 52.9% due to a change in the Company's accounting policy for recognising revenue from sales of equipment (handsets, dongles, laptops, tablets, routers, etc.). Subsequently, other revenue increased y-o-y by 17.6% in year 2013. During Q1 2014, other revenue decreased by 3.6% compared with Q1 2013, mainly due to 42.9% decline in trading revenue (sales of mobile handsets and other telecom equipment) relative to Q1 2013. Trading revenue decreased due to a general decline in uptake of smartphones and other related equipment in the market.

10.1.2 Cost of Revenue

The cost of revenue over FY 2011-2013 and Q1 2014 is shown in the following tables and includes the costs of international calls, handsets and accessories, SIM cards and scratch cards, BlackBerry fees, interconnection charges, TRA charges, and dealer commissions.

Table 40 – Cost of Revenue, 2011-2013

Currency: BHD '000	2011	2012	2013
Cost of revenue	22,108	16,250	16,304
Gross profit	54,913	57,283	61,777
Gross margin	*71.3%*	*77.9%*	*79.1%*

Source: Audited Financial Statements

Table 41 – Cost of Revenue, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Cost of revenue	3,873	3,497
Gross profit	15,204	14,901
Gross margin	*79.7%*	*81.0%*

Source: Reviewed financial statement for the three months ended 31 March 2014

As per the independent advisor statement as of 30 June 2013, "ZB should utilise its MIS / accounting system to maintain additional reporting features (e.g. gross margin analysis at revenue segment level) to better assess the financial performance". As per Management, the Company generates different detailed reports to track and evaluate the financial performance.

10.1.3 Operating Expenses

The following tables show breakdown of operating expenses during FY 2011-2013 and Q1 2014:

Table 42 – Operating Expenses, 2011-2013

Currency: BHD '000	2011	2012	2013
Distribution, marketing and operating expenses	20,286	22,100	24,597
General and administrative expenses	4,601	6,492	6,225
Depreciation and amortisation expenses	15,770	20,877	24,320
Provision for doubtful debts	2,013	1,336	1,513
Provision for slow moving inventories	72	72	120
Total operating expenses	**42,742**	**50,877**	**56,775**
As % of revenue	*55.5%*	*69.2%*	*72.7%*

Source: Audited Financial Statements

Table 43 – Operating Expenses, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Distribution, marketing and operating expenses	6,037	5,691
General and administrative expenses	1,602	1,426
Depreciation and amortisation expenses	5,882	5,629
Provision for doubtful debts	382	408
Provision for slow moving inventories	30	299
Total operating expenses	**13,933**	**13,453**
As % of revenue	*73.0%*	*73.1%*

Source: Reviewed financial statement for the three months ended 31 March 2014

Operating expenses increased y-o-y by 19.0% and 11.6% in years 2012 and 2013, respectively, mainly due to the increase in depreciation and amortisation expenses. Operating expenses decreased by 3.4% in Q1 2014 compared with Q1 2013.

Distribution, marketing and operating ("DMO") expenses primarily include staff costs, marketing, advertising and PR expenses, outsourcing expenses and regulatory charges. DMO expenses increased y-o-y by 8.9% and 11.3% in years 2012 and 2013, respectively, mainly due to staff costs, rental and utilities expenses, and regulatory charges. DMO expenses decreased by 5.7% in Q1 2014 compared with Q1 2013 due to lower system support expenses. Staff costs remained the largest component of DMO expenses comprising 18.8%, 19.7%, 18.3%, 18.7% and 21.9% of DMO expenses during years 2011, 2012, and 2013, and in Q1 2013 and Q1 2014, respectively.

General and administrative ("G&A") expenses increased 41.1% in year 2012 compared with year 2011 mainly due to increase in staff costs. However, G&A expenses decreased y-o-y by 4.1% in year 2013 (compared with year 2012), and by 11.0% in Q1 2014 compared with Q1 2013, due to cost control initiatives by the Company. Staff costs comprised the largest component of G&A expenses, at 51.4%, 49.3%, 43.5%, 46.2% and 52.8% of the G&A expenses during years 2011, 2012, and 2013, and in Q1 2013 and Q1 2014, respectively.

Depreciation and amortisation expenses relate to network equipment, licences, and Subscriber Acquisition Cost ("SAC"). They comprised 36.9%, 41.0%, 42.8%, 42.2% and 41.8% of operating expenses during years 2011, 2012, and 2013, and Q1 2013 and Q1 2014, respectively. Depreciation and amortisation expenses increased in years 2012 and 2013 mainly due to increase in SAC. However, depreciation and amortisation expenses reduced by 4.3% during Q1 2014, compared with Q1 2013, due to an assessment (resulting in an upwards revision) of useful lives of the Company's property, plant and equipment during Q1 2014 in line with the change in Parent Company's policy.

Provision for doubtful debts relates to amounts due from Post-paid subscribers that exceed 12 months. Provision for slow moving inventories relates to handsets and accessories. During Q1 2014, the Company undertook an assessment of its obsolete and slow moving inventory items and recognised an additional provision for these items. This resulted in a significantly higher provision for slow moving inventories in Q1 2014 relative to Q1 2013.

Under the Telecommunications Law and according to Article 3(c)(1) and (18) of the Law, the Company shall pay the TRA the following:

- A percentage (not to exceed 1%) of the gross annual turnover (as per TRA board of directors resolution no. 3 of 2010, dated 28 July 2010, the Company annually pays 0.8% of its gross annual turnover.)
- Fees for services that the TRA provides, including:
  - Service licensing application charges, initial fees and renewal fees
  - Annual radio spectrum licensing fees
  - Annual number ranges assignment fees
  - Processing of applications for equipment approval

The tables below show the amount paid in relation to the above mentioned items.

Table 44 – Licence fees, 2011-2013

Currency: BHD '000	2011	2012	2013
Licence fees	1,443	1,852	2,935

Source: The Company

Table 45 – Licence fees, Q1 2013 – Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Licence fees	714	580

Source: The Company

10.1.4 Other Income and Expenses

Other income and expenses are non-operating income and expenses. The following tables show the breakdown of other income and expenses over FY 2011-2013 and Q1 2014:

Table 46 – Other Income and Expenses, 2011-2013

Currency: BHD '000	2011	2012	2013
Other income			
Interest income	144	27	8
Other income	489	8	610
Gain on currency revaluation	243	176	104
	876	**211**	**722**
Other provision			
Other provision	-	-	-
Other expenses			
Finance costs	-	208	321

Source: Audited Financial Statements

Table 47 – Other Income and Expenses, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Other income		
Interest income	2	2
Other income	6	9
Gain on currency revaluation	20	17
	28	**28**
Other provision		
Other provision	-	210
Other expenses		
Finance costs	55	186

Source: Reviewed financial statement for the three months ended 31 March 2014

Interest income is derived from interest earned on time deposits placed with banks. The Company selects banks based on the best market rate provided. The decrease in interest income is mainly due to the reduction in average monthly time deposit from BHD 5,400,000 in year 2011 to BHD 3,440,000 in year 2012 and BHD 5,900,000 in year 2013. Average monthly time deposit was BHD 248,560 in Q1 2013 and none as of Q1 2014.

The Company generates other income mainly through renting of its branch located on Exhibitions Avenue, Manama, Bahrain. During year 2011, the Company sold its obsolete equipment, while upgrading the WiMAX technology from 16d standard to 16e standard, which resulted in a gain of BHD 359,000. Subsequently, in year 2013, the Company had insurance reimbursements of BHD 470,000 in respect of its damaged sites and other claims. During Q1 2014, the Company had a gain of BHD 3,000 on sale of an obsolete vehicle which resulted in a higher other income during Q1 2014 compared with Q1 2013.

Gain on currency revaluation is related to the settlement of overseas supplier billings which are generally denominated in Euro, AED and USD.

During Q1 2014, the Company recognised a provision of BHD 210,000 (applied at BHD 70,000 per month from 1 January 2014) to cover any potential claims from the TRA relating to the delay in the Company's IPO.

The Company incurs finance costs on its borrowings. The Company's borrowings increased over FY 2011-2013 and Q1 2014 as shown in the following table.

Table 48 – Borrowings, 2011-2013

Currency: BHD '000		2011	2012	2013
Overdraft		839	9,271	-
Term loan		-	-	20,000
Total borrowings		**839**	**9,271**	**20,000**

Source: Audited Financial Statements

Table 49 – Borrowings, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Overdraft	4,954	-
Term loan	-	24,400
Total borrowings	**4,954**	**24,400**

Source: Reviewed financial statement for the three months ended 31 March 2014

The following tables set out the financial key performance indicators ("KPIs") of the Company over FY 2011-2013 and Q1 2014.

Table 50 – Financial KPIs, 2011-2013

	Unit	2011	2012	2013
Gross margin	*%*	71.3%	77.9%	79.1%
Operating profit margin	*%*	15.8%	8.7%	6.4%
Profit margin	*%*	16.9%	8.7%	6.9%
ARPU	*BHD*	12.7	10.9	9.4
Mobile subscribers	*'000*	473.6	572.0	724.5
Fixed Wireless subscribers	*'000*	34.5	44.5	47.9
Total subscribers	*'000*	508.1	616.4	772.5
Average total subscribers	*'000*	503.8	562.3	694.4

Source: Audited Financial Statements, the Company

Table 51 – Financial KPIs, Q1 2013 and Q1 2014

	Unit	Q1 2013	Q1 2014
Gross margin	*%*	79.7%	81.0%
Operating profit margin	*%*	6.7%	7.9%
Profit margin	*%*	6.5%	5.9%
ARPU	*BHD*	8.7	8.4
Mobile subscribers	*'000*	639.3	726.8
Fixed Wireless subscribers	*'000*	46.4	47.6
Total subscribers	*'000*	685.7	774.4
Average total subscribers	*'000*	729.1	730.0

Source: Reviewed financial statement for the three months ended 31 March 2014; the Company

Due to the entry of the third operator in Bahrain, Viva, in 2010, the Company took various initiatives to maintain its market share through lowering the tariffs and offering attractive smartphone packages. Consequently, the Company has been successful in increasing its subscriber base over FY 2011-2013 and Q1 2014. Correspondingly, due to the competitive tariffs offered (which is a general trend in the local market), the Company's ARPUs have declined over FY 2011-2013 and Q1 2014.

10.2 Liquidity and Capital Resources

10.2.1 Material Sources of Internal and External Liquidity as at 31 March 2014

Zain Bahrain maintains separate bank accounts and manages its cash flow through a stand-alone treasury function. As such, the Company arranges funding for its operations and expansion through resources independent of the Parent Company. The main sources of liquidity for Zain Bahrain are credit facilities (external sources) and cash generated from operating activities (internal sources).

The table below shows breakdown of external sources of liquidity available at 31 March 2014.

Table 52 – Breakdown of the Credit Facilities at 31 March 2014 – External Sources

Type	Lender/ Agent	Currency	Credit Facility Amount	Draw Down Amount	Available Facility	Validity
Overdraft	BBK	BHD '000	2,500	-	2,500	Open
Total Overdraft		**BHD '000**	**2,500**	**-**	**2,500**	
Term Loan and Overdraft	Arab Bank	BHD '000	13,000	11,500	1,500	Five years from 6 May 2013
Term Loan	BBK	BHD '000	10,500	10,500	-	Five years from 10 April 2013
Term Loan	AUB	BHD '000	7,500	2,400	5,100	Five years from 1 October 2013
Total Term Loans		**BHD '000**	**31,000**	**24,400**	**6,600**	
Total			**33,500**	**24,400**	**9,100**	

Source: The Company

As per the reviewed financial statements – 31 March 2014 "During the year, 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 20 million out of the total loan facilities available. These loans carry interest rate of three months BIBOR plus 2.25%. Loans are payable in 8, 7 and 8 semi-annual instalments, respectively, starting after one year from the loan agreement date. The Company signed promissory notes against these loans."

As at 31 March 2014, Zain Bahrain had facilities amounting to BHD 33,500,000, of which BHD 24,400,000 has been availed of. The available credit facilities amount to BHD 9,100,000.

As per the agreement with Arab Bank, the total facilities from Arab Bank are BHD 13,000,000 which initially comprised of BHD 10,000,000 long term and BHD 3,000,000 overdraft facility. The agreement provides Zain Bahrain with an option to convert the BHD 3,000,000 overdraft into a long term loan. Zain Bahrain has already utilised BHD 1,500,000 from the overdraft facility limit of BHD 3,000,000 and converted it to a long term loan. Hence, the balance of the conversion facility amounting to BHD 1,500,000 is available as of 31 March 2014, as highlighted in the table above. Moreover, as per the audited financial statement, the full BHD 13,000,000 is disclosed as a term loan. The Company's cash flows generated from operating activities represent its internal source of liquidity. The Company also expects to generate additional cash flows from the IPO. During Q1 2014, the cash flow generated from operating activities amounted to BHD 3,025,000 (2013: BHD 33,508,000).

The following tables highlight the internal source of liquidity over FY 2011-2013 and Q1 2014:

Table 53 – Internal sources of liquidity, 2011-2013

Currency: BHD '000	2011	2012	2013
Net cash flows generated from operating activities	24,709	28,989	33,508

Source: Audited Financial Statements

Table 54 – Internal sources of liquidity, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Net cash flows generated from operating activities	10,085	3,025

Source: Reviewed financial statement for the three months ended 31 March 2014

As per Management, Zain Bahrain experienced a decrease in cash generated from operations, on a quarterly comparison between Q1 2013 and Q1 2014. The major movement was in relation to dividends payable, which were transferred from equity to dividend payable as of March 2014 amounting to BHD 5,280,000. The net debt to EBITDA ratio as at 31 March 2014 is 0.7x whereas the covenant benchmark is that it should be less than 2.5x. This indicates that Zain Bahrain is not a highly geared company and has the capacity to take on additional debt. The interest coverage ratio as at 31 March 2014 is 26.9x whereas the covenant benchmark is that it should be higher than 5x. This further indicates the additional available capacity to take additional debt by Zain Bahrain.

10.2.2 Directors' Opinion on Working Capital Position

The Company operates with negative net working capital, with current liabilities exceeding current assets, principally reflecting high accounts payables and accruals. This is common with several international telecommunications companies and this position does not create a liquidity risk as the Company could delay the timing of any discretionary capital expenditure or reduce dividend pay-out ratios should cash inflows reduce. It is also important to highlight that net working capital increased from negative BHD 16,201,000 as at 31 March 2013 to negative BHD 11,733,000 as at 31 March 2014, reflecting a degree of liquidity tightening.

Table 55 – Net Working Capital, 2011-2013

Currency: BHD '000	2011	2012	2013
Account and other receivables	21,554	19,930	20,644
Inventories	2,601	1,595	2,971
Current assets (excl. cash)	**24,155**	**21,525**	**23,615**
Accounts payable and accruals	25,466	23,684	29,166
Deferred revenue	3,950	4,749	4,769
Current liabilities (excl. loan)	**29,416**	**28,433**	**33,935**
Net working capital	**(5,261)**	**(6,908)**	**(10,320)**

Source: Audited Financial Statements

Table 56 – Net Working Capital, Q1 2013 and Q1 2014

Currency: BHD '000	Mar 2013	Mar 2014
Account and other receivables	18,534	22,604
Inventories	2,825	3,781
Current assets (excl. cash)	**21,359**	**26,385**
Accounts payable and accruals	32,838	33,769
Deferred revenue	4,722	4,349
Current liabilities (excl. loan)	**37,560**	**38,118**
Net working capital	**(16,201)**	**(11,733)**

Source: Reviewed financial statement for the three months ended 31 March 2014

The increase in net working capital is principally driven by a 22% increase y-o-y in accounts and other receivables.

Given the current net working capital position, it is the Directors' opinion that the Company will continue to efficiently manage its liquidity position by controlling discretionary spend and payables.

According to the independent advisor's comments for 31 March 2014 and 31 December 2013, "Adjusted trade working capital cash conversion cycle ("CCC") has been increasing and hence reflecting a degree of liquidity tightening. ZB needs to ensure appropriate levels of funding are in place so that normal operations are not disrupted in any manner."

Moreover, the independent advisor had the following comment for the period up to 30 June 2013: "Adjusted trade working capital cash cycle days have been increasing and hence reflecting a degree of liquidity tightening. The latter has been further aggravated by a high cash dividend pay-out. ZB needs to ensure appropriate levels of cash funding is in place so that normal operations are not disrupted in any manner."

10.2.3 Key Financial Information of the Statements of Cash Flows – FY 2011-2013 and Q1 2014

The following tables set out the key financial information of statement of cash flows over FY 2011-2013 and Q1 2014.

Table 57 – Key Financial Information of Statements of Cash Flows, 2011-2013

Currency: BHD '000	2011	2012	2013
Net cash flows generated from operating activities	24,709	28,989	33,508
Net cash flows used in investing activities	(20,895)	(29,569)	(36,188)
Net cash flows (used in)/generated from financing activities	(17,512)	(11,324)	13,341
Net (decrease)/increase in cash and cash equivalents	**(13,698)**	**(11,904)**	**10,661**
Cash and cash equivalents at beginning of the year	18,097	4,399	(7,505)
Cash and cash equivalents at end of the year	**4,399**	**(7,505)**	**3,156**
Bank overdraft	839	9,271	-
Cash and bank balance	**5,238**	**1,766**	**3,156**

Source: Audited Financial Statements

Table 58 – Key Financial Information of Statements of Cash Flows, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Net cash flows generated from operating activities	10,085	3,025
Net cash flows used in investing activities	(5,180)	(7,573)
Net cash flows (used in)/generated from financing activities	(55)	4,216
Net (decrease)/increase in cash and cash equivalents	**4,850**	**(332)**
Cash and cash equivalents at beginning of the year	(7,505)	3,156
Cash and cash equivalents at end of the year	**(2,655)**	**2,824**
Bank overdraft	4,954	-
Cash and bank balance	**2,299**	**2,824**

Source: Reviewed financial statement for the three months ended 31 March 2014

10.2.4 Cash Flows from Operating Activities

The following tables set out the breakdown of cash flows from operating activities over FY 2011-2013 and Q1 2014.

Table 59 – Cash Flows from Operating Activities, 2011-2013

Currency: BHD '000	2011	2012	2013
Profit for the year	13,047	6,409	5,403
Adjustments for:			
Depreciation and amortisation	15,770	20,877	24,320
Gain on disposal / write-off of property, plant and equipment	(359)	-	65
Allowance for doubtful debts and slow moving inventories	2,085	1,408	1,633
Finance costs	-	208	321
Interest income	(144)	(27)	(8)
Provision for employees' end of service indemnity	81	78	62
Insurance claims	-	-	(470)
Operating profit before working capital changes	**30,480**	**28,953**	**31,326**
Increase / (decrease) in accounts receivables, advances, prepayments and other receivables	(4,426)	288	(1,757)
Decrease / (increase) in inventories	(48)	934	(1,496)
Decrease in accounts payable and accruals	(1,064)	(1,866)	5,420
Increase / (decrease) in deferred revenue	(194)	799	20
Cash generated from operating activities	**24,748**	**29,108**	**33,513**
Payment of employees' end of service benefits	(39)	(119)	(5)
Net cash from operating activities	**24,709**	**28,989**	**33,508**

Source: Audited Financial Statements

Table 60 – Cash Flows from Operating Activities, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Profit for the year	1,244	1,080
Adjustments for:		
Depreciation and amortisation	5,882	5,629
Gain on disposal / write-off of property, plant and equipment	-	(3)
Allowance for doubtful debts and slow moving inventories	412	707
Finance costs	55	186
Interest income	(2)	(2)
Provision for employees' end of service indemnity	15	16
Insurance claims	-	-
Operating profit before working capital changes	**7,606**	**7,613**
Increase / (decrease) in accounts receivables, advances, prepayments and other receivables	(1,260)	(1,109)
Decrease / (increase) in inventories	1,015	(2,368)
Decrease in accounts payable and accruals	2,754	(679)
Increase / (decrease) in deferred revenue	(27)	(420)
Cash generated from operating activities	**10,087**	**3,037**
Payment of employees' end of service benefits	(2)	(12)
Net cash from operating activities	**10,085**	**3,025**

Source: Reviewed financial statement for the three months ended 31 March 2014

During year 2011, the Company recognised a gain on disposal of property, plant and equipment due to a swap deal with Huawei whereby the old WiMAX equipment was replaced with new technology. During year 2013, the Company wrote off some components of network equipment. Subsequently, in Q1 2014, the Company disposed an obsolete vehicle.

10.2.5 Cash Flows from Investing Activities

The following tables set out the breakdown of cash flows from investing activities over FY 2011-2013 and Q1 2014.

Table 61 – Cash Flows from Investing Activities, 2011-2013

Currency: BHD '000	2011	2012	2013
Purchase of property, plant and equipment	(13,824)	(13,230)	(18,875)
Increase in intangible assets	(7,215)	(16,366)	(17,321)
Interest received	144	27	8
Proceeds from disposal of property, plant and equipment	-	-	-
Net cash flows used in investing activities	(20,895)	(29,569)	(36,188)

Source: Audited Financial Statements

Table 62 – Cash Flows from Investing Activities, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Purchase of property, plant and equipment	(1,554)	(4,624)
Increase in intangible assets	(3,628)	(2,954)
Interest received	2	2
Proceeds from disposal of property, plant and equipment	-	3
Net cash flows used in investing activities	(5,180)	(7,573)

Source: Reviewed financial statement for the three months ended 31 March 2014

The Company's net cash flows used in investing activities are mainly driven by investment in network equipment to improve the quality and coverage of its services. Over FY 2011-2013 and Q1 2014, capital expenditure was incurred on network infrastructure, information technology systems and capital work in progress (radio and network sites under construction). During year 2013, the Company also obtained additional frequency spectrum from the TRA for a fee of BHD 956,700.

The increase in intangible assets mainly relates to SAC (due to handset sales).

10.2.6 Cash Flows from Financing Activities

The following tables set out the breakdown of cash flows from financing activities over FY 2011-2013 and Q1 2014.

Table 63 – Cash Flows from Financing Activities, 2011-2013

Currency: BHD '000	2011	2012	2013
Term loans	-	-	20,000
Dividend paid	(17,512)	(11,116)	(6,368)
Interest paid	-	(208)	(291)
Net cash from (used in) generated from financing activities	**(17,512)**	**(11,324)**	**13,341**

Source: Audited Financial Statements

Table 64 – Cash Flows from Financing Activities, Q1 2013 and Q1 2014

Currency: BHD '000	Q1 2013	Q1 2014
Term loans	-	4,400
Dividend paid	-	-
Interest paid	(55)	(184)
Net cash from (used in)/generated from financing activities	**(55)**	**4,216**

Source: Reviewed financial statement for the three months ended 31 March 2014

The Company's credit facilities do not carry any cash restrictions, and have no impact on the Company's ability to meet its cash obligations.

The following table shows the maturity profile of the Company's term loans at 31 March 2014.

Table 65 – Loans Maturity Profile as at 31 March 2014

Currency: BHD '000	2013	2014	2015	2016	2017	2018	Total
BBK (BHD 10.5m)							
Principal	-	2,625	2,625	2,625	2,625	0	10,500
Interest	42	292	223	135	46	0	738
Arab Bank (BHD 11.5m)							
Principal	-	1,643	3,286	3,286	3,285	-	11,500
Interest	84	377	290	179	67	-	997
AUB (BHD 2.4m)							
Principal	-	-	600	600	600	600	2,400
Interest		83	70	53	32	11	249
Loan Repayment Summary							
Total principal	**-**	**4,268**	**6,511**	**6,511**	**6,510**	**600**	**24,400**
Total interest	**126**	**752**	**583**	**367**	**145**	**11**	**1,984**

Source: The Company

10.2.7 Covenant Breaches

In the opinion of the Directors, Zain Bahrain is in compliance with all of its financial and non-financial covenants, as at the date of this Prospectus.

10.3 Statements of Financial Position

The following tables show the Company's statements of financial position over FY 2011-2013 and Q1 2014.

Table 66 – Statements of financial position, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Cash and bank balances	5,238	1,766	3,156
Accounts receivable and other receivables	21,554	19,930	20,644
Inventories	2,601	1,595	2,971
Total current assets	**29,393**	**23,291**	**26,771**
Property, plant and equipment	49,848	53,310	61,367
Intangible assets	10,155	15,412	19,166
Total non-current assets	**60,003**	**68,722**	**80,533**
Total assets	**89,396**	**92,013**	**107,304**
Bank overdraft	839	9,271	-
Accounts payable and accruals	25,466	23,684	29,166
Current portion of term loans	-	-	3,286
Deferred revenue	3,950	4,749	4,769
Total current liabilities	**30,255**	**37,704**	**37,221**
Non-current portion of term loans	-	-	16,714
Provision for employees' end of service benefits	314	273	330
Total non-current liabilities	**314**	**273**	**17,044**
Total liabilities	**30,569**	**37,977**	**54,265**
Share capital	32,000	32,000	32,000
Share premium	100	100	100
Statutory reserve	8,272	8,913	9,453
Retained earnings	18,455	13,023	11,486
Total equity	**58,827**	**54,036**	**53,039**
Total liabilities and equity	**89,396**	**92,013**	**107,304**

Source: Audited Financial Statements

Table 67 –Statements of financial position, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Cash and bank balances	2,299	2,824
Accounts receivable and other receivables	18,534	22,604
Inventories	2,825	3,781
Total current assets	**23,658**	**29,209**
Property, plant and equipment	52,232	63,761
Intangible assets	15,790	18,721
Total non-current assets	**68,022**	**82,482**
Total assets	**91,680**	**111,691**
Bank overdraft	4,954	-
Accounts payable and accruals	32,838	33,769
Current portion of term loans	-	4,568
Deferred revenue	4,722	4,349
Total current liabilities	**42,514**	**42,686**
Non-current portion of term loans	-	19,832
Provision for employees' end of service benefits	286	334
Total non-current liabilities	**286**	**20,166**
Total liabilities	**42,800**	**62,852**
Share capital	32,000	32,000
Share premium	100	100
Statutory reserve	9,037	9,561
Retained earnings	7,743	7,178
Total equity	**48,880**	**48,839**
Total liabilities and equity	**91,680**	**111,691**

Source: Reviewed financial statement for the three months ended 31 March 2014

10.3.1 Non-Current Assets

The Company's non-current assets comprise property, plant and equipment ("PP&E"), and intangible assets.

10.3.1.1 Property, plant and equipment ("PP&E")

PP&E comprises freehold land and buildings, network equipment, office equipment, furniture and fixtures, vehicles and Capital Work in Progress ("CWIP").

The following tables present the breakdown of cost, accumulated depreciation, and net book value ("NBV") of PP&E over FY 2011-2013 and Q1 2014.

Table 68 – Movements in PP&E, 2011-2013

Currency: BHD '000	Land and Buildings	Network Equipment	Office Equipment	Fixtures and Furniture	Vehicles	Capital Work in Progress	Total
Cost							
Balance at 31 December 2010	**2,089**	**55,702**	**17,910**	**3,288**	**30**	**11,401**	**90,420**
Additions	83	3,982	362	1	-	13,834	18,262
Transfers	-	18,044	1,745	41	-	(19,830)	-
Disposals	-	(8,404)	-	-	-	(644)	(9,048)
Balance at 31 December 2011	**2,172**	**69,324**	**20,017**	**3,330**	**30**	**4,761**	**99,634**
Additions	49	4,526	396	13	-	8,246	13,230
Transfers	-	4,254	1,869	119	0	(6,242)	-
Balance at 31 December 2012	**2,221**	**78,104**	**22,282**	**3,462**	**30**	**6,765**	**112,864**
Additions	65	2,065	392	8	-	16,345	18,875
Transfers	636	8,381	1,304	-	-	(10,321)	-
Disposals	-	(509)	-	-	-	-	(509)
Balance at 31 December 2013	**2,922**	**88,041**	**23,978**	**3,470**	**30**	**12,789**	**131,230**
Accumulated depreciation							
Balance at 31 December 2010	**414**	**28,370**	**12,818**	**2,483**	**26**	**-**	**44,111**
Depreciation expense	76	8,392	1,909	234	3	-	10,614
Relating to disposals	-	(4,939)	-	-	-	-	(4,939)
Balance at 31 December 2011	**490**	**31,823**	**14,727**	**2,717**	**29**	**-**	**49,786**
Depreciation expense	80	7,456	1,991	240	1	-	9,768
Balance at 31 December 2012	**570**	**39,279**	**16,718**	**2,957**	**30**	**-**	**59,554**
Depreciation expense	86	8,248	2,175	244	-	-	10,753
Relating to written off	-	(444)	-	-	-	-	(444)
Balance at 31 December 2013	**656**	**47,083**	**18,893**	**3,201**	**30**	**-**	**69,863**
NBV							
NBV at 31 December 2011	1,682	37,501	5,290	613	1	4,761	49,848
NBV at 31 December 2012	1,651	38,825	5,564	505	-	6,765	53,310
NBV at 31 December 2013	2,266	40,958	5,085	269	-	12,789	61,367

Source: Audited Financial Statements

Table 69 – Movements in PP&E at 31 Mar 2014

Currency: BHD '000	Land and Buildings	Network Equipment	Office Equipment	Fixtures and Furniture	Vehicles	Capital Work in Progress	Total
Cost							
Balance at 31 December 2013	**2,922**	**88,545**	**23,471**	**3,471**	**30**	**12,791**	**131,230**
Additions	-	84	140	-	-	4,400	4,624
Disposal	-	-	-	-	(13)		(13)
Balance at 31 March 2014	**2,922**	**88,629**	**23,611**	**3,471**	**17**	**17,191**	**135,841**
Accumulated depreciation							
Balance at 31 December 2013	**658**	**47,403**	**18,573**	**3,199**	**30**	**-**	**69,863**
Depreciation expense	9	1,754	409	58	-	-	2,230
Relating to disposal	-	-	-	-	(13)	-	(13)
Balance at 31 March 2014	**667**	**49,157**	**18,982**	**3,257**	**17**	**-**	**72,080**
NBV							
NBV at 31 March 2014	2,255	39,472	4,629	214	-	17,191	63,761

Source: Reviewed financial statement for the three months ended 31 March 2014

During Q1 2014, the Company revised the useful lives of property, plant and equipment in line with the Parent Company's policy. Resultantly, the accumulated depreciation and hence the cost of property, plant and equipment in reviewed financial statements at 31 March 2014 are different from the audited financial statements at 31 December 2013. An extract from the reviewed financial statements as of Q1 2014 in relation to the change in useful life is highlighted below:

"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 by BD 600,352 and BD 2,033,058 respectively."

At 31 March 2014, network equipment comprised 61.9% and CWIP comprised 27.0% of NBV of PP&E.

Zain Bahrain has embarked on full network modernisation (enhancement of indoor coverage, higher capacity network to cater for expected data growth, and nationwide 4G LTE deployments to have higher speed) to enable an increased service quality to its customers.

CWIP primarily relates to network equipment under construction, which is transferred to network equipment once these assets become operational. At 31 March 2014, 68.9% of CWIP was earmarked for network equipment enhancement amounting to BHD 11,841,000. Of this balance, 47.5% was related to 4G LTE, 3G and transmission links.

The real estate property owned by the Company consists of the two Core Sites in Tubli and Sanad, where the Company owns land and building used by the Company to house telecommunication equipment. All other technical sites used by the Company to house telecommunications equipment are rented property not owned by the Company.

The Company leased none of its PP&E over FY 2011-2013 and Q1 2014. Moreover, there were no encumbrances on any of the Company's PP&E during FY 2011-2013 and Q1 2014.

The following table shows a breakdown of CWIP at 31 March 2014.

Table 70 – Breakdown of CWIP at 31 March 2014

Currency: BHD '000	31 Mar 2014
Network equipment	11,841
Office equipment	5,034
Others	316
Total CWIP	**17,191**

Source: The Company

According to the independent advisor (their references here and in the following sections to "Dec13A" and "Mar14A" mean "31 December 2013" and "31 March 2014", respectively, and to "ZB" means "Zain Bahrain"), "At Dec13A, PP&E cost amounted to BHD 131m, and a majority of individual categories had depreciated more than 50.0%. Network equipment, comprising 66.7% of PP&E (NBV) at Dec13A, had been depreciated by 53.5% at the same date. Whilst BHD 10.8m (at Dec13A) of CWIP was earmarked for network equipment, any valuation exercise should look to factor appropriate levels of capex spend, to support ZB's expected revenue and margin growth.

At Mar14A, NBV of PP&E amounted to BHD 64m, and a majority of individual categories had depreciated more than 50.0%. Network equipment, comprising 61.9% of PP&E (NBV) at Mar14A, had been depreciated by 55.5% at the same date. Whilst BHD 11.8m (at Mar14A) of CWIP was earmarked for network equipment, a reader should consider the appropriateness of ZB's capital expenditure on network equipment. Management should also consider conducting a capital equipment valuation on its network equipment to accurately ascertain the fair value of equipment, including accurately estimating the remaining useful lives. This could reduce the risk of any overstatement of assets and respective depreciation charge."

10.3.1.2 Regulatory requirements or environmental issues

There are no regulatory requirements or environmental issues that may materially affect the Company's utilization of any of its PP&E.

10.3.1.3 Intangibles assets

The following tables show details of intangible assets over FY 2011-2013 and Q1 2014.

Table 71 – Intangible Assets, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Cost			
Opening balance	18,494	25,709	42,075
Additions	7,215	16,366	17,321
Total	**25,709**	**42,075**	**59,396**
Accumulated depreciation			
Opening balance	10,398	15,554	26,663
Amortization expense for the year	5,156	11,109	13,567
Total	**15,554**	**26,663**	**40,230**
NBV	**10,155**	**15,412**	**19,166**

Source: Audited Financial Statements

Table 72 – Intangible Assets, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Cost		
Opening balance	42,075	59,396
Additions	3,628	2,924
Total	**45,703**	**62,350**
Accumulated depreciation		
Opening balance	26,663	40,230
Amortization expense for the year	3,250	3,399
Total	**29,913**	**43,629**
NBV	**15,790**	**18,721**

Source: Reviewed financial statement for the three months ended 31 March 2014

At 31 March 2014, Zain Bahrain's intangible assets comprised two licences and SAC. The growth in the Company's intangible assets was primarily driven by SAC which comprised 79.5% of NBV of the intangible assets at 31 March 2014. A brief description of the Company's intangible assets at 31 March 2014 is given below:

- Fees of BHD 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 BHD 2,917,640 (December 31, 2013: BHD 3,010,577).
- Fees of BHD 378,000 for the Rotana digital entertainment music license. This fee is amortised over a period of three years from the launching day of the agreed services with Rotana which is from May 1, 2009. This has been fully amortised.

- Subscribers acquisition cost amounting to BHD 55,437,792 (December 31, 2013: BHD 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 subscriber acquisition cost at the period end amounts to BHD 14,878,085 (December 31, 2013: BHD 15,214,865).
- Fees of BHD 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 BHD 924,810 (December 31, 2013: BHD 940,755).

According to the independent advisor, "ZB is accounting for SAC by capitalizing it as an intangible asset, and then expensing the related cost as amortization. The Company's auditors have signed and issued an unqualified audit opinion with respect to the accounting treatment of SAC adopted by Management. It is important to note that a number of telecom companies are accounting for the SAC as a part of current assets (deferred expenses) and the respective periodic cost as a part of cost of services. We suggest that a reader should consider this in any comparable analysis of ZB."

10.3.2 Current assets

The Company's current assets comprise the following:

- Cash and bank balances;
- Accounts and other receivables; and
- Inventories.

10.3.2.1 Cash and Bank Balances

The following table shows details of cash and bank balances.

Table 73 – Breakdown of cash and bank balances, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Short-term deposits	3,013	252	104
Cash and bank balances	2,225	1,514	3,052
Total cash and bank balances	**5,238**	**1,766**	**3,156**

Source: Audited Financial Statements

Table 74 – Breakdown of cash and bank balances, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Short-term deposits	249	-
Cash and bank balances	2,050	2,824
Total cash and bank balances	**2,299**	**2,824**

Source: Reviewed financial statement for the three months ended 31 March 2014

The cash and bank balance as of 31 March 2013 excludes the impact of the bank overdraft of BHD 4,954,000 which reduces the cash and cash equivalents to BHD negative 2,655,000.

Prior to 31 March 2014, the Company maintained short term deposits with local banks. These short term deposits carried an annual fixed interest rate of 2.75%, 1.0% and 1.0% at 31 December 2011, 31 December 2012 and 31 December 2013 respectively.

10.3.2.2 Accounts and Other Receivables

The following tables show the breakdown of accounts receivable over FY 2011-2013 and Q1 2014:

Table 75 – Breakdown of Accounts Receivable, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Due from Post-paid subscribers	10,430	14,296	16,503
Allowance for doubtful debts	(2,778)	(4,114)	(5,627)
Net amount due from Post-paid subscribers	**7,652**	**10,182**	**10,876**
Due from telecommunication operators	3,092	1,277	3,214
Due from distributors	-	380	174
Accounts receivable	**10,744**	**11,839**	**14,264**

Source: Audited Financial Statements

Table 76 – Breakdown of Accounts Receivable, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Due from Post-paid subscribers	14,938	16,905
Allowance for doubtful debts	(4,496)	(6,056)
Net amount due from Post-paid subscribers	**10,442**	**10,849**
Due from telecommunication operators	1,178	3,290
Due from distributors	422	540
Accounts receivable	**12,042**	**14,679**

Source: Reviewed financial statement for the three months ended 31 March 2014

Accounts receivable primarily relate to Post-paid subscribers and telecom operators; the former comprised 73.9% of accounts receivable at 31 March 2014. The average credit period for Post-paid subscribers on services provided is 60 days.

As at 31 March 2014 the Company provided an allowance for 77.2% of due from Post-paid subscribers aging more than 12 months. The remaining balances relate to government entities and Management estimates these to be recoverable based on their past experience with government entities.

According to the independent advisor, "At Dec13A, a provision of BHD 5,627k was made, whereas postpaid receivables outstanding more than 12 months excluding government entities and VIPs were BHD 7,332k. At Mar14A, a bad debt provision of BHD 6,056k was made, whereas postpaid receivables outstanding more than 12 months excluding government entities and VIPs were BHD 7,841k. Management should consider increasing the provision for doubtful debts."

The following tables highlight the other receivables over FY 2011-2013 and Q1 2014.

Table 77 – Breakdown of Other Receivables, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Accrued income	721	452	534
Interconnect receivable from other operators	3,649	1,808	2,137
Prepaid expense	1,825	1,626	1,451
Due from related parties	14	19	16
Advance paid to suppliers	3,217	3,182	1,826
Staff receivables	-	175	164
Other receivables	1,384	829	252
Total	**10,810**	**8,091**	**6,380**

Source: Audited Financial Statements

Table 78 – Breakdown of Other Receivables, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Accrued income	477	631
Interconnect receivable from other operators	855	2,557
Prepaid expense	2,568	2,701
Due from related parties	20	16
Advance paid to suppliers	1,744	1,700
Staff receivables	158	119
Other receivables	670	201
Total	**6,492**	**7,925**

Source: Reviewed financial statement for the three months ended 31 March 2014

Other receivables decreased from BHD 8,091,000 at 31 December 2012 to BHD 6,380,000 at 31 December 2013 primarily due to a decrease in interconnection revenue and enhancement in collection process. However, the collection process slowed down in year 2013 which resulted in higher corresponding balances in at 31 December 2013 and 31 March 2014 due to accumulation of receivable balances and a slowdown in payment of interconnect charges by other licensed operators primarily in Bahrain and Saudi Arabia. Interconnect receivables from other operators has increased by 200% between 31 March 2013 and 31 March 2014. It is important to highlight that a similar corresponding increase has also been observed in the amounts payable to other telecommunications operators as reflected in the Accounts Payable line item discussed in section 10.3.3.2.

According to the independent advisor, "Interconnect receivables from other operators have increased by 200.0% (BHD 1,702k) at Mar14A compared with Mar13A. A similar corresponding increase has also been observed in due to telecommunication operators. On a net basis, this balance is an overall payable with a relatively increasing trend between the comparative periods." In addition the independent advisor stated "Due from telecommunication operators increased by 151.8% (BHD 2,050k) at Mar14A compared with Mar13A. As highlighted on the above comment, the net payable balance increased from BHD 495k to BHD 843k (70.3%) between Mar13A and Mar14A."

Prepaid expenses comprise advance payments of rentals (for base station sites etc.), insurance, maintenance and miscellaneous expenses.

Amounts due from related parties are unsecured, bear no interest and have no fixed repayment terms.

Advances paid to suppliers primarily relate to the TRA (for frequencies), and mobile handset companies (for purchase of handsets).

10.3.2.3 Inventories

The following tables show the breakdown of inventories over FY 2011-2013 and Q1 2014:

Table 79 – Breakdown of Inventories, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Laptops, mobile telephone handsets and accessories	2,640	1,800	3,321
SIM cards, recharge vouchers and calling cards	164	70	45
Gross inventories	**2,804**	**1,870**	**3,366**
Allowance for slow moving inventory items	(203)	(275)	(395)
Net inventories	**2,601**	**1,595**	**2,971**

Source: Audited Financial Statements

Table 80 – Breakdown of Inventories, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Laptops, mobile telephone handsets and accessories	3,100	4,432
SIM cards, recharge vouchers and calling cards	30	43
Gross inventories	**3,130**	**4,475**
Allowance for slow moving inventory items	(305)	(694)
Net inventories	**2,825**	**3,781**

Source: Reviewed financial statement for the three months ended 31 March 2014

Inventories comprise mobile telephone handsets and accessories, laptops/iPads, SIM cards, recharge vouchers and calling cards.

The Company's inventory levels are directly related to its trading revenue. During year 2012, the Company witnessed an increase in sale of handsets (mainly due to the market's new trend towards smartphones) and other equipment that resulted in a lower inventory balance at 31 December 2012. However, there has been a lesser uptake of handsets and other equipment during year 2013 and Q1 2014, as compared with years 2011 and 2012. Consequently, the inventory balance at 31 March 2014 was higher than prior periods.

As per the independent advisor, "ZB had not conducted NRV test of inventory at Dec13A, and Management believes that the provision provided is adequate to account for any potential impairment of inventory. Considering a high degree of obsolescence due to frequent technological changes in telecom devices, it is important that NRV valuation should be conducted to assess inventory's fair value."

As per the independent advisor, "The Company's accounting policy states that the inventory is carried at the lower of cost and NRV. Management conducted a NRV test of inventory at Mar14A and has recognised an additional provision of BHD 256k. Management has also stated that the provision (that is wholly related to handsets) provided for inventory is adequate for the purpose of any potential impairment."

10.3.3 Current Liabilities

The Company's current liabilities comprise the following:

Bank overdrafts;

Accounts payable and accruals; and

Deferred revenue.

10.3.3.1 Bank Overdrafts

Refer to section 10.2 "Liquidity and Capital resources" of the Prospectus.

10.3.3.2 Accounts payable and accruals

The following tables show the breakdown of accounts payable and accruals over FY 2011-2013 and Q1 2014:

Table 81 – Breakdown of Accounts Payable and Accruals, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Due to suppliers	6,105	7,760	9,846
Accrued expenses	11,591	5,747	5,398
Due to telecommunication operators	3,124	2,181	2,687
Due to roaming partners	-	1,826	1,267
Accrued employees' benefits	1,054	977	1,149
Subscriber deposits	47	39	32
Dividend payable	280	364	396
Due to related parties	3,265	4,138	7,909
Directors' remuneration	-	652	452
Accrued interest	-	-	30
Total accounts payable and accruals	**25,466**	**23,684**	**29,166**

Source: Audited Financial Statements, Reviewed Financial Statements

Note: At 31 December 2013, accruals for due to roaming partners were reclassified out of accrued expenses. The comparative restated details are not available at 31 December 2011.

Table 82 – Breakdown of Accounts Payable and Accruals, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Due to suppliers	8,908	10,324
Accrued expenses	7,755	7,144
Due to telecommunication operators	1,350	3,400
Due to roaming partners	1,679	1,360
Accrued employees' benefits	1,094	515
Subscriber deposits	38	30
Dividend payable	6,764	5,692
Due to related parties	5,137	4,830
Directors' remuneration	113	439
Accrued interest	-	35
Total accounts payable and accruals	**32,838**	**33,769**

Source: Reviewed financial statement for the three months ended 31 March 2014

Accounts payable and accruals decreased from BHD 25,446,000 at 31 December 2011 to BHD 23,684,000 at 31 December 2012 due to a significant reduction in accrued expenses. Subsequently, accounts payable and accruals increased to BHD 29,166,000 and BHD 33,769,000 at 31 December 2013 and 31 March 2014 respectively.

Due to suppliers increased over FY 2011-2013 and Q1 2014 mainly due to the increase in inventory levels / sale of laptops, mobile telephone handsets and accessories. At 31 March 2014, 59.7% of the balance due to suppliers was less than three months outstanding.

Accrued expenses mainly relate to the Company's operational expenses. Due to telecommunication operators relate to outstanding interconnect and roaming charges. Subscriber deposits represent refundable amounts received from the subscribers.

Due to related parties represents balances with the Company's Shareholders, Directors and key Management personnel, including close family members and companies in which these parties exercise control, joint control or significant influence. Amounts due to related parties are unsecured, bear no interest and have no fixed repayment terms. Due to related parties mainly include amounts payable to Zain Group Holding Bahrain S.P.C., which comprised 92.0%, 98.7%, 99.3% and 99.5% of due to related parties at 31 December 2011, 31 December 2012, 31 December 2013 and 31 March 2014 respectively. These balances relate to miscellaneous expenses incurred by Zain Group Holding Bahrain S.P.C. on behalf of the Company, including staff trainings, accommodation for meetings, and employee share option plan charges. The employee share option plan is a type of staff benefit in Zain Bahrain, managed by the Parent Company as a retention tool for Zain Bahrain staff. The employee is receiving the share option plan and has the right to exercise this plan over the next three years, from the option plan date. The charges of the share option plan are spread over a three year period at each exercise date. The last employee share option plan was the 2012 plan after which the Company decided to stop issuing any further plans. However, due to the fact that the charges of these plans are spanned over three years, 2013 and Q1 2014 had charges related to previous plans. During Q1 2014, Zain Bahrain has encashed all the previous dues from employee option plan relating to all the previous employee options plan up to December 2012, hence Zain Bahrain has no further liability in this regard.

The following table shows details of due to related parties.

Table 83 – Breakdown of Due to Related Parties, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Zain Group Holding Bahrain S.P.C.	(3,005)	(4,084)	(7,850)
Zain - Jordan	(151)	-	(5)
Zain – Kingdom of Saudi Arabia	1	6	3
Sudanese Mobile Telephone Company Ltd	13	13	12
Zain - Iraq	(34)	(34)	(34)
Mobile Telecommunication Company - Kuwait	(75)	(20)	(20)
Zain – South Sudan	-	-	1
Due to related parties	**(3,251)**	**(4,119)**	**(7,893)**

Source: Audited Financial Statements

Table 84 – Breakdown of Due to Related Parties, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Zain Group Holding Bahrain S.P.C.	(5,079)	(4,805)
Zain - Jordan	(4)	(5)
Zain – Kingdom of Saudi Arabia	7	3
Sudanese Mobile Telephone Company Ltd	13	12
Zain - Iraq	(34)	-
Mobile Telecommunication Company - Kuwait	(20)	(20)
Zain – South Sudan	-	1
Due to related parties	**(5,117)**	**(4,814)**

Source: Reviewed financial statement for the three months ended 31 March 2014

10.3.3.3 Deferred revenue

Deferred revenue comprises unused airtime revenue that has not been earned at the reporting date, and primarily includes airtime and subscription revenue.

Table 85 – Deferred revenue, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Deferred revenue	3,950	4,749	4,769

Source: Audited Financial Statements

Table 86 – Deferred revenue, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Total deferred revenue	4,722	4,349

Source: Reviewed financial statement for the three months ended 31 March 2014

10.3.4 Non-Current Liabilities

The following table shows breakdown of non-current liabilities over FY 2011-2013 and Q1 2014.

Table 87 – Breakdown of Non-Current Liabilities, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Non-current portion of term loans	-	-	16,714
Provision for employees' end of service benefits	314	273	330
Total non-current liabilities	**314**	**273**	**17,044**

Source: Audited Financial Statements

Table 88 – Breakdown of Non-Current Liabilities, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Non-current portion of term loans	-	19,832
Provision for employees' end of service benefits	286	334
Total non-current liabilities	**286**	**20,166**

Source: Reviewed financial statement for the three months ended 31 March 2014

During the year 2013, the Company obtained three term loan facilities (totalling BHD 31,000,000) to finance its network expansion and working capital requirements. At 31 December 2013, the Company utilised BHD 20,000,000 of these facilities, of which non-current was BHD 16,714,000. At 31 March 2014, the Company had further drawdown of these facilities thereby increasing the total term loans to BHD 24,400,000. At March 2014, non-current portion of term loans was BHD 19,832,000. The Company had un-drawn term loan facilities of BHD 6,600,000 at 31 March 2014.

Refer to section 10.2, "Liquidity and Capital Resources" of the Prospectus for further information.

The provision for employees' end of service benefits decreased at 31 December 2012 due to a decline in number of employees to 290 (316 employees during 2011). However, as at December 2013 and March 2014, the provision increased due to increase in non-Bahraini staff mostly at senior positions, although the total number of staff remained at 290 during December 2013 and decreased slightly to 282 as at March 2014. The increase in this provision represented a quarter-on-quarter growth of 16.8% as of March 2014.

10.3.5 Contingent Liabilities and Commitments

These comprise letters of guarantee, and operating lease and capital commitments. A brief overview of each caption is given below.

10.3.5.1 Contingent liabilities

The following tables show the Company's contingent liabilities of BHD 908,000 in the form of letters of guarantee over FY 2011-2013 and Q1 2014.

Table 89 – Contingent Liabilities, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Letters of guarantee	66	36	1,091

Source: Audited Financial Statements

Table 90 – Contingent Liabilities, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Letters of guarantee	62	908

Source: Reviewed financial statement for the three months ended 31 March 2014

10.3.5.2 Operating leases

Commitments under operating leases primarily relate to the base stations/towers sites on which the Company's telecommunication equipment is installed and to 20 branches.

Table 91 – Operating leases, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Within one year	1,856	3,764	6,424
After one year, but not more than five years	6,889	7,674	3,862
	8,745	**11,438**	**10,286**

Source: Audited Financial Statements

Table 92 – Operating leases, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Within one year	2,271	6,017
After one year, but not more than five years	8,745	3,880
	11,016	**9,897**

Source: Reviewed financial statement for the three months ended 31 March 2014

At 31 March 2014, operating lease commitments amounted to BHD 9,897,000 of which BHD 6,017,000 was due within one year and BHD 3,880,000 was due after one year but not more than 5 years.

10.3.5.3 Capital commitments

At 31 March 2014, the Company's capital commitments amounted to BHD 19,780,000. The following table shows a breakdown of the Company's capital commitments over FY 2011-2013 and Q1 2014.

Table 93 – Breakdown of Capital Commitments at 31 December 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Fixtures and furniture	1,272	1,189	951
Land and buildings	866	612	90
Network equipment	12,118	11,994	17,384
Office equipment	22	2,266	5,625
Total	**14,278**	**16,061**	**24,050**

Source: The Company

Table 94 – Breakdown of Capital Commitments at 31 March 2013 and 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Fixtures and furniture	1,193	908
Land and buildings	234	90
Network equipment	11,734	15,212
Office equipment	2,030	3,579
Total	**15,191**	**19,789**

Source: The Company

The above capital commitments are expected to be funded through cash flows generated from operating activities as well as proceeds from the IPO. In addition, Zain Bahrain has un-drawn term loan facilities of BHD 9,100,000 at 31 March 2014 (please refer to Table 52). Management believes that the Company's internal and external funds will be sufficient to cover its capital commitments.

Per Management best estimate, the capital commitment as at 31 March 2014 amounting to BHD 19,789,000 are expected to be incurred between 2014 and 2015. The following table highlights the expected completion by fixed asset category:

Table 95 – Breakdown of Capital Commitments at 31 March 2014

Currency: BHD '000	31 March 2014	2014	2015
Fixtures and furniture	908	454	454
Land and buildings	90	90	0
Network equipment	15,212	6,389	8,823
Office equipment	3,579	1,253	2,326
Total	**19,789**	**8,186**	**11,603**

Source: The Company

As per the table above, 50% of the fixtures and furniture commitments amounting to BHD 454,000 are expected to be incurred by the end of 2014, while the remaining 50% is expected to be incurred during 2015. Commitments in relation to land and building amounting to BHD 90,000 are expected to be incurred during 2014. With regards to network equipment, 42% of the capital commitments amounting to BHD 6,389,000 are expected to be incurred during 2014, whereas the remaining 58% amounting to BHD 8,823,000 are expected to be incurred in 2015. Commitments in relation to office equipment amounting to BHD 1,253,000 are expected to be incurred in Q3 2014, while the remaining is expected to the incurred in 2015, amounting to BHD 2,326,000.

10.3.5.4 Network expansion

Zain Bahrain carries out network expansion projects on an on-going basis to meet the market requirements for:

- Extending and enhancing the network coverage to cater for the growth and development in Bahrain, such as new development projects, new highways and increasing urban density.
- Capacity expansion in voice and data services to cater for subscribers' growth and usage demand per subscriber.
- Rollout of new technologies that bring enhancements, new features, new services or higher data speeds. New technologies could also be deployed for the purpose of enhancing the efficiency of internal services, such as IT systems.

The expansions mentioned above usually involve the purchase of new hardware, software, and right-to-use licences. They could also involve the establishment of new base stations, including masts or towers, and laying of optical fibre cables.

10.3.5.5 Related Parties Commitments

The Company has the following commitments with its related parties:

Table 96 – Related Party Transactions, 2011-2013

Currency: BHD '000	31 Dec 2011	31 Dec 2012	31 Dec 2013
Office rent and maintenance costs	753	1,037	1,040
Site and outlet rent	62	64	65
Management fee	2,421	2,284	2,409
Employee share option plan charges	343	523	217
Royalty fee	539	400	350

Source: Audited Financial Statements

Table 97 – Related Party Transactions, Q1 2013 and Q1 2014

Currency: BHD '000	31 Mar 2013	31 Mar 2014
Office rent and maintenance costs	262	259
Site and outlet rent	15	12
Management fee	589	563
Employee share option plan charges	45	8
Royalty fee	87	89

Source: Reviewed financial statement for the three months ended 31 March 2014

The following are the current related party commitments which are still valid for the future period:

a) Parent Company Management Agreement

The Company entered into an exclusive Management Agreement with the Parent Company (Mobile Telecommunications Company K.S.C.) on 28 December 2003 under which the Parent Company agreed to manage the business affairs of the Company as an independent contractor.

The original agreement was for a period of 10 years (expiring on 27 December 2013). The agreement has been extended for a further term of 10 years starting on 29 December 2013. The services provided under this Management Agreement include a number of management oversight services such as: the monitoring of accounting, billing, collections and other financial reports; the marketing of products and services for the Company; the negotiation of interconnection and roaming agreements; the identification of opportunities of investment for the Company; the monitoring of employees; the co-ordination, supervision and maintenance of the network; and the provision of such other services as the Board may request.

The Parent Company also has the authority to perform all such acts of management as it determines in its reasonable business judgment, are necessary or advisable in order to conduct the business of the Company.

In consideration of the services provided by the Parent Company under the Management Agreement it is entitled to receive 3.0% of the Company's total annual revenue for the duration of the Company's IMTL and any extension thereof. On this basis the Company has made payments of BHD 2,284,218 and BHD 2,408,954 for years 2012 and 2013, respectively, and 562,788 for the three months ended 31 March 2014.

b) Supply Chain Management Services Agreement with Proctel

Proctel WLL ("Proctel") is a company incorporated in Bahrain which is a wholly owned subsidiary entity of the Parent Company. Proctel has been established by the Parent Company for the purpose of centralising the purchase of certain products for and on behalf of its operating entities and thus enabling the negotiation of competitive offers from the suppliers.

On 13 December 2011, the Parent Company and Proctel entered into a Supply Chain Management Services Agreement under which Proctel agreed to act as a purchasing agent on a non-exclusive basis on behalf of the Parent Company Affiliates. This agreement was for an initial term of one year, renewable automatically thereafter.

Under the terms of the Supply Chain Management Services Agreement, each Parent Company Affiliate wishing to be bound by and take advantage of the Supply Chain Services Agreement has to enter into a contract of adherence to the main agreement. However, the Parent Company Affiliate has either the option to deal directly with Proctel or directly with the suppliers. This option applies equally to the Company. The Company entered into a contract of adherence to the Supply Chain Management Services Agreement on 12 November 2012.

The Company's payments to Proctel are based on a service fee of 2% of each purchase made through Proctel. Moreover, all trasactions made between Proctel and Zain Bahrain are undertaken based on commercial purchase orders as with any other vendor.

c) Memorandum of Understanding in Relation to the Headquarters of the Company

On 28 October 2010, Zain Bahrain and Zain Group Holding Bahrain S.P.C. signed a memorandum of understanding (MoU) for the sale of unimproved property and the lease and purchase option of improved property relating to the headquarters of the Company, the ownership of which belongs to Zain Group Holding Bahrain S.P.C.

The MoU was extended for an indefinite period as of 28 December 2010.

The rent rate is on a per square metre basis. The Company has made payments of BHD 980,496 for each of the years 2012 and 2013, and BHD 245,124 for the three months ended 31 March 2014.

d) Purchase Orders with Mada for Wholesale Services

During years 2013 and 2014, the Company placed orders with Mada Communication Company S.P.C. for the provision of wholesale services, similar to those that the Company receives from other wholesale service providers.

The Company issued the following purchase orders to Mada:

- First purchase order: the service was activated in September 2013 for 12 months for a monthly service charge of USD 25,000. The order is automatically renewable unless advised otherwise before the end of the term.
- Second purchase order: service was activated in March 2014 for 12 months for a total charge of USD 1,165,000. The order is automatically renewable unless advised otherwise before the end of the term.
- Third purchase order: Service was activated in March 2014 for 12 months for a total charge of USD 1,093,000. The order is automatically renewable unless advised otherwise before the end of the term.

10.4 Research and Development, Patents and Licences

Zain Bahrain has neither a Research and Development ("R&D") function nor any patents / licences for use of intellectual property by other parties. However, Zain Bahrain uses various licences issued by the TRA for providing its telecom services.

10.5 Trend Information

Zain Bahrain continues to consolidate its position in the market with robust performance across all commercial key performance indicators for year 2013.

At 31 December 2013, the total subscriber base of Zain Bahrain stood at 724,547 mobile subscribers and 47,914 Fixed Wireless subscribers as, an annual growth of 25.4%. Driven by dynamic and effective sales, marketing, and retention strategies, all major customer segments – mobile (Post-paid and Prepaid) and Fixed Wireless – have witnessed positive net additions during year 2013.

The persistent demand-side dynamic of a voracious appetite for smartphones and tablets, coupled with timely investments in mobile data network infrastructure and innovative pricing plans by Zain Bahrain, continue to fuel mobile Post-paid and broadband subscriber growth.

During year 2013, Zain Bahrain further consolidated its strong positioning in the mobile data space by introducing attractive and unique price plans such as the "FamilyShareTM" and unlimited "SMART Plans", and by offering its customers a wide array of the latest smartphones and tablets, particularly iPhone 5s, BlackBerry Z10 and Q10, Samsung Galaxy S4 and Note 3, Sony Xperia Z and HTC One.

In line with global consensus, Zain Bahrain expects the strong growth in the demand of mobile data services to continue consistently for the foreseeable future, and it believes that it has an advantageous market position to leverage this demand-side trend to drive future profitability and growth.

One of the key initiatives undertaken during year 2013 was to enhance "Signature", Zain Bahrain's value-proposition to the high-value customer segment. In this regard, the "Signature" family of Post-paid products was enriched with lifestyle-based value added services such as VIP airport lounge access and 24/7 concierge and messenger services to specifically appeal more to the unique needs of high-value customers. Zain Bahrain strongly believes that the enhanced "Signature" product line will be a key platform in acquiring further market share in the lucrative high-value customer segment.

EasyTalk Prepaid package, launched in year 2012, and Prepaid Mobile Broadband products continue to favourably impact Zain Bahrain's Prepaid subscriber growth. Owing to proactive and targeted promotional strategies, Zain Bahrain has also managed to attract a significant portion of its Prepaid subscriber base to subscribe to its Prepaid mobile data add-ons resulting in considerable increase in Prepaid mobile data and broadband subscribers during year 2013.

The Home Broadband segment exhibited strong subscriber growth owing to initiatives aimed at bundling the core home internet service with complimentary value added products and services. The availability of the 4G LTE network enabled Zain Bahrain to develop the ultra-high speed home internet connectivity market. In accordance with market reviews conducted by the TRA and aided by internal primary research, Zain Bahrain believes that the Home Broadband market will continue to be a key driver of growth in the telecom market in Bahrain. Zain Bahrain believes that it is in a strong market position to drive profitability and growth grounded in the superior value offered by its Home Broadband product bundles relative to the competition and its first-to-market 4G LTE based Home Broadband products.

Zain Bahrain's robust subscriber and market share performance, coupled with subscriber value development initiatives, have resulted in a positive impact on revenues. Revenues for year 2013 were BHD 78,081,000 which is 6.2% higher than year 2012. Zain Bahrain believes that revenue growth will further accelerate following the launch of 4G LTE mobile services, which has already taken place at the time of preparing this Prospectus.

A concerted effort in enhancing margins by optimizing sales/distribution costs and focusing on expanding more profitable revenue streams has resulted in enhanced gross margins. During year 2013, gross margin was 79.1% which is 1.2 percentage points higher as compared with year 2012 (77.9%).

At 31 March 2014, Zain Bahrain's mobile subscriber base and fixed wireless subscriber base stood at 726,805 and 47,562 respectively, showing y-o-y quarterly growth of 13.7% in terms of total subscriber base. The mobile base growth was driven by strong performance in both Post-paid and Prepaid subscriber base, with y-o-y Q1 growth of 7.7% and 15.6%, respectively.

Mobile data, mobile broadband, and home broadband revenues continued to be the major revenue growth drivers for Zain Bahrain in Q1 2014, with all streams showing high double-digit revenue growth. However, the growth in data and broadband streams was largely offset by continued declining trend in voice, SMS, and BlackBerry service revenues.

A key event in Q1 2014 was the implementation of Zain Bahrain's complete network modernisation project whereby Zain Bahrain has invested in the region of USD 100 million in modernising its mobile and broadband networks. The network infrastructure enables Zain Bahrain to continue providing superior quality of service and to deliver innovative value-creating voice and data products. Powered by its new state-of-the-art network, Zain Bahrain has recently launched a number of new products and services including 4G LTE for smartphones and tablets, new 4G LTE home broadband packages, and mobile TV services. Zain Bahrain expects 4G LTE services to further scale up mobile and broadband data revenues growth in the remainder of 2014 and beyond.

Given the complexity of implementing a full network modernisation on a running network, Zain Bahrain's customers experienced intermittent service disruptions, impacting the revenue negatively. Driven by such factors, Q1 2014 revenue declined by 3.6% compared to Q1 2013. However, various mitigating commercial strategies ensured an upward revenue trend within Q1 2014 whereby revenues grew by 4.2% in March 2014 versus January 2014.

11 Audited Financial Statements

11.1 Change in Accounting Policy

There have been no changes in accounting policies adopted by Management in the preparation of the Company's financial statements between the year 1 January 2009 and 31 March 2014 except a single change in year 2012, when Management changed the accounting policy in relation to trading revenues. An extract of notes to the Company's Audited Financial Statements at 31 December 2012 is presented below to highlight the change in accounting policy:

"Effective 1 January, 2012 the Company changed its accounting policies in recognising its trading revenues to follow the changes in the accounting policy of the Group. The previous practice recorded the trading revenue including the mark up from sale of handsets, accessories and other devices in addition to the cost of sales of such items that are sold under the subscriber acquisition programs. Under the new practice, trading revenue is recognised up to the amount which is actually collected from the subscribers at the signing of the contract as this provides reliable and more relevant information about the effect of such transactions in accordance with IAS 18: Revenue Recognition."

"This change has not been retrospectively applied in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, as it is impracticable to determine either the period-specific effects or the cumulative effect of the change."

11.2 Adoption of New and Revised International Financial Reporting Standards (IFRSs) as per the Audited/Reviewed Financial Statements:

11.2.1 Standards and Interpretations Effective as per Audited Financial Statement for the Year Ended 31 December 2013

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

- Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.
- New and revised Standards on *Consolidation*, Joint Arrangements, Associates and Disclosures;

  In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.
- These Standards are not applicable to the Company as it does not have any activities that fall within the scope of these Standards.

  IFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurements and disclosures about fair value measurements and is applicable for both financial and non-financial items.
- Amendments to IAS 1 – Presentation of Other Comprehensive Income. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.
- Amendments to IAS 19 Employee Benefits eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.
- Amendments to IFRS 7 Financial Instruments: Disclosures enhancing disclosures about offsetting of financial assets and liabilities.

11.2.2 Standards and Interpretations in Issue Not Yet Effective as per Audited Financial Statement for the Year Ended 31 December 2013

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

	Effective for annual periods beginning on or after
• IFRS 9 Financial Instruments. The requirements of IFRS 9 represent a significant change from the classification and measurement requirements in IAS 39 Financial Instruments: Classification and Measurement in respect of financial assets. The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of the issuer.	Mandatory effective date to be determined by the IASB
• Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.	January 1, 2014
• Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	January 1, 2015 (or otherwise when IFRS 9 is first applied)
• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements relating to exception from the requirement to consolidate subsidiaries for eligible Investment Entities	January 1, 2014
• IFRIC 21 Levies.	January 1, 2014
• Amendment to IAS 36: Impairment of Assets relating to the disclosure of information about the recoverable amount of impaired assets if the amount is based on fair value less cost of disposal.	January 1, 2014
• Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting.	January 1, 2014
• Amendments to IFRS 9: Financial Instruments relating to general hedge accounting	When IFRS 9 is first applied

The Directors anticipate that all of the above Standards and Interpretations as applicable, will be adopted in the Company's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

11.2.3 Standards Affecting the Disclosures and Presentation as per the Reviewed Financial Statement for the Three Months Ended 31 March 2014

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, 2013 have affected the disclosures and presentations in the financial information.

11.3 Material Changes

Zain Bahrain confirms that there have been no events since 31 March 2014 which may have a material effect on the financial position and results of the Company.

11.4 Disputes, Legal Proceedings and Litigations

Other than claims against certain customers for outstanding and overdue payments arising through the Company's normal business transactions, there are no material outstanding or pending disputes, legal proceedings or litigation affecting the Company in excess of BHD 30,000 each.

11.5 Dividends Distributions

The following tables show the dividends paid over FY 2011-2013 and Q1 2014.

Table 98 – Dividend paid, 2011-2013

	Unit	2011	2012	2013
Dividend paid	*BHD '000*	17,512	11,116	6,368
Number of shares	-	32,000,000	32,000,000	32,000,000
Dividend paid per share	*BHD*	0.55	0.35	0.20
Dividend Pay-Out Ratio	*%*	134.2%	173.4%	117.9%
Dividend Yield	*%*	29.8%	20.6%	12.0%

Source: Audited Financial Statements

Table 99 – Dividend paid, Q1 2013 and Q1 2014

	Unit	Q1 2013	Q1 2014
Dividend paid	*BHD '000*	-	-
Number of shares	-	32,000,000	32,000,000
Dividend paid per share	*BHD*	n/a	n/a
Dividend Pay-Out Ratio	*%*	n/a	n/a
Dividend Yield	*%*	n/a	n/a

Source: Reviewed Financial Statements

As per the independent advisor, "Adjusted trade working capital cash cycle days have been increasing and hence reflecting a degree of liquidity tightening. The latter has been further aggravated by a high cash dividend pay-out. ZB needs to ensure appropriate levels of cash funding is in place so that normal operations are not disrupted in any manner."

11.5.1 Dividend Policy

The dividend policy of the Company is to distribute all the surplus funds after meeting operating needs of the Company to the Shareholders. Dividend payments must be recommended by the Company's Board and approved at the General Assemblies, neither of which is under any obligation to recommend or approve dividend payments. The Company's dividend payments are subject to the following:

- Statutory restrictions in accordance with the Commercial Companies Law;
- Solvency requirements;
- Any banking or other funding covenants binding on the Company;
- The operating requirements referred to in this clause; and
- The requirements of the Company and its constitutional documents.

The target dividend pay-out ratio set out based on the above factors is not changed without a resolution of the Board. In order to measure the Company's performance against the target dividend pay-out ratio in a financial year, the Board shall seek to maintain consistency from year-to-year by smoothing the effect of any variation in retained earnings resulting from the Company's operational performance during any year, while maintaining the target dividend pay-out ratio range on average over a five year period.

In relation to the Offering, each Ordinary Share shall entitle the holder to participate in the dividends, if declared by the Company. Each Ordinary Share will also participate in any dividend due to be paid to Shareholders in respect of the financial year ending 31 December 2014 on a pari passu basis with the currently issued Shares.

12 Offering and Listing

12.1 Offering and Listing Details

12.1.1 The Offering

The IPO consists of an offer of 48,000,000 Shares equivalent to 15% of the Company's issued share capital immediately prior to the Offering. Each Share shall have a nominal value of 100 fils and is offered at a price of BHD 0.190 per Share. The Offer is directed at institutional and retail investors in the Kingdom of Bahrain and institutional investors in the wider GCC, under the terms and subject to the conditions contained in this Prospectus.

The Offer Price represents a premium of 90 fils per Share (premium of 90% over the nominal value). The Offering Shares shall rank in all respects pari passu with all other Ordinary Shares. The Ordinary Shares have the rights described in section 15.1 "Share Capital Structure" of this Prospectus.

12.1.2 Pricing of this Offering

The Lead Manager, the Co-Manager, and the Underwriter determined the Offer Price through a two-stage process:

12.1.2.1 Stage 1: Determine the IPO pricing range

Stage 1 involved valuing the Issuer using a blended valuation approach combining values derived from the discounted cash flow valuation and trading multiples based valuation.

Discounted cash flow ("DCF") valuation

Step 1: Understand the Issuer's business and determine performance drivers

The Issuer provided a 5-year business plan to the Lead Manager and the Co-Manager, and explained the rationale behind the assumptions underlying the business plan.

Step 2: Project free cash flow

Based on the business plan provided by the Issuer, the Lead Manager and the Co-Manager estimated the expected future free cash flows of the Issuer, including capital investments required to sustain the business.

Step 3: Calculate weighted average cost of capital ("WACC")

The WACC is the rate used to discount the Issuer's projected free cash flows and terminal value to the present. WACC represents the weighted average of the required return on the invested capital (debt and equity). The Lead Manager and the Co-Manager estimated the WACC using the capital asset pricing model.

Step 4: Determine the terminal value

The Issuer's business plan projected the free cash flows of the business for 5 years. However, the business was valued on a going concern basis, and as such a terminal value was used to quantify the remaining value of the Issuer's business after the projection period. The Lead Manager and the Co-Manager used the perpetuity growth method to calculate the terminal value. The perpetuity growth method calculates terminal value by assuming the terminal year free cash flows as a perpetuity growing at an assumed rate.

Step 5: Calculate present value and determine DCF valuation

The Lead Manager and the Co-Manager discounted the Issuer's projected free cash flows and terminal value using WACC to determine the Issuer's enterprise value (EV). The Issuer's net debt was then deducted from the enterprise value to estimate the equity value of the Issuer.

Trading multiples based valuation

Step 1: Select and analyse comparable companies

The trading multiples-based valuation approach is based on the premise that the comparable companies chosen are similar to the company being valued and that the market provides a relevant benchmark. The Lead Manager and the Co-Manager considered publicly listed telecom companies in the GCC as the closest comparable companies for the Issuer. The Lead Manager and the Co-Manager analysed these companies and calculated the key financial ratios, trading multiples and dividend yields.

Step 2: Determine trading multiples-based valuation

The trading multiples calculated for the comparable companies included two market valuation measures namely EV/EBITDA and P/E. The average EV/EBITDA and P/E for the comparable companies was calculated and this average multiple was then applied to the Issuer's EBITDA and net income respectively to arrive at the valuation range for the Issuer using the trading multiples approach.

Blended valuation

The blended valuation was determined after providing appropriate weightings to the valuations arrived at using the DCF methodology and the trading multiples methodology.

IPO price range

An IPO discount range was then applied to the blended valuation to arrive at the IPO price range of BHD 0.203 – 0.218 per share.

12.1.2.2 Stage 2: Book-building process targeting institutional investors

Book-building is a process of determining the price at which shares are offered to the market during an IPO based on demand for the Offer from institutional investors. The Lead Manager and the Co-Manager relied on the book-building process to determine the Offer Price. The book-building exercise was conducted prior to the Offer Period pursuant to CMSD's no-objection letter reference CMS/L174/14, dated 20 May 2014. While conducting the book-building exercise, the Lead Manager and the Co-Manager adhered to the relevant provisions under the Offering of Securities (OFS) Module of the CBB's Rulebook Volume 6, in particular OFS-2.3.15, OFS-2.3.16, and OFS-2.3.17.

During the book-building exercise, the Lead Manager and the Co-Manager contacted a select group of independent professional institutional investors that are not related parties, associates or affiliates of the Company, the Parent Company and/or of the Underwriter. These institutional investors were provided with the Red Herring Prospectus and the IPO price range of BHD 0.203 – 0.218 per share. Based on the assessment of the Red Herring Prospectus and the IPO price range, these institutional investors submitted their respective bids, which indicated the price they would be willing to pay per Share. The Lead Manager and the Co-Manager built and closed the book with the bids received from the invited institutional investors and the demand gauged from the received bids was one of the factors used to arrive at the Offer Price.

Besides book-building, factors considered in determining the Offer Price were the Company's record of operations, its current financial condition, its management, its markets, its future prospects, the economic conditions of and the future prospects for the industry in which it competes and the currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to the Company.

The final Offer Price was determined by the Issuer in consultation with the Lead Manager, Co-Manager and Underwriter.

12.1.3 Minimum Subscription

The minimum allowable subscription is one Offer Share.

Applicants who apply for up to 100,000 Offer Shares will be deemed to be Retail Applicants. Applicants who apply for 100,001 or more Offer Shares will be deemed to be Institutional Applicants.

12.1.4 Applicant Categories and Allotment Basis

An Applicant will be categorized as either Institutional Applicant or Retail Applicant based on the criteria set out below:

- **Institutional Applicant:** An Applicant is deemed to be an Institutional Applicant if it subscribes for a minimum of 100,001 Ordinary Shares.
- **Retail Applicant:** An Applicant is deemed to be a Retail Applicant if it subscribes for less than or equal to 100,000 Ordinary Shares.

12.1.4.1 Under- or full subscription

If the total number of Ordinary Shares applied for by Eligible Applicants is less than or equal to the number of Offer Shares offered, all Eligible Applicants will be allotted the number of Ordinary Shares they have applied for.

12.1.4.2 Over-subscription

If the total number of Ordinary Shares applied for by Eligible Applicants exceeds the number of Offer Shares offered, the Company shall, in consultation with the Lead Manager and the Co-Manager, establish an Allotment basis in which the Offer Shares will be allocated as set out below:

- If the number of Ordinary Shares applied for by Institutional Applicants is less than 24,000,000, Offer Shares will be allotted to all Eligible Applicants (Retail Applicants and Institutional Applicants) pro-rata to the number of Ordinary Shares each Applicant applied for.
- If the number of Ordinary Shares applied for by Retail Applicants is less than 24,000,000, all Retail Applicants will be allotted the number of Ordinary Shares they have applied for. The remaining Offer Shares, after allocation to Retail Applicants, will be allotted pro-rata to Institutional Applicants based on the number of Ordinary Shares each Institutional Applicant applied for.
- If the number of Ordinary Shares applied for under each category, Retail Applicants and Institutional Applicants, exceeds 24,000,000, Applicants under each category will be allotted from 24,000,000 Offer Shares pro-rata to the number of Ordinary Shares each Applicant applied for under its respective category.

12.1.4.3 Other subscription and allotment conditions

Other subscription and allotment conditions are as follows:

- The results of the subscription and confirmation of the basis of Allotment will be published in two local newspapers in the Kingdom of Bahrain within two Business Days of the Subscription Closing Date. The decision of the Company and the Lead Manager and the Co-Manager on the basis of Allotment and on each individual Allotment shall be final.
- Applicants under the age of 21 should make their applications through their legal guardian.
- Allotment of the Shares is expected to be completed on the Allotment Date.
- No Shares shall be distributed pursuant to this Prospectus on any date falling three months after the date of this Prospectus.

12.1.5 Listing of Ordinary Shares on the Bahrain Bourse

The Company has applied to the CBB and the Bahrain Bourse to admit all of the Ordinary Shares for trading on the Bahrain Bourse under the symbol "ZAINBH". All Applicants are required to have an Investor Number (IN) and a Securities Account with the Bahrain Bourse. Applicants who do not have an IN or a Securities Account with the Bahrain Bourse will be required to pay the IN Fee and/or the Securities Account Fee at the time of the application. Initially, all Ordinary Shares purchased in the Offering will be held in Applicants' Depository Accounts.

12.1.6 Lock-In Period

Under the laws of the Kingdom of Bahrain, Founders shall be restricted from transferring their Ordinary Shares for a period of one year beginning on the Commencement of Trading Date.

12.2. Plan of Distribution

12.2.1 The Underwriting Agreement

The Issuer and the Underwriter entered into the Underwriting Agreement on 17 July 2014 in relation to the underwriting of forty-eight million (48,000,000) Ordinary Shares offered under the Offering. Subject to the terms and conditions set out in the Underwriting Agreement, the Underwriter undertakes to purchase from the Issuer all Ordinary Shares which have not been subscribed for during the Offering Period up to a maximum of forty-eight million (48,000,000) Ordinary Shares at BHD 0.190 per Ordinary Share. The Issuer has agreed to pay the Underwriter an underwriting fee equivalent to 2.75% of the Offer Size.

At the Subscription Closing Date, the Lead Manager and, the Co-Manager and the Issue Coordinator shall determine the number of Offer Shares for which Subscription Application Forms have been received.

- **Full Subscription:** If the aggregate number of Offer Shares applied for pursuant to the Subscription Application Forms received by the Receiving Bank at the end of the Offer Period amount to at least the full number of forty-eight million (48,000,000) Offer Shares the Underwriter can be released and discharged from its obligations.
- **Under Subscription:** If the aggregate number of Offer Shares applied for pursuant to the Subscription Application Forms received by the Receiving Bank at the end of the Offer Period does not amount to forty-eight million (48,000,000) Offer Shares the Underwriter shall as principal subscribe for the number of such shortfall from the forty-eight million (48,000,000) Ordinary Shares offered under the Offering by executing a Subscription Application Form on the Allotment Date applying for the remaining Offer Shares.

Under the CBB Rulebook where an Underwriter has been appointed and the securities offered are not fully subscribed during the offer period the Underwriter must purchase the balance of the Shares through a firm commitment underwriting arrangement. The Underwriter and the Company are entering into this Agreement to satisfy these requirements. The terms and conditions to this firm underwriting arrangement are set out in the Underwriting Agreement which is a document available for inspection.

The Issuer has made certain representations and warranties to the Underwriter and has agreed, subject to certain limitations, to indemnify the Underwriter against certain losses, liabilities, claims, damages, costs and expenses arising in connection with the underwriting and the performance of its obligations under the Underwriting Agreement which is also described in the Underwriting Agreement. The Underwriting Agreement contains a force majeure provision under which it may be suspended upon certain events occurring, including, but not limited to, the disruption of the Bahrain Bourse's operation and any change or development involving material adverse change in Bahrain's national or international political, financial or economic conditions since the date of the Underwriting Agreement. The Underwriting Agreement may subsequently be terminated (in accordance with its terms) if the force majeure condition persists.

12.3 Price Stabilisation

The Issuer has appointed Securities & Investment Company (SICO) to act as a Market Maker to undertake market making activities and facilitate stock price stabilisation for a period of up to 12 months from the date of listing of Zain Bahrain's Ordinary Shares on the Bahrain Bourse. In order to govern this relationship, Zain Bahrain and SICO entered into a discretionary portfolio management agreement which will come into effect upon Zain Bahrain opening an account with SICO and depositing the starting balance of cash, Shares or both.

12.4 Expenses of the Offering

The following table sets out the expenses that the Company is incurring as a result of the Offering.

Table 100 – Expenses of the Offering

Advisor	Expenses Incurred, BHD
Lead Manager	133,812
Co-Manager	100,000
Legal Advisor (Amount invoiced until 31 October 2013 – charges are based on a standard hourly rate)	117,024
Independent Advisors	115,554
PR, media, advertising, printing, and other IPO consulting and issuance expenses	777,252
Underwriter	Underwriting fee 2.75% of the value of shares underwritten at the determined value
Market Maker	Annual Management fee of 1.5% per annum calculated based on the market value of assets in the account

13 Risk Factors and Investment Considerations

13.1 Reasons for the Offer and Use of Proceeds

The total value of the Offering is expected to be BHD 9,120,000 of which approximately BHD 1,533,902 will be paid as Offering expenses, including the fees of the financial advisors, legal advisors (to the Company and to the financial advisors), independent accountants, media and public relations consultants, underwriting expenses, Receiving Bank's expenses, marketing expenses, printing and distribution expenses and other expenses related to the Offering.

Zain Bahrain intends to use the Net Proceeds from the Offering for the purposes set out below:

- Capital expenditure (95% to 98% of the Net Proceeds), in order to:
  - Upgrade its network infrastructure to improve indoor coverage, expand the capacity to meet high bandwidth demand and introduce smart features for smartphones,
  - Expand the current 4G LTE service nationwide to achieve speeds of up to 100Mbps and subsequently to 150 Mbps,
  - Deploy a nationwide fibre-optic network,
- General corporate expenses (2% to 5% of the Net Proceeds).

13.2 Risk Factors

An investment in shares, particularly those being offered by a company for the first time, carries certain risks which potential investors should be aware of prior to making any investment decision. These risks should be considered in conjunction with the information contained in this Prospectus. Such risks could have an adverse effect on Zain Bahrain's business and may affect its financial performance. In such cases, an investor could lose part or all of his investment. Additional risks not currently known may also have an adverse effect on the Company's business, and the information set out below does not purport to be an exhaustive summary of the risks affecting, or which may affect, Zain Bahrain.

As this Prospectus contains forward-looking statements, it should be considered that actual results and the timing of certain events could differ materially from those projected in such forward-looking statements due to a number of factors, including those set forth below and elsewhere in this Prospectus.

Applicants should consider carefully whether investment in the Shares is suitable for them in light of the information in this Prospectus and their personal circumstances. Applicants should also refer to the part entitled "Important Notice" in the preamble of this Prospectus.

13.2.1 General Risks

Investing in securities in emerging markets generally involves a higher degree of risk.

Emerging markets, such as Bahrain, are generally susceptible to greater risks than in more developed markets which are likely to have greater stability and settled practices in relation to the manner and environment in which businesses operate. Typically, such emerging market risks will include, to some extent, political, social and economic risks. All or any one of these risks can have a material adverse effect on the business and operations of Zain Bahrain, especially when considering that all of Zain Bahrain's revenues are derived from this market.

Specific examples of country risks which may have a material adverse impact on the Company's business, operating results, cash flows and financial condition, may include:

- General country or regional political, social or economic instability;
- Acts of warfare, terrorism or civil unrest;
- Specific government intervention in business operations – e.g. protectionism for, or subsidising, competing businesses; and
- Changes in regulatory environment (which may result in difficulties in obtaining new permits and consents for the Company's operations or renewing existing ones).

Accordingly, all Applicants are urged to consult with their own legal and financial advisors before making an investment in the Shares, and Applicants should exercise particular care in evaluating the risks involved and must consider those risks in deciding whether an investment in the Shares is appropriate.

13.2.2. Risks Related to the Company

13.2.2.1 Concentration of revenues, existing competition

Zain Bahrain's operations are solely focused in Bahrain with the bulk of revenues derived from this market (the remaining revenues being related to inbound international roaming). The Bahrain market is likely to continue to contribute the majority of the Company's revenues in the future. Therefore the growth of its business depends on the future prospects of Bahrain's economy. It is widely accepted that the mobile market in Bahrain is mature and close to saturation, with approximately 2.21 million mobile subscribers representing 173% mobile market penetration as at 31 December 2013[23]. As Bahrain seeks to position itself as a regional financial hub, this should lead to a growth in expatriate employees and business tourists, the majority of whom are likely to require mobile services. The growth of Zain Bahrain's business therefore depends on its ability to attract new customers, limit churn and update existing networks and services, and successfully launch new value added services to compensate for intensifying competition in relation to old products.

Any persistent weakness or an economic downturn in Bahrain or the occurrence of any event which has a material adverse effect on Zain Bahrain's operations could materially and adversely affect the business, financial condition and the results of Zain Bahrain.

13.2.2.2 Impact of over-the-top ("OTT") operators

Traditionally, communications has been fragmented across internet services such as VoIP or email, and telecommunication services such as text messages and voice. However, new entrants are changing the competitive landscape by successfully offering 'over-the-top' internet-based telecommunication services directly to end-customers and developing new applications such as WhatsApp™ and Viber™. Shifts in consumer preferences towards these online communication services is resulting in decreasing communication volumes via the traditional telecommunication services, leading to erosion in the voice and text message revenue streams of traditional telecommunication operators such as Zain Bahrain.

Zain Bahrain's market position is therefore dependent on the success of marketing initiatives and its Management's ability to continue to anticipate and respond to various factors in the industry, including new products and services, pricing strategies by competitors, new entrants, shifts in consumer preferences and changes in economic, political and social conditions in Bahrain. There can be no assurances that Zain Bahrain will be able to offset any reductions in ARPU or subscribers by reducing costs in order to compete effectively with current or future OTT competitors, nor that the increasing competitive pressures faced by Zain Bahrain will not have a material adverse effect on the Company's future performance.

13.2.2.3 Role of the Parent Company

The Company is party to a related party transaction whereby it has entered into a Management Agreement dated 28 December 2003 with its Parent Company pursuant to which the Parent Company provides various management services in consideration of a management fee of 3% of the annual gross revenue of the Company. This agreement was renewed for a period of 10 years on 28 December 2013.

The Management Agreement may be terminated by the Company in the event, for example, that the Parent Company is in default of a material obligation which has a material adverse effect on the Company (and such default continues un-remedied for a period of 30 Business Days). The Parent Company has the right to terminate the Management Agreement in the event the Company is in material default of its obligations and fails to remedy such default within 30 Business Days, or in the event the Company fails to pay any amounts owing to the Parent Company exceeding in aggregate USD 100,000 within 30 days' notice of the failure to pay such amounts. If the Management Agreement is not renewed upon its expiry, or is terminated in accordance with its terms and the Company fails to secure the provision of similar services by an alternative provider and/or enter into separate licensing agreement(s) for the continued use of the Zain Brand, there could be a material adverse effect on the Company's business, prospects, financial condition, reputation and results of operations.

13.2.2.4 Development and introduction of new products and services

Zain Bahrain has made significant investments in the development and sustainability of its product range, and has, most recently, launched enterprise services, including PBX voice service, dedicated internet access and local private data lines. The Company will continue to invest in new innovative technologies in order to anticipate and respond to consumer demand. However, it should be noted that commercial acceptance and uptake of new services by consumers may not occur at the rate or level expected, and Zain Bahrain may not be able to successfully adapt its new services to meet consumers' demands effectively and economically, thus impairing the return from such investments. Furthermore, the costs of implementation of such new technologies may exceed those forecast by Management. The Company's failure to achieve commercial acceptance for its services, or to provide them on a cost-effective basis, could result in additional capital expenditure or a reduction in profitability.

[23] TRA, "Quarterly Market indicators – Data at the end of Q4 2013"

13.2.2.5 Financing risk and funding requirements

The Company may not generate or obtain funds sufficient to make the necessary or desirable capital expenditure and other investments required to grow its business.

The telecommunications industry is characterized by substantial amounts of capital and other long-term expenditures, including those relating to the development and acquisition of new networks and the expansion or improvement of existing networks. In the past, Zain Bahrain has financed these expenditures through a variety of means, including internally generated cash flows, external borrowings and capital contributions. In the future, Zain Bahrain expects to utilize a combination of these sources to meet its financing requirements.

Zain Bahrain's ability to arrange external financing, and the cost of such financing, depends on numerous factors, including Zain Bahrain's future financial condition, general economic and capital markets conditions, interest rates, credit availability from banks or other lenders, investor confidence in Zain Bahrain, applicable provisions of securities laws, and political and economic conditions. There can be no assurance that Zain Bahrain will be able to arrange any such external financing on commercially reasonable terms, if at all. If Zain Bahrain is unable to generate or obtain funds sufficient to make, or is otherwise restricted from making, necessary or desirable capital expenditure and other investments, it may be unable to grow its business, which may have a material adverse effect on its business, financial condition, results of operations and prospects.

13.2.2.6 Effectiveness of distribution strategies

Zain Bahrain depends on a number of key third party distributors and channel partners to distribute its products and services.

Zain Bahrain's ability to continue to distribute its products and services depends, to a large extent, on securing and maintaining a number of key distributors, retail distributors and business partners. A significant number of its key distribution channels are managed and operated by third parties. For example, a significant proportion of new customers originate through indirect channel partners. Services may cease to be provided by third parties due to, for example, a contract period expiring or a contract being terminated, and Zain Bahrain cannot guarantee that chosen suppliers will be able to provide the functions or services for which they have been contracted. Although Zain Bahrain may replace third party distributors or decide to perform certain distribution functions itself, it cannot ensure that such substitution can be accomplished in a timely manner or without significant costs or disruptions to its operations.

The Company's failure to maintain key distribution relationships, or any disruptions or failures by third party distributors (including the failure of its key distribution partners to procure sufficient customers), could adversely impact the services that Zain Bahrain provides to its customers, which could adversely affect the business, financial condition and operations of Zain Bahrain.

13.2.2.7 Ability to acquire equipment and software

Zain Bahrain relies on a number of suppliers for a majority of its telecommunications network infrastructure, handsets, software and content and other equipment supplies. Its ability to maintain and grow its subscriber base depends in part on its ability to source such supplies on a timely basis and therefore continued cooperation from the equipment and service providers is essential for Zain Bahrain to maintain its operations.

Zain Bahrain cannot assure investors that its suppliers will continue to provide equipment and services to Zain Bahrain at attractive prices or that Zain Bahrain will be able to obtain such equipment and services in the future from these or other providers on the scale and within the time frames required, if at all. The inability or unwillingness of key suppliers to provide adequate equipment and supplies on a timely basis and at attractive prices could materially and adversely impact Zain Bahrain's ability to retain and attract subscribers or offer attractive product offerings, either of which could materially and negatively impact Zain Bahrain's business, financial condition, results of operations and prospects.

13.2.2.8 Dependence on key personnel

Zain Bahrain's business and growth prospects may be disrupted if Zain Bahrain loses the services of certain key personnel or is unable to identify and employ expert personnel in the business segments in which the Company operates.

The Company's current and future success is largely dependent on the continued service of key personnel and employees and the ability to attract and retain qualified personnel. If any of the Company's key personnel were to leave, it may be difficult to quickly replace them and this could result in business disruption, with adverse effect on Zain Bahrain's financial conditions and results.

Since the telecommunications industry is characterised by scarcity of personnel and increased demand for talented human resources, Zain Bahrain may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future. Zain Bahrain is not insured against the detrimental effects of losing key personnel.

The inability to retain key personnel or attract new qualified resources to support the growth of the business or the requirement to offer significantly higher compensation to attract and maintain key personnel could result in a material adverse effect on the business, financial condition and operations of Zain Bahrain.

13.2.2.9 Unexpected business interruption or breach of security measures

The Company's ability to operate its telecommunications network may be interrupted due to a systems failure or shutdown in its networks. Zain Bahrain's networks may be vulnerable to damage or interruptions from adverse weather conditions, loss of power, natural disasters, terrorist attacks, war, transmission cable cuts, or similar events. Whilst the Company has contingency power supplies at each of its base stations and network switching centres (see section 5.3.5 - "Description of Operations"), any prolonged loss of its telecommunications network could affect the quality of services provided and could have a material adverse effect on Zain Bahrain's business, financial condition and operations.

13.2.2.10 Credit risks

The Company is exposed to credit risk relating to bad debt from non-paying Post-paid Customers. Although the majority of Zain Bahrain's customer base consists of Prepaid Customers, the Company, along with other mobile operators, is exposed to bad debt risk from Post-paid Customers. It is a challenge to avoid bad debtors and the Company believes that customers who are bad debtors or who are blacklisted by other operators could, with relative ease, subscribe for a new account with the Company. The inability of Zain Bahrain to accurately assess the credit quality of initial or on-going Customers or deterioration in the Bahrain economy affecting consumers' credit-worthiness in general could result in unanticipated levels of Customer defaults, which could have a material adverse effect on Zain Bahrain's business, financial condition and operations.

13.2.2.11 Insurance risks

The Company could be exposed to significant risks if insurance cover proves to be inadequate. Zain Bahrain maintains insurance against risks such as fire and accidental damage. Whilst Management believes that these policies are sufficient to compensate for foreseeable incidents, there can be no assurance that the proceeds available from the Company's insurance policies will be sufficient to protect Zain Bahrain from all potential loss or damage resulting from any insured events. This could have a material adverse effect on the business, operations and financial conditions of Zain Bahrain.

13.2.2.12 Dependence on Prepaid connections

In line with the broader market dynamics, the majority of Zain Bahrain's customer base is Prepaid clients and is therefore exposed to higher risk of customer churn.

As at 31 December 2013, the majority of Zain Bahrain's subscribers were Prepaid. There is, therefore, a greater risk of Customers changing network provider as Prepaid Customers do not sign services contracts, are not charged an activation fee (although there is a charge for the starter pack on each Prepaid plan which includes an amount of inclusive talk time and SMS messages) and handsets are not subsidised or locked to Zain Bahrain's network.

Whilst Management believe they have a clear competitive advantage in terms of range of services offered and flexibility in Prepaid plans they cannot guarantee that they will be able to retain existing Prepaid Customers and reduce churn levels. This could have a material adverse effect on future operating results.

13.2.2.13 Network deployment approval permits and other authorisations

The deployment of Zain Bahrain's network requires various approvals or permits from the Government and regulatory authorities, particularly in relation to establishing cell sites. Approvals include environmental and construction permits and antenna and mast deployment approvals. To date, Management has maintained excellent relationships with the TRA and the Government and has successfully received all relevant permits and approvals required in the establishment of the network to date. However, it is important to highlight that there are a number of court cases brought about by various municipalities against the Company in respect of site deployment. As such, there are no guarantees that requisite approvals and permits for site deployment will be granted in the future. The expansion of the existing network could result in higher costs or delays relating to importing the necessary equipment, expenses or delays in identifying appropriate sites for the construction of base stations and technical difficulties in accessing the relevant sites. These difficulties may result in significant additional expenses to the deployment of the network, which could negatively affect the Company's ability to meet operating and coverage targets and conditions imposed by the licences. This could materially and adversely affect the financial condition and operations of Zain Bahrain.

13.2.2.14 Interconnection risks

Zain Bahrain relies on interconnection agreements with Batelco and Viva, its direct competitors, in order for Customers to be able to complete calls originating from and terminating on those competitors' networks. Zain Bahrain is also dependent on international roaming agreements with telecommunications operators in other countries when their customers roam on Zain Bahrain's network or Zain Bahrain Customers roam on their networks. If these agreements were to terminate, or if the technologies implemented by other operators become incompatible with those of Zain Bahrain, or if the other operators fail to provide reliable interconnections or roaming services, it could adversely impact the services that Zain Bahrain provides to its Customers, which could adversely affect the business, financial condition and operations of Zain Bahrain.

13.2.2.15 3G and 4G adoption, broadband internet services and other changes in technology

The telecommunications industry is characterised by rapid technological advancement, and Zain Bahrain's ability to compete effectively within the Bahrain market relies on Management's ability to introduce new technologies in both a cost efficient and timely manner. Despite the strength of Zain Bahrain's existing networks and its investment in product development and supporting infrastructure, it is not possible to predict the effect of future technological changes on the industry and on Zain Bahrain's businesses, and the related impact on licensing and similar requirements. For example, as technology evolves, Zain Bahrain may need to obtain new and/or additional regulatory licences, or make significant investments to upgrade its existing networks to be compatible with new technologies or new standards. Rapid technological advancement could render obsolete existing products and services offered by Zain Bahrain and could increase competition. These factors could have a material adverse effect on the business, financial condition and operations of Zain Bahrain.

13.2.3 Risks Related to the Bahrain Telecommunications Market and the Legal and Regulatory Environment

13.2.3.1 Telecommunications regulations

Changes in the regulatory environment or governmental policy affecting the telecommunications industry in Bahrain could adversely affect Zain Bahrain's business, financial condition, results of operations and prospects.

In Bahrain the TRA, the telecommunications regulator, has significant power and latitude to regulate all aspects of the telecommunications industry, from pricing and competition to network infrastructure. The TRA reviews on a regular basis the level of competition in various telecoms markets segments in Bahrain and assesses the market power of the operators in each market segment. The TRA can impose certain obligations on dominant operators with significant market power in a relevant market segment.

Decisions by the regulator and new legislation, including in relation to retail, wholesale and interconnection price regulation, could adversely affect the pricing of, or adversely affect the revenue from, the services Zain Bahrain offers. For instance, in its 2010 Dominance Determination, the TRA observed that both Batelco and Zain Bahrain were dominant in the supply of mobile termination services on their respective networks. As a result, both Batelco and Zain Bahrain are regulated in respect of wholesale mobile termination services for voice calls and SMS/MMS. A similar determination issued in May 2013, declared Viva as a dominant operator for wholesale mobile termination of voice calls and SMS/MMS on its network.

Decisions by the regulator may also include issuance of new licences in the future or conferring greater pricing flexibility on competitors. The third National Telecommunications Plan, issued by the Kingdom of Bahrain, makes allowances for new licences to be awarded, in the event that the TRA determines, through assessment of the level of competitiveness of post-3G services in the market, that there are not at any time sufficient active suppliers of LTE-based services. As such, the level of competition in the market may further increase. However, it is important to highlight that a new operator will not only require a service licence to operate and compete; it will also require scarce resources such as frequency spectrum.

Future changes to regulation or excessive costs of complying with new or more onerous regulations and restrictions could have a material adverse effect on Zain Bahrain's business, financial condition, results of operations and prospects.

13.2.3.2 Licence

Zain Bahrain believes that it has all the necessary regulatory licences, concessions and operating agreements that it needs to operate its present businesses. In particular, Zain Bahrain's IMTL is valid until September 2028 and the Company should be permitted to renew the licence for a further term of 10 years provided it has not committed a material breach as defined in the terms and conditions of its licence. Some of its frequency licences will fall for renewal in a few years. Zain Bahrain may not be successful in obtaining renewed licences to operate. While Zain Bahrain actively engages with the Government and other regulatory bodies in advance of the expiry of such licences, concessions and operating agreements, and the activities under licence are of a public service nature, there can be no assurance that when such licences, concessions and operating agreements expire, it will be possible to renew them on similar or commercially viable terms, or at all. Some of these licences may also include clauses that allow the grantor to terminate or revoke or alter them in the event of a default, other failure by Zain Bahrain to comply with applicable conditions of the licence or to promote public interest or for any other reason. Failure to hold or to continue to hold or obtain the necessary licences, concessions and other operating agreements required to operate its businesses could have a material adverse effect on Zain Bahrain's business, financial condition and future prospects.

13.2.3.3 Frequency spectrum allocation

The Company currently holds a number of frequency licences in Bahrain. The legal rights and obligations conferred on the Company under these licences have a material bearing on its operations. More generally, the Company's access to spectrum resources in Bahrain is affected by the Bahrain Telecommunications Law and other relevant Ministerial and TRA spectrum allocation and management regulatory and policy instruments. Changes to the current spectrum allocation and management regime could potentially have a material impact on the affairs of the Company.

13.2.3.4 Competition

The Bahrain telecommunications market currently has three mobile telecommunications operators, and, as is appropriate, there is considerable price and product competition amongst the three operators. Zain Bahrain's competitors, or potential competitors, may have greater financial, capital, marketing or other resources, which may allow them to provide services more effectively and at a lower cost than Zain Bahrain. These competitors or potential competitors may adopt more aggressive pricing policies, offer better services and features, develop and deploy more rapidly any new or improved technologies, services and products, expand and enhance their networks and coverage more rapidly, undertake more extensive advertising and marketing campaigns or successfully replicate Zain Bahrain's business models. Competitors may also acquire rights to newer and more competitive technologies not available to Zain Bahrain, or Zain Bahrain may become subject to stricter regulation by relevant industry regulators and/or competition from other companies that are not subject to regulation as a result of the convergence of communication technologies. Zain Bahrain may face increased competition from new entrants or the incumbent operators, which may have a material adverse effect on the business, financial condition and the results of Zain Bahrain.

13.2.3.5 Alleged risks of mobile handsets and wireless base stations

In recent years, concerns have been expressed about the potentially harmful effect of electromagnetic emissions from handsets and hands-free earpieces on the health of mobile phone users. The Company, itself, has received a small number of letters of complaint from customers in relation to the Company's base stations regarding health and safety concerns. To date, none of these complaints have become litigious. Management does not consider there to be any potential of having to pay compensation related to such complaints and consequently does not view this as a material risk. Since the rapid expansion of the wireless telecommunications industry, there have been concerns raised in connection with the effects of electromagnetic waves emitted by base stations and mobile telephones. Both the Parent Company and the Government have commissioned studies in this regard with results indicating that the Company operates well within acceptable safety limits prescribed by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). However, were there to be any new adverse findings which were to result in a successful claim against the Company, there could be a material adverse effect on the business, financial condition and results of the Company's operations.

13.2.3.6 Economic risks

The contribution of the oil sector to Bahrain's GDP continues to be substantial despite the Government's successful and continuous diversification policies. Fluctuations in oil prices, in particular material declines in such prices, could have a direct adverse impact on the Bahraini economy and the economic activity. Such impact may adversely affect companies operating in Bahrain, including the Company.

13.2.4 Risks Related to the Offer Shares

13.2.4.1 Control by the Founding Shareholders

The Parent Company will hold the largest shareholding block (201,600,000 shares out of 368,000,000 or 54.78% equity) in Zain Bahrain post IPO and with its significant shareholding and Management Agreement may influence the outcome of important decisions relating to the Company's business. Depending upon the actual number of board members recommended at the Constituent General Assembly, the Parent Company is entitled to nominate one Director to the Board for each 10% of the issued shares of the Company held by the Parent Company. The other investors in the Company (including new shareholders in the Company) may nominate one Director for each 10% of the issued shares of the Company held by all the investors collectively. As a result, the Parent Company can exercise substantial control in relation to most matters requiring approval of the Company's Shareholders, including the election of directors, entering into or approval of related party transactions, significant corporate transactions and the amount and timing of payment of any dividends. The interests of the Parent Company may differ from the Company's interests or those of its minority Shareholders.

13.2.4.2 Absence of a prior market for the shares

Prior to this Offering, there has been no public market for the Shares. The Issuer cannot assure potential Applicants that the price at which the Shares will sell in the market after this Offering will not be lower than the Offer Price or that an active trading market for the Shares will develop and continue after this Offering.

13.2.4.3 Liquidity and volatility in the share price

There may be fluctuations in the securities markets which may result in volatility in the price of the Shares. Stock markets have historically, on occasion, experienced periods of significant price and volume fluctuation that are not related to the operating performance of particular companies but may be due to changes in market conditions or changes in Government regulations or several other reasons. There are no assurances that this will not occur at some point in the future on the Bahrain Bourse and Applicants may not be able to sell their Shares at or above the Offer Price.

13.2.4.4 Future sales and offerings

Pursuant to Article 124 of the Commercial Companies Law, the Founders are not entitled to dispose of their shareholding for a period of one year starting from the Commencement of Trading Date. Following the expiry of the Lock-in Period, the Founders may decide to sell a portion of their Shares in the market. Sales of substantial amounts of the Shares by any Founder, or the perception that these sales may occur, could adversely affect the market price of the Shares.

13.2.4.5 Dividend payment

The distribution of dividends will be dependent upon a number of factors (see section 11.5 "Dividends Distributions"). There can be no assurance that any dividend will ever be paid, nor can there be an assurance as to the amount, if any, which will be paid in any given year. The ability to pay a dividend may also be subject to the terms and conditions of financing agreements entered into by the Company. Furthermore, the dividend policy of the Company may change from time to time.

14 Subscription Terms and Conditions

All Applicants must carefully read this Prospectus and the Subscription Application Form prior to signing and submitting their Subscription Application Form and transmitting Subscription Funds to the Receiving Bank.

A signed Subscription Application Form submitted to the Receiving Bank will represent a legally binding agreement between the Company and the Applicant upon acceptance by the Company of the Subscription Application Form. Once a Subscription Application Form has been accepted by the Receiving Bank and Subscription Funds have been transferred to the Receiving Bank by an Applicant, the Subscription Application Form cannot be withdrawn and Subscription Funds will not be returned except under the circumstances described in this Prospectus.

Each Applicant acknowledges that any information in their respective Subscription Application Form may be shared with third parties involved in various stages of the Offering including but not limited to data processing companies.

14.1 Application Procedures

Applicants applying for Ordinary Shares in the Offering are required to complete a Subscription Application Form, indicating the number of Ordinary Shares they wish to purchase. Subscription Application Forms should be completed in full in Arabic or English and in accordance with instructions contained therein. Each Applicant is required to submit the Subscription Application Form during the Offering Period accompanied by the relevant documents stated below.

The Receiving Bank will verify the validity of all copies of each Applicant's identification documents.

All Applicants are required to have a Bahrain Bourse Investor Number (IN) and a Securities Account. Applicants who do not have a Bahrain Bourse IN or a Securities Account will be required to pay the IN Fee and/or the Securities Account Fee at the time of submitting the Subscription Application Form.

14.1.1 Application by Individuals

Except as otherwise provided in this Prospectus, individual Applicants of all nationalities over the age of 21 are eligible to subscribe to the Offer. Applicants under the age of 21 should make their applications through their legal guardians. Each individual Applicant must submit the following documentation together with a completed Subscription Application Form:

- The original and copy of the individual's valid passport or valid international travel document;
- The original and copy of the individual's valid national identification card or an equivalent document:
  - Bahrain nationals: National Identity Card
  - GCC nationals: Official identification card or equivalent document issued by the Applicant's country of citizenship, or, if a resident of Bahrain, Bahraini National Identity Card
  - Other nationalities: Official identification card or equivalent document issued by the Applicant's country of citizenship; and
- Proof of permanent residential address if a Subscription Application Form is submitted for Subscription Funds in excess of BHD 5,000. The proof can consist of a copy of a recent utility bill, bank statement or similar statement from another bank or financial institution licensed in the country or official documentation, such as a smartcard, from a public/governmental authority, or a tenancy agreement.
- If an individual Applicant has an existing Bahrain Bourse Investor Number (IN) and Securities Account, proof of such IN and Securities Account is required in the form of a Bahrain Bourse investor card or statement of account, or a Bahrain Bourse system print-screen. If the Applicant has an existing Securities Account but no designated broker, then proof of such Investor Number can additionally be in the form of an allotment notice from a previous IPO of no earlier than 2006.

The following additional documents are required when a person is signing on behalf of an individual Applicant by way of a power of attorney:

- The original and copy of the valid passport or international travel document of the person applying and signing on behalf of the individual Applicant;
- The original and copy of the valid national identification card or an equivalent document of the person applying and signing on behalf of the individual Applicant; and
- The original and copy of the notarized power of attorney.

The following additional documents are required for applications on behalf of Minors:

- The original and copy of the valid passport or valid international travel document of the legal guardian applying and signing on behalf of the Minor;
- The original and copy of the government-issued valid national identification card or an equivalent document of the legal guardian applying and signing on behalf of the Minor; and
- Unless the legal guardian signing on behalf of the Minor is the Minor's father, the original and copy of the proof of guardianship to the applying Minor.

14.1.2 Application by Institutions

All institutions must provide the following documentation together with a completed Subscription Application Form:

- A copy of a valid commercial registration certificate of the institution;
- A copy of the memorandum and articles of association, or equivalent, of the institution;
- The original and copy of the valid passport or international travel document of the person(s) signing on behalf of the institution;
- The original and copy of a valid national identification card of the person(s) signing on behalf of the institution:
  - Bahrain nationals: National Identity Card
  - GCC nationals: Official identification card or equivalent document issued by the Applicant's country of citizenship, or, if a resident of Bahrain, Bahraini National Identity Card
  - Other nationalities: Official identification card or equivalent document issued by the Applicant's country of citizenship;
- If the institution has an existing Bahrain Bourse Investor Number (IN) and Securities Account, proof of such an IN and Securities Account is required in the form of a Bahrain Bourse investor card or statement of account, or a Bahrain Bourse system print-screen. If the Applicant has an existing Securities Account but no designated broker, then proof of such Investor Number can additionally be in the form of an allotment notice from a previous IPO of no earlier than 2006; and
- The original and copy of the document authorising the person(s), whose signature(s) appear(s) on the Subscription Application Form to sign such document on behalf of the institution. Such a document can be either a power of attorney or a resolution of the board of the institution.

14.1.3 Acknowledgments

By completing and delivering a Subscription Application Form the Applicant (and, if the Subscription Application Form is being signed on behalf of the Applicant by a third person or a corporation under a power of attorney, that person or corporation on behalf of the Applicant) must agree to the Subscription Terms and Conditions set out in sections 14.1.3.1 to 14.1.3.8 below, which shall be legally binding on the Applicant from the time the respective Subscription Application Form is submitted to the Receiving Bank.

In the case of Applicants making a joint Application the Subscription Terms and Conditions shall apply to each Applicant and the Applicants' liability shall be joint and several.

14.1.3.1 Reliance on the Prospectus only

All Applicants shall:

- confirm that, in making an application, the Applicant is not relying on any information or representation in relation to the Company other than the information contained in this Prospectus, and, accordingly, the Applicant agrees that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any information other than the information contained in this Prospectus;
- agree that none of the Receiving Bank or Issue Managers will treat the Applicant as their customer by virtue of the Applicant's application being accepted or owe the Applicant any duties or responsibilities concerning the price of the Offer Shares or the suitability for the Applicant of the Offer Shares or be responsible to the Applicant for providing the protections afforded to their customers; and
- agree that, having had the opportunity to read this Prospectus, the Applicant shall be deemed to have had notice of all information and representations concerning the Company and the Offer Shares contained herein, including those contained in the Memorandum and Articles of Association and the Post-Conversion Memorandum and Articles of Association.

14.1.3.2 Capacity and compliance with laws

All Applicants shall:

- represent and warrant that the Applicant has the legal capacity and authority and is permitted by applicable law to execute and deliver the Subscription Application Form and that, if somebody else signs the Subscription Application Form on behalf of the Applicant, that other person has due authority to do so on behalf of the Applicant, and the Applicant will also be bound accordingly and will be deemed also to have given the confirmations, representations, warranties, undertakings and authorities contained herein and undertake to enclose the other person's power of attorney or appropriate authority or a copy thereof duly certified by a solicitor or bank with the Subscription Application Form;
- represent and warrant that the Applicant has sufficient knowledge and experience in financial and business matters, and that the Applicant is capable of evaluating and has evaluated the merits and risks of acquiring Offer Shares;
- warrant that, if the Applicant is an individual, the Applicant is over the age of 21 and has the legal capacity to complete the Subscription Application Form. Applicants under the age of 21 should make their applications through their legal guardian; and
- represent and warrant that all consents required to be obtained and all legal requirements necessary to be complied with or observed in order for the Subscription Application Form and the Allotment and issuance of Offer Shares to the Applicant to be lawful and valid under the laws of any jurisdiction to which the Applicant is subject have been obtained, complied with and observed.

14.1.3.3 Acceptance of applications

The Applicant shall:

- agree to subscribe for the number of Offer Shares specified in the Subscription Application Form (or such lesser number for which the application is accepted) on the terms of and subject to the conditions of this Prospectus, the Subscription Terms and Conditions, and subject to the Memorandum and Articles of Association and the Post-Conversion Memorandum and Articles of Association;
- understand that the Company and the Issue Managers reserve the right to reject in whole or part, or to scale down or limit, any application. The Company may treat applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Subscription Terms and Conditions. If any application is not accepted in full, the Subscription Funds or as the case may be, the balance thereof, will be returned in the currency in which they were paid at the Applicant's risk and without deduction or profit; and
- agree that, in consideration of the Company and the Issue Managers processing the Applicant's application, the Subscription Application Form cannot be amended or revoked after it is submitted to the Receiving Bank, and the Subscription Funds, once deposited with the Receiving Bank, will not be returned except if the Subscription Application Form is rejected.

14.1.3.4 Money laundering

The Applicant shall:

- consent to the passing on of any information about the Applicant to any relevant regulatory authorities by the Company or the Receiving Bank or their delegates;
- acknowledge that due to money laundering requirements operating within their respective jurisdictions, the Company and/or the Receiving Bank and/or the Issue Managers may require further identification of the Applicant(s) and source of funds before applications for Offer Shares can be processed and the Applicant shall hold the Company, the Receiving Bank and the Issue Managers harmless and indemnified against any loss arising from the failure to process the application for Offer Shares, if such information as has been required from the Applicant has not been provided within the allotted time to the satisfaction of the party requesting such information; and
- understand and agree that any funds to be returned may be retained pending clearance of the Applicants remittance and the completion of any verification of identity and/or source of funds required by the Company and/or the Receiving Bank and/or the Issue Managers.

14.1.3.5 Continuing obligations

All Applicants shall:

- repeat these undertakings, representations and warranties to the Company, the Receiving Bank and the Issue Managers on such future occasions as the Company and/or the Receiving Bank and/or one of the Issue Managers may request, and will immediately provide on request such certificates, documents or other evidence as the Company and/or the Receiving Bank and/or one of the Issue Managers may reasonably require to substantiate such undertakings, representations and warranties;

- notify the Company immediately if the Applicant becomes aware that any of these undertakings, representations and warranties are no longer accurate and complete in all respects, and agrees immediately to tender to the Company for redemption a sufficient number of Offer Shares to allow the undertaking, representation or warranty to be made accurately and complete; and
- understand that if any of the representations, warranties, or undertakings given by the Applicant in the Subscription Application Form is untrue at any time, the Directors in their sole discretion may require a retroactive redemption of all or some of the Applicants Offer Shares at the Offer Price.

14.1.3.6 Indemnity

The Applicants shall:

- agree to indemnify and hold harmless the Company, the Directors, the Issue Managers, the Receiving Bank, the Issue Coordinator, their affiliates and each other person, if any, who controls or is controlled by any thereof, against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all expenses and costs (including internal and external attorneys' costs) incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based on:
    - any false or misleading or inaccurate representation or warranty or breach or failure by the Applicant to comply with any covenant or agreement made by the Applicant or in any other document furnished by the Applicant to any of the foregoing in connection with the Offering; and/or
    - any actions for securities laws violations instituted against the Applicant which is resolved by judgment against the Applicant; and/or
    - the Applicant's failure to provide source of funds information.

14.1.3.7 Multiple applications

The Applicant shall:

- represent and warrant that only one Subscription Application Form in relation to the Offering will be submitted by the Applicant or on behalf of the Applicant.

14.1.3.8 Entire agreement

The Applicant shall:

- understand that this Prospectus and the Subscription Application Form and all related terms, conditions and covenants shall be binding upon and inure to the benefit of the Company, the Receiving Bank and the Issue Managers and their respective successors, permitted assigns, executors, administrators and heirs, provided that, except as specifically contemplated herein, neither this Prospectus nor the Subscription Application Form nor any of the rights, interests or obligations arising pursuant hereto or thereto shall be assigned, transferred, made the subject of a contract or delegated by the Applicant without the prior written consent of the Company. This Prospectus and the Subscription Application Form set forth the entire agreement and understanding between the Applicant and the parties listed above and supersede all prior and contemporaneous discussions, agreements and understandings among the Applicant and the parties listed above in connection with the subscription for Shares.

An Applicant that receives a copy of this Prospectus or the Subscription Application Form in any territory may not treat the same as constituting an invitation to the Applicant to acquire, subscribe for or purchase Offer Shares unless such an acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory.

14.2 Subscription Restrictions

The Shares will be registered and indivisible. The Offer Shares are offered to Applicants fulfilling the Subscription Terms and Conditions.

The Founders are not eligible to apply for any Offer Shares.

14.3 Offering Period

The Offering Period starts at the commencement of normal banking hours on 2 September 2014 and closes at the cessation of normal banking hours on 16 September 2014. The Banking Hours for each Approved Branch are set out in section 14.4 below.

The Receiving Bank may extend the collection hours or days after obtaining the necessary approvals.

14.4 Receiving Bank

The Receiving Bank will collect all Subscription Funds during the Offer Period. The Approved Branches of the Receiving Bank as set out below will receive the completed Subscription Application Forms together with Subscription Funds from Applicants in accordance with the Subscription Terms and Conditions.

Table 101 – Approved Branches Addresses and Opening Times

Branch Name	Address	Telephone Number(s)	Fax Number	Opening Days	Opening Hours
Muharraq Financial Mall	Building 112, Sh. Salman Avenue, Block 207, Muharraq	17349119 17349113	17349112	Sunday-Thursday	8:00 – 17:00
Adliya Financial Mall	Building 1566, Road 2733, Block 327, Manama	17711411 17711413	17711401	Sunday – Thursday	8:00 – 17:00
Riffa Financial Mall	Building 2632, Road 1277, Block 912, West Riffa	17656577 17656578	17650494	Saturday – Thursday	8:00 – 18:00
Budaiya Financial Mall	Building 590, Road 1809, Block 518, Barbar	17796006 17796008	17796022	Saturday – Thursday	7:30 – 17:30
Main Branch	Building 43, Government Avenue, Block 305, Manama	17207577	17210636	Sunday – Thursday	7:30 – 14:30
City Center Branch	Shop 1168, City Center Shopping Mall, Building 2758, Road 4650, Block 346, Manama	17172550 17172570	17172552	Saturday – Wednesday	10:00 – 18:00
Hamad Town Branch	Rowdha Shopping Centre, Roundabout 10 Building 3847, Road 1059, Block 1210, Hamad Town	17420939 17420936	17420821	Saturday – Wednesday	8:30 – 17:00
Diplomatic Area Branch	Building 582, Road 1706, Block 317, Manama	17534008 17534009	17535683	Sunday – Thursday	7:30 – 16:00

The Receiving Bank may extend the number of Approved Branches during the IPO and receive applications through an offsite location subject to regulatory approval.

14.5 Mode of Payment

Applicants must remit to an Approved Branch their cleared Subscription Funds in Bahraini Dinars together with any applicable Investor Number Fee and Securities Account Fee, net of any bank charges at the time of submitting their Subscription Application Form. If for any reason the instrument by which they have paid their Subscription Funds is returned, or insufficient Subscription Funds are received, or cleared funds are not available within two Calendar Days after the Subscription Closing Date, the application may be rejected in whole or in part.

Applicants may make payments as follows:

- by way of internal transfer from an account held with the Receiving Bank;
- by way of manager's cheque/demand draft (to be drawn in Bahraini Dinars for the Receiving Bank); or
- by way of telegraphic transfer (payment instructions to clearly mention the related Subscription Application Form number and the amount of funds that are payable, net of any bank charges). Telegraphic transfers can only be made in Bahraini Dinars and can only be made for amounts greater than BHD 500.

The Applicants are responsible to pay any fees or charges associated with the transfer of Subscription Funds by the Receiving Bank.

Cash deposits or personal cheques will not be accepted.

All telegraphic transfers must include the following information:

Bank:	BBK
SWIFT:	BBKU BHBM
Account name:	ZAIN BAHRAIN - IPO
Account number:	100000341889
IBAN:	BH33 BBKU 0010 0000 3418 89
Currency:	Bahraini Dinar
Reference:	Application Number (Subscription Form Application number)

All Subscription Funds received should be net of any banking fees and charges. All such fees and charges such as transfer charges and manager's cheque/banker's demand draft fees shall be borne by the Applicant. The fees and charges of the Receiving Bank that might be charged for each mode of payment are as determined by the Receiving Bank.

Applicants will receive a receipt of acknowledgement from the Receiving Bank on submission of their Subscription Application Form. No profit or interest shall be payable to Applicants in respect of Subscription Funds collected by the Receiving Bank in the subscription account regardless of whether such funds are returned to the Applicant in whole or in part.

14.6 Rejected Applications

Applications to subscribe for Offer Shares pursuant to the Offer may be rejected in whole or in part at the discretion of the Issue Managers, the Company or the Receiving Bank and the following factors may or may not be taken into account in making this decision:

- The Applicant's eligibility to apply for Offer Shares pursuant to the Offering
- Whether Subscription Funds have been paid in full before the Subscription Closing Date
- Whether the Subscription Application Form is incomplete or inaccurate as to any detail or the required documents are not attached with the Subscription Application Form or are not provided within requested timeframes
- The Applicant submitted more than one Subscription Application Form.

Applicants will be informed of any rejected applications on the Distribution of Refunds Date.

A decision by the Company rejecting a Subscription Application Form and the Allotment of Ordinary Shares shall be final and conclusive.

14.7 Allotment

The Offer Shares shall be allotted to Applicants on the Allotment Date.

An Applicant will be categorised as either an Institutional Applicant or a Retail Applicant based on the criteria set out below:

- An Applicant is deemed to be an Institutional Applicant if it subscribes for a minimum of 100,001 Ordinary Shares.
- An Applicant is deemed to be a Retail Applicant if it subscribes for less than or equal to 100,000 Ordinary Shares.

If the total number of Ordinary Shares applied for by Eligible Applicants is less than or equal to the number of Offer Shares offered, all Eligible Applicants will be allotted the number of Ordinary Shares they have applied for.

If the total number of Ordinary Shares applied for by Eligible Applicants exceeds the number of Offer Shares offered, the Company shall, in consultation with the Issue Managers, establish an Allotment basis in which the Offer Shares will be allocated as set out below:

- If the number of Ordinary Shares applied for by Institutional Applicants is less than 24,000,000, Offer Shares will be allotted to all Eligible Applicants (Retail Applicants and Institutional Applicants) pro-rata to the number of Ordinary Shares each Applicant applied for.
- If the number of Ordinary Shares applied for by Retail Applicants is less than 24,000,000, all Retail Applicants will be allotted the number of Ordinary Shares they have applied for. The remaining Offer Shares, after allocation to Retail Applicants, will be allotted pro-rata to the Institutional Applicants based on the number of Ordinary Shares each Institutional Applicant applied for.
- If the number of Ordinary Shares applied for under each category, Retail Applicants and Institutional Applicants, exceeds 24,000,000, Applicants under each category will be allotted 24,000,000 Offer Shares pro-rata to the number of Ordinary Shares each Applicant applied for under its respective category.

Other subscription and allotment conditions are set out below:

- The results of the subscription and confirmation of the basis of Allotment will be published in two local newspapers in the Kingdom of Bahrain within two Business Days of the Subscription Closing Date. The decision of the Company and the Issue Managers on the basis of Allotment and on each individual Allotment shall be final.
- Applicants under the age of 21 should make their applications through their legal guardians.
- No Shares shall be allotted pursuant to this Prospectus on any date falling three months after the date of the registration of this Prospectus by the CBB.

All Eligible Applicants will be required to make payment at the time that they submit a Subscription Application Form, and such funds will be held in the Subscription Monies Bank Account maintained by the Receiving Bank. On the Allotment Date, Applicants' deposits in the Subscription Monies Bank Account will be transferred to the Company's Share Capital Account.

The final allocation of Ordinary Shares will be determined by the Company, such that an Applicant may receive fewer than the number of Offer Shares applied for. Neither the Company nor the Receiving Bank nor any other person provides any Applicant with any assurance, representation, warranty, covenant or other statement to the effect that it will receive the full Allotment of Ordinary Shares requested by the Applicant in the Subscription Application Form.

14.8 Distribution of Allotment Notices and Refunds

Following the Allotment of the Offer Shares offered and on the Distribution of Refunds Date, Allotment Notices informing all Applicants of their respective allotments of the Offer Shares pursuant to the IPO will be made available for collection from the Bahrain Bourse or the Applicants' designated brokerages.

On the Distribution of Refunds Date, the Receiving Bank will:

- pay to the Company in BHD an amount equal to the Offer Price multiplied by the number of Offer Shares allotted to Applicants; and
- return, in BHD, the Subscription Funds paid by Applicants in respect of Offer Shares they applied for and were not allotted.

All funds distributed by the Receiving Bank will be distributed without deduction, but will not include any profit or interest derived from such funds, which, if any, shall be for the account of the Receiving Bank.

Any refund amount will be returned by the Receiving Bank in one of the following forms, as and if applicable:

- By way of refund cheques for Applicants who paid their Subscription Funds by way of manager's cheques/ demand drafts. Such Applicants shall be required to collect their respective refund cheques (if any) from the particular Approved Branch of the Receiving Bank at which they submitted their Subscription Application Forms, within 30 calendar days starting on the Distribution of Refunds Date
- By way of telegraphic transfers for Applicants who paid their Subscription Funds by way of telegraphic transfers. All bank charges for such telegraphic transfers shall be borne by the Applicant
- By way of crediting the Applicant's bank account for Applicants who hold bank accounts with the Receiving Bank and have paid their Subscription Funds by way of internal transfers from such accounts.

All Applicants authorise the Company and the Receiving Bank to make the respective refunds, if any, through the applicable methods described above.

In the event that an application is rejected in whole or in part or if the Offering does not proceed, the Subscription Funds or the balance thereof will be returned to the Applicant at the risk and cost of the Applicant and without accounting for any profit or interest derived from such funds which, if any, shall be for the account of the Receiving Bank.

The Ordinary Shares will be in a dematerialized form, and there will be no physical certificates representing the Ordinary Shares. Delivery of the Allotment Notices shall not constitute proof of ownership of the Ordinary Shares. Receipt of the Allotment Notice is proof that the Allotted Shares have been deposited into the Applicant's Depository Account. The Allotment Notice must not be used to sell the Offer Shares before the listing on the Bahrain Bourse. The Allotment Notice shall provide all relevant details to the Applicant regarding the allotted Shares.

14.9 Announcements

The Issuer, the Lead Manager and/or other appointed advisors appointed by the Issuer will make the following announcements in relation to this Offering:

- An announcement of the Offering together with a summary of the Prospectus will be published in at least two local newspapers in the Kingdom of Bahrain, one in Arabic and one in English, five days before the Subscription Opening Date.
- The results of the subscription and confirmation of the basis of Allotment will be published in at least two local newspapers in the Kingdom of Bahrain, one in Arabic and one in English, within two Business Days of the Subscription Closing Date.
- An announcement will be made on the Distribution of Refunds Date in at least two local newspapers in the Kingdom of Bahrain, one in Arabic and one in English, to the effect that Allotment Notices to all Applicants are made available for collection from the Bahrain Bourse or the Applicants' designated Brokerages, and that excess Subscription Funds, if any, are either ready for collection (in the form of cheques) or have been processed for crediting the Applicants' bank accounts, as the case may be.

15 Additional Information

15.1 Share Capital Structure

Since 12 March 2007, the Company's authorised, issued and fully-paid share capital amounted to BHD 32,000,000 divided into 32,000,000 Ordinary Shares with nominal value of BHD 1 each. Pursuant to the EGM held on 28 July 2013, the Company's authorised share capital was resolved to be increased from BHD 32,000,000 to BHD 36,800,000 and each Ordinary Share of BHD 1 was resolved to be split into 10 Ordinary Shares, each with a nominal value of 100 fils. The stock split will be effective on Conversion. The following table presents the Pre-IPO and the Post-IPO shareholding in the Company based on 48,000,000 Offer Shares being issued in the Offering.

Table 102 – Pre- and post-IPO Share Capital Structure

Shareholder	Pre-IPO % of Ownership	Pre-IPO number of Shares	Post-IPO % of Ownership	Post-IPO number of Shares
Mobile Telecommunications Company K.S.C.	63.00%	20,160,000	54.78%	201,600,000
Shaikh Ahmed Bin Ali Al Khalifa	18.52%	5,926,000	16.10%	59,260,000
Other Founders	18.48%	5,914,000	16.07%	59,140,000
New shareholders	-	-	13.04%	48,000,000
Total	**100.00%**	**32,000,000**	**100.00%**	**368,000,000**

There is no agreement for the purchase of Shares or for options to purchase Shares or any commitments for the issue or transfer of Shares in the Company.

15.2 Post-Conversion Memorandum and Articles of Association

The Post-Conversion Memorandum and Articles of Association set out in Appendix B to this Prospectus will govern the Company upon its conversion to a public joint stock company. Below is a summary of some of the key matters described in the Post-Conversion Memorandum and Articles of Association.

15.2.1 Board of Directors

Based on the Memorandum and Articles of Association, the Commercial Companies Law and the CG-Framework of Zain Bahrain the Board shall meet at least four times in every financial year, or more frequently, as deemed necessary.

Based on the Memorandum and Articles of Association, the Commercial Companies Law and the CG Framework, decisions of the Board are made by an affirmative vote of a simple majority of its members present at a meeting.

Based on the Commercial Companies Law, in order for an individual to qualify to the Board, he/she, or the person he/she represents, must own at least 1% of the Company. There are exceptions to this rule for those Directors with expertise who are neither Founders nor Shareholders but instead have been appointed pursuant to the Post-Conversion Memorandum and Articles of Association.

Regardless of how the Director qualifies for his/her position on the Board, the Post-Conversion Memorandum and Articles of Association do not specify any requirement for involuntary retirement so the Director can continue his/her role indefinitely dependent on being re-elected every three years.

There are certain circumstances in which a Director's membership can be terminated, for example where he/she was appointed or elected contrary to the provisions of the Commercial Companies Law or the Post-Conversion Memorandum and Articles of Association and where he/she has misused his/her position as a Director in carrying on business that is competitive to that of the Company or if he/she causes actual damage to it.

In addition, Shareholders representing at least 10.0% of the Company's paid-up capital could request in writing the removal of all or any of the members of the Board and such request shall be decided upon by the General Assembly of the Company.

Within the scope of its power, the Board can borrow funds on behalf of the Company, as well as apply for financing and issuing sukuk. The power of the Board can be varied by way of an amendment to the Post-Conversion Memorandum and Articles of Association at a convening of an EGM.

Individually, a Director cannot vote on any contract or arrangement in which he/she has a material interest. A Director must notify the Board of his/her personal interest in any existing or proposed transaction or contract, whether direct or indirect, and cannot participate in any further deliberations or voting passed in this respect. If he/she does vote, it will not be counted unless his/her vote is necessary in order to make the required quorum for the Board meeting.

The Board can take it upon themselves to specify their own remuneration so long as the total of such an amount does not exceed 10.0% of the net profit of any financial year, after the deduction of all legal reserve funds and after the distribution of the Company's profits of not less than 5.0% of Zain Bahrain's paid-up capital to the Shareholders.

However, in relation to their voting rights, Directors are unable to vote on any resolution relating to their salaries and remunerations. In addition, this will be subject to the restrictions of the Corporate Governance Code and the recommendations of the Nomination and Remuneration Committee.

15.2.2 Company's Shares

In relation to the Company's Shares, which all relate to one class of Shares, the Post-Conversion Memorandum and Articles of Association dictate that the rights attached to each Share entitle each Shareholder to his/her share of the dividends, if declared, on distribution of the profits of the Company by way of dividend, his/her share of the capital in case of any reduction of the capital and his/her share of the Company's surplus assets upon liquidation.

The Shareholder who is entitled to any dividend which is declared, is the Shareholder registered as the latest owner of the Shares registered in the Company's register at the time of approval by the General Assembly of the financial statement and the distribution of profits.

Each Share entitles its owner to one vote at the General Assemblies. The Company's major Shareholders do not have different voting rights than other Shareholders. Capital can be increased by the issuing of new Shares to cover the required increase or through transferring reserve funds to the capital.

It is worth noting that there are no limitations on the rights of foreign Shareholders to hold, or to exercise voting rights on the securities by the Post-Conversion Memorandum and Articles of Association. Non-Bahraini nationals shall have the right to own and deal in the Shares as an exception to the provisions of Article 119 of the Commercial Companies Law pursuant to a resolution of the MoIC.

15.2.3 General Assembly Meetings

The EGM may resolve to reduce the capital of the Company either by reducing the nominal value of the Shares or cancelling a number of Shares equal to the amount of the decided reduction. If the capital reduction is made by way of cancelling a number of Shares, a number of Shares owned by each Shareholder shall be cancelled in proportion to the percentage of the capital reduction, provided that the Shareholder shall not be deprived of sharing in the Company.

The Chairman has the authority to summon an ordinary General Assembly, at a time and place decided upon by the Board. Such an assembly is required at least once every financial year (within three months following the end of the financial year) but must also be summoned by the Board if requested by the Company's External Auditors or at least a number of Shareholders representing 10% of the capital of the Company provided that they shall have serious cause for such request. The MoIC may also summon a General Assembly if: a proposed meeting is missed and a further month elapses; or if the number of members of the Board falls below the required quorum for holding the Board's meetings; or if a number of Shareholders representing 10% of the Company's capital provides the MoIC with serious reasonable grounds justifying the request; or the Minister of Industry and Commerce may by resolution summon the General Assembly whenever he/she deems that there are reasons requiring such action.

In order to convene a General Assembly (whether ordinary or extraordinary), a notice (including the meeting's agenda) shall be published in at least two daily newspapers (both in Arabic, one of which is local) at least 15 days before the General Assembly meeting is to be scheduled. Furthermore, copies of this notice are to be sent to the MoIC at least 10 days before the General Assembly meeting.

The Board shall prepare the agenda for the General Assembly unless the General Assembly is summoned by the Shareholders, at the request of the Company's External Auditors or on a directive from the MoIC, in which case the agenda shall be prepared by those who summoned the General Assembly meeting. Persons lacking capacity or under legal incapacity shall be represented at the General Assembly by their legal representatives.

Proxies and the capacity of the delegation with the Company must be received at least twenty four (24) hours before the General Assembly meeting. No Shareholder may vote for himself/herself or on behalf of whoever he/she represents on issues in which he/she has a personal interest or on a dispute existing between him/her and the Company.

An ordinary General Assembly shall not be valid unless attended by Shareholders having voting rights and representing more than one half (1/2) of the Shares of the Company. If that quorum is not obtained, the ordinary General Assembly shall be called to convene for a second meeting, with the same agenda, to be held within a period of not less than seven days and not more than 15 days after the date of the first ordinary General Assembly meeting. The second ordinary General Assembly meeting shall be valid if attended by Shareholders having the right to vote and representing at least 30% of the Company's capital. If that quorum is not obtained, the ordinary General Assembly shall be called to convene for a third meeting, with the same agenda, to be held within a period of not less than seven days and not more than 15 days after the date of the second ordinary General Assembly meeting. The third ordinary General Assembly meeting shall be valid irrespective of the number of Shareholders present. New notices of the second and third ordinary General Assembly meetings need not be sent, if their dates were fixed in the notice given in respect of the first ordinary General Assembly meeting, provided that the notice shall be published to the effect that these two ordinary General Assembly meetings were not held in at least two daily Arabic newspapers, one of which shall be local.

All resolutions at the ordinary General Assembly must be adopted by a majority of Shareholders represented at the ordinary General Assembly meeting, and in the event of a tie, the Chairman of the meeting shall have a casting vote.

An EGM is held on summons from the Board or by a written request from the Shareholders making up at least 10% of the Company's capital. If it is the latter, the Board will be required to call for the EGM within one month of receiving the request. If this does not materialise, the MoIC have the ability to call the meeting themselves within the 15 days preceding the expiry of the aforementioned one month timeframe. Resolutions at an EGM are passed by a two thirds (2/3) majority of Shares represented at the meeting. However, if the resolution relates to the increase or reduction of the Company's capital, extension of the term of the Company, or dissolution or merger of the Company with another company, then the resolution must be passed by a 75% majority of the Shares present. An EGM shall not be validly held unless attended by Shareholders representing at least two thirds (2/3) of the Shares. If that quorum could not be obtained, summons should be sent for a second EGM which shall be held within the next 15 days following the date of the first EGM. The quorum for the second EGM shall be valid if it was attended by Shareholders representing more than one third (1/3) of the Shares. If a quorum could not be obtained for the second EGM, summons shall be sent for a third EGM which shall be held after the lapse of 15 days of the date of the second EGM. The third EGM shall be valid if attended by Shareholders representing one quarter (1/4) of the Shares. New notices for the second and third EGMs need not be given if their dates were fixed in the notice given in respect of the first and the second EGMs, provided that the notice shall be published to the effect that these two EGMs were not held, as the case may be, in local newspapers.

The Company's Shareholders may take the following actions at the EGM:

- Amend the Company's Memorandum and Articles of Association and extend its term;
- Increase or reduce the Company's share capital;
- Sell the entire project carried out by the Company or dispose of it in any other manner; and
- Wind up the Company or agree to merge it with another company.

Resolutions adopted at the General Assembly in accordance with the Commercial Companies Law or the Company's Post-Conversion Memorandum and Articles of Association shall be binding on all Shareholders whether they were present at the General Assembly meeting at which the said resolutions were passed or absent or whether they voted for or against such resolutions.

The Commercial Companies Law and all other applicable laws and regulations will determine all the matters of the Company of a governance nature which are not expressly addressed in the Post-Conversion Memorandum and Articles of Association of the Company.

Except where expressly stated in this Prospectus, no limitations are set out, in the Post-Conversion Memorandum and Articles of Association of the Company, on the rights to own Shares.

15.2.4 Shareholder Legal and Regulatory Matters

A descriptive summary of some additional provisions set forth in the Post-Conversion Memorandum and Articles of Association that will govern the Company upon its conversion to a public joint stock company, the Commercial Companies Law and the regulations of the MoIC that pertain to the Company's share capital, management, periodical and occasional disclosures, as well as other corporate issues applicable to the Company are set out below.

This is not an exhaustive summary of the matters addressed. It merely provides an overview of some provisions of the Company's Post-Conversion Memorandum and Articles of Association, Commercial Companies Law and the regulations of the MoIC.

The descriptions in this Prospectus of the rights and obligations of each Shareholder by virtue of their owning Shares in the Company do not constitute advice and are not intended to be exhaustive, but rather they are an indication of some of the rights and obligations which will attach to the issued Shares. Applicants should ensure that they are advised independently as to the full extent of these rights and obligations.

15.2.4.1 General

The Company is currently a closed joint stock company incorporated under the laws of Bahrain and has applied to the MoIC to convert to a public joint stock company. Its head office is located in Manama, Kingdom of Bahrain. Documentation of the Company's incorporation is duly registered with the MoIC under commercial registration number 50603.

The Shares shall begin trading on the Bahrain Bourse on the Commencement of Trading Date under the symbol "ZAINBH"

15.2.4.2 Corporate Purpose

The Company's corporate purpose, as defined in Article 3 of its Post-Conversion Memorandum and Articles of Association, consists of the activities set out below:

- To hold the second mobile licence in the Kingdom of Bahrain and to build, roll out and commercially operate the associated mobile network, and such other related business as the board of directors may determine
- To import, export and sell independent communication systems
- To provide mobile telecommunication services
- To provide communication products and services and support services
- To provide international telecommunications facilities services
- To act as an internet services provider
- To provide VAS services
- To build, roll out and commercially operate a National Fixed Wireless Services
- To do all such acts and things as shall be necessary for or conducive to the attainment of the foregoing objects
- To show interest, or participate in any manner, in institutions which carry on similar activities or which may assist the Company in realising its own objectives in the Kingdom of Bahrain or abroad. The Company may acquire such entities or merge therewith.

15.2.4.3 Ordinary General Assembly

At the ordinary General Assembly, the Shareholders of the Company may consider all matters relating to the Company and adopt appropriate resolutions in relation to any such matters, except such matters that are specifically reserved by the Commercial Companies Law in Bahrain to be deliberated upon at the EGM. The Company's Shareholders may, among other actions, take the following actions at an ordinary General Assembly:

- Elect and/or dismiss members of the Board
- Determine the remuneration of the members of the Board
- Consider and approve the Board's report on the Company's activities and financial position during the preceding financial year
- Discharge or refuse to discharge the members of the Board from any liability
- Appoint one or more auditors for the following financial year and determine his/their fees, or authorise the Board to do the same
- Consider the auditor's report on the financial statements for the preceding financial year
- Approve the profit and loss account, the statement of financial position and the statement allocating the net profits, and determine the dividends
- Consider and decide on the recommendations relating to issuance of bonds, borrowing, mortgaging and issuing of guarantees

15.2.4.4 Location of the General Assembly

The Company's General Assembly convenes in Bahrain.

The Shareholders wishing to attend a meeting of the General Assembly must produce proof of ownership of the Shares they intend to vote, including identification and/or a power of attorney that evidences their legal representation of another Shareholder.

A Shareholder who is a corporate entity may appoint a representative to attend a General Assembly and to vote thereat on its behalf. If the Shareholder is a natural person and is unable to attend the General Assembly, he may appoint another Shareholder or a third party to act as his proxy, provided that such proxy shall not be the Chairman, a member of the Board of Directors or an employee of the Company, without prejudice to the right to give proxy to relatives of the first degree nor to the eligibility of the representatives of Minors and persons lacking legal capacity to attend the General Assembly on their behalf.

A proxy of a natural person may not represent a number of votes exceeding 5% of the issued share capital.

Delegation to representatives' power of attorney and proxy instruments shall be issued and the representation capacity shall be provided to the Company at least 24 hours prior to the date of the General Assembly. No member shall participate in voting whether on his own behalf or on behalf of those whom he represents or for whom he is acting as proxy on issues in which he has a personal interest or in respect of a standing dispute between him and the Company.

Shareholders who do not satisfy the conditions described above may not be permitted to participate in meetings of the General Assembly.

15.2.4.5 Restrictions on certain share transfers

Pursuant to the laws of Bahrain, the Founders are restricted from transferring their Ordinary Shares for a period of one year beginning on the date of listing of the Ordinary Shares on the Bahrain Bourse.

15.3 Material Contracts

Material contracts which the Issuer is currently a party to were disclosed in section 7.6 of this Prospectus and the Issuer confirms that there are no material contracts which have been terminated in the past two years.

15.4 Exchange Controls

There are no currency or exchange control restrictions currently in force under the laws of Bahrain and the free transfer of currency into and out of the Kingdom of Bahrain is permitted, subject to any anti-money laundering regulations and international regulations in force from time to time.

15.5 Taxation

Except for certain taxes imposed on oil and gas companies and insurance against unemployment, Bahrain levies no taxes on income, capital gains, sales, estates, interest income, dividends, royalties or fees. Furthermore, no withholding taxes exist.

15.6 Dividends

The dividend policy of the Issuer is described in section 11.5 of the Prospectus "Dividends Distributions".

There are presently no restrictions on issuing dividends. Shareholders are entitled to dividends, once declared and approved at its General Assembly which must be convened within three months of the Company's financial year-end.

Dividends, paid to beneficial owners who are not Bahrain residents and do not have a permanent establishment in Bahrain to which the Ordinary Shares are effectively connected, are not subject to taxes. Dividends to non-resident natural or legal persons will be remitted by wire transfer.

15.7 Statement by Experts

Reports have been prepared by the following experts exclusively for use in this prospectus:

- Deloitte Corporate Finance Limited, with offices located at Al-Zamil Tower, Government Avenue, P.O. Box 421, Manama, Kingdom of Bahrain prepared the auditor's report for the combined financial statements in Appendix C for the purpose of incorporation in this Prospectus.
- Center for Corporate Services SAL Beirut Symposium, with offices located at Executive Center, 7th Floor Horch Tabet, Basha Street, Lebanon prepared the corporate governance report in section 6 for the purposes of incorporation in this Prospectus.

At the time of publishing this Prospectus all experts have provided their written consent to the inclusion of the aforementioned information prepared by them in this Prospectus. Furthermore, all reports produced by the experts are available for inspection.

All other sources of information quoted in this Prospectus are readily available in the public domain and have not been specifically prepared for this Prospectus. Where possible the source of the information is contained in foot-notes within this Prospectus.

15.8 The Securities Market in Bahrain

15.8.1 Bahrain Bourse

The Bahrain Bourse was established pursuant to Law No. 60 of 2010 to replace the Bahrain Stock Exchange that was established in 1989.

The Bahrain Bourse is administered by a board of directors appointed by a resolution issued by the Economic Development Board of Bahrain. At least three of the directors are non-executive independent directors who are persons that do not represent the interests of the shareholder (which is the Government of Bahrain) but have proven experience and credentials in the business and financial services community.

The Bahrain Bourse is governed by the rules and legislation including the Bahrain Bourse's law and all its internal regulations that are issued by the CBB concerning the capital markets sector in Bahrain. In addition, the Bahrain Bourse's Internal Regulations issued by Resolution No.13/1988 govern administration and membership of the Bahrain Bourse and the rules governing listing and trading of securities, including clearing, settlement of trades and the operation of the central depositary system. Further information is available on the Bahrain Bourse website: www.bahrainbourse.com.

15.8.2 Settlement of Securities Listed on the Bahrain Bourse

Each investor must open a Depository Account and a trading account with one of the brokerage firms in Bahrain to the extent that they do not already have such accounts. A broker is an authorised party licensed to conduct share transactions and who is allowed to execute the buy and sell orders on behalf of an investor.

In order to buy Ordinary Shares in Bahrain, investors must draft a cheque in favour of their brokers in respect of the value of Ordinary Shares which they wish to buy and the broker's commission in the settlement bank to avoid any delay or failure.

In order to sell Ordinary Shares in Bahrain, investors must already hold Ordinary Shares in their Depository Accounts. The broker enters the investor's orders (sell/buy) in the Bahrain Bourse's automated trading system. These orders are matched electronically throughout the trading system without any human intervention.

For any transaction of buying/selling Ordinary Shares, the broker is under an obligation to provide the investor with a confirmation statement for all transactions the broker has conducted on behalf of the investor on a certain day. By 09:30 hours local time two Business Days after the day of the transactions, both brokers (buyer's and seller's) should finalise all of their obligations on their transaction. The Bahrain Bourse has an obligation to send a statement of account (stating all investors' transactions) every six months, to all the depositors in the system.

15.8.3 Capital Markets Supervision Directorate

By Decree No. 21/2002 and the CBB Law, the CBB was empowered with supervisory, legislative and regulatory authority over the Bahrain Bourse and its activities. The CBB established the CMSD with the mandate of supervising and regulating Bahrain's capital markets. The CMSD's primary objective is to maintain a transparent, fair and orderly market by upholding and enforcing international standards and protecting investors, thereby upholding Bahrain's integrity and reputation as a financial hub.

The CMSD has the responsibility for the primary and secondary markets in Bahrain. Furthermore, the CMSD regulates and supervises all applications for the listing of securities and any other instruments offered to the general public ensuring that applications fulfil all legal requirements. The CMSD also enforces international disclosure standards in order to enhance the transparency of Bahrain's market and supervises the Bahrain Bourse, the clearing system, the settlement system, the depositary and custodial systems, brokerage firms and market makers. The Company is required to comply with the provisions of the CBB's Rulebook Volume 6 (Capital Markets) and the Bahrain Bourse's Internal Regulations issued by Resolution No.13/1988 once it has been converted into a public joint stock company in Bahrain.

16 Disputes, Legal Proceedings and Litigations

Other than claims against certain customers for outstanding and overdue payments arising through the Company's normal business transactions, the Management confirms that as of the date of the Prospectus there are no material outstanding or pending disputes, legal proceedings or litigation affecting the Company in excess of BHD 30,000 each.

17 Applicable Law

Zain Bahrain is incorporated under the laws of the Kingdom of Bahrain. The Offering, including the Allotment and distribution of Ordinary Shares and the listing of the Ordinary Shares on the Bahrain Bourse, is governed by the laws of the Kingdom of Bahrain, and any disputes arising thereunder will be submitted to the courts of the Kingdom of Bahrain. All agreements relating to this Offering, including the Underwriting Agreement, are also governed by the laws of the Kingdom of Bahrain.

18 Documents Available for Inspection

The following documents, or copies thereof, may be inspected at the Company's head office at Zain Tower, building No. 401, road No. 2806, block No. 428, Seef District, Kingdom of Bahrain, during usual business hours on any Business Day from the date of the registration of this Prospectus with the CBB and shall be available for inspection for a period of at least 6 months thereafter:

- The Company's certificate of incorporation
- The Company's Memorandum and Articles of Association
- Industry and market reports:
  - Oxford Business Group, "The Report, Bahrain 2013"
  - TRA, "Telecommunications Markets Indicators in the Kingdom of Bahrain", September 2013
  - TRA, "Quarterly Market indicators – Data at the end of Q4 2013"
- Related party material contracts:
  - Parent Company Management Agreement
  - Supply Chain Management Services Agreement with Proctel
  - Memorandum of Understanding in Relation to the Headquarters of the Company
- The reviewed Interim Financial Statement of Zain Bahrain for the three month period ended 31 March 2014
- The Audited Financial Statements of Zain Bahrain for the five financial years ended 31 December 2009, 2010, 2011, 2012 and 31 December 2013
- Underwriting Agreement
- Market Maker agreement
- Receiving Bank agreement
- Lead Manager agreement
- Co-Manager agreement
- Telecommunications licences granted to the Company by the TRA
  - Individual Mobile Telecommunication Licence (IMTL) dated 19 September 2013
  - Individual National Fixed Wireless Services Licence (NFWS) dated 8 January 2007
  - Individual International Telecommunications Services Licence dated 1 July 2004
  - Individual International Telecommunications Facilities Licence dated 9 May 2004
  - Individual Very Small Aperture Terminal Licence (VSAT) dated 9 May 2004
  - Internet Services Provider (ISP) Class Licence dated 18 August 2003
  - Value Added Services Class Licence (VAS) dated 18 August 2003
  - Amended frequency licence dated 19 September 2013 for frequencies in the 900, 1800 and 2100 MHz bands
  - Frequency licence dated 19 September 2013 for additional 5 MHz of spectrum in the 2100 MHz band
  - Frequency licence dated 8 January 2007 for frequencies in the 3.5 GHz band
  - Revision to 3.5 GHz band frequency license dated 1 December 2008
- Certification of conformance to the ISO management system standard ISO9001:2008 (quality standard)
- Certification of conformance to the ISO management system standard ISO27001:2005 (information security standard)
- Corporate Governance Manuals by the Center for Corporate Services SAL (CCS) (subject to CBB approval)
- Article 35 Order No. 1 of 2014, issued by the TRA on 3 July 2014, Ref. LAD 0714 095

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Appendix A: Offering Subscription Application Form

Zain Bahrain B.S.C.(c)

زين البحرين ش.م.ب.(مقفلة)

Words and phrases defined in the prospectus (the "Prospectus") issued in relation to the offering of Ordinary Shares in Zain Bahrain B.S.C. (c) (the "Company"), shall have the same meanings where used herein unless the context otherwise requires.

Application No. رقم الإستمارة

الكلمات والعبارات المعرّفة في نشرة الإصدار ("نشرة الإصدار") الصادرة بخصوص طرح أسهم عادية لزين البحرين ش.م.ب. (مقفلة ("الشركة") تحمل نفس المعاني حيثما إستُخدمت هنا إلّا إذا تطلب سياق الموضوع خلاف ذلك.

Offering Subscription Application Form

إستمارة طلب الاكتتاب في الأسهم

Offering of 48,000,000 Ordinary Shares of nominal value of 100 fils per Ordinary Share issued at an Offer Price of BHD 0.190 per Share. Opening Date: 2 September 2014 – Closing Date: 16 September 2014 – Distribution of Refunds Date: 30 September 2014

طرح ٤٨،٠٠٠،٠٠٠ سهم عادي بقيمة إسمية تساوي ١٠٠ فلس للسهم العادي الواحد وبسعر طرح يساوي د.ب. ٠،١٩٠ للسهم. تاريخ فتح الإكتتاب: ٢٠١٤/٩/٢ – تاريخ غلق الإكتتاب: ٢٠١٤/٩/١٦ – تاريخ توزيع الأموال المرجعة: ٢٠١٤/٩/٣٠

To: Zain Bahrain B.S.C., P.O. Box 266, Manama, Kingdom of Bahrain

I/we the undersigned (the "Applicant"), having read the Prospectus issued in relation to the Offering of Ordinary Shares in the Company, wish to apply for Ordinary Shares in the Company subject to the Subscription Terms and Conditions as set out in the Prospectus. I/we acknowledge, represent and warrant that I/we have read, understand and accept the Prospectus including the Subscription Terms and Conditions and have had an opportunity to seek independent professional advice in relation to the Offering. Upon executing this Offering Subscription Application Form, I/we agree to be bound by this Offering Subscription Application Form, the Prospectus and the Subscription Terms and Conditions.

إلى: زين البحرين ش.م.ب.(مقفلة)، ص.ب. ٢٦٦، المنامة، مملكة البحرين

أنا/نحن الموقع أدناه ("مقدم الطلب")، بعد أن قرأت/قرأنا نشرة الإصدار الصادرة بخصوص طرح الأسهم العادية للشركة، أود/نود أن أتقدم/نتقدم بطلب إكتتاب بالأسهم العادية للشركة حسب شروط وأحكام الإكتتاب المبينة في نشرة الإصدار. إنني/إننا أقرّ/نقرّ وأؤكد/نؤكد وأضمن/نضمن أنني/أننا قد قرأت/قرأنا وفهمت/فهمنا وقبلت/قبلنا نشرة الإصدار بما في ذلك شروط وأحكام الإكتتاب وقد سنحت لي/لنا الفرصة لطلب الإستشارة المهنية بخصوص الطرح. عند تنفيذ إستمارة طلب الإكتتاب هذه أوافق/نوافق أن أكون/نكون ملتزماً/ملتزمين بإستمارة طلب الإكتتاب ونشرة الإكتتاب وشروط وأحكام الإكتتاب.

1. Important Details for Bahrain Bourse — ١. معلومات هامة لبورصة البحرين

Do you have a Bahrain Bourse Investor Number? — هل لديك/لديكم رقم مستثمر لدى بورصة البحرين؟

☐ Yes (please fill in number here) — نعم (يرجى ملأ رقم المستثمر هنا)

If you do not state your valid Investor Number your application may be treated as invalid — إذا لم تذكروا رقم المستثمر الخاص بك فقد يعتبر طلبكم غير صالح

☐ No (please complete sections 3D-F) — لا (يرجى إكمال الأقسام ٣د-و)

2. Applicant Details (Please tick ✓ where applicable) — ٢. تفاصيل مقدم الطلب (الرجاء وضع ✓ علامة حيثما ينطبق)

A. For Individuals ☐ — أ. للأفراد

Applicant Name: إسم مقدم الطلب:		
Nationality: الجنسية:	National ID No.: رقم الهوية الوطنية:	Date of Birth: تاريخ الميلاد:
Passport No.: رقم جواز السفر:	Date of Issue: تاريخ الإصدار:	Expiry Date: تاريخ الإنتهاء:
Issuing Country: بلد الإصدار:	Occupation: الوظيفة:	Employer: صاحب العمل:

B. For Institutions ☐ — ب. للشركات

Registered Institution Name الإسم المسجل للمؤسسة:	Institution Registration No.: رقم تسجيل المؤسسة:
Institution Type: نوع المؤسسة:	Country of Registration: بلد تسجيل المؤسسة:

Address — العنوان

Office / Flat No.: مكتب/شقة رقم:	Building: مبنى:	Road: شارع/طريق:	District / Area: منطقة:
Block: مجمع:	P.O. Box: صندوق بريد:	City: مدينة:	Postal Code: الرمز البريدي:
Country: البلد:		Contact No. (including country code): رقم الإتصال (مع رمز البلد):	
Fax No. (including country code): رقم الفاكس (مع رمز البلد):		Email: البريد الإلكتروني:	

3. Subscription Details — ٣. تفاصيل الإكتتاب

A) Number of Ordinary Shares applied for:			أ) عدد الأسهم العادية المكتتب بها:
B) Subscription price payable per Ordinary Share:	**BHD** 0.190	د.ب.	ب) سعر الأكتتاب للسهم العادي الواحد:
C) Total Subscription Funds to be paid in BHD (A x B)	**BHD**	د.ب.	ج) إجمالي أموال الإكتتاب بالدينار البحريني (أ x ب):

If you DO NOT have an Investor Number, you must add the Investor Number Fee of BHD 4, and if you DO NOT have a Securities Account then you must also add a Securities Account Fee of BHD 1 to your total Subscription Funds, by completing Section 3D-F below.

إذا لم يكن يوجد لديك رقم المستثمر، فيجب أن تضيف رسم رقم المستثمر البالغ ٤ دينار بحريني، وإذا لم يكن يوجد لديك حساب أوراق مالية فيجب أن تضيف أيضاً رسم حساب الأوراق المالية البالغ دينار بحريني واحد، إلى قيمة الاكتتاب الإجمالية، بملء القسم ٣د-و أدناه.

D) Bahrain Bourse Investor Number Fee paid in BHD ☐	**BHD** 4.000	د.ب.	☐ د) رسم رقم المستثمر في بورصة البحرين مدفوع بالدينار البحريني
E) Securities Account Fee paid in BHD ☐	**BHD** 1.000	د.ب.	☐ هـ) رسم حساب الأوراق المالية مدفوع بالدينار البحريني
F) Total Amount Payable which includes Subscription Funds together with the Bahrain Bourse Investor Number and/or the Securities Account Fee (C+D+E, as applicable)	**BHD**	د.ب.	و) إجمالي المبلغ اللازم دفعه، شاملًا أموال الإكتتاب ورسم رقم المستثمر و/أو رسم حساب الأوراق المالية في بورصة البحرين (ج + د+هـ، حسبما ينطبق):

Total Payable Amount stated in words: BHD ______________________ **إجمالي المبلغ اللازم دفعه بالحروف: دينار بحرينى**

4. Payment Method — ٤. طريقة الدفع

☐ By Manager's Cheque/Demand Draft (in BHD) No.: .... عن طريق شيك مصرفي/حوالة مصرفية (بالدينار البحريني) رقم:

Drawn on a Bank in Bahrain: .... مسحوب على بنك في البحرين:

☐ By transfer from my/our account with the Receiving Bank – A/C No.: .... عن طريق التحويل من حسابي/حسابنا لدى بنك الإستلام – رقم الحساب:

* Note: Account's Authorised Signatory has to sign below.
This account number will be used for refunds (if any).

*ملاحظة: يجب على المفوض بالتوقيع على الحساب التوقيع أدناه.
سوف يستخدم رقم الحساب هذا لرد فائض الأموال (إن وجد).

☐ By wire transfer to the Receiving Bank — عن طريق التحويل البرقي إلى بنك الإستلام

For amounts greater than BHD 500 only. Copy of wire transfer to be attached. — فقط للمبالغ التي تزيد عن ٥٠٠ دينار بحريني. يجب إرفاق نسخة من التحويل البرقي.

Please see Receiving Bank account details on the back side of the Subscription Application Form.Subscription Funds received should be net of any bank charges, with all charges to be borne by the Applicant.

الرجاء النظر إلى تفاصيل حساب بنك الإستلام على الصفحة الخلفية لاستمارة طلب الإكتتاب. أموال الإكتتاب المستلمة يجب أن تكون صافية من أية رسوم بنكية. كل الرسوم يتحملها مقدم الطلب.

Date: | | | | | | | | | التاريخ:

ختم البنك / اسم الفرع Bank Stamp / Branch Name	* توقيع المفوض بالتوقيع على الحساب البنكي * Bank Account Authorized Signatory	توقيع الوكيل Representative Signature	توقيع المستثمر Investor's Signature

For the Subscription Terms and Conditions please refer to the Prospectus — **لشروط وأحكام الإكتتاب يرجى الرجوع إلى نشرة الإصدار**

For use by the Receiving Bank — لإستخدام البنك المستلم

Signature & Seal of the Receiving Bank: .... Branch Code: .... Date: ....

1st Copy (White): Registrar, 2nd Copy (Yellow): Bahrain Bourse, 3rd Copy and 4th Copy (Green and Pink): Receiving Bank, 5th Copy (Blue): Applicant

Subscription Terms and Conditions – Please Read Carefully

To the extent of any inconsistency between the Prospectus and this Application Form, the Prospectus shall prevail. Capitalised terms not defined in this Application Form shall have the meaning set out in the Prospectus. The full Subscription Terms and Conditions are set out in the Prospectus.

1. PAYMENT

All payments should be made to the order of "Zain Bahrain – IPO". The Receiving Bank account details are:

Bank name:	BBK
SWIFT:	BBKU BHBM
Account name:	ZAIN BAHRAIN – IPO
Account number:	100000341889
IBAN:	BH33BBKU00100000341889
Currency:	Bahraini Dinar
Reference:	Subscription Form Application number

Applicants must remit to the Receiving Bank, at the time of submitting this Application Form, their cleared Subscription Funds in Bahraini Dinars net of any bank or other charges. All such charges, which may include charges for transfer, telegraphic transfer, issue of manager's cheque or demand draft, Subscription Application Form processing fees, and foreign currency conversion charges, shall be borne by the Applicant.

Applicants who do not have a Bahrain Bourse Investor Number and a Securities Account are required to add the Investor Number Fee and/or the Securities Account Fee to their total Subscription Funds by completing section 3(D-F) of the Application Form and pay the Investor Number Fee and/or Securities Account Fee together with their Subscription Funds.

2. METHODS OF PAYMENT

Applicants may make payments as follows:

a) by way of internal transfer from an account held with the Receiving Bank;
b) by way of manager›s cheque/demand draft (to be drawn in Bahraini Dinars for the Receiving Bank); or
c) by way of telegraphic transfer (payment instructions to clearly mention this Application Form number and the amount of funds that are payable, net of any bank charges). Telegraphic transfers can only be made in Bahraini Dinars and can only be made for amounts greater than BHD 500.

Cash deposits or personal cheques will not be accepted. Payments must be in Bahraini Dinars only.

3. APPLICATION SUBMISSION

Applicants can apply for Ordinary Shares at Approved Branches of the Receiving Bank (as set out in section 14.4 of the Prospectus) during the Offering Period. The Offering Period shall commence on Tuesday, 2 September 2014 and shall close on Tuesday, 16 September 2014, during the specific working hours of each Approved Branch as detailed in Section 14.4 of the Prospectus.

4. IMPORTANT INFORMATION

a) For the purpose of listing the Company's Ordinary Shares on the Bahrain Bourse and subsequent trading by Applicants, Applicants who do not have a Bahrain Bourse Investor Number are required to apply for a Bahrain Bourse Investor Number by completing sections 3D-F of this Subscription Application Form and paying the Bahrain Bourse Investor Number Fee together with their Subscription Funds. Applicants hereby authorize and instruct the Company to deposit Ordinary Shares allotted to them in the Bahrain Bourse's central depository clearance settlement system upon finalization of the allotment process.
b) The Subscription Funds paid are subject to the Subscription Terms and Conditions as set out in the Prospectus.
c) The Subscription Application Form must be read in full and completed in full with all the required details.
d) Following the Allotment of the Offer Shares and by no later than the Distribution of Refunds Date, Allotment Notices shall be available at the Bahrain Bourse or from the Applicant's designated brokerage.
e) Acceptance of this Application Form by an Approved Branch of the Receiving Bank is not deemed to be an acknowledgement by the Company or the Receiving Bank that the Applicant has adhered to these Subscription Terms and Conditions nor does it create any obligation whatsoever on the Company or the Receiving Bank to accept this Application Form.
f) Any refund amounts will be returned by the Receiving Bank by one of the following methods:
   - Refund cheques: For payments made by way of manager's cheque/demand draft. The Applicant shall be required to collect his/her respective refund cheque (if any) from the Receiving Bank branch where the Applicant submitted the Subscription Application Form within 30 days starting on the Distribution of Refunds Date.
   - Direct credit: For payments made by way of internal transfer from an account held by the Applicant with the Receiving Bank. The Applicant's account with the Receiving Bank shall be credited with the refund amount due to the Applicant.
   - Telegraphic transfer: For payments made by way of telegraphic transfer. All bank charges for such telegraphic transfers shall be borne by the Applicant.

5. REQUIRED DOCUMENTS

For individuals:

a) The original and copy of the individual›s valid passport or valid international travel document;
b) The original and copy of the individual›s valid national identification card or an equivalent document:
   - Bahrain nationals: National Identity Card
   - GCC nationals: Official identification card or equivalent document issued by the Applicant's country of citizenship, or, if a resident of Bahrain, Bahraini National Identity Card
   - Other nationalities: Official identification card or equivalent document issued by the Applicant's country of citizenship;
c) Proof of permanent residential address if a Subscription Application Form is submitted for Subscription Funds in excess of BHD 5,000. The proof can consist of a copy of a recent utility bill, bank statement or similar statement from another bank or financial institution licensed in the country or official documentation, such as a smartcard, from a public/governmental authority, or a tenancy agreement; and
d) If an individual Applicant has an existing Investor Number and Securities Account with the Bahrain Bourse, proof of such an Investor Number and Securities Account is required, in the form of a Bahrain Bourse investor card or statement account, or a Bahrain Bourse system print-screen. If the Applicant has an existing Bahrain Bourse Investor Number but no Securities Account, then proof of such Investor Number can additionally be in the form of an allotment notice from a previous IPO of no earlier than 2006.

The following additional documents are required when a person is signing on behalf of an individual Applicant by way of a power of attorney:

e) The original and copy of the valid passport or international travel document of the person applying and signing on behalf of the individual Applicant;
f) The original and copy of the valid national identification card or an equivalent document of the person applying and signing on behalf of the individual Applicant; and
g) The original and copy of the notarized power of attorney.

The following additional documents are required for applications on behalf of Minors:

h) The original and copy of the valid passport or valid international travel document of the legal guardian applying and signing on behalf of the Minor;
i) The original and copy of the government-issued valid national identification card or an equivalent document of the legal guardian applying and signing on behalf of the Minor; and
j) Unless the legal guardian signing on behalf of the minor is the Minor's father, the original and copy of the proof of guardianship to the applying Minor.

For Institutions:

a) A copy of a valid commercial registration certificate of the institution;
b) A copy of the memorandum and articles of association, or equivalent, of the institution;
c) The original and copy of the valid passport or international travel document of the person(s) signing on behalf of the institution;
d) The original and copy of a valid national identification card of the person(s) signing on behalf of the institution:
   - Bahrain nationals: National Identity Card
   - GCC nationals: Official identification card or equivalent document issued by the Applicant's country of citizenship, or, if a resident of Bahrain, Bahraini National Identity Card
   - Other nationalities: Official identification card or equivalent document issued by the Applicant's country of citizenship;
e) If the institution has an existing Investor Number and Securities Account with the Bahrain Bourse, proof of such an Investor Number and Securities Account is required in the form of a Bahrain Bourse investor card or statement of account, or a Bahrain Bourse system print-screen. If the Applicant has a Bahrain Bourse Investor Number but no Securities Account, then proof of such Investor Number can additionally be in the form of an allotment notice from a previous IPO of no earlier than 2006. ; and
f) The original and copy of the document authorising the person(s), whose signature(s) appear(s) on the Subscription Application Form to sign such document on behalf of the institution. Such a document can be either a power of attorney or a resolution of the board of the institution.

شروط وأحكام الإكتتاب – يرجى القراءة بعناية

ضمن حدود أي إختلاف بين نشرة الإصدار وإستمارة طلب الإكتتاب هذه، فإن الإولوية سوف تكون لنشرة الإصدار. أية كلمات مطبوعة بحروف بارزة وغير معرّفة في هذه الإستمارة سوف تحمل المعنى المعطى في نشرة الإصدار. شروط وأحكام الإكتتاب مفصلة بشكل كامل في نشرة الإصدار.

١- الدفع

جميع الأموال المدفوعة يجب أن تكون لصالح "Zain Bahrain – IPO". تفاصيل الحساب المصرفي لبنك الإستلام مبينة على النحو التالي:

البنـك:	بنك البحرين والكويت
السويفت (IBAN):	BBKU BHBM
إسـم الحسـاب:	ZAIN BAHRAIN – IPO
رقـم الحسـاب:	100000341889
رقم الحساب المصرفي الدولي (IBAN):	BH33BBKU00100000341889
العملـة:	الدينار البحريني
الإشارة المرجعية:	(رقم إستمارة طلب الإكتتاب)

يتعين على مقدمي الطلبات دفع أموال الإكـتتاب لبنك الإستلام بالدينار البحريني، في وقت تسـليم إستمارة طلب الإكـتتاب، صافية من أية رسوم بنكية أو غيرها. أية رسوم من هذا القبيل، والتي من الممكن أن تشمل رسوم التحويل التلغرافي، أو رسوم إصدار شيك مصرفي أو حوالة مصرفية، أو رسوم إدارية لطلب الإكتتاب في الأسهم، أو رسوم تحويل عملات أجنبية، سوف يتحملها مقدم الطلب.

يجب على مقدمي الطلبات الذين ليس لديهم رقم مستثمر وحساب أوراق مالية مع بورصة البحرين أن يقوموا بدفع رسم رقم المستثمر و/أو رسم حساب الأوراق المالية وذلك باستكمال القسم ٣(د-و) من إستمارة الطلب هذه ودفع رسم المستثمر و/أو رسم حساب الأوراق المالية مع أموال الإكتتاب.

٢- وسائل الدفع

يمكن لمقدمي الطلبات دفع أموال الإكتتاب على النحو التالي:

(١) بواسطة تحويل داخلي من حساب مصرفي لدى بنك الإستلام ؛ أو

(٢) بواسطة شيك إداري بالدينار البحريني إلى بنك الإستلام ؛ أو

(٣) تحويل الأموال تلغرافياً (يجب الذكر بوضوح في تعليمات الدفع رقم إستمارة طلب الإكتتاب ذات الصلة، ومبلغ أموال الإكتتاب المستحقة الدفع صافي من أية رسوم مصرفية). يمكن عمل التحويلات التغرافية فقط بالدينار البحريني وفقط في حال كان المبلغ يتجاوز ٥٠٠ دينار بحريني.

الإيداعات النقدية والشيكات الشخصية لا تقبل. والدفع يجب أن يكون بالدينار البحريني فقط.

٣- تسليم إستمارة الطلب

يمكن لمقدمي الطلبات التقدم بطلباتهم في الفروع المعتمدة لبنك الإستلام (كما هو مبين في القسم ١٤-٤ من نشرة الإصدار) خلال فترة الطرح. سوف تبدأ فترة الإكتتاب في يوم الثلاثاء ٢ سبتمبر ٢٠١٤ وتنتهي يوم الثلاثاء ١٦ سبتمبر ٢٠١٤، وذلك في ساعات العمل المحددة لكل فرع معتمد، والمبينة في القسم ١٤-٤ من نشرة الإصدار.

٤- معلومات هامة

(١) لغرض إدراج الأسهم العادية للبنك في بورصة البحرين وتداولها لاحقاً من قبل مقدمي الطلبات، فإنه يتعين على مقدم الطلب الذي لا يوجد لديه رقم مستثمر لدى بورصة البحرين تقديم طلب للحصول على رقم مستثمر من بورصة البحرين عن طريق تعبئة القسم الأقسام ٣د-و من إستمارة طلب الإكتتاب ودفع رسم رقم المستثمرلدى بورصة البحرين مع مبالغ الإكتتاب. كما يخول مقدمو الطلبات الشركة ويوجهونها إلى إيداع الأسهم العادية المخصصة لهم في نظام الإيداع المركزي عند إنتهاء عملية التخصيص.

(٢) تخضع أموال الإكتتاب المدفوعة لشروط وأحكام الإكتتاب المنصوص عليها في نشرة الإصدار.

(٣) يجب على مقدمي الطلبات قراءة إستمارة طلب الإكتتاب بالكامل وتعبئته بالكامل بكل البيانات المطلوبة.

(٤) بعد تخصيص أسهم الطرح وفي موعد لا يتجاوز تاريخ توزيع الأموال المرجعة سوف تكون إشعارات التخصيص موجودة للإستلام من بورصة البحرين أو من الوسيط المعين لمقدم الطلب.

(٥) إن قبول إستمارة الطلب هذه من قبل الشركة أو الفرع المعتمد لبنك الإستلام لا يعتبر إقراراً من الشركة أو بنك الإستلام بأن مقدم الطلب قد إلتزم بشروط وأحكام الإكتتاب هذه، كما أنه لا يشكّل أي إلتزام على الإطلاق على الشركة أو بنك الإستلام بقبول هذا الطلب.

(٦) أية أموال مرجعة سيتم إرجاعها من قبل بنك الإستلام بإحدى الطرق التالية:

- شيك مصرفي: لمقدمي الطلبات الذين دفعوا أموال الإكتتاب عن طريق شيكات إدارية. يتوجب على مقدمي الطلبات هؤلاء أن يستلموا الشيكات (إن وجدت) من نفس الفروع المعتمدة لبنك الإستلام التي قدموا فيها إستمارات طلب الاكتتاب، وذلك في غضون ٣٠ يوماً إعتباراً من تاريـخ توزيع الأموال المرجعة.
- قيد مباشر: لمقدمي الطلبات الذين دفعوا أموال الإكتتاب عن طريق تحويلات داخلية من حسابات مصرفية لهم في بنك الإستلام. سوف تقيّد المبالغ المستحقة في حساباتهم المصرفية.
- تحويل برقي: لمقدمي الطلبات الذين دفعوا أموال الإكتتاب عن طريق التحويلات البرقية. كل رسوم التحويلات البرقية سوف يتحملها مقدمو الطلبات المعنيون.

٥- الوثائق المطلوبة

للأفراد:

(١) جواز السفـر الأصلـي السـاري المفعـول ونسخـة عنـه أو وثيقـة سفـر دوليـة صالحـة لمقدم الطلب؛ و

(٢) بطاقـة الهويـة الوطنيـة الأصليـة الساريـة المفعـول ونسخـة عنهـا أو أية وثيقـة معادلـة لمقدم الطلب:

- للمواطنين البحرينيين: بطاقة الـهوية الوطنية
- لمواطني دول مجلس التعاون الخليجي: بطاقة الهوية الرسمية أو ما يعادلها صادرة من الدولة التي ينتمي إلى جنسيتها، أو، في حال كان مقيماً بالبحرين، بطاقة الهوية الوطنية البحرينية
- للجنسيات الأخرى: بطاقة الـهوية الرسمية، أو وثيقة معادلة، صادرة من الدولة التي ينتمي إلى جنسيتها؛ و

(٣) إثبات عنوان السكن الدائم في حال كان الطلب بمبلغ يفوق ٥٠٠٠ دينار بحريني. يمكـن أن يكـون هـذا الإثبات علـى شكـل نسخـة مـن فاتـورة حديثة للكهربـاء أو لـهاتـف الخـط الأرضـي، أو أي وثيقـة أخـرى صـادرة عـن هيئـة رسميـة بمـا فـي ذلـك علـى سبيـل المثـال لا الحصـر، البيانـات المصرفيـة وعقـود الإيجـار؛ و

(٤) في حال كان لدى مقدم الطلب من الأفراد رقم مستثمر وحساب أوراق مالية لدى بورصة البحرين، يجب إبراز دليـل علـى وجود مثل هـذا الرقم وحساب الأوراق المالية في صورة بطاقـة المستثمر أو كشف الحساب من بورصة البحرين، أو صفحة مطبوعة من شاشة نظام الحاسوب لبورصة البحرين. وفي حال كان لدى مقدم الطلب رقم مستثمر لدى بورصة البحرين ولكن لا حساب أوراق مالية، فإن الدليل الذي يجب إبرازه يمكن أن يكون كذلك على شكل إشعار بتخصيص الأسهم من إكتتاب عام سابق على ألا يكون قد وقع قبل سنة ٢٠٠٦.

الوثائق الإضافية المبــينة أدناه مطلوبة في حال وقّع شخص نيابةً عن مقدم الطلب من خلال توكيل قانوني:

(٥) جـواز السفـر الأصلـي السـاري المفعـول ونسخة عنه أو وثيقـة سفـر دوليـة صالحـة للشخص الموقع نيابةً عن مقدم الطلب؛

(٦) بطاقـة الـهويـة الوطنيـة الأصليـة الساريـة المفعـول ونسخة عنها أو أية وثيقـة معادلـة للشخص الموقع نيابةً عن مقدم الطلب؛

(٧) الوكالـة القانونيـة الأصليـة المصدقـة ونسخة عنه.

الوثائـق الإضافيـة المبــينة أدناه مطلوبة في حال وقّع شخص نيابة عن مقدم طلب قاصـر:

(٨) جـواز السفـر الأصلي السـاري المفعـول ونسخة عنه أو وثيقـة سفـر دوليـة صالحـة للشخص الموقع نيابةً عن القاصر؛

(٩) بطاقة الهوية الوطنية الأصلية السارية المفعول ونسخة عنها أو أية وثيقة معادلة للشخص الموقع نيابةً عن القاصر؛

(١٠) فيما عدا إذا كان الشخص الموقع نيابة عن القاصر هو والد القاصر، وثيقة إثبات الوصاية القانونيـة الأصليـة المصدقـة ونسخه عنها.

للمؤسسات:

(١) نسخـة مـن شهـادة السجل التجاري للمؤسسة الساريـة المفعـول؛ و

(٢) نسخـة مـن عقد التأسيس والنظام الأساسي للمؤسسة أو ما يعادلها؛ و

(٣) جـواز السفـر الأصلي الساري المفعول ونسخة عنه أو وثيقة سفر دولية سارية المفعول للشخص (الإشخاص) الذي يوقع نيابة عن المؤسسة؛ و

(٤) بطاقـة الهويـة الوطنيـة الساريـة المفعـول الأصليـة ونسخـة عنهـا أو بطاقـة الهويـة الشخصيـة الأصليـة ونسخـة عنهـا للشخـص الـذي يوقـع نيابـة عـن المؤسسـة:

- للمواطنين البحرينيين: بطاقة الـهوية الوطنية
- لمواطني دول مجلس التعاون الخليجي: بطاقة الهوية الرسمية أو ما يعادلها صادرة من الدولة التي ينتمي إلى جنسيتها، أو، في حال كان مقيماً بالبحرين، بطاقة الهوية الوطنية البحرينية
- للجنسيات الأخرى: بطاقة الـهوية الرسمية، أو وثيقة معادلة، صادرة من الدولة التي ينتمي إلى جنسيتها؛ و

(٥) في حال كان لدى المؤسسة رقم مستثمر وحساب أوراق مالية لدى بورصة البحرين، يجب إبراز دليـل علـى وجود مثل هذا الرقم وحساب الأوراق المالية في صورة بطاقة المستثمر أو كشف الحساب من بورصـة البحرين، أو صفحة مطبوعة من شاشة نظام الحاسوب لبورصة البحرين. وفي حال كان لدى مقدم الطلب رقم مستثمر لدى بورصة البحرين ولكن لا حساب أوراق مالية، فإن الدليل الذي يجب إبرازه يمكن أن يكون كذلك على شكل إشعار بتخصيص الأسهم من إكتتاب عام سابق على ألا يكون قد وقع قبل سنة ٢٠٠٦؛ و

(٦) الوثيقـة الأصليـة ونسخـة منهـا التـي تخـول الشخـص (الأشخاص) الـذي يظهـر توقيعـه علـى إستمارة طلـب الإكتتـاب بالتوقيـع علـى مثـل هـذه الوثائـق نيابـة عـن المؤسسـة. يمكن لـهذه الوثيقة أن تكون توكيلًا رسـمياً أو قراراً لمجلس إدارة الشركة.

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Appendix B: Post-Conversion Memorandum and Articles of Association

MEMORANDUM OF ASSOCIATION OF ZAIN BAHRAIN B.S.C. BAHRAINI SHAREHOLDING COMPANY

On the __________ day of __________ of 1435.

Corresponding to the _________ day of _____ year 2014.

Before me: ____________________________________

Notary Public for the Kingdom of Bahrain.

Appearing:
Shaikh Ahmed Bin Ali Bin Abdulla Al Khalifa, a Bahraini national, holding CPR No.XXXXXXXXX representing the founding shareholders of Zain Bahrain pursuant to the resolution passed by the Extraordinary General Meeting held on 28th July 2013.

COMPANY'S CONVERSION

Article (1)
Zain Bahrain B.S.C.(c) is a Company registered with the Ministry of Industry & Commerce in the Kingdom of Bahrain, under Commercial Registration No. 50603 on 19 April 2003 (the "**Company**"), and has been operating in accordance with the provisions of the Bahrain Commercial Companies Law promulgated by Legislative Decree No. 21 of 2001 (the "**Law**") and its Implementing Regulations issued by Order No. 6 of 2002, and according to its Memorandum and Articles of Association dated 19 April 2003, recorded at the Notary Public Office under No. 2003010945.

The shareholders have agreed to transform the Company from a Closed Joint Stock Company to a Public Joint Stock Company in accordance with the Law and the provisions of this Memorandum of Association and the Articles of Association attached hereto.

NAME OF THE COMPANY

Article (2)
The Company's name shall be "**Zain Bahrain B.S.C.**", followed by the phrase "Bahraini Shareholding Company or "B.S.C".

COMPANY'S OBJECTS

Article (3)
The objects for which the Company has been established are:

a) To hold the second mobile license in the Kingdom of Bahrain and to build, roll out and commercially operate the associated mobile network, and such other related business as the board of directors may determine.
b) Import, export and sale of independent communication systems.
c) To provide mobile telecommunication services.
d) To provide communication products and services and support services.
e) To provide international telecommunications facilities services.
f) To act as an internet services provider.
g) To provide value added services.

عقد تأسيس زين البحرين (ش.م.ب) شركة مساهمة بحرينية

في اليوم __________ من شهر __________ لعام ١٤٣٥ للهجرة

الموافق __________ من __________ لعام ٢٠١٤ للميلاد

لدي أنا: ____________________________________

الموثق بمكتب التوثيق بمملكة البحرين

حضر:
الشيخ أحمد بن علي بن عبدالله آل خليفة، بحريني الجنسية، يحمل بطاقة سكانية رقم XXXXXXXXX، بصفته ممثلًا عن المساهمين المؤسسين في شركة زين البحرين إستنادا إلى قرار الجمعية العامة غير العادية المنعقدة بتاريخ ٢٨ يوليو ٢٠١٣.

تحويل الشركة

المادة (١)
زين البحرين ش.م.ب.(م) قد تم تسجيلها لدى وزارة الصناعة و التجارة بمملكة البحرين، تحت سجل تجاري رقم ٥٠٦٠٣ في ١٩ أبريل ٢٠٠٣ ("**الشركة**")، وهي تعمل بموجب أحكام قانون الشركات التجارية الصادر بالمرسوم قانون رقم ٢١ لسنة ("**القانون**")٢٠٠١، ولائحته التنفيذية الصادرة بالقرار رقم ٦ لسنة ٢٠٠٢ ، وبموجب عقد تأسيسها ونظامها الأساسي المؤرخين في ١٩ أبريل ٢٠٠٣، والمسجلين لدى مكتب التوثيق تحت رقم ٢٠٠٣٠١٠٩٤٥.

اتفق المساهمون على تعديل الشكل القانوني للشركة من شركة مساهمة مقفلة إلى شركة مساهمة عامة طبقا لأحكام القانون، ولأحكام عقد التأسيس هذا و النظام الأساسي الملحق طيه.

اسم الشركة

المادة (٢)
يكون أسم الشركة "**زين البحرين ش.م.ب.**"، ويتبع بعبارة "شركة مساهمة بحرينية" أو بالأحرف "ش.م.ب".

أغراض الشركة

المادة (٣)
إن الأغراض التي تأسست من أجلها الشركة هي كما يلي:

أ) الحصول على الترخيص الثاني للهواتف النقالة في مملكة البحرين وإنشاء وطرح وتشغيل الشبكة المرتبطة بها تجارياً وغير ذلك من الأعمال ذات العلاقة التي يحددها مجلس الادارة.
ب) استيراد وتصدير وبيع أجهزة الاتصالات المتنقلة.
ج) خدمات الاتصالات المتنقلة.
د) توفير المنتجات والخدمات والاتصالات والخدمات المساندة.
ه) توفير خدمات مرافق الاتصالات الدولية.
و) القيام بأعمال مزود خدمة الإنترنت.
ز) تقديم خدمات القيمة المضافة.

h) To build, roll out and commercially operate the National Fixed Wireless License.

i) To do all such acts and things as shall be necessary for or conducive to the attainment of the foregoing objects.

j) The Company may have an interest in or participate, in any manner in institutions which carry on similar activities or which may assist the Company in realising its own objects in Kingdom of Bahrain or abroad. The Company may acquire such entities or merge therewith.

The above shall be subject to the provision of the applicable laws, rules, regulations and orders in force, provided that the necessary licenses shall be issued for carrying on such business activities.

COMPANY'S HEADQUARTERS

Article (4)

The Company's headquarters and its legal domicile shall be in the City of Manama, Kingdom of Bahrain. The Company's Board of Directors may establish branches, offices or agencies in the Kingdom of Bahrain or overseas.

COMPANY'S TERM

Article (5)

The Company's term shall commence on the date on which the Company's registration in the Registry of Commerce is published in the Official Gazette and shall end upon striking out its name in the Registry of Commerce for any reasons mentioned in Article (63) of the attached Articles of Association.

Company's Capital and Shares Capital

CAPITAL

Article (6)

The Company's authorised capital shall be 36,800,000 (Thirty-six million, eight hundred thousand Bahraini Dinars) divided into 368 million (three hundred and sixty-eight million shares), the nominal value of each share is BD 0.100 (one hundred Bahraini fils).

Article (7)

The issued and paid-up capital shall be 36,800,000 (Thirty-six million, eight hundred thousand Bahraini Dinars) divided into 368 million (three hundred and sixty-eight million shares), the nominal value of each share is BD 0.100 (one hundred Bahraini fils).

The parties hereto have subscribed for the issued share capital of the Company with a percentage of 86.957% which is equal to BD 32,000,000 (thirty two million Bahraini Dinars) divided into 320,000,000 (three hundred twenty thousand million) shares, the nominal value of each share is BD 0.100 (one hundred Bahraini fils) in the following manner:

ح) إنشاء ونشر وتشغيل تجاري لرخصة شبكة الاتصالات الوطنية الثابتة اللاسلكية.

ط) أن تقوم بكافة الأعمال والأشياء اللازمة أو المؤدية إلى تحقيق الأغراض الواردة أعلاه.

ي) يجوز للشركة أن يكون لها مصلحة أو تشترك بأي وجه من الوجوه مع الشركات وغيرها التي تزاول أعمالا شبيهة بأعمالها والتي تعاونها على تحقيق أغراضها في مملكة البحرين أو خارجها كما يجوز لها أن تمتلك أو تندمج في الشركات المذكورة.

على أن يتم جميع ما سبق مع مراعاة أحكام القوانين والأنظمة واللوائح والقرارات السارية وبشرط استصدار التراخيص اللازمة لممارسة هذه الأنشطة.

المكتب الرئيسي

المادة (٤)

يكون مركز الشركة الرئيسي ومحلها القانوني في مدينة المنامة بمملكة البحرين ويجوز لمجلس الإدارة أن ينشئ لها فروعا أو مكاتب أو توكيلات داخل أو خارج مملكة البحرين.

مدة الشركة

المادة (٥)

تبدأ مدة الشركة من تاريخ تسجيل الشركة في السجل التجاري ونشر القرار المرخص بتأسيسها في الجريدة الرسمية وتنتهي عند شطب سجلها التجاري وفقا لأحد الأسباب المذكورة في المادة (٦٣) من النظام الأساسي المرفق.

رأس مال وأسهم الشركة

رأس المال

المادة (٦)

حدد رأس مال الشركة المصرح به بمبلغ ٣٦,٨٠٠,٠٠٠ (ستة وثلاثين مليون وثمانمائة ألف دينار بحريني) وزعت على ٣٦٨,٠٠٠,٠٠٠ (ثلاثمائة وثمانية وستين مليون سهم) بقيمة اسمية مقدارها مائة فلس بحريني (١٠٠ فلس بحريني) لكل سهم.

المادة (٧)

حدد رأسمال الشركة الصادر والمدفوع بمبلغ ٣٦,٨٠٠,٠٠٠ (ستة وثلاثين مليون وثمانمائة ألف دينار بحريني) وزعت على ٣٦٨,٠٠٠,٠٠٠ (ثلاثمائة وثمانية وستين مليون سهم) بقيمة اسمية مقدارها مائة فلس بحريني (١٠٠ فلس بحريني) لكل سهم.

اكتتب المؤسسون الموقعون على هذا العقد برأسمال الشركة الصادر بنسبة ٨٦,٩٥٧٪ أي ما يعادل ٣٢,٠٠٠,٠٠٠ (اثنين وثلاثين مليون دينار بحريني) وزعت على ٣٢٠,٠٠٠,٠٠٠ (ثلاثمائة وعشرين مليون سهم) بقيمة اسمية مقدارها مائة فلس بحريني (١٠٠ فلس بحريني) لكل سهم موزعة على النحو التالي:

	Shareholder Name	عدد الاسهم Value, BD	القيمة الاسمية للسهم Shares	النسبة من رأس المال Percentage	الاسم	
1	Mobile Telecommunications Co.	20,160,000	201,600,000	54.783%	شركة الاتصالات المتنقلة	١
2	Sh. Ahmed Ali Abdulla Al-Khalifa	5,926,000	59,260,000	16.103%	الشيخ أحمد بن علي بن عبدالله آل خليفة	٢
3	Pension Fund Commission	1,500,000	15,000,000	4.076%	الهيئة العامة لصندوق التقاعد	٣
4	Sh. Rashid Abdulrahman Mohammed Alkhalifa	120,000	1,200,000	0.326%	الشيخ راشد بن عبالرحمن بن محمد آل خليفة	٤
5	Family Investment Company Limited	480,000	4,800,000	1.304%	شركة الاستثمارات العائلية ذ.م.م	٥
6	Nojood Holding Company W.L.L.	280,000	2,800,000	0.761%	شركة النجود القابضة ذ.م.م	٦
7	Fuad Ebrahim Khalil Kanoo	240,000	2,400,000	0.652%	فؤاد ابراهيم خليل كانو	٧
8	Taqi Mohammed Ali Almudaifa	240,000	2,400,000	0.652%	تقي محمد علي المديفع	٨
9	Faisal Hasan Mohamed Jawad	240,000	2,400,000	0.652%	فيصل حسن محمد جواد	٩
10	Samya Khalid Hamad Aldoseri	280,000	2,800,000	0.761%	سامية خالد حمد الدوسري	١٠
11	Intellect Data Systems Bahrain	240,000	2,400,000	0.652%	إنتلكت لأنظمة البيانات – البحرين	١١
12	Abdulaziz Ahmed Yousif Abdulmalik	480,000	4,800,000	1.304%	عبدالعزيز أحمد يوسف عبدالملك	١٢
13	Abdulaziz Sulaiman Hamad Albassam	360,000	3,600,000	0.978%	عبدالعزيز سليمان حمد البسام	١٣
14	On Air Commerce W.L.L.	144,000	1,440,000	0.391%	أون أير كومرس ذ.م.م	١٤
15	Abdulmajeed Abbas Shirazi	120,000	1,200,000	0.326%	عبدالمجيد عباس شيرازي	١٥
16	Abu Alqassim Abbas Abu Alqassim Shirazi	80,000	800,000	0.217%	أبو القاسم عباس الشيرازي	١٦
17	Yousif Khalil Almoayyed & Sons Co.	120,000	1,200,000	0.326%	يوسف خليل المؤيد وأولاده ش.م.ب (مقفلة)	١٧
18	Almoayyed International B.S.C. (Closed)	120,000	1,200,000	0.326%	شركة المؤيد العالمية ش.م.ب (مقفلة)	١٨
19	Ebrahim Khalifa Ebrahim Mattar	120,000	1,200,000	0.326%	ابراهيم خليفة ابراهيم مطر	١٩
20	Ali Yusuf Ali Ubaydli	120,000	1,200,000	0.326%	علي يوسف العبيدلي	٢٠
21	Khamis Mohammed Yousif Almuqla	120,000	1,200,000	0.326%	خميس محمد يوسف المقلة	٢١
22	Sultan Nasser Alsowaidi	80,000	800,000	0.217%	سلطان بن ناصر السويدي	٢٢
23	Ebrahim Abdulhadi Mohammed Ali Alafoo	70,000	700,000	0.190%	ابراهيم عبدالهادي محمد العفو	٢٣
24	Ishaq Abdulrahman Abdulla Alkooheji	60,000	600,000	0.163%	أسحق عبدالرحمن الكوهجي	٢٤
25	Rhine Trading (Bahrain) B.S.C.Closed	60,000	600,000	0.163%	راين ترادينج (البحرين) ش.م.ب (مقفلة)	٢٥
26	Moanis Mahmood Mohammed Almardi	42,000	420,000	0.114%	مؤنس محمود المردي	٢٦
27	Sh. Abdulla Isa Mohammed Al-Khalifa	40,000	400,000	0.109%	الشيخ عبدالله بن عيسى بن محمد آل خليفة	٢٧
28	Saleh Abdulla Saleh Albalushi	158,000	1,580,000	0.429%	صالح عبدالله صالح البلوشي	٢٨
	Total	**32,000,000**	**320,000,000**	**86.957%**	**المجموع**	

The founding shareholders are hereby issuing the remaining share capital for a public offering in accordance with the Law and other applicable laws and regulations and therefore shall not subscribe to the shares of the public offering.

Article (8)

The liability of each shareholder shall be limited to the value of the shares subscribed for by it.

ARTICLES OF ASSOCIATION

Article (9)

The attached Articles of Association shall be deemed an integral part hereof.

EXPENSES AND FEES

Article (10)

All costs and fees in respect of this Memorandum and its full legalisation shall be debited to the Company overheads.

FINAL PROVISIONS

Article (11)

a) This Memorandum of Association shall be deposited and published in accordance with the provisions of the Law.
b) This Memorandum of Association was approved in accordance with the no– objection letter of the Bahrain Investors Centre at the Ministry of Industry and Commerce under Ref. 81109 dated 28 April 2014.

ENTIRE AGREEMENT

Article (12)

The provisions of the Commercial Companies Law promulgated by Legislative Decree No. 21 of 2001 and its Implementing Regulations issued by Order No. 6 of the year 2002 shall apply with respect to any matter for which no specific provision is embodied in this Memorandum of Association.

In witness whereof, this Memorandum of Association was made in one original and three copies which were signed upon having been read by all the parties and by myself. The parties concerned were given three copies to act in accordance therewith.

يطرح المؤسسون الموقعون على هذا العقد النسبة المتبقية من رأسمال الشركة للاكتتاب العام وفقاً لأحكام القانون والقوانين الأخرى والأنظمة المطبقة وذلك دون أن يشترك أي من المؤسسين في الإكتتاب في الأسهم المطروحة للإكتتاب العام.

المادة (٨)

تكون مسئولية المساهمين محدودة بقيمة الأسهم المكتتب بها من قبلهم.

النظام الأساسي

المادة (٩)

يعتبر النظام الأساسي المرفق جزء لا يتجزأ من هذا العقد.

المصروفات والرسوم

المادة (١٠)

جميع مصروفات هذا العقد وأتعابه واستيفائه التام تحسب من المصروفات العمومية للشركة.

أحكام ختامية

المادة (١١)

أ) يودع عقد التأسيس هذا وينشر طبقا للقانون.
ب) حرر عقد التأسيس هذا استنادا إلى عدم ممانعة مركز البحرين للمستثمرين بوزارة الصناعة والتجارة بالكتاب الصادر تحت رقم ٨١١٠٩ بتاريخ ٢٨ أبريل ٢٠١٤.

شمولية الاتفاق

المادة (١٢)

تسري أحكام قانون الشركات التجارية الصادر بالمرسوم بقانون رقم (٢١) لسنة ٢٠٠١ ولائحته التنفيذية الصادرة بالقرار رقم (٦) لسنة ٢٠٠٢ فيما لم يرد بشأنه نص خاص في عقد التأسيس هذا.

وبما ذكر تحرر عقد التأسيس هذا من أصل وثلاث نسخ وتم التوقيع عليه بعد تلاوته من قبل الجميع ومني وتسلم أصحاب الشأن ثلاث نسخ منه للعمل بموجبه.

ARTICLES OF ASSOCIATION OF ZAIN BAHRAIN B.S.C. BAHRAINI SHAREHOLDING COMPANY

On the ________ of ________ of 1435.

Corresponding to the ________ day of ________ year 2014.

Before me: ____

Notary Public for the Kingdom of Bahrain

Appearing:
Shaikh Ahmed Bin Ali Bin Abdulla Al Khalifa, a Bahraini national, holding CPR No.XXXXXXXXX representing the founding shareholders of Zain Bahrain pursuant to the resolution passed by the Extraordinary General Meeting held on 28th July 2013.

CHAPTER ONE

COMPANY'S CONVERSION

Article (1)

Zain Bahrain B.S.C.(c) is a Company registered with the Ministry of Industry & Commerce in the Kingdom of Bahrain, under Commercial Registration No. 50603 on 19 April 2003 (the "**Company**"), and has been operating in accordance with the provisions of the Bahrain Commercial Companies Law promulgated by Legislative Decree No.21 of 2001 (the "**Law**") and its Implementing Regulations issued by Order No.6 of 2002, and according to its Memorandum and Articles of Association dated 19 April 2003, recorded at the Notary Public Office under No. 2003010945.

The shareholders have agreed to convert the Company from a Closed Joint Stock Company to a Public Joint Stock Company in accordance with the Law and the provisions of these Articles of Association and the Memorandum of Association attached hereto.

NAME OF THE COMPANY

Article (2)

The Company's name shall be "Zain Bahrain B.S.C.", followed by the phrase "Bahraini Shareholding Company or "B.S.C".

COMPANY'S OBJECTS

Article (3)

The objects for which the Company has been established are:

a) To hold the second mobile license in the Kingdom of Bahrain and to build, roll out and commercially operate the associated mobile network, and such other related business as the board of directors may determine.
b) Import, export and sale of independent communication systems.
c) To provide mobile telecommunication services.
d) To provide communication products and services and support services.
e) To provide international telecommunications facilities services.
f) To act as an internet services provider.

النظام الأساسي زين البحرين (ش.م.ب) شركة مساهمة بحرينية

في اليوم __________ من شهر __________ لعام ١٤٣٥ للهجرة.

الموافق __________ من __________ لعام ٢٠١٤ للميلاد.

لدي أنا: ____

الموثق بمكتب التوثيق بمملكة البحرين

حضر:
الشيخ أحمد بن علي بن عبدالله آل خليفة، بحريني الجنسية، يحمل بطاقة سكانية رقم XXXXXXXXX، بصفته ممثلًا عن المساهمين المؤسسين في شركة زين البحرين إستنادا إلى قرار الجمعية العامة غير العادية المنعقدة بتاريخ ٢٨ يوليو ٢٠١٣.

الباب الأول

تحويل الشركة

المادة (١)

زين البحرين ش.م.ب.(م) قد تم تسجيلها لدى وزارة الصناعة و التجارة بمملكة البحرين، تحت سجل تجاري رقم ٥٠٦٠٣ في ١٩ أبريل ٢٠٠٣ ("**الشركة**")، وهي تعمل بموجب أحكام قانون الشركات التجارية الصادر بالمرسوم قانون رقم ٢١ لسنة ٢٠٠١ ("**القانون**")، ولائحته التنفيذية الصادرة بالقرار رقم ٦ لسنة ٢٠٠٢ ، وبموجب عقد تأسيسها ونظامها الأساسي المؤرخين في ١٩ أبريل ٢٠٠٣، والمسجلين لدى مكتب التوثيق تحت رقم ٢٠٠٣٠١٠٩٤٥.

اتفق المساهمون على تحويل الشركة من شركة مساهمة مقفلة إلى شركة مساهمة عامة طبقا لأحكام القانون، ولأحكام هذ النظام الأساسي وعقد التأسيس الملحق طيه.

اسم الشركة

المادة (٢)

يكون أسم الشركة "**زين البحرين ش.م.ب.**"، ويتبع بعبارة "شركة مساهمة بحرينية" أو بالأحرف "ش.م.ب".

أغراض الشركة

المادة (٣)

إن الأغراض التي تأسست من أجلها الشركة هي كما يلي:

أ) الحصول على الترخيص الثاني للهواتف النقالة في مملكة البحرين وإنشاء وطرح وتشغيل الشبكة المرتبطة بها تجارياً وغير ذلك من الأعمال ذات العلاقة التي يحددها مجلس الادارة.
ب) استيراد وتصدير وبيع أجهزة الاتصالات المتنقلة.
ج) خدمات الاتصالات المتنقلة.
د) توفير المنتجات والخدمات والاتصالات والخدمات المساندة.
ه) توفير خدمات مرافق الاتصالات الدولية.
و) القيام بأعمال مزود خدمة الإنترنت.
ز) تقديم خدمات القيمة المضافة.

g) To provide value added services.

h) To build, roll out and commercially operate the National Fixed Wireless License.

i) To do all such acts and things as shall be necessary for or conducive to the attainment of the foregoing objects.

j) The Company may have an interest in or participate, in any manner in institutions which carry on similar activities or which may assist the Company in realising its own objects in the Kingdom of Bahrain or abroad. The Company may acquire such entities or merge therewith.

The above shall be subject to the provision of the applicable laws, rules, regulations and orders in force, provided that the necessary licenses shall be issued for carrying on such business activities.

COMPANY'S HEADQUARTERS

Article (4)

The Company's headquarters and its legal domicile shall be in the City of Manama, Kingdom of Bahrain. The Company's Board of Directors may establish branches, offices or agencies in the Kingdom of Bahrain or overseas.

COMPANY'S TERM

Article (5)

The Company's term shall commence on the date on which the Company's registration in the Registry of Commerce is published in the Official Gazette and shall end upon striking out its name in the Registry of Commerce for any reasons mentioned in Article (63) of the Articles of Association.

CHAPTER TWO
Company's Capital and Shares Capital

CAPITAL

Article (6)

The Company's authorised capital shall be 36,800,000 (Thirty-six million, eight hundred thousand Bahraini Dinars) divided into 368 million (three hundred and sixty-eight million shares), the nominal value of each share is BD 0.100 (one hundred Bahraini fils).

Article (7)

The issued and paid-up capital shall be 36.800.000 (Thirty-six million, eight hundred thousand Bahraini Dinars) divided into 368 million (three hundred and sixty-eight million shares), the nominal value of each share is BD 0.100 (one hundred Bahraini fils).

The parties hereto have subscribed for the issued share capital of the Company with a percentage of 86.957% which is equal to BD 32,000,000 (thirty two million Bahraini Dinars) divided into 320,000,000 (three hundred twenty thousand million) shares, the nominal value of each share is BD 0.100 (one hundred Bahraini fils) in the following manner:

ح) إنشاء ونشر وتشغيل تجاري لرخصة شبكة الاتصالات الوطنية الثابتة اللاسلكية.

ط) أن تقوم بكافة الأعمال والأشياء اللازمة أو المؤدية إلى تحقيق الأغراض الواردة أعلاه.

ي) يجوز للشركة أن يكون لها مصلحة أو تشترك بأي وجه من الوجوه مع الشركات وغيرها التي تزاول أعمالا شبيهة بأعمالها والتي تعاونها على تحقيق أغراضها في مملكة البحرين أو خارجها كما يجوز لها أن تمتلك أو تندمج في الشركات المذكورة.

على أن يتم جميع ما سبق مع مراعاة أحكام القوانين والأنظمة واللوائح والقرارات السارية وبشرط استصدار التراخيص اللازمة لممارسة هذه الأنشطة.

المكتب الرئيسي

المادة (٤)

يكون مركز الشركة الرئيسي ومحلها القانوني في مدينة المنامة بمملكة البحرين ويجوز لمجلس الإدارة أن ينشئ لها فروعا أو مكاتب أو توكيلات داخل أو خارج مملكة البحرين.

مدة الشركة

المادة (٥)

تبدأ مدة الشركة من تاريخ تسجيل الشركة في السجل التجاري ونشر القرار المرخص بتأسيسها في الجريدة الرسمية وتنتهي عند شطب سجلها التجاري وفقا لأحد الأسباب المذكورة في المادة (٦٣) من هذا النظام الأساسي.

الباب الثاني
رأس مال وأسهم الشركة

رأس المال

المادة (٦)

حدد رأس مال الشركة المصرح به بمبلغ ٣٦,٨٠٠,٠٠٠ (ستة وثلاثون مليون وثمانمائة ألف دينار بحريني) وزعت على ٣٦٨,٠٠٠,٠٠٠ (ثلاثمائة وثمانية وستون مليون سهم) بقيمة اسمية مقدارها مائة فلس بحريني (١٠٠ فلس بحريني) لكل سهم.

المادة (٧)

حدد رأسمال الشركة الصادر والمدفوع بمبلغ ٣٦,٨٠٠,٠٠٠ (ستة وثلاثون مليون وثمانمائة ألف دينار بحريني) وزعت على ٣٦٨,٠٠٠,٠٠٠ (ثلاثمائة وثمانية وستون مليون سهم) بقيمة اسمية مقدارها مائة فلس بحريني (١٠٠ فلس بحريني) لكل سهم.

اكتتب المؤسسون الموقعون على هذا النظام برأسمال الشركة الصادر بنسبة ٨٦,٩٥٧٪ أي ما يعادل ٣٢,٠٠٠,٠٠٠ (اثنين وثلاثون مليون دينار بحريني) وزعت على ٣٢٠,٠٠٠,٠٠٠ (ثلاثمائة وعشرين مليون سهم) بقيمة اسمية مقدارها مائة فلس بحريني (١٠٠ فلس بحريني) لكل سهم موزعة على النحو التالي:

	Shareholder Name	عدد الاسهم Value, BD	القيمة الاسمية للسهم Shares	النسبة من رأس المال Percentage	الاسم	
1	Mobile Telecommunications Co.	20,160,000	201,600,000	54.783%	شركة الاتصالات المتنقلة	١
2	Sh. Ahmed Ali Abdulla Al-Khalifa	5,926,000	59,260,000	16.103%	الشيخ أحمد بن علي بن عبدالله آل خليفة	٢
3	Pension Fund Commission	1,500,000	15,000,000	4.076%	الهيئة العامة لصندوق التقاعد	٣
4	Sh. Rashid Abdulrahman Mohammed Alkhalifa	120,000	1,200,000	0.326%	الشيخ راشد بن عبالرحمن بن محمد آل خليفة	٤
5	Family Investment Company Limited	480,000	4,800,000	1.304%	شركة الاستثمارات العائلية ذ.م.م	٥
6	Nojood Holding Company W.L.L.	280,000	2,800,000	0.761%	شركة النجود القابضة ذ.م.م	٦
7	Fuad Ebrahim Khalil Kanoo	240,000	2,400,000	0.652%	فؤاد ابراهيم خليل كانو	٧
8	Taqi Mohammed Ali Almudaifa	240,000	2,400,000	0.652%	تقي محمد علي المديفع	٨
9	Faisal Hasan Mohamed Jawad	240,000	2,400,000	0.652%	فيصل حسن محمد جواد	٩
10	Samya Khalid Hamad Aldoseri	280,000	2,800,000	0.761%	سامية خالد حمد الدوسري	١٠
11	Intellect Data Systems Bahrain	240,000	2,400,000	0.652%	إنتلكت لأنظمة البيانات – البحرين	١١
12	Abdulaziz Ahmed Yousif Abdulmalik	480,000	4,800,000	1.304%	عبدالعزيز أحمد يوسف عبدالملك	١٢
13	Abdulaziz Sulaiman Hamad Albassam	360,000	3,600,000	0.978%	عبدالعزيز سليمان حمد البسام	١٣
14	On Air Commerce W.L.L.	144,000	1,440,000	0.391%	أون أير كومرس ذ.م.م	١٤
15	Abdulmajeed Abbas Shirazi	120,000	1,200,000	0.326%	عبدالمجيد عباس شيرازي	١٥
16	Abu Alqassim Abbas Abu Alqassim Shirazi	80,000	800,000	0.217%	أبو القاسم عباس الشيرازي	١٦
17	Yousif Khalil Almoayyed & Sons Co.	120,000	1,200,000	0.326%	يوسف خليل المؤيد وأولاده ش.م.ب (مقفلة)	١٧
18	Almoayyed International B.S.C. (Closed)	120,000	1,200,000	0.326%	شركة المؤيد العالمية ش.م.ب (مقفلة)	١٨
19	Ebrahim Khalifa Ebrahim Mattar	120,000	1,200,000	0.326%	ابراهيم خليفة ابراهيم مطر	١٩
20	Ali Yusuf Ali Ubaydli	120,000	1,200,000	0.326%	علي يوسف العبيدلي	٢٠
21	Khamis Mohammed Yousif Almuqla	120,000	1,200,000	0.326%	خميس محمد يوسف المقلة	٢١
22	Sultan Nasser Alsowaidi	80,000	800,000	0.217%	سلطان بن ناصر السويدي	٢٢
23	Ebrahim Abdulhadi Mohammed Ali Alafoo	70,000	700,000	0.190%	ابراهيم عبدالهادي محمد العفو	٢٣
24	Ishaq Abdulrahman Abdulla Alkooheji	60,000	600,000	0.163%	أسحق عبدالرحمن الكوهجي	٢٤
25	Rhine Trading (Bahrain) B.S.C.Closed	60,000	600,000	0.163%	راين ترادينج (البحرين) ش.م.ب (مقفلة)	٢٥
26	Moanis Mahmood Mohammed Almardi	42,000	420,000	0.114%	مؤنس محمود المردي	٢٦
27	Sh. Abdulla Isa Mohammed Al-Khalifa	40,000	400,000	0.109%	الشيخ عبدالله بن عيسى بن محمد آل خليفة	٢٧
28	Saleh Abdulla Saleh Albalushi	158,000	1,580,000	0.429%	صالح عبدالله صالح البلوشي	٢٨
	Total	**32,000,000**	**320,000,000**	**86.957%**	**المجموع**	

The founding shareholders are hereby issuing the remaining share capital for a public offering in accordance with the Law and other applicable laws and regulations and therefore shall not subscribe to the shares of the public offering.

COMPANY'S SHARES

Article (8)

The Company's shares are nominal and indivisible. However, two or more persons may jointly own one share or more, provided that they are represented by one person towards the Company. Owners of a share or shares shall be jointly liable for the obligations resulting from such shares.

Article (9)

The shares may be negotiated and such negotiation of shares shall be in accordance with the provisions of the Bahrain Bourse Law and the Internal Regulations of Bahrain Bourse.

SHAREHOLDERS RIGHTS AND OBLIGATIONS

Article (10)

Each share entitles its owner to equal rights and obligations. Each shareholder will particularly enjoy the following rights:

a) To receive his share of dividends in the event a resolution is passed to distribute the same to the shareholders.

b) To receive his share of capital that might be distributed in the event of any reduction of the capital.

c) To receive his share of the Company's assets upon liquidation. Only the shareholder whose name is registered as last owner of a share in the Company's register, referred to in Article (14) of these Articles, may receive his share in the assets.

d) To take part in the management of the Company's business according to the provisions hereof.

e) To receive a report, following each financial year, containing the balance sheet, profit and loss account and Board of Directors report.

f) To file a nullification suit against any resolution passed by the General Meeting or the Board of Directors which is inconsistent with the Law its Implementing Regulations, public order, the Company's Memorandum of Association or to these Articles of Association.

g) To dispose of the shares he owns and having a priority in subscribing for new shares in accordance with the provisions of the Law.

h) The right to examine the company's records and to obtain copies thereof in accordance with the conditions set out in the Law.

Article (11)

Each shareholder shall in particular observe the following obligations:

a) To pay the amounts which have been previously agreed upon regarding the paid-up capital or any increase of such capital.

b) To pay the expenses incurred by the Company in recovering the overdue amounts due from him regarding the paid-up capital.

يطرح المؤسسون الموقعون على هذا النظام النسبة المتبقية من رأسمال الشركة للاكتتاب العام وفقاً لأحكام القانون والقوانين الأخرى والأنظمة المطبقة وذلك دون أن يشترك أي من المؤسسين في الإكتتاب في الأسهم المطروحة للإكتتاب العام.

أسهم الشركة

المادة (٨)

أسهم الشركة اسمية وغير قابلة للتجزئة ولكن يجوز لشخصين أو أكثر أن يمتلكوا مجتمعين سهما واحدا بشرط أن يمثلهم شخص واحد فقط تجاه الشركة ويكون مالكو الأسهم المجتمعين مسئولين بالتضامن والتكافل عن الالتزامات المترتبة على تلك الأسهم.

المادة (٩)

يجوز تداول أسهم الشركة ويكون التداول وفقا لأحكام قانون شركة بورصة البحرين واللائحة الداخلية لها.

حقوق المساهمين والتزاماتهم

المادة (١٠)

يخول كل سهم في الشركة حقوقا والتزامات متساوية ويتمتع كل مساهم على وجه الخصوص بالحقوق الآتية:

أ) أن يتسلم حصته المستحقة من الأرباح عند اتخاذ قرار بتوزيع الأرباح على المساهمين.

ب) أن يتسلم حصته المستحقة من رأس المال الذي يتم توزيعه في حالة أي تخفيض لرأس المال.

ج) أن يتسلم حصته المستحقة من موجودات الشركة في حالة تصفيتها، ويحق فقط لآخر مساهم مقيد اسمه في السجل المشار إليه في المادة (١٤) من هذا النظام أن يتسلم المبلغ المستحق عن نصيبه في الموجودات.

د) أن يشارك في إدارة أعمال الشركة طبقا لأحكام هذا النظام.

هـ) أن يتسلم تقريرا بعد نهاية كل سنة مالية للشركة يحتوي على الميزانية العمومية وحساب الأرباح والخسائر وتقرير مجلس الإدارة.

و) أن يطلب من المحكمة إصدار حكم باعتبار أي قرار للجمعية العامة أو لمجلس الإدارة مخالفا لأحكام القانون ولائحته التنفيذية أو النظام العام أو لعقد التأسيس أو لهذا لنظام الأساسي لاغيا ولا فاعلية له.

ز) التصرف في الأسهم المملوكة له وأولويته في الإكتتاب بالأسهم الجديدة وذلك وفقاً لأحكام القانون.

ح) حق الإطلاع على سجلات الشركة والحصول على صور ومستخرجات من بياناتها وفقاً للشروط الواردة في القانون.

المادة (١١)

يلتزم المساهم على وجه الخصوص بالالتزامات الآتية:

أ) أن يسدد المبالغ التي سبق له الموافقة على دفعها فيما يختص برأس مال الشركة المدفوع أو أية زيادة عليه.

ب) أن يدفع للشركة المصاريف التي تتكبدها في سبيل تحصيل المبالغ المستحقة للشركة منه والخاصة برأس المال المدفوع.

c) To refrain from any act that may be harmful to the Company.
d) To implement any resolution that may be lawfully passed by the General Meeting.

Article (12)

The creditors or heirs of a shareholder may not, for any reason whatsoever, apply for placing seals on the Company's books, documents or property, nor apply for its division or sale because they are indivisible, nor may they interfere, in any way, in the Company's management. In exercising their rights, they shall rely on the Company's books, audited financial statements and the resolutions of the General Meeting.

SHARE CERTIFICATES AND SHARE REGISTER

Article (13)

The Company shall issue shares certificates in the form adopted by the Bahrain Bourse from time to time.

Article (14)

a) The Company shall maintain at its headquarters a special register for the shareholders containing their names, domiciles (their addresses in the Kingdom of Bahrain for those who are living overseas), their occupations, nationalities and the number of shares owned by each shareholder.
b) All acts related to such shares including transfer of ownership, mortgage or cancellation of distraint of shares shall be also included in this register.
c) Each shareholder may have access to the said register. The Ministry of Industry and Commerce shall be furnished with the details recorded in this register and any changes therein.

SALE AND MORTGAGE OF SHARES

Article (15)

a) The Company may buy its own shares in the cases and in accordance with the rules specified by a resolution of the Minister of Industry & Commerce.
b) Shares and temporary share certificates may be traded according to the Bahrain Bourse Law and its Internal Regulations. Shares must be fully paid up and free from all liens in order for them to be transferred. Non-Bahraini nationals shall have the right to own and deal in the Company shares according to an exception from certain provisions of Article (119) of the Law pursuant to any Resolution may be issued by the Minister of Industry & Commerce in this respect.
c) Disposition of shares shall not be considered effective as against the Company or third parties unless entered in the Share Register referred to in Article (14) hereinabove.
d) The Company may refuse to register the sale of a share in the events set out in the Article (119) of the Law.
e) The Company may suspend the registration of share transfers during the period between the date of notice of convening the General Meeting and the date on which the said General Meeting is actually held.

ج) أن لا يقوم بأي عمل من شأنه الإضرار بالشركة.
د) أن ينفذ أية قرارات تتخذها الجمعية العامة للشركة بصورة قانونية.

المادة (١٢)

لا يجوز لدائني أو لورثة المساهم لأي سبب من الأسباب وضع الأختام على دفاتر الشركة أو وثائقها أو ممتلكاتها. ولا أن يطلبوا قسمتها أو بيعها لعدم إمكان القسمة ولا يجوز أن يتدخلوا بأي وجه من الوجوه في إدارة الشركة، ويجب عليهم لدى استعمال حقوقهم أن يعولوا على سجلات الشركة وبياناتها المالية المدققة وعلى قرارات الجمعية العامة.

شهادات الأسهم وسجل الأسهم

المادة (١٣)

تصدر الشركة شهادات أسهم بالشكل المعتمد من شركة بورصة البحرين من وقت لآخر.

المادة (١٤)

أ) تحتفظ الشركة في مركزها الرئيسي بسجل للمساهمين يدون فيه أسماء المساهمين ومواطنهم (وعناوينهم في مملكة البحرين بالنسبة لأولئك الذين يقيمون خارج مملكة البحرين) ومهنهم وجنسياتهم وعدد الأسهم التي يملكها كل مساهم.
ب) يتضمن هذا السجل جميع التصرفات التي تجري على الأسهم من نقل ملكية أو رهن أو إلغاء الحجز.
ج) يحق لكل مساهم الإطلاع على السجل المذكور، وتقدم إلى وزارة الصناعة والتجارة التفاصيل المدونة في السجل وأية تعديلات قد تدخل عليها.

بيع الأسهم ورهنها

المادة (١٥)

أ) يجوز للشركة أن تشتري أسهمها وذلك في الحالات ووفقا للقواعد التي يصدر بها قرار من وزير الصناعة والتجارة.
ب) يجوز تداول الأسهم والشهادات المؤقتة ويكون تداول الأسهم وفقا لأحكام قانون شركة بورصة البحرين واللائحة الداخلية لها ويجب أن تكون الأسهم مسددة القيمة كاملة وخالية من أية أعباء أو رهونات لكي يتم تحويلها ويجوز لغير البحرينيين تملك وتداول أسهم الشركة استثناء من بعض أحكام المادة (١١٩) من القانون تبعا لأي قرار يصدر عن وزير الصناعة و التجارة بهذا الشأن تبعا للمادة المذكورة.
ج) لا يعتبر التصرف في الأسهم ساريا في حق الشركة أو الغير إلا إذا دون في السجل الخاص بذلك المشار إليه في المادة (١٤) أعلاه من هذا النظام الأساسي.
د) للشركة أن ترفض تسجيل التصرف في الأسهم في الأحوال المبينة في المادة (١١٩) المشار إليها أعلاه من القانون.
هـ) للشركة أن توقف تسجيل الأسهم خلال المدة التي تقع بين تاريخ الدعوة لاجتماع الجمعية العامة وتاريخ انعقاد هذا الاجتماع.

Article (16)

If the Company has a debt due from the shareholder, it may postpone the transfer of the shares until such debt is settled.

Article (17)

Shares and temporary certificates may be mortgaged, endorsed and disposed of in any other manner. Such disposition shall be governed by the provisions of Paragraphs (b), (c) and (d) of Article (15) hereinabove. A notation shall be entered in the Share Register and on the back of a mortgaged share certificate to indicate that the share is mortgaged. A creditor mortgagee's rank shall be established as of the date of entry of the mortgage in the Share Register or with the Share Registrar. A creditor mortgagee shall have the right to receive dividends and exercise the rights accruing to the shares, unless otherwise agreed in the mortgage deed. However, a creditor mortgagee may not attend the General Meetings of the Company nor participate in its deliberations or approve its resolutions.

Article (18)

A registered mortgage of a share shall not be discharged except by declaration by the creditor mortgagee accepting such discharge of mortgage or by a final court order. Such discharge shall be entered in the Share Register.

Article (19)

The Company shall charge BD 2.000 (two Bahraini Dinars) for registering the transfer of share title or mortgage of shares.

INCREASE OF THE CAPITAL

Article (20)

The Company's authorised capital, by a resolution to be passed by the Extraordinary General Assembly, may be increased, The issued capital of the Company, by a resolution to be adopted by the Ordinary General Assembly, may also be increased within the authorised capital amount, provided that the value of the issued capital of the Company is fully settled before such increase. The actual issued capital shall be increased within three years following the date on which a resolution authorising the increase is issued, provided that the nominal value of the new shares shall be equivalent to the nominal value of the original shares. The Extraordinary General Meeting may, however, resolve to issue shares at a premium to be added to the nominal value and may fix the value of such premium. The net total of the said premium shall be added, after deduction of expenses of the share issue, to the Legal Reserve Account even if it amounts to half the capital. The Ministry of Industry and Commerce and the Bahrain Bourse shall be furnished with reports and reasons necessitating an increase in all cases of increase of capital.

المادة (١٦)

إذا كان للشركة دين في ذمة المساهم، فيحق لها أن تؤجل تسجيل تحويل الأسهم إلى حين سداد الدين.

المادة (١٧)

يجوز رهن الأسهم والشهادات المؤقتة وهبتها والتصرف فيها بأي تصرف آخر. ويسري على هذه التصرفات أحكام الفقرات (ب) و(ج) و(د) من المادة (١٥) أعلاه. ويذكر في سجل المساهمين وعلى ظهر الشهادة بأنها مرهونة وتحدد مرتبة الدائن المرتهن من تاريخ قيد الرهن في سجل الأسهم في الشركة أو لدى مسجل الأسهم، ويكون للدائن المرتهن الحق في قبض الأرباح واستعمال الحقوق المتعلقة بالسهم ما لم يتفق في عقد الرهن على غير ذلك، إلا أنه لا يجوز للدائن المرتهن حضور اجتماعات الجمعية العامة أو الاشتراك في مداولاتها أو التصديق على قراراتها.

المادة (١٨)

لا يحق شطب الرهن المسجل للسهم إلا بإقرار من الدائن المرتهن بقبول ذلك أو بمقتضى حكم نهائي ويؤشر بذلك في سجل الأسهم.

المادة (١٩)

تستوفي الشركة مبلغ دينارين بحرينيين (٢ دينار بحريني) مقابل تسجيل ملكية الأسهم أو رهنها.

زيادة رأس المال

المادة (٢٠)

يجوز بقرار من الجمعية العمومية غير العادية زيادة رأس مال الشركة المصرح به، كما يجوز بقرار من الجمعية العمومية العادية زيادة رأس مال الشركة الصادر في حدود رأس مال الشركة المصرح به، بشرط تمام سداد قيمة رأس مال الشركة الصادر قبل الزيادة بالكامل، ويجب أن تتم زيادة رأس المال الصادر فعلا خلال الثلاث سنوات التالية لصدور القرار بالترخيص بالزيادة وأن تكون القيمة الاسمية للسهم الجديد معادلة للقيمة الاسمية للسهم الأصلي، على أنه يجوز للجمعية العامة غير العادية أن تقرر إضافة علاوة إصدار إلى القيمة الاسمية للأسهم وأن تحدد مقدارها، ويضاف صافي هذه العلاوة بعد تنزيل مصروفات الإصدار إلى الاحتياطي القانوني ولو بلغ نصف رأس المال. وتخطر وزارة الصناعة والتجارة وشركة بورصة البحرين بالتقارير والأسباب الموجبة للزيادة في جميع حالات زيادة رأس المال.

The capital may be increased in one of the following methods:

a) Issuing new shares to cover the required increase, the value of which must be fully paid in cash.

b) Transfer of reserve funds to capital, either by:

   i- Increasing the nominal value of the original shares without the Company requiring the shareholders to pay the difference but the difference to be recovered from the reserve funds and the new share shall be marked with its new value.

   ii- Issuance of new shares for the value of the increase and the new shares to be distributed to the original shareholders, without any consideration, in proportion to the number of original shares they are holding.

Article (21)

In the event new shares are issued in accordance with Article 20 (a) above:

a) Priority to subscribe to the new shares shall be given to existing shareholders in the manner specified in Articles (128) and (129) of the Law, and the Company shall follow the procedures set out in the said two Articles.

b) If the new shares are offered for public subscription, a subscription prospectus shall be prepared and shall include in particular the information required by Article (130) of the Law. The prospectus shall be signed by the Chairman of the Board of Directors who shall be responsible for the accuracy of the details stated therein.

c) (i) In the event of a capital increase, the Company may have one or more underwriters to subscribe to the remaining unsubscribed shares in accordance with the provisions of Article (93) of the Law.

   (ii) Underwriter(s) contracted by the Company with respect purchasing all the remaining shares not purchased by those shareholders entitled to do so, shall have shares allotted to them as provided hereinabove. Underwriter(s) may offer shares to which they have subscribed for by public subscription through the Bahrain Bourse.

d) The Board of Directors shall publish the resolution issued in approval of the capital increase in the Official Gazette and one local daily newspaper. Such resolution shall be registered with the Commercial Register within one month from the date of increase.

REDUCTION OF THE CAPITAL

Article (22)

a) An Extraordinary General Meeting of shareholders may resolve to reduce the capital of the Company if the same is in excess of its needs or if there has been a loss and the Company resolves to reduce its paid up capital to the actual value thereof with the prior approval of the Ministry of Industry and Commerce according to the provisions of Articles (132) to (137) of the Law.

وتتم زيادة رأس مال الشركة بإتباع إحدى الطرق التالية:

أ) إصدار أسهم جديدة تغطي المبالغ المطلوبة للزيادة ويكون ذلك واجب السداد بالكامل ونقدا.

ب) تحويل الاحتياطي إلى رأس مال بإحدى طريقتين:

   ١- زيادة القيمة الاسمية للأسهم الأصلية، دون أن تطلب الشركة من المساهمين دفع الفرق بل يدفع من الاحتياطي ويؤشر على الأسهم بقيمتها الجديدة.

   ٢- إصدار أسهم جديدة بقيمة الزيادة، وتوزع الشركة هذه الأسهم على المساهمين الأصليين دون مقابل، كل بقدر نسبة ما يملكه من الأسهم الأصلية.

المادة (٢١)

في حالة زيادة رأس مال الشركة وفقا للمادة ٢٠ (أ) أعلاه:

أ) يكون للمساهمين المستحقين أولوية الاكتتاب في الأسهم الجديدة على النحو المنصوص عليه في المادتين (١٢٨) و(١٢٩) من القانون ويجب على الشركة إتباع الإجراءات المنصوص عليها في المادتين المذكورتين.

ب) في حالة طرح الأسهم الجديدة للاكتتاب العام يجب تحرير نشرة اكتتاب تشتمل بوجه خاص على البيانات المنصوص عليها في المادة (١٣٠) من القانون ويوقع النشرة رئيس مجلس الإدارة ، ويكون مسئولًا عن صحة البيانات الواردة فيها.

ج) (١) يجوز أن يكون للشركة عند زيادة رأسمالها متعهد أو أكثر لتغطية ما يتبقى من أسهم الاكتتاب وذلك تبعا لأحكام المادة (٩٣) من القانون.

   (٢) وفي حالة الاتفاق مع متعهد أو متعهدي اكتتاب بالنسبة للأسهم المتبقية يشتري المتعهد ما لم يتم تغطيته من أسهم بعد الاكتتاب من قبل المساهمين المستحقين للأسهم وتخصيص أسهم لهم حسبما نص عليه أعلاه. وللمتعهد بالاكتتاب أن يعيد طرح الأسهم التي اشتراها للاكتتاب العام عن طريق شركة بورصة البحرين.

د) يجب على مجلس الإدارة القيام بنشر القرار الصادر بزيادة رأس المال في الجريدة الرسمية وإحدى الجرائد اليومية المحلية، ويقيد هذا القرار في السجل التجاري وذلك خلال شهر من تاريخ تحقق الزيادة.

تخفيض رأس المال

المادة (٢٢)

أ) يجوز للجمعية العامة غير العادية، أن تقرر تخفيض رأسمال الشركة إذا زاد عن حاجتها أو إذا طرأت خسارة ورأت الشركة إنقاص رأس المال إلى القيمة الفعلية بعد الحصول على موافقة مسبقة من وزارة الصناعة والتجارة وفقا لأحكام المادة (١٣٢) والمادة (١٣٧) من القانون.

b) Capital shall be reduced by one of the following means:
   i. Reducing the nominal value of the shares.
   ii. Cancelling a number of shares equal to the amount of the decided reduction.

Article (23)

a) The resolution reducing the capital shall be issued only after reading the reports of the Board of Directors and the auditor on the reasons for of the reduction, the obligations of the Company and the effect of such reduction on these obligations. A copy of the Board of Directors' report and the auditor's report shall be forwarded to the Ministry of Industry and Commerce.

b) Capital reduction shall be made, if the Company's capital is more than the Company needs, by reducing the nominal value of the shares, either by giving back a part of it to the shareholders equal to the decided percentage of reduction or by discharging them of the unpaid instalments of shares' value in proportion to the decided reduction. If the reduction is due to the Company's losses, a number of shares equal to the decided amount of reduction shall be cancelled. In all cases the nominal value of the shares must not be less than the minimum value stipulated by law.

Article (24)

The reduction of Company's capital shall be recorded in the Registry of Commerce and the reduction resolution is published in the Official Gazette and one of local daily newspapers.

Article (25)

a) If the capital reduction is made by way of cancelling a number of the Company's shares, a number of shares owned by each shareholder shall be cancelled in proportion to the percentage of the capital reduction, provided that the shareholder shall not be deprived of sharing in the Company. The Company shall, within one month from the date of cancellation, redeem the cancelled share certificates from the shareholders and destroy them and enter the same in the shareholders' register and notify the Ministry of Industry & Commerce.

b) The reduction shall not be effective against the creditors who make an objection thereto and submit their documents within sixty days from the publication date in the Official Gazette unless they are paid their due debts or have been provided with adequate guarantees for the payment of their deferred debts.

CHAPTER THREE
MANAGEMENT OF THE COMPANY

BOARD OF DIRECTORS

Article (26)

a) The Company shall be managed by the existing Board of Directors comprising of six members whose rights and obligations shall be maintained in accordance with its current terms. The number of the Board of Directors shall then be increased to seven members in the next general assembly meeting.

ب) يتم تخفيض رأس المال بإحدى طريقتين:
   ١- تنزيل القيمة الاسمية للسهم.
   ٢- إلغاء عدد من الأسهم بقيمة المبلغ المقرر تخفيضه من رأس المال.

المادة (٢٣)

١- لا يصدر قرار بالتخفيض إلا بعد تلاوة تقريري مجلس الإدارة ومدققي الحسابات عن الأسباب الموجبة له وعن الالتزامات التي على الشركة وعن أثر التخفيض على هذه الالتزامات، وتخطر وزارة الصناعة والتجارة بصورة من تقريري مجلس الإدارة ومدققي الحسابات.

٢- يتم تخفيض رأس المال بسبب زيادته عن حاجة الشركة عن طريق تنزيل القيمة الاسمية للأسهم، وذلك إما برد جزء منها للمساهمين يتساوى مع النسبة المقرر تخفيضها من رأس المال، أو بإبراء ذمة المساهمين من أقساط الأسهم التي لم تدفع بنسبة التخفيض المقرر، وإذا كان التخفيض بسبب خسارة الشركة، فيتم إلغاء عدد من الأسهم بقيمة المبلغ المقرر تخفيضه من رأس المال. وفي جميع الأحوال يجب أن لا تقل القيمة الاسمية للأسهم عن الحد الأدنى المقرر قانونا.

المادة (٢٤)

يتعين قيد كل قرار صادر بتخفيض رأس مال الشركة في السجل التجاري والإشهار عنه في الجريدة الرسمية وفي إحدى الجرائد اليومية المحلية.

المادة (٢٥)

أ) إذا كان تخفيض رأس المال بإلغاء الشركة لعدد من أسهمها، وجب أن يتم إلغاء عدد من الأسهم التي يملكها كل مساهم بقدر النسبة التي تقرر بها تخفيض رأس المال، ويشترط ألا يترتب على ذلك حرمان المساهم من المساهمة في الشركة، وعلى الشركة خلال شهر من تاريخ الإلغاء استرداد شهادات الأسهم الملغاة من المساهمين لإتلافها والتأشير بذلك في سجل المساهمين وإخطار وزارة الصناعة والتجارة وشركة بورصة البحرين.

ب) لا يحتج بالتخفيض قبل الدائنين الذين أبدوا اعتراضاتهم خلال ستين يوما من تاريخ نشر قرار التخفيض في الجريدة الرسمية وقدموا مستنداتهم في الميعاد المذكور إلا إذا استوفى هؤلاء الدائنون ديونهم الحالة أو حصلوا على الضمانات الكافية للوفاء بديونهم الآجلة.

الباب الثالث
إدارة الشركة

أعضاء مجلس الإدارة

المادة (٢٦)

أ) يتولى إدارة الشركة مجلس إدارة حالي مؤلف من ستة أعضاء على ان يحتفظ بنفس الحقوق والالتزامات الحالية. يرتفع عدد أعضاء مجلس الإدارة الى سبعة أعضاء عند الإجتماع التالي للجمعية العمومية.

b) Members of the Board of Directors shall be elected for a three year renewable term. A corporate person who has appointed one or more members of the Board may replace them by others whether during the said period or on its expiry by sending a notice in writing to the Chairman. An elected member of the Board may be re-elected upon the expiry of his term of office, and this shall be considered to be a new nomination which requires satisfaction by such member of all the terms and conditions required to be satisfied by a person nominated for the Board membership for the first time as set out in Article (27) of these Articles. The term of office of the Board of Directors may be extended by Resolution of the Minister of Industry and Commerce for a period not exceeding six months at the request of the Board of Directors.

Article (27)
Qualifications of Membership of the Board of Directors

a) A member of the Board of Directors shall have the qualifications provided in Article (173) of the Law. However, members with expertise who are neither founders nor shareholders of the Company and who are appointed by the General Assembly pursuant to Article (30) of these Articles of Association shall be exempted from the provisions of Paragraph (c) of the said Article (173) of the Law with respect to ownership of qualifying shares.

   If a Board member forfeits any of the aforesaid conditions, he shall cease to be a member of the Board of Directors from the date of forfeiture, subject always to the provisions of the following Article.

b) Membership qualifying shares referred to in the preceding Article and Article (173) (c) of the Law shall be assigned as security for guaranteeing the proper performance by the member of his duties. Subject to Article (174) of the Law, the said shares shall be deposited with the Central Depository of the Bahrain Bourse within one month of the date of election or appointment of the member who shall not be entitled to make any disposition whatsoever in relation to it until the lapse of the member's term of office and until approval of the balance sheet for the last year during which he served as a member and in respect of which he is absolved of responsibility for his management.

   If membership qualifying shares are not deposited during the period specified in the preceding paragraph, the member shall forfeit his membership. Such membership shall also be forfeited, if the qualifying shares are diminished for any reason during the term of office and the shortfall is not made up within 30 days from the date of such shortfall.

Article (28)

The General Assembly shall elect the members of the Board through secret ballot by majority votes of those present.

ب) ينتخب أعضاء مجلس الإدارة لمدة ثلاث سنوات قابلة للتجديد. ويجوز للشخص المعنوي الذي عين عضوا أو أكثر في المجلس أن يستبدل من عينهم بغيرهم سواء كان ذلك أثناء المدة المذكورة أو في نهايتها وذلك من خلال إرسال إخطار مكتوب الى رئيس مجلس إدارة الشركة، كما يجوز إعادة انتخاب العضو المنتخب لدى انتهاء المدة التي انتخب لها ويعتبر ذلك ترشيحا جديدا يستلزم كافة الأحكام والشروط المطلوبة للعضوية لأول مرة والمنصوص عنها في المادة (٢٧) من هذا النظام الأساسي. ويجوز بقرار من وزير الصناعة والتجارة مد مدة عضوية مجلس الإدارة بما لا يزيد على ستة شهور بناء على طلب المجلس.

المادة (٢٧)

شروط العضوية في مجلس الإدارة

أ- يجب أن تتوافر في عضو مجلس الإدارة الشروط المنصوص عنها في المادة (١٧٣) من القانون على أن يستثنى من متطلبات الفقرة (ج) من المادة المذكورة المتعلقة بملكية أسهم نصاب العضوية في مجلس الإدارة الأعضاء الذين قد تعينهم الجمعية العامة بموجب المادة (٣٠) من النظام الأساسي من ذوي الخبرة في مجلس الإدارة من غير المؤسسين أو المساهمين في الشركة.

وإذا فقد عضو مجلس الإدارة أيا من الشروط المتقدمة زالت عنه صفة العضوية من تاريخ فقدان ذلك الشرط مع مراعاة ما نصت عليه المادة التالية.

ب- تخصص أسهم نصاب العضوية المشار إليها في المادة السابقة والمادة ١٧٣(ج) من القانون لضمان حسن إدارة العضو، ويجب إيداعها لدى مركز الإيداع في بورصة البحرين خلال شهر واحد من تاريخ انتخابه أو تعيينه مع مراعاة المادة (١٧٤) من القانون، ويمتنع على العضو التصرف فيها بأي وجه من الوجوه طوال مدة عضويته وإلى أن تتم المصادقة على ميزانية آخر سنة مالية قام فيها العضو بأعماله وتم إبراء ذمته.

وإذا لم تودع أسهم نصاب العضوية خلال المدة المحددة بالفقرة السابقة زالت عن العضو صفة العضوية وتزول هذه الصفة كذلك إذا نقصت أسهم نصاب العضوية لأي سبب من الأسباب خلال مدة العضوية ولم تستكمل خلال ٣٠ يوما من تاريخ النقص.

المادة (٢٨)

تنتخب الجمعية العامة أعضاء مجلس الإدارة بالتصويت السري ويتم اختيارهم بأغلبية أصوات الأعضاء الحاضرين الصحيحة.

Article (29)

Any member who owns 10% or more of the capital, shall appoint a member to represent him on the Board in the same percentage of the number of members of the Board and his right to vote shall be forfeited in respect with the percentage for which his appointment is made. If he has a percentage that does not entitle him to appoint another member, he may use the same percentage in voting.

Article (30)

The General Assembly may appoint a number of members who have specific experience on the Board other than the promoters and shareholders of the Company.

TERMINATION OF MEMBERSHIP

Article (31)

A director's membership of the Board of Directors terminates in the following events:

a) If he was appointed or elected contrary to the provisions of Law or Articles of Association.
b) If he loses any of the qualifying conditions referred to in Article (27) above or in Articles (173) and (174) of the Law.
c) If he misuses his position as director in carrying on business that is competitive to that of the Company or if he causes actual damage to it.
d) If he fails to attend four consecutive meetings of the Board without lawful excuse notified in writing to the Board, and the Board shall resolve on this matter as it may deem fit.
e) If he resigns or withdraws from his office, provided the foregoing shall be done in an opportune time, otherwise he shall be liable to pay damages to the Company.

Article (32)

a) The General Assembly may terminate the membership of all Board members or any of them.
b) Shareholders, representing at least ten percent (10%) of the paid-up capital, may request in writing to remove all or any of the members of the Board of Directors provided that the request is submitted in writing to the Board of Directors of the Company who shall submit the request to the General Assembly within no more than one month from the date it is submitted. If the Board fails to submit such request to the General Assembly as aforesaid, the Ministry of Industry and Commerce may in this case call the General Assembly to convene for the purpose of discussing this request.
c) The General Assembly may not debate the removal request of all or any members of the Board if it is not listed on its agenda, unless serious developments take place during the meeting requiring such removal.
d) The member removed by the General Assembly may claim compensation from the Company if such removal is not justified or was made at an inappropriate time.

المادة (٢٩)

على كل من يملك ١٠٪ أو أكثر من رأس المال تعيين من يمثله في مجلس الإدارة بنفس تلك النسبة من عدد أعضاء المجلس، ويسقط حقه في التصويت في النسبة التي يتم التعيين عنها. فإذا بقى له نسبة لا تؤهله لتعيين عضو آخر يجوز له استخدام تلك النسبة في التصويت.

المادة (٣٠)

يجوز للجمعية العامة أن تعين عددا من الأعضاء من ذوي الخبرة في مجلس الإدارة من غير المؤسسين أو المساهمين في الشركة.

انتهاء العضوية في المجلس

المادة (٣١)

تنتهي العضوية في المجلس في الحالات التالية:

أ) إذا تم تعيينه أو انتخابه بخلاف أحكام القانون والنظام الأساسي.
ب) إذا فقد أيا من الشروط الواردة الإشارة إليها في المادة (٢٧) أعلاه من النظام الأساسي وكذلك المنصوص عليها في المادتين (١٧٣) و(١٧٤) من القانون.
ج) إذا أساء استعمال عضويته للقيام بأعمال منافسة للشركة أو ألحق ضررا فعليا بها.
د) إذا تخلف عن حضور اربع جلسات متتالية دون عذر مشروع يبلغ مجلس الإدارة به خطيا ويقرر المجلس بشأنه ما يراه مناسبا في حينه.
هـ) إذا استقال من منصبه بشرط أن يكون ذلك في وقت مناسب وإلا التزم بتعويض الشركة.

المادة (٣٢)

أ) يجوز للجمعية العامة أن تنهي عضوية جميع أعضاء مجلس الإدارة أو أي منهم.
ب) يجوز لمساهمين يمثلون ما لا يقل عن عشرة في المائة (١٠٪) من رأس المال المدفوع للشركة أن يطلبوا كتابيا عزل كل أو أي من أعضاء مجلس الإدارة على أن يقدم ذلك الطلب كتابيا إلى مجلس إدارة الشركة الذي يقوم بدوره بعرض هذا الطلب على الجمعية العامة في مدة لا تزيد عن شهر واحد من تاريخ تقديمه. وفي حالة عدم قيام مجلس الإدارة بعرض الطلب على الجمعية العامة كما سبق ذكره فيجوز في هذه الحالة أن تدعو وزارة التجارة والصناعة الجمعية العامة للانعقاد لغرض بحث هذا الطلب.
ج) لا يجوز للجمعية العامة النظر في طلب عزل كل أو بعض أعضاء مجلس الإدارة ما لم يدرج هذا الطلب مسبقا في جدول الأعمال، وذلك ما لم تظهر خلال الاجتماع وقائع خطيرة تقتضي العزل.
د) يجوز لعضو مجلس الإدارة المعزول من قبل الجمعية العامة نتيجة لما سبق ذكره مطالبة الشركة بالتعويض إذا كان العزل بغير سبب مقبول وفي أي وقت غير مناسب.

Article (33)

a) If the position of one of the members of the Board of Directors becomes vacant, he shall be replaced by the member who has obtained the next highest number of votes in the last election of the Board. The new member shall complete the unexpired term of his predecessor. In other than this case, the Board of Directors shall elect, by secret ballot, a member to replace him from among the candidates, after being recommended by at least two members of the Board of Directors until the next meeting of the General Assembly.

b) If the vacant offices are equal to one quarter (25%) of the original offices, the Board of Directors shall invite the General Assembly to convene within two months from the date of the last office becoming vacant to fill them.

c) If vacant offices exceed more than half the number of the members of the Board of Directors, the Board shall be deemed to be dissolved, and a call shall be sent out to elect a new Board of Directors for the Company.

Article (34)

a) The Board member may give a proxy to another person to attend the meetings of the Board of Directors on his behalf, provided that such member is a Board member or a representative of the corporate entity which he represents as principle. Proxy may not be given to more than two members, provided that the number of members present in person shall not be less one half of the members of the Board including the chairman. The proxy shall be personal and in writing and shall be sent to the Board of Directors at least three days before the meeting. The alternate member may receive notices of meetings of the Board of Directors, attend and vote in the Board as a Board member in the absence of the member who appointed him. The alternate member shall have the right to vote separately on behalf of the member he represents in addition to his own vote. The Board member may revoke the appointment of the alternate member who he has appointed at any time in writing.

b) The number of Board members represented by alternate members may not exceed two in any meeting. The Board of Directors shall look into the appointment of alternate members as per the sequence in which the requests are received. The alternate members shall be appointed in writing and shall be sent to the Board of Directors at least three days before the concerned meeting is convened.

MEETINGS OF THE BOARD OF DIRECTORS

Article (35)

a) The Board of Directors shall meet at the summons of its Chairman or his Deputy (in event of his absence or disability) or if requested to do so by at least two directors. A meeting of the Board of Directors shall be valid if attended by not less than half of the directors.

المادة (٣٣)

أ) في حالة خلو منصب عضو مجلس الإدارة، يحل محله العضو التالي في عدد الأصوات في آخر انتخاب للمجلس، وتكون مدة العضو الجديد مكملة لمدة سلفه، وفي غير هذه الحالة ينتخب المجلس باقتراع سري من يحل محله من بين عدد من المرشحين يزكيهم عضوان من أعضاء المجلس على الأقل حتى أول انعقاد للجمعية العامة.

ب) أما إذا بلغت المراكز الشاغرة ربع المراكز الأصلية فإنه يتعين على مجلس الإدارة دعوة الجمعية العامة العادية للاجتماع خلال شهرين من تاريخ شغر آخر مركز لتنتخب من يملأ المراكز الشاغرة.

ج) وفي حالة تجاوز المراكز الشاغرة لأكثر من نصف عدد أعضاء مجلس الإدارة يعتبر المجلس قد انحل، ويدعى إلى انتخابات لمجلس إدارة جديد للشركة.

المادة (٣٤)

أ) يجوز لعضو مجلس الإدارة أن ينيب عنه غيره في حضور اجتماعات مجلس الإدارة، بشرط أن يكون من أعضاء المجلس أو ممثلًا للشخص المعنوي العام الذي يمثله العضو الأصيل، وأن لا يتجاوز عدد الأعضاء المنابين عن عضوين، وأن لا يقل عدد الأعضاء الحاضرين عن أنفسهم عن نصف أعضاء مجلس الإدارة ومن بينهم رئيس المجلس، ويجب أن تكون هذه الإنابة خاصة وثابتة بالكتابة وأن ترسل لمجلس الإدارة قبل عقد الجلسة بثلاثة أيام على الأقل. ويحق لهذا العضو البديل استلام إشعار باجتماعات مجلس الإدارة والحضور والتصويت في هذا المجلس كعضو لمجلس الإدارة في حالة غياب العضو الذي قام بتعيينه. ويكون لهذا العضو البديل الحق بالإدلاء بصوت منفصل نيابة عن العضو الذي يمثله وذلك بالإضافة إلى الصوت الخاص به. ويجوز لعضو مجلس الإدارة أن يلغي تعيين العضو البديل الذي قام بتعيينه كتابيا في أي وقت.

ب) لا يجوز أن يزيد عدد أعضاء مجلس الإدارة الذين يمثلهم أعضاء منابين في أي اجتماع للمجلس عن عضوين وينظر مجلس الإدارة في طلب تعيين الأعضاء المنابين في ترتيب استلام الطلبات. ويتم تعيين الأعضاء المنابين كتابيا ويرسل سند التعيين إلى مجلس الإدارة قبل انعقاد الاجتماع المختص بثلاثة أيام على الأقل.

اجتماعات مجلس الإدارة

المادة (٣٥)

أ) يجتمع مجلس الإدارة بدعوة من رئيس المجلس أو نائبه (عند غيابه أو قيام مانع به) أو من عضوين على الأقل، ويعتبر اجتماع المجلس صحيحا إذا ما تم حضوره من قبل ما لا يقل عن نصف عدد الأعضاء.

b) The Board may adopt resolutions by correspondence, including post, electronic mail or fax correspondence or conference telephone calls, or telephone with a view or video or any other means of communication with view and sound, provided that in order for resolutions taken in this manner to be valid, they shall be approved by all the members and recorded in the minutes of the following Board meeting. Any member to whom a proposed resolution is sent (to him wherever he is located) and who fails to respond within three working days following the date on which the proposed resolution is sent to him shall be considered to have approved the resolution. Resolutions of the Board of Directors shall be adopted by a simple majority vote of the directors present in person or by proxy. In case of a tie, the Chairman or in his absence his deputy the person deputising for him shall have a casting vote. A dissenting member of the Board shall record his dissent in the Minutes.

c) A Director is prohibited from voting on any contract or arrangement or any other proposal in which he has a direct or indirect interest.

d) The Board of Directors shall meet at least four times in every financial year.

Article (36)

Minutes of the meetings of the Board of Directors shall be entered on a regular basis following the end of each meeting in a Special Register and shall be signed by the Chairman and members present as well as the Secretary at the Meeting. In the Minutes there shall be recorded the names of directors present and those who are absent and the justification for absence, if any, of the absent members. The Minutes shall also include the names of persons who are not members whose presence in the meeting is required by the Law stating the names of those who attended the meeting and those who were absent. A record in the Minutes shall also be made of non-members who attended the meeting or any part of it.

The Minutes shall embody a detailed summary of the deliberations of the Board covering every event that took place at the meeting and any matter that the members had required to be recorded in the Minutes.

A member who objects to any resolution adopted by the Board shall have his objection recorded in the Minutes. Those members who sign the Minutes of any meeting shall be jointly answerable for the accuracy of the details contained therein.

ب) يجوز للمجلس اتخاذ قرارات بالمراسلة بريديا أو إلكترونيا أو بالفاكس أو بالمحادثات الهاتفية الجماعية أو بالهاتف المرئي أو الفيديو أو أية وسيلة اتصال أخرى مرئية ومسموعة ويشترط لصحة القرار في أي من هذه الحالات موافقة جميع الأعضاء عليه ويجب أن يثبت القرار في محضر أول اجتماع تال للمجلس. ويعتبر أي عضو يرسل إليه مشروع القرار في مكان تواجده ويتخلف عن الرد عليه خلال أيام العمل الثلاثة التالية لتاريخ إرسال مشروع القرار إليه بأنه موافق على المشروع. تتخذ قرارات المجلس بأغلبية أصوات الأعضاء الحاضرين أصالة أو وكالة، وفي حالة تعادل الأصوات يرجح الجانب الذي منه الرئيس أو من يقوم مقامه. وعلى العضو المعارض أن يثبت اعتراضه في محضر الاجتماع.

ج) يمتنع على أي عضو مجلس إدارة التصويت على أي عقد وأعمال يكون له فيها مصلحة شخصية مباشرة أو غير مباشرة.

د) يجب أن يجتمع مجلس الإدارة أربع مرات على الأقل خلال السنة المالية الواحدة للشركة.

المادة (٣٦)

يجب أن تدون محاضر اجتماعات مجلس الإدارة بصفة منتظمة عقب كل جلسة في سجل خاص، وتوقع هذه المحاضر من الرئيس والأعضاء الذين حضروا الجلسة وأمين سر المجلس، ويثبت في محضر كل جلسة أسماء من حضر ومن لم يحضر من أعضاء المجلس مع بيان أعذار من لم يحضر في حالة وجودها، كما يثبت فيه أسماء الأشخاص من غير أعضاء المجلس الذي قد يتطلب القانون حضورهم مع بيان حضورهم أو غيابهم، كذلك أسماء جميع من حضر من غير الأعضاء الجلسة كلها أو جزء منها.

كما يثبت بالمحضر خلاصة وافية لجميع مناقشات المجلس وبكل ما يحدث أثناء الاجتماع وكل ما يطلب الأعضاء إثباته في المحضر.

ويثبت العضو المعترض على أي قرار يتم اتخاذه من قبل المجلس اعتراضه في المحضر. ويكون الموقعون على محاضر الجلسات مسئولين عن صحة البيانات الواردة في السجل.

ANNUAL REPORT

Article (37)

The Board of Directors shall prepare in respect of each financial year within the period that may permit for convening the Annual General Meeting of Shareholders and within a maximum of three months from the end of each financial year, a report on the activities of the Company during the financial year and its financial situation, the balance sheet of the Company and a profit and loss statement. The Chairman of the Board of Directors and one of the Directors shall sign the Report and the Balance Sheet and the Profit and Loss Statement. A copy of the said Report attached to said documents shall be sent to the Directorate of Company Affairs at the Ministry of Industry and Commerce not later than ten (10) calendar days after it has been signed.

Article (38)

The Board of Directors shall in particular have the power to establish the necessary regulations for the organization of work and management of the Company's business, appoint the Manager or Managers, officers or employees and to remove them, determine their duties and fix their salaries. The Board of Directors is empowered to form an Executive, Audit and other Committees, appoint their members and specify their powers. The Board of Directors is empowered to purchase, sell and mortgage movables, immovable properties and all rights and privileges to rent, lease, transfer and sell, withdraw funds and securities owned by the Company, borrow funds apply for finance for a tenor exceeding three years, issue sukuk, securities, give guarantees to third parties, give authorization to institute all actions and defend the interests of the Company before the judiciary whether as plaintiff or defendant, enter into agreements for gift, conciliation, arbitration and receipt and release and waive the Company's priority rights whether for consideration or otherwise and to decide on the manner of utilising Company's funds.

Article (39)

a) Subject to provisions of the Law, the Company shall be represented in its relations with third parties by the Chairman of the Board of Directors or his Deputy (in his absence or disability). The signature of any either of them on behalf of the Company shall be binding in all matters and things concerned with the administration of the Company in the normal course of business, within the objects specified therefore and according to the provisions of the laws in force, the Company's Articles of Association and resolutions and recommendations of the Board of Directors.

b) The Board of Directors may by resolution and within the limits of authority decided by it, appoint one or more of its members or any other person to sign on behalf of the Company severally or jointly with others, including the Chairman or his Deputy pursuant to the preceding Paragraph (a) hereinabove or the Chief Executive Officer or the Managing Director appointed pursuant to Article (38) of these Articles of Association.

التقرير السنوي

المادة (٣٧)

يجب على مجلس الإدارة أن يعد في كل سنة مالية وفي موعد يسمح بعقد الجمعية العامة للمساهمين وذلك خلال ثلاث شهور على الأكثر من تاريخ انتهائها تقريرا عن نشاطات الشركة خلال السنة المالية وعن مركزها المالي وميزانيتها العمومية وحساب الأرباح والخسائر الخاص بها ويوقع كل من رئيس مجلس الإدارة وأحد أعضاء المجلس التقرير والميزانية العمومية وحساب الأرباح والخسائر. وترسل نسخة من التقرير المذكور مع الوثائق المرفقة إلى إدارة شئون الشركات في وزارة الصناعة والتجارة خلال مدة لا تتجاوز عشرة (١٠) أيام من تاريخ توقيعها.

المادة (٣٨)

لمجلس الإدارة بوجه خاص وضع اللوائح اللازمة لترتيب العمل وإدارة أعمال الشركة وتعيين المدير أو المديرين أو رؤساء العمل أو الموظفين وإقالتهم وتحديد عمل كل منهم ومرتباتهم. وله الحق في تشكيل اللجنة التنفيذية ولجنة التدقيق وغيرهما من اللجان وتعيين أعضائها وتحديد صلاحياتها، وفي شراء وبيع ورهن المنقولات والعقارات وجميع الحقوق والامتيازات منقولة أو ثابتة والاستئجار والتأجير، وسحب الأموال والأوراق المالية المملوكة للشركة وتحويلها وبيعها، واقتراض الأموال وطلب التمويل لمدد تتجاوز ثلاث سنوات وإصدار الصكوك والسندات وتقرير كفالات لصالح الغير والتصريح برفع كل دعوى والدفاع عن مصلحة الشركة أمام القضاء سواء كانت مدعية أو مدعى عليها وإبرام عقود الهبة والصلح والتحكيم والإبراء والتنازل عن حقوق الامتياز سواء كان التنازل بمقابل أو بغير مقابل وتقرير كيفية استعمال أموال الشركة.

المادة (٣٩)

أ) يمثل الشركة كل من رئيس مجلس الإدارة أو نائب الرئيس (عند غيابه أو قيام مانع به) فيما يتعلق في علاقة الشركة بالغير ويكون توقيع كل منهم نيابة عن الشركة ملزما في كل القضايا والأمور المتعلقة بإدارة الشركة لغايات تسيير أعمالها ضمن الأغراض المحددة لها وتبعا لأحكام القوانين المرعية والنظام الأساسي للشركة وقرارات وتوصيات مجلس الإدارة.

ب) يجوز لمجلس الإدارة أن يخول بقرار منه وفي الحدود التي يرسمها أي شخص أو أكثر من بين أعضاء المجلس أو من غيرهم صلاحية التوقيع نيابة عن الشركة وباسمها منفردا أو مجتمعا مع آخرين بمن فيهم رئيس المجلس أو نائبه تبعا للفقرة (أ) أعلاه أو الرئيس التنفيذي أو عضو مجلس الإدارة المنتدب تبعا للمادة (٣٨) أعلاه من هذا النظام الأساسي.

POWERS OF THE BOARD OF DIRECTORS

Article (40)

The Board of Directors may exercise all the powers and do all the acts necessary for the management of the Company in conformity with its objects, save to the extent permitted limited by the Law, these Articles of Association and the resolutions of the General Meeting.

Article (41)

The Chairman and the other members of the Board of Directors shall be liable to the Company, the shareholders and third parties for acts involving betrayal of trust, misuse of power, violation of the law or breach of Company's Memorandum of Association or these Articles of Association and for any mismanagement of the Company.

Article (42)

a) The liability referred to in the preceding article shall be either personal relating to a specific member or joint for all members of the Board of Directors. In the latter case, the members shall be jointly liable for paying compensation unless some of them have objected in writing to the decision causing the liability.

b) The absence of a Board member from the meeting in which the resolution was passed shall not be a reason for exemption from liability, unless he proves his lack of knowledge of the resolution or that he had knowledge of it but was unable to object to it, or if he records his objection at the nearest possible time but not later than the meeting in which the resolution is recited.

c) Action of liability against a Board member shall be time-barred after the expiry of five years from the date of the meeting of the General Assembly at which the Board of Directors reported on its management.

Article (43)

a) It shall be the right of the shareholder to file an action of liability against the members of the Board of Directors due to a wrongdoing causing damages to his rights in the Company. A resolution must be passed by the General Assembly instituting legal action according to the foregoing, which shall be handled by the Chairman of the Board of Directors.

b) If the Chairman himself was involved in the wrongdoing, the General Assembly shall appoint another member from the Board to prosecute the case.

c) If the case is instituted against all members of the Board, the General Assembly shall appoint a person that is not a Board member to represent it in instituting the case on its behalf.

d) In case of bankruptcy of the Company, instituting the said action shall be the right of the bankruptcy receiver, and if the Company is in the process of liquidation, the liquidator shall institute the legal action after obtaining the General Assembly's consent.

صلاحيات أعضاء مجلس الإدارة

المادة (٤٠)

يكون لمجلس الإدارة الصلاحية التامة وله أن يزاول جميع الأعمال التي تقتضيها إدارة الشركة وفقا لأغراضها، ولا يحد من هذه السلطة إلا ما نص عليه القانون أو هذا النظام أو قرارات الجمعية العامة.

المادة (٤١)

رئيس مجلس الإدارة وأعضاؤه مسئولين تجاه الشركة والمساهمين والغير عن جميع أعمال الغش وإساءة استعمال السلطة وعن كل مخالفة للقانون أو عقد تأسيس الشركة أو لهذا النظام الأساسي وعن الخطأ في إدارة الشركة.

المادة (٤٢)

أ) تعتبر المسئولية المشار إليها في المادة السابقة إما مسئولية شخصية تلحق عضواً بالذات وإما مشتركة فيما بين أعضاء مجلس الإدارة وفي هذه الحالة الأخيرة يكون الأعضاء مسئولين جميعاً على وجه التضامن بأداء التعويضات، ولا يعفى من المسئولية المذكورة أي عضو أو أعضاء في مجلس الإدارة إلا إذا ثبتت معارضتهم للقرار موضوع الخطأ.

ب) ولا يعفى عضو مجلس الإدارة من المسئولية في حالة غيابه عن الجلسة التي اتخذ فيها القرار إلا إذا ثبت عدم علمه بالقرار أو أنه علم بالقرار ولم يتمكن من معارضته أو أنه قد سجل اعتراضه في أقرب فرصة بحيث لم يتأخر من إبدائه في جلسة المجلس التي تلت اتخاذ القرار.

ج) ويسقط الحق في اتخاذ أي إجراء قانوني بمسئولية عضو مجلس الإدارة بموجب المادة السابقة بعد مرور خمس سنوات من تاريخ اجتماع الجمعية العامة التي أدى فيها مجلس الإدارة حساباً عن إدارته.

المادة (٤٣)

أ) لكل مساهم الحق في اتخاذ إجراءات قانونية ضد أعضاء مجلس الإدارة أو أي منهم فيما يتعلق بارتكاب أي خطأ يضر بحقوقه في الشركة. وتتم الموافقة على أي قرار باتخاذ إجراءات قانونية وفقا لما ذكر من قبل الجمعية العامة التي يجب عليها تكليف رئيس مجلس الإدارة للقيام بالإجراءات القانونية.

ب) وإذا كان رئيس مجلس الإدارة نفسه متورطا في الخطأ فإن على الجمعية العامة أن تكلف غيره من أعضاء المجلس ممن لا تقع عليهم المسئولية لاتخاذ الإجراءات القانونية.

ج) أما في حالة الادعاء بأن جميع أعضاء مجلس الإدارة متورطين في الخطأ فيجب على الجمعية العامة أن تعين شخصا من غير أعضاء مجلس الإدارة لاتخاذ الإجراءات القانونية نيابة عنها.

د) في حال إفلاس الشركة يكون رفع الدعوى من حق أمين التفليسة، أما إذا كانت الشركة في قيد التصفية فيجوز للمصفي اتخاذ الإجراءات القانونية ومتابعة الدعوى بعد حصوله على موافقة الجمعية العامة.

Article (44)

The Board of Directors shall specify the remuneration of the members of the Board of Directors (including the proxy/alternate members) provided that the total of such remuneration shall not exceed ten percent (10%) of the net profit of any financial year after deduction of all legal reserve funds and after distribution of profits of not less than five per cent (5%) of the paid up capital to the shareholders.

Article (45)

A member of the Board of Directors shall notify the Board of his personal interest, either direct or indirect, in any existing transactions or contracts or those proposed to be concluded for the Company's account, and such declaration shall be recorded in the minutes of the meeting. The interested party may not participate in deliberations or voting on resolutions passed in this respect. If he votes, his vote shall not be counted. However, the interested member may be counted for the purpose of the required quorum for the meeting.

GENERAL PROVISIONS
General Meetings

Article (46)

Types of General Meetings

General Meetings of Shareholders are two:

1. Ordinary General Meeting.
2. Extraordinary General Meeting.

Article (47)

General Provisions Applicable to General Meetings

1. Application:

These provisions apply to General Meetings of Shareholders whether they are Ordinary or Extraordinary and shall be complementary to the provisions provided in these Articles of Association in respect of each of the two types of General Meetings.

2. Convening General Meetings:

a) Persons and authorities who have the right to convene General Meetings shall invite every person who is legally entitled to attend them, provided those given notice to attend shall include the representatives from Ministry of Industry & Commerce and the Auditors.

b) Notice to attend the General Meetings shall be published at least 15 days prior to the date fixed for the meeting in at least two daily newspapers published in Arabic language, one of which shall be local.

c) Copies of the notice shall be sent to the Ministry of Industry and Commerce at least 10 days before the date set for the meeting.

3. Details of the Notice:

Notice of convening the General Meetings shall include in particular the following details:

a) Name of the Company and address of its Principal Office.

b) Commercial Registration Number of the Company.

c) Date, time and place of the Meeting.

d) Type of Meeting.

المادة (٤٤)

تحدد الجمعية العامة مكافآت أعضاء مجلس الإدارة (بما في ذلك الأعضاء البديلين) على أن لا يزيد مجموع هذه المكافآت عن عشرة في المائة (١٠٪) من صافي الأرباح في أية سنة مالية بعد استقطاع الاحتياطيات القانونية وبعد توزيع ربح لا يقل عن خمسة في المائة (٥٪) من رأس مال الشركة المدفوع على المساهمين.

المادة (٤٥)

على عضو مجلس الإدارة أن يصرح للمجلس بأية مصلحة خاصة له بصورة مباشرة أو غير مباشرة في أية صفقة أو عقد سواء كانت قائمة أو مقترحا إجراؤها لحساب الشركة. ويجب أن يدون ذلك التصريح في محضر جلسة المجلس. ولا يجوز للعضو صاحب المصلحة أن يشترك في النقاش أو التصويت على القرار المتعلق بالموضوع الذي له مصلحة خاصة فيه، وإذا قام بالتصويت فإن صوته لا يعد. ولكن يجوز احتساب العضو صاحب المصلحة الخاصة لغرض توافر النصاب القانوني للجلسة.

أحكام عامة
الجمعيات العامة

المادة (٤٦)

أنواع الجمعيات العامة

الجمعيات العامة للمساهمين اثنتان:

١) الجمعية العامة العادية.
٢) الجمعية العامة غير العادية.

المادة (٤٧)

أحكام عامة بشأن الجمعيات العامة

١- انطباقها:

تنطبق هذه الأحكام على الجمعيات العامة للمساهمين سواء كانت عادية أو غير عادية وتعتبر مكملة للأحكام الواردة في هذا النظام الأساسي بالنسبة لكل نوع من نوعي الجمعيات العامة.

٢- الدعوة إلى انعقاد الجمعيات العامة:

أ. على الأشخاص والجهات الذين لهم الحق في دعوة الجمعية العامة للانعقاد أن يوجهوا هذه الدعوة إلى من له حق حضور الجمعية قانونا على أن يكون من بينهم ممثل عن وزارة الصناعة والتجارة ومدققي الحسابات.

ب. يجب أن يتم الإعلان عن دعوة المساهمين للجمعية العامة قبل الموعد المحدد للانعقاد بخمسة عشر يوما على الأقل في جريدتين يوميتين على الأقل تصدران باللغة العربية على أن تكون إحداهما محلية.

ج. وترسل صورة من أوراق الدعوة إلى وزارة الصناعة والتجارة قبل موعد اجتماع الجمعية العامة بعشرة أيام على الأقل.

٣- بيانات الدعوة:

يجب أن تتضمن الدعوة لاجتماع الجمعية العامة على الأخص البيانات الآتية:

أ- اسم الشركة وعنوانها ومركزها الرئيسي.
ب- رقم قيدها بالسجل التجاري.
ج- تاريخ وساعة انعقاد الجمعية ومكانه.
د- بيان نوع الجمعية.

e) Agenda for the Meeting.
f) Date, time and place of the Second and Third Meetings in the event that the Meeting is not quorate on the first and the second date fixed for it.

4. **The Agenda:**

The Board of Directors shall prepare the agenda for the Ordinary or Extraordinary General Meetings. In a case where the General Meeting is summoned by the shareholders or at the request of the Auditors or by directive from the Ministry of Industry and Commerce, the agenda shall be prepared by those who summoned the meeting. No issues other than those stated on the agenda shall be debated, subject to provisions of Article (207) of the Law in this respect.

5. **Attendance, Representation and Proxy:**

Pursuant to the provisions of Article (203) of the Law, a shareholder who is a corporate entity may appoint a representative to attend a General Meeting and to vote thereat on its behalf. The said shareholder will be deemed to be attending the Meeting and acting thereat through its representative. If the shareholder is a natural person and is unable to attend the Meeting, he may appoint another shareholder or a third party to act as his proxy, provided that such proxy shall not be the Chairman, a member of the Board of Directors or an employee of the Company, without prejudice to the right to give proxy to relatives of the first degree nor to the eligibility of the representatives of minors and persons lacking legal capacity to attend the Meeting on their behalf.

A proxy of a natural person appointed in said manner shall not represent in such capacity at a General Meeting a number of votes exceeding five (5) per cent of the issued share capital.

The Company shall provide special cards evidencing the number of shares owned by a shareholder and the shares in relation to which he attends as representative or proxy of other shareholders. Delegation to the representatives' power of attorney and proxy instruments shall be issued and the representation capacity shall be provided to the Company at least 24 hours prior to the date of the General Meeting. No member shall participate in voting whether on his own behalf or on behalf of those whom he represents or for whom he is acting as proxy on issues in which he has a personal interest or in respect of a standing dispute between him and the Company.

6. **Chairmanship of the Meetings:**

General Meetings shall be presided over by the Chairman of the Board, his Deputy or any other person appointed by resolution of the Board or the General Meeting for this purpose.

هـ- جدول الأعمال.
و- بيان تاريخ وساعة الانعقاد الثاني أو الثالث في حالة عدم توافر النصاب في التاريخ المحدد للاجتماع الأول والثاني.

٤- **جدول الأعمال:**

يضع مجلس الإدارة جدول أعمال الجمعية العامة المنعقدة بصفة عادية أو غير عادية. وفي الأحوال التي يجوز فيها عقد الجمعية العامة بناء على طلب المساهمين أو مدققي الحسابات أو وزارة الصناعة والتجارة، يضع جدول الأعمال من طلب انعقاد الجمعية، ولا يجوز بحث أية مسألة غير مدرجة في جدول الأعمال إلا بمراعاة أحكام المادة (٢٠٧) من القانون.

٥- **الحضور والتمثيل والإنابة:**

بموجب أحكام المادة (٢٠٣) من القانون يجوز للمساهم إذا كان شخصا اعتباريا أن يعين ممثلا له لحضور اجتماع الجمعية العامة والتصويت فيه نيابة عنه ويعتبر ذلك الشخص حاضرا في الاجتماع ويتصرف من خلال شخص ممثله. إذا كان المساهم شخصا طبيعيا ولم يكن بإمكانه حضور الاجتماع فله أن يوكل غيره من المساهمين أو من غيرهم في الحضور نيابة عنه على أن يكون الوكيل المناب عن الشخص الطبيعي على هذا النحو من غير رئيس وأعضاء مجلس إدارة الشركة أو موظفيها ولا يخل ذلك بحق التوكيل للأقارب من الدرجة الأولى ولا بأهلية النائبين قانونا عن ناقصي الأهلية وفاقديها في حضور الاجتماعات نيابة عنهم.

كما لا يجوز للوكيل المناب عن الشخص الطبيعي على نحو ما ورد أعلاه أن يمثل بهذه الصفة في اجتماع الجمعية العامة عددا من الأصوات يجاوز ٥٪ من رأس المال الصادر.

على الشركة أن تعد بطاقات خاصة بعدد الأسهم التي يملكها المساهم والأسهم التي يحضر فيها كممثل أو وكيل مناب من قبل مساهمين آخرين. ويجب إجراء التفويضات للممثلين والوكالات والإنابات لمن لهم صفة النيابة لدى الشركة قبل اجتماع الجمعية العامة بأربع وعشرين ساعة على الأقل. ولا يجوز لأي عضو أن يشترك في التصويت عن نفسه أو عمن يمثله أو من ينوب عنه في المسائل التي تتعلق بمنفعة خاصة مباشرة له أو بخلاف قائم بينه وبين الشركة.

٦- **رئاسة الجلسات:**

يترأس اجتماعات الجمعية العامة رئيس مجلس الإدارة أو نائبه أو أي شخص آخر يعين بقرار من مجلس الإدارة أو من الجمعية العامة.

7. Attendance Record:

a) Shareholders shall enter their names in a special register to be prepared at the Principal Office of the Company at least 24 hours before the time fixed for holding the Ordinary or Extraordinary General Meeting. The said register shall include the names of shareholders, the number of shares owned by them, and the number of shares they represent and the names of the owners of the said shares and the documents evidencing their appointment and proxies. The shareholder shall be given an attendance card where the number of votes to which he is entitled as a principal or proxy shall be indicated.

b) The Chairman shall at the beginning of the Meeting nominate vote checkers who shall be appointed with the approval resolution of the General Meeting. Vote checkers may be appointed from non-shareholders. The Chairman shall ask the Auditors and vote checkers to determine the percentage of attendance of shareholders and to enter such percentage in the special register which shall be signed by them and declared by the Chairman.

8. Minutes of Meetings:

a) The Chairman of the General Meeting shall appoint from among the shareholders or third parties a Secretary who shall draw up minutes of the General Meeting in which there shall be entered the number of shares represented at the Meeting whether by the shareholder in person or by proxy, and the percentage thereof to the total issued and paid up capital. The Minutes shall also contain a full summary of all issues discussed at the General Meeting and resolutions adopted thereat as well as the number of votes cast for or against such resolutions. The Minutes shall be attached a list of the names of shareholders attending the Meeting and the number of shares they represent by the shareholder in person or by proxy.

b) The minutes shall be co-signed by the Chairman of the meeting and the Secretary appointed to draw up the minutes. The certified original copy of the minutes shall be taken as evidence of the details contained therein and as a source for producing true copies thereof by the Company.

ORDINARY GENERAL MEETING

Article (48)

Convening:

a) An Ordinary General Meeting shall be summoned by the Chairman of the Board of Directors at the time and place as decided by the Board of Directors, subject to provisions of the Law in this respect. The Ordinary General Meeting shall meet at least once in every financial year within three months following the end of the financial year of the Company. The Board of Directors may summon an Ordinary General Meeting at any time if requested to do so by the Auditors or a number of shareholders representing 10% of the capital of the Company provided that they shall have serious cause for such request.

٧- سجل الحضور:

أ- يسجل المساهمون أسماءهم في سجل خاص يعد لذلك في مركز الشركة قبل الموعد المحدد لانعقاد الجمعية العامة العادية أو غير العادية بأربع وعشرين ساعة على الأقل ويتضمن السجل أسماء المساهمين وعدد الأسهم التي يملكونها وعدد الأسهم التي يمثلونها وأسماء مالكيها مع تقديم سند التعيين أو الإنابة ويعطى المساهم بطاقة لحضور الاجتماع يذكر فيها عدد الأصوات التي يستحقها أصالة ووكالة.

ب- يرشح رئيس الجمعية في بداية الاجتماع أسماء جامعي أصوات المساهمين على أن تقرر الجمعية العامة تعيينهم ويجوز أن يكون جامعو الأصوات من غير المساهمين. ويطلب الرئيس من مدققي الحسابات وجامعي الأصوات تحديد نسبة حضور المساهمين وإثبات ذلك في السجل الخاص بذلك والتوقيع عليه ثم يعلنه الرئيس.

٨- محاضر الاجتماعات:

أ- على رئيس الجمعية العامة أن يعين من بين المساهمين أو من غيرهم أمين سر يتولى إعداد محضر بوقائع اجتماعات الجمعية العامة يثبت فيه عدد الأسهم الممثلة في الاجتماع أصالة أو وكالة ونسبتها إلى مجموع أسهم رأس المال الصادر والمدفوع ويحتوي المحضر كذلك على خلاصة وافية لجميع مناقشات الجمعية العامة والقرارات التي اتخذت فيها مع ذكر نصاب التصويت عليها ويرفق بالمحضر جدولا بأسماء الحاضرين للاجتماع وعدد الأسهم التي يمثلونها أصالة أو وكالة.

ب- يوقع المحضر رئيس الاجتماع وأمين السر المعين لإعداد المحضر، وتعتمد الصورة الأصلية الموقعة منها كبينة على ما ورد في المحضر وكأساس لصور طبق الأصل عن المحضر تصدر عن الشركة.

الجمعية العامة العادية

المادة (٤٨)

انعقادها:

أ- تنعقد الجمعية العامة العادية للمساهمين بدعوة من رئيس مجلس الإدارة في الزمان والمكان اللذين يعينهما مجلس الإدارة مع مراعاة أحكام القانون الخاصة بذلك، ويجب أن تعقد الجمعية مرة على الأقل في السنة وذلك خلال الشهور الثلاثة التالية لنهاية السنة المالية للشركة. ولمجلس الإدارة أن يقرر دعوة الجمعية العامة العادية إلى الانعقاد إذا طلب إليه ذلك مدقق الحسابات أو عدد من المساهمين يمثل ١٠٪ من رأسمال الشركة بشرط أن تكون لديهم أسباب جدية تبرر ذلك الطلب.

b) The Auditor must summon an Ordinary General Meeting in the cases provided in Article (218) (b) of the Law.
c) The Ministry of Industry and Commerce may summon an Ordinary General Meeting to convene on the lapse of one month following the date fixed for convening such meeting without a meeting being convened, or if the number of members of the Board of Directors falls below the required quorum for holding the Board's meetings, or at the request of a number of shareholders representing 10% of the capital of the Company provided that they shall have serious reasonable grounds justifying such request.
d) The Minister of Industry and Commerce may also by resolution summon the Ordinary General Meeting to convene whenever he deems that there are reasons requiring such action.

Article (49)

Quorum

An Ordinary General Meeting shall not be valid unless attended by shareholders having voting rights and representing more than one half of the shares of the Company. If the said quorum is not obtained, the Ordinary General Meeting shall be called to convene for a second Meeting with the same agenda to be held within a period of not less than seven days and not more than fifteen days from the date of the first Meeting. The second Meeting shall be valid if attended by shareholders having the right to vote and representing more than 30% of the Company's capital at least. The third Meeting shall be valid irrespective of the number of shareholders present. New notices of the second and third Meetings need not be sent, if their dates were fixed in the notice given in respect of the first Meeting, provided that notice shall be published to the effect that these two meetings were not held in at least two daily Arabic newspapers one of which shall be local.

Article (50)

Voting

a) Voting at the General Meeting shall be by show of hands or any manner approved by the General Meeting. Voting shall be by secret ballot if the resolution concerns the election or dismissal of a member of the Board of Directors or filing action against him or when the Chairman of the Board or a number of shareholders representing at least one tenth of the number of votes present at the Meeting request voting by secret ballot.
b) The members of the Board of Directors shall not vote on the general assembly's resolutions relating to the determination of their salaries and remuneration or to discharging them or exempting them from liability for their management.
c) The resolutions of the Ordinary General Meeting shall be valid if passed by the majority of Shares represented at the meeting.

ب- لمدقق الحسابات أن يدعو الجمعية العامة العادية للانعقاد في الأحوال المذكورة في المادة ٢١٨ (ب) من القانون.

ج- يجوز لوزارة الصناعة والتجارة أن تدعو الجمعية العامة إلى الانعقاد إذا انقضى شهر على الموعد المحدد لانعقادها دون أن تدعى إلى الانعقاد أو إذا نقص عدد أعضاء مجلس الإدارة عن الحد الأدنى اللازم لصحة انعقاده أو إذا طلب ذلك عدد من المساهمين يمثل ١٠٪ من رأس المال على الأقل بشرط أن يكون لديهم أسباب جدية تبرر الطلب.

د- يجوز لوزير الصناعة والتجارة أن يقرر دعوة الجمعية العامة إلى الانعقاد إذا ارتأى أن هناك أسبابا توجب ذلك.

المادة (٤٩)

نصاب صحة الاجتماعات

لا يكون انعقاد الجمعية العامة العادية صحيحا إلا إذا حضره مساهمون لهم حق التصويت يمثلون أكثر من نصف رأس المال، فإذا لم يتوافر هذا النصاب وجب دعوة الجمعية إلى اجتماع ثان لذات جدول الأعمال يعقد بعد مدة لا تقل عن سبعة أيام ولا تزيد على خمسة عشر يوما من تاريخ الاجتماع الأول. ولا يكون الاجتماع الثاني صحيحا إلا إذا حضره مساهمون لهم حق التصويت يمثلون أكثر من ٣٠٪ من رأس المال على الأقل. ويكون الاجتماع الثالث صحيحا أيا كان عدد الحاضرين، ويجوز ألا توجه دعوة جديدة للاجتماعين الأخيرين إذا كان قد حدد تاريخهما في الدعوة إلى الاجتماع الأول شريطة أن يتم نشر عدم انعقاد أي من هذين الاجتماعين في جريدتين يوميتين تصدران باللغة العربية على أن تكون أحداهما محلية.

المادة (٥٠)

التصويت

١- يكون التصويت في الجمعية العامة برفع الأيدي أو بأية طريقة أخرى تقررها الجمعية العامة ويجب أن يكون التصويت بطريق الاقتراع السري إذا كان القرار متعلقا بانتخاب أعضاء مجلس الإدارة أو بعزلهم أو إقامة دعوى المسئولية عليهم أو إذا طلب ذلك رئيس مجلس الإدارة أو عدد من المساهمين يمثلون عشر الأصوات الحاضرة في الاجتماع على الأقل.

٢- لا يجوز لأعضاء مجلس الإدارة الاشتراك في التصويت على قرارات الجمعية العامة في شأن تحديد رواتبهم ومكافآتهم أو إبراء ذمتهم أو إخلاء مسئوليتهم عن الإدارة.

٣- أن قرارات الجمعية العامة العادية تكون نافذة، إذا ما اعتمدت من قبل أغلبية حاملي الأسهم الممثلة في الاجتماع.

Article (51)

Competence of the Ordinary General Meeting

The Ordinary General Meeting shall be competent to consider all matters relating to the Company and to adopt appropriate resolutions in relation thereto save those that have been reserved by the Law to the Extraordinary General Meeting. The Ordinary General Meeting shall be competent, in particular, in relation to matters provided in Article (206) of the Law.

Article (52)

Discussions at General Meetings

The General Meeting shall only discuss topics included in the agenda unless there are urgent matters that have arisen after preparation of the agenda or if they are uncovered during the Meeting and if the competent government authority or a public corporate shareholder in the Company or a number of shareholders who own at least 10% of the Company's capital request the Board of Directors to include a particular item in the agenda which had not been included, the General Meeting shall have the right to discuss such item at the request of the persons concerned. If it is found during the discussion that information relating to certain issues is not sufficient, the Meeting shall be postponed for no more than 10 days, if so requested by a number of shareholders who own one quarter of the shares by which the Meeting was held.

Article (53)

Extraordinary General Meeting

1. **Convening:**

   An Extraordinary General Meeting is held on summons from the Board of Directors or on a written requisition addressed to the Board of Directors by shareholders representing not less than 10% of the capital of the Company.

   The Board of Directors shall, in the latter event, call for an Extraordinary General Meeting within one month of the date on which such requisition was received by the Board; otherwise the Ministry of Industry and Commerce shall call up the meeting within fifteen days from the date of expiry of said period.

2. **Quorum:**

   An Extraordinary General Meeting shall not be validly held unless attended by shareholders representing at least two thirds of the shares of the Company. If said quorum could not be obtained, summons should be sent for a second meeting which shall be held within the next fifteen days following the date of the first meeting. The quorum for the second meeting shall be valid if it was attended by members representing more than one third of the shares. If a quorum could not be obtained for the second meeting, summons shall be sent for a third meeting which shall be held within fifteen days of the date of the second meeting. The third meeting shall be valid if attended by members representing one quarter of the shares. New summons for the second and third meetings need not be given if their dates were fixed in the notice given in respect of the first and the second meeting, provided that notice shall be published that the first two meetings

المادة (٥١)

اختصاصات الجمعية العامة العادية

عدا ما يختص به القانون الجمعية العامة غير العادية، تختص الجمعية العامة العادية بالنظر في جميع المسائل المتعلقة بالشركة واتخاذ القرارات المناسبة بشأنها وبوجه خاص تختص بالأمور المنصوص عنها في المادة (٢٠٦) من القانون.

المادة (٥٢)

المناقشة في الاجتماعات

لا يجوز للجمعية العامة مناقشة موضوعات غير مدرجة في جدول الأعمال إلا إذا كانت من الأمور العاجلة التي طرأت بعد إعداد الجدول، أو تكشفت في أثناء الاجتماع، وإذا طلبت الجهة الحكومية المختصة أو أحد الأشخاص العامة المساهمة في الشركة أو عدد من المساهمين يملكون عشرة بالمائة على الأقل من رأس مال الشركة من مجلس الإدارة إدراج موضوع معين في جدول الأعمال ولم يدرجه، كان من حق الجمعية مناقشة هذا الموضوع بناء على طلب ذي الشأن، وإذا تبين أثناء المناقشة عدم كفاية المعلومات المتعلقة ببعض المسائل المعروضة، تعين تأجيل الاجتماع مدة عشرة أيام على الأكثر إذا طلب ذلك عدد من المساهمين يمثلون ربع الأسهم التي انعقد بها الاجتماع.

المادة (٥٣)

الجمعية العامة غير العادية

١- **انعقادها:**

تنعقد الجمعية العامة غير العادية، بناء على دعوة من مجلس الإدارة، أو بناء على طلب كتابي موجه إلى هذا المجلس من عدد من المساهمين، يمثلون ما لا يقل عن ١٠٪ من أسهم الشركة.

ويجب على مجلس الإدارة في هذه الأحوال أن يدعو الجمعية العامة للاجتماع بصفة غير عادية خلال شهر من تاريخ وصول الطلب إليه، وإلا قامت وزارة الصناعة والتجارة بتوجيه الدعوة للاجتماع خلال خمسة عشر يوما من تاريخ انتهاء تلك المدة.

٢- **نصاب الانعقاد:**

لا يكون انعقاد الجمعية غير العادية صحيحا إلا إذا حضره مساهمون يمثلون على الأقل ثلثي رأس مال الشركة. فإذا لم يتوفر هذا النصاب وجب دعوة الجمعية إلى اجتماع ثان يعقد خلال الخمسة عشر يوما التالية للاجتماع الأول، ويكون صحيحا إذا حضره من يمثلون أكثر من ثلث رأس المال، فإذا لم يتوفر هذا النصاب في الاجتماع الثاني، توجه الدعوة إلى اجتماع ثالث يعقد خلال خمسة عشر يوما من تاريخ الاجتماع الثاني ويكون الاجتماع الثالث صحيحا إذا حضره ربع المساهمين. ويجوز أن لا توجه دعوة جديدة للاجتماع الثاني وللاجتماع الثالث إذا كان قد حدد تاريخه في الدعوة إلى الاجتماع الأول والثاني شريطة أن يتم نشر عدم انعقاد الاجتماع الأول والثاني حسبما يكون الحال في جريدتين يوميتين على الأقل تصدران باللغة العربية على أن تكون إحداهما محلية.

were not held as the case may be in at least two daily Arabic newspapers and one of them shall be a local newspaper.

3. **Voting:**

   Resolutions at an Extraordinary General Meeting shall be passed by a two third majority of shares represented at the meeting unless the resolution relates to the increase or reduction of capital, extension of the term of the Company, dissolution or merger of the Company with another company in which case resolutions shall only be valid if adopted by 75% of the shares present at the Extraordinary General Meeting.

4. **Competence:**

   a) The Extraordinary General Meeting shall have competence over all the matters provided for in Article (210) of the Law.

   b) The Extraordinary General Meeting may adopt resolutions in respect of matters falling within the competence of the Ordinary General Meeting provided that:

      i. the quorum and voting majority required for the Ordinary General Meeting are available; and

      ii. the subject of the resolution had been placed on the agenda.

Article (54)

Binding Effect of Resolutions of the General Meeting

a) Resolutions adopted at the General Meeting in accordance with the provisions of the Law and these Articles of Association shall be binding on all shareholders whether they were present at the meeting at which the said resolutions were passed or absent or whether they voted for or against them.

b) The Board of Directors shall implement the resolutions of the General Meeting.

Article (55)

Invalidity of Resolutions

Without prejudice to the rights of any bona fide third party, all resolutions adopted by the General Meeting contrary to the provisions of the Law and its Implementing Regulations or the Company's Memorandum of Association and or these Articles of Association shall be deemed null and void. The court may nullify any resolution adopted in favour of a particular class of shareholders or with the intent to cause damage thereto or realising special benefit to members of the Board of Directors or others without regard for the Company's interest. A request to invalidate a resolution in this case may be made only by those shareholders who recorded their objection to the resolution in the minutes of the meeting or who are absent from the meeting on account of an acceptable excuse. A nullified resolution shall be deemed non-existent as far as all shareholders are concerned. The Board of Directors shall publish a summary of the judgment of the court nullifying the said resolution in one of the local daily newspapers. An action filed for nullity of a resolution shall not result in suspending the implementation of the resolution unless an order is issued by the court to this effect. An action for nullity shall be barred after the lapse of one year from the date of such resolution.

٣- التصويت:

تصدر قرارات الجمعية العامة غير العادية بأغلبية ثلثي أسهم الحاضرين الذين ينعقد بهم الاجتماع صحيحا إلا إذا تعلق القرار بزيادة رأس المال أو تخفيضه أو بإطالة مدة الشركة أو بحلها أو بتحولها أو بإدماجها في شركة أخرى، فيشترط لصحة القرار في هذه الحالات أن يصدر بأغلبية ثلاثة أرباع أسهم الحاضرين الذين ينعقد بهم الاجتماع صحيحا.

٤- اختصاصاتها:

(أ) تختص الجمعية العامة غير العادية بالأمور المنصوص عنها في المادة (٢١٠) من القانون.

(ب) يجوز للجمعية العامة غير العادية إصدار قرار يقع ضمن اختصاص الجمعية العامة العادية بتوافر شرطين مجتمعين هما:

١- توافر النصاب والأغلبية المطلوبة للجمعية العامة العادية.

٢- تضمين جدول الأعمال الأمور موضوع القرار.

المادة (٥٤)

إلزامية قرارات الجمعية العامة

١- تلزم القرارات التي تصدرها الجمعية العامة وفقا لأحكام القانون ونظام الشركة جميع المساهمين سواء كانوا حاضرين في الاجتماع الذي صدرت فيه هذه القرارات أو غائبين أو كانوا موافقين أو مخالفين لها.

٢- على مجلس الإدارة تنفيذ قرارات الجمعية العامة.

المادة (٥٥)

بطلان القرارات

مع عدم الإخلال بحقوق الغير حسن النية يقع باطلا كل قرار يصدر عن الجمعية العامة بالمخالفة لأحكام القانون ولائحته التنفيذية أو لعقد تأسيس الشركة أو نظامها الأساسي، ويجوز للمحكمة إبطال كل قرار يصدر لصالح فئة معينة من المساهمين أو بقصد الإضرار بهم أو لجلب نفع خاص لأعضاء مجلس الإدارة أو لغيرهم، دون اعتبار لمصلحة الشركة، ولا يجوز رفع دعوى البطلان في هذه الحالة إلا من المساهمين الذين اعترضوا على القرار في محضر الجلسة أو تغيبوا عن الحضور بعذر مقبول، ويترتب على الحكم بالبطلان اعتبار القرار كأن لم يكن بالنسبة إلى جميع المساهمين ويلتزم مجلس الإدارة بنشر ملخص الحكم في إحدى الصحف اليومية المحلية، ولا يترتب على رفع دعوى البطلان وقف تنفيذ القرار ما لم تأمر المحكمة بذلك ولا تسمع دعوى البطلان بمضي سنة من تاريخ صدور القرار.

CHAPTER FIVE

FINANCIAL YEAR AND FINANCIAL SYSTEM

Article (56)

The financial year of the Company shall commence on the first day of January and shall end on the 31st day of December of each year except for the first year which shall commence on the date on which the Company is registered in the Registry of Commerce and the final incorporation of the Company is announced and shall end at the end of the financial year.

Article (57)

The Company shall maintain its cash funds with one bank or more to be appointed by the Board of Directors. The Board of Directors shall determine the maximum cash amount to be maintained by the finance department who shall have to deposit any excess amounts in the bank or banks referred to.

Article (58)

1) The net profit shall be distributed as follows:

a. Ten per cent shall be set aside every year for the Statutory Reserve. Such deduction may be discontinued when such Statutory Reserve attains 50% of the paid up capital. If the Statutory Reserve falls below the said percentage, deduction shall be resumed until it attains the percentage. The Statutory Reserve shall not be distributed among shareholders; however, it may be utilised in order to ensure distribution of dividends to the shareholders amounting to not more than 5% of the paid up value of the shares in years when the net profit of the Company is insufficient to permit dividend distribution equal to 5% of the paid up capital. Subject to the approval of the General Meeting, a percentage of the net profits realized by the sale of any of the fixed assets or out of any compensation therefore, may be distributed, provided that this shall not result in preventing the Company from restoring the assets of the Company to their original condition or from buying new fixed assets.

   Prior to providing its approval, the General Meeting shall request its auditors to provide a report concerning the percentage of the distributable net profits and extent of the sufficiency arising from the sale of the fixed assets or compensation to restore the Company's fixed assets to their earlier condition.

b. A sum to be determined by the General Meeting shall be deducted to meet obligations of the Company.

c. The General Meeting may, at the proposal of the Board of Directors, decide to allocate annually a percentage of the net profits to the voluntary reserve account. Said voluntary reserve shall be used for the purposes determined by the General Meeting including the use for depreciation of Company's assets or for making up for any fall in the value thereof or converting it into capital.

d. The balance remaining of the profits shall be divided among the shareholders as additional dividends or carried over at the proposal of the Board of Directors to the following financial year or shall be utilised in building up a contingency reserve or a reserve fund for unusual depreciation.

الباب الخامس

السنة المالية والنظام المالي

المادة (٥٦)

تبدأ السنة المالية للشركة في أول يوم من يناير وتنتهي في ٣١ ديسمبر من كل سنة فيما عدا السنة المالية الأولى للشركة فإنها تبدأ من تاريخ قيد الشركة في السجل التجاري وإعلان تسجيل الشركة نهائيا، وتنتهي عند نهاية السنة المالية.

المادة (٥٧)

تحتفظ الشركة بأموالها النقدية لدى بنك أو أكثر يعينه مجلس الإدارة، ويحدد مجلس الإدارة الحد الأعلى من المال النقدي الذي يجوز لقسم الحسابات الاحتفاظ به وعلى قسم الحسابات إيداع ما زاد على هذا الحد لدى البنك أو البنوك المنوه لها.

المادة (٥٨)

١) توزع الأرباع الصافية على الوجه الآتي:

أ- يقتطع سنويا عشرة في المائة من الأرباح الصافية يخصص لحساب الاحتياطي الإجباري ويجوز إيقاف هذا الاستقطاع إذا بلغ الاحتياطي ٥٠؟ من رأس المال المدفوع وإذا قل الاحتياطي الإجباري عن النسبة المذكورة وجب إعادة الاستقطاع حتى يصل الاحتياطي إلى تلك النسبة. ولا يجوز توزيع الاحتياطي الإجباري على المساهمين وإنما يجوز استعماله لتأمين توزيع أرباح على المساهمين لا تزيد على ٥؟ من رأس المال المدفوع في السنوات التي لا تسمح فيها أرباح الشركة بتأمين هذا الحد. ويجوز بموافقة الجمعية العامة توزيع نسبة من الأرباح الصافية التي تحققها الشركة نتيجة بيع اصل من الأصول الثابتة أو التعويض عنه بشرط أن لا يترتب على ذلك عدم تمكين الشركة من إعادة أصولها إلى ما كانت عليه أو شراء أصول ثابتة جديدة.

وللجمعية العامة قبل أن تصدر موافقتها المذكورة أن تطلب من مدقق حسابات الشركة تقريرا بشأن النسبة التي توزع من الأرباح الصافية ومدى كفاية ما يتبقى من ناتج بيع الأصل الثابت أو التعويض عنه لإعادة أصول الشركة الثابتة إلى ما كانت عليه.

ب- يقتطع جزء من الأرباح تحدده الجمعية العامة لمواجهة الالتزامات المترتبة على الشركة.

ج- يجوز للجمعية بناء على اقتراح مجلس الإدارة أن تقرر اقتطاع نسبة من الأرباح الصافية لحساب احتياطي اختياري سنويا. ويستعمل هذا الاحتياطي في الوجوه التي تقررها الجمعية العامة بما في ذلك استعماله لاستهلاك موجودات الشركة أو التعويض عن نزول قيمتها أو تحويله إلى رأس المال.

د- يوزع الباقي من الأرباح بعد ذلك على المساهمين كحصة إضافية للأرباح أو يرحل بناء على اقتراح مجلس الإدارة إلى السنة المقبلة أو يخصص لإنشاء مال احتياطي أو مال للاستهلاك غير العادي.

٢) أما الخسائر –إن وجدت- فيتحملها المساهمون بنسبة عدد أسهمهم دون أن يلزم أحدهم بأكثر مما يملكه منها ولا يكون التزام المساهم في الشركة إلا بأداء الجزء غير المدفوع من القيمة الاسمية المكتتب به إن وجد.

2) Losses, if any, shall be borne by the shareholders in proportion to the number of shares owned by each of them and the liability of a shareholder shall not exceed the value of his shareholding in the Company. A shareholder shall only be obliged to pay the unpaid portion of the nominal value of shares subscribed for, if any.

CHAPTER SIX

AUDITORS

Article (59)

The General Assembly may appoint one auditor or more from those licensed to practise their profession in Bahrain ("Auditor") and specify their remuneration.

Article (60)

The Auditor shall have, at all times, the right of access to the Company's books, registers and documents, and to ask for the particulars which he deems necessary to obtain. He shall also have the right to verify the Company's assets and liabilities. If he is unable to exercise that right, he shall prove this in writing in a report which he shall submit to the Board of Directors. If the Board of Directors does not facilitate the Auditor's task, the latter shall invite the Ordinary General Meeting to look into the matter.

The Auditor shall, in all cases, furnish the Ministry of Industry and Commerce with copies of his reports and observations, of whatever nature, whether they are financial or administrative, and shall advise it whether there have been any breaches of any nature, and such other reports, whether they have been submitted to the General Meeting or to the Company's Board of Directors.

Article (61)

The Auditor shall attend any of the General Meetings in which the report of the Board of Directors shall be submitted. The Auditor shall submit his report to the General Meeting regarding all issues that fall within his scope of responsibility, and in particular about the balance sheet of the Company. He shall read out his report before the said General Meeting. Such report shall be prepared in accordance with the international auditing standards and practices or in accordance with the standards approved by the competent government authority.

The report shall include, in particular, the following details:

1- Whether the Auditor has obtained the information he deems necessary for performing his duties satisfactorily.
2- Whether the balance sheet and the profit and loss account are in conformity with the facts, that they have been prepared in accordance with the International Accounting Standards, or in accordance with the standards approved by the competent government authority, whether they include all that is provided for by the Law and the Company's Articles of Association, and that they reflect honestly and clearly the Company's actual financial position.
3- Whether the Company maintains regular books of accounts.

الباب السادس

مدققو الحسابات

المادة (٥٩)

تقوم الجمعية العامة بتعيين واحد أو أكثر من مدققي الحسابات المرخص لهم بمزاولة المهنة في البحرين («مدققو الحسابات») وتقوم بتحديد أتعابهم.

المادة (٦٠)

ويحق لمدقق الحسابات الإطلاع في أي وقت على دفاتر الشركة وسجلاتها ومستنداتها وله الحق في طلب البيانات والإيضاحات التي يرى ضرورة الحصول عليها وله كذلك أن يتحقق من موجودات الشركة ومطلوباتها. وفي حالة عدم تمكن مدقق الحسابات من ممارسة ذلك الحق عليه إثبات ذلك كتابة في تقرير يقدم إلى مجلس الإدارة. فإن لم يبادر المجلس بتيسير مهمته وجب عليه دعوة الجمعية العامة العادية للنظر في الأمر.

على المدقق في جميع الأحوال أن يخطر وزارة التجارة والصناعة بنسخ من تقاريره وملاحظاته أيا كان نوعها سواء كانت مالية أو إدارية أو بوجود مخالفات من أي نوع أو غير ذلك من التقارير سواء كانت مقدمة للجمعية العامة أو مجلس إدارة الشركة.

المادة (٦١)

وعلى مدقق الحسابات أن يحضر أي من جلسات الجمعية العامة التي يقدم لها تقرير مجلس الإدارة وعليه أن يقدم تقريره إلى الجمعية العامة بشأن كل المسائل التي تقع في نطاق مسئوليته وبوجه خاص الميزانية العمومية للشركة. ويجب تلاوة تقرير مدقق الحسابات في اجتماع الجمعية العامة المذكور، ويجب أن يكون التقرير معدا وفقا لمعايير وأسس التدقيق الدولية أو المعايير المعتمدة من الجهة الحكومية المختصة.

ويجب أن يشتمل التقرير على البيانات الآتية:

١- ما إذا كان المدقق قد حصل على المعلومات والتوضيحات التي يراها ضرورية لأداء عمله على وجه مرض.
٢- ما إذا كانت الميزانية وحساب الأرباح والخسائر متفقة مع الواقع، وتم إعدادها وفقا لمعايير المحاسبة الدولية أو المعايير المعتمدة من قبل الجهة الحكومية المختصة، وتتضمن كل ما نصت عليه أحكام ومتطلبات القانون ونظام الشركة الأساسي، وتعبر بأمانة ووضوح عن المركز المالي الحقيقي للشركة.
٣- ما إذا كانت الشركة تمسك حسابات منتظمة.
٤- ما إذا كانت البيانات الواردة في تقرير مجلس الإدارة متفقة مع ما هو وارد في دفاتر الشركة.
٥- ما إذا كانت هناك مخالفات لأحكام نظام الشركة أو لأحكام القانون، قد وقعت خلال السنة المالية على وجه يؤثر في نشاط الشركة أو مركزها المالي، مع بيان ما إذا كانت هذه المخالفات لا تزال قائمة، وذلك في حدود المعلومات التي توافرت لديه.
٦- ما إذا كان الجرد قد أجري وفقا للأصول المحاسبية.

4- Whether the particulars contained in the Board of Directors' report are in conformity with what is contained in the Company's books.
5- Whether there have been any violations of the Company's Articles of Association or the provisions of the Law during the financial year in a manner affecting the Company's activities or its financial position, and stating whether such violations are still continuing, to the extent of the information made available to him.
6- Whether the stock taking undertaken by the Company has been carried out in accordance with the recognised standards.

Article (62)

If the Company has more than one auditor and they do not agree on one report, each of them should prepare an independent report. In the event of more than one auditor, that were involved in the mistake, they shall be jointly liable towards the company.

The Auditor's report shall be read out at the General Assembly, and each shareholder shall have the right to discuss the said report and ask for clarifications on its contents.

CHAPTER SEVEN

DISSOLUTION AND LIQUIDATION OF THE COMPANY

Article (63)

The Company shall be dissolved for any of the following reasons:

a) Termination of the Company or merging it with another company by resolution of an Extraordinary General Meeting.
b) Attainment of the objects for which the Company has been incorporated.
c) Loss of its capital or a sizeable portion thereof, rendering it not feasible for the Company to continue.
d) If it appears from the Balance Sheet that the Company has lost its reserves and three quarters of its capital, the Chairman of the Board of Directors shall summon an Extraordinary General Meeting to convene in order to resolve whether to dissolve the Company before the expiry of the period fixed therefore, or reduce the capital or to take other suitable measures. If the Extraordinary General Meeting refuses to dissolve the Company, any shareholder shall have the right to take the matter to the court.
f) The Company is declared bankrupt.
g) A court order is made for dissolution of the Company.
h) Merger into another company.

PROCEDURES

Article (64)

The Company shall, upon dissolution, be considered in a state of liquidation, and shall be liquidated and its assets divided in accordance with the provisions of Articles (325) to (344) of the Law.

المادة (٦٢)

وإذا كان للشركة مدققان للحسابات ولم يتفقا على تقرير واحد، وجب أن يعد كل منهما تقريرا مستقلا. ويكون المدققون في حالة تعددهم واشتركوا في الخطأ مسئولين بالتضامن عن أعمال الرقابة قبل الشركة.

ويتلى تقرير مدقق الحسابات في الجمعية العامة، ويكون لكل مساهم حق مناقشة التقرير وطلب ايضاحات بشأن الوقائع الواردة فيه.

الباب السابع

حل الشركة وتصفيتها

المادة (٦٣)

تحل الشركة لأحد الأسباب الآتية:

أ- إنهاء الشركة أو دمجها بشركة أخرى بقرار صادر عن الجمعية العامة غير العادية.
ب- انتهاء العمل الذي أسست من أجله.
ج- هلاك جميع رأسمالها أو جزء كبير منه بحيث لا يتبقى جدوى في استمرارها.
د- وإذا اتضح من الميزانية العمومية أن الشركة قد خسرت المال الاحتياطي وثلاثة أرباع رأسمالها وجب على رئيس مجلس الإدارة دعوة الجمعية العامة غير العادية للانعقاد لتقرر ما إذا كان الأمر يستوجب حل الشركة أو تخفيض رأس المال أو اتخاذ غير ذلك من التدابير المناسبة، فإذا رفضت الجمعية حل الشركة حق لكل مساهم أن يرفع الأمر إلى القضاء.
و- شهر إفلاسها.
ز- صدور حكم قضائي بحلها.
ح- اندماجها في شركة أخرى.

الإجراءات

المادة (٦٤)

تعتبر الشركة بعد حلها في حالة تصفية وتتم تصفية الشركة وقسمة أموالها وفقا للأحكام المنصوص عليها في المواد (٣٢٥) إلى (٣٤٤) من قانون الشركات التجارية.

CHAPTER EIGHT

FINAL PROVISIONS

Article (65)

a) These Articles of Association shall be deposited and published in accordance with the provisions of the Law.

b) The Articles of Association were made in accordance with the no-objection letter of the Bahrain Investors Centre at the Ministry of Industry and Commerce under Ref. 81109 dated 28 April 2014.

Article (66)

All costs and fees in respect of these Articles of Association and their full legalization shall be debited to the Company overheads.

ENTIRE AGREEMENT

Article (67)

The provisions of the Law and its Implementing Regulations issued by Order No.6 of the year 2002 shall apply with respect to any matter for which no specific provision is embodied in these Articles of Association.

In witness whereof, these Articles of Association were made in one original and three copies which were signed upon having been read by all the parties and by myself. The parties concerned were given three copies to act in accordance therewith.

الباب الثامن

أحكام ختامية

المادة (٦٥)

أ- يودع هذا النظام الأساسي وينشر طبقا للقانون.

ب- حرر هذا النظام الأساسي استنادا إلى عدم ممانعة مركز البحرين للمستثمرين بوزارة الصناعة والتجارة بالكتاب الصادر تحت رقم ٨١١٠٩ بتاريخ ٢٨ أبريل ٢٠١٤.

المادة (٦٦)

جميع مصروفات هذا النظام الأساسي وأتعابه واستيفائه التام تحسب من المصروفات العمومية للشركة.

شمولية الاتفاق

المادة (٦٧)

تسري أحكام قانون الشركات التجارية الصادر بالمرسوم بقانون رقم (٢١) لسنة ٢٠٠١ ولائحته التنفيذية الصادرة بالقرار رقم (٦) لسنة ٢٠٠٢ فيما لم يرد بشأنه نص خاص في هذا النظام الأساسي.

وبما ذكر تحرر هذا النظام الأساسي من أصل وثلاث نسخ وتم التوقيع عليه بعد تلاوته من قبل الجميع ومني وتسلم أصحاب الشأن ثلاث نسخ منه للعمل بموجبه.

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Appendix C: Audited Financial Statements

C.1 – Financial Statements and External Auditor's Report for the Three Months Ended 31 March 2014

Deloitte.

BH 99-8-12

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REVIEW REPORT TO THE DIRECTORS

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

Introduction

We have reviewed the accompanying condensed statement of financial position of ZAIN BAHRAIN B.S.C. (c) ("the Company") as of March 31, 2014 and the related condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. 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". 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 does not present fairly, in all material respects, the financial position of the Company as at March 31, 2014 and of its financial performance and its cash flows for the three-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Deloitte & Touche

Manama - Kingdom of Bahrain,
April 9, 2014

Deloitte & Touche

Condensed Statement of Financial Position (Unaudited)

AS AT MARCH 31, 2014

	Notes	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
ASSETS				
Current assets				
Cash and bank balances	5	2,824	3,156	2,299
Accounts receivable and other receivables	6	22,604	20,644	18,534
Inventories	7	3,781	2,971	2,825
Total current assets		**29,209**	**26,771**	**23,658**
Non-current assets				
Property, plant and equipment	8	63,761	61,367	52,232
Intangible assets	9	18,721	19,166	15,790
Total non-current assets		**82,482**	**80,533**	**68,022**
Total assets		**111,691**	**107,304**	**91,680**
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Bank overdraft	5	-	-	4,954
Accounts payable and accruals	10	33,769	29,166	32,838
Current portion of term loans	11	4,568	3,286	-
Deferred revenue		4,349	4,769	4,722
Total current liabilities		**42,686**	**37,221**	**42,514**
Non-current liabilities				
Non-current portion of term loans	11	19,832	16,714	-
Provisions		334	330	286
Total non-current liabilities		**20,166**	**17,044**	**286**
Total liabilities		**62,852**	**54,265**	**42,800**
Equity				
Share capital		32,000	32,000	32,000
Share premium		100	100	100
Statutory reserve		9,561	9,453	9,037
Retained earnings		7,178	11,486	7,743
Total equity		**48,839**	**53,039**	**48,880**
Total liabilities and equity		**111,691**	**107,304**	**91,680**

The condensed interim financial information was approved and authorised for issue by the Directors on April 9, 2014 and signed on their behalf by:

The attached notes 1 to 15 form part of this condensed interim financial information.

Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

FOR THE PERIOD ENDED MARCH 31, 2014

	Notes	Three-month period ended March 31, 2014 BD '000	Three-month period ended March 31, 2013 BD '000
Revenue	12	18,398	19,077
Cost of revenue		(3,497)	(3,873)
Gross profit		**14,901**	**15,204**
Distribution, marketing and operating expenses		(5,691)	(6,037)
General and administrative expenses		(1,426)	(1,602)
Depreciation and amortisation		(5,629)	(5,882)
Provision for doubtful debts		(408)	(382)
Provision for slow moving inventories		(299)	(30)
Operating profit		**1,448**	**1,271**
Interest income		2	2
Other income		9	6
Other provision		(210)	-
Gain on currency revaluation		17	20
Finance costs		(186)	(55)
Profit for the period		**1,080**	**1,244**
Total comprehensive income for the period		**1,080**	**1,244**
Basic earnings per share	13	**Fils 34**	**Fils 39**

The attached notes 1 to 15 form part of this condensed interim financial information.

Condensed Statement of Changes in Equity (Unaudited)
FOR THE PERIOD ENDED MARCH 31, 2014

	Share Capital BD '000	Share Premium BD '000	Statutory Reserve BD '000	Retained Earnings BD '000	Total BD '000
Balance at December 31, 2012	32,000	100	8,913	13,023	54,036
Dividends	-	-	-	(6,400)	(6,400)
Total comprehensive income for the period	-	-	-	1,244	1,244
Transfer to statutory reserve	-	-	124	(124)	-
Balance at March 31, 2013	**32,000**	**100**	**9,037**	**7,743**	**48,880**
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	-	-	-	1,080	1,080
Transfer to statutory reserve	-	-	108	(108)	-
Balance at March 31, 2014	**32,000**	**100**	**9,561**	**7,178**	**48,839**

The attached notes 1 to 15 form part of this condensed interim financial information.

Condensed Statement of Cash Flows (Unaudited)

FOR THE PERIOD ENDED MARCH 31, 2014

	Three-month period ended March 31, 2014 BD '000	Three-month period ended March 31, 2013 BD '000
Cash flows from operating activities:		
Profit for the period	1,080	1,244
Adjustments for:		
Depreciation and amortisation	5,629	5,882
Allowance for doubtful debts and slow moving inventories	707	412
Finance costs	186	55
Interest income	(2)	(2)
Gain on disposal of property, plant and equipment	(3)	-
Provision for employees' end of service indemnity	16	15
Operating profit before working capital changes	7,613	7,606
Increase in inventories	(1,109)	(1,260)
(Increase) /decrease in accounts receivable, advances, prepayments and other receivables	(2,368)	1,015
(Decrease) / increase in accounts payable and accruals	(679)	2,754
Decrease in deferred revenue	(420)	(27)
Cash generated from operating activities	3,037	10,087
Payment of employees' end of service indemnity	(12)	(2)
Net cash from operating activities	3,025	10,085
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,624)	(1,554)
Increase in intangible assets	(2,954)	(3,628)
Interest received	2	2
Proceeds from disposal of property, plant and equipment	3	-
Net cash used in investing activities	(7,573)	(5,180)
Cash flows from financing activities:		
Long term loans	4,400	-
Interest paid	(184)	(55)
Net cash from / (used in) financing activities	4,216	(55)
Net (decrease) / increase in cash and cash equivalents	(332)	4,850
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)	2,824	(2,655)

The attached notes 1 to 15 form part of this condensed interim financial information.

Notes to the Condensed Interim Financial Information (Unaudited)
FOR THE PERIOD ENDED MARCH 31, 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 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 Company launched its services on December 28, 2003.

In accordance with the Individual Mobile Telecommunication License of the Company, as amended, the TRA requested the Company to complete the Initial Public Offering of shares by no later than December 31, 2013. The Company sent a formal request for an extension of the deadline up to June 30, 2014 to the TRA. The TRA is expected to issue their final reply in due course.

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

2. BASIS OF PREPARATION:

The condensed interim 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 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, 2013.

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 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, 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, 2013 have affected the disclosures and presentations in the financial information.

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.

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 by BD 600,352 and BD 2,033,058 respectively.

In preparing these 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.

5. CASH AND CASH EQUIVALNETS:

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Short-term deposits	-	104	249
Cash at banks and on hand	2,824	3,052	2,050
Cash and bank balances	**2,824**	**3,156**	**2,299**
Less: Bank overdraft	-	-	(4,954)
Cash and cash equivalents	**2,824**	**3,156**	**(2,655)**

6. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES:

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Accounts receivable:			
Due from post paid subscribers	16,905	16,503	14,938
Allowance for doubtful debts	(6,056)	(5,627)	(4,496)
	10,849	**10,876**	**10,442**
Due from roaming partners	3,290	3,214	1,178
Due from distributors	540	174	422
	14,679	**14,264**	**12,042**
Other receivables:			
Accrued income	631	534	477
Interconnect receivable from other operators	2,557	2,137	855
Prepaid expenses	2,701	1,451	2,568
Due from related parties (Note 14.1)	16	16	20
Advance paid to suppliers	1,700	1,826	1,744
Staff receivables	119	164	158
Other receivables	201	252	670
	7,925	**6,380**	**6,492**
	22,604	**20,644**	**18,534**

7. INVENTORIES:

This caption comprises mobile telephone handsets and accessories, laptops, Subscribers' Identification Module (SIM) cards, recharge vouchers and calling cards.

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Laptops, mobile telephone handsets and accessories	4,432	3,321	3,100
SIM cards, recharge vouchers and calling cards	43	45	30
	4,475	**3,366**	**3,130**
Allowance for slow moving items	(694)	(395)	(305)
	3,781	**2,971**	**2,825**

8. PROPERTY, PLANT AND EQUIPMENT:

	Freehold Land and Building BD '000	Network Equipment BD '000	Office Equipment BD '000	Furniture and Fixtures BD '000	Vehicles BD '000	Capital Work-in Progress BD '000	Total BD '000
Cost:							
Balance at December 31, 2013	2,922	88,545	23,471	3,471	30	12,791	131,230
Additions	-	84	140	-	-	4,400	4,624
Disposal	-	-	-	-	(13)	-	(13)
Balance at March 31, 2014	**2,922**	**88,629**	**23,611**	**3,471**	**17**	**17,191**	**135,841**
Accumulated depreciation:							
Balance at December 31, 2013	658	47,403	18,573	3,199	30	-	69,863
Depreciation expense	9	1,754	409	58	-	-	2,230
Relating to disposal	-	-	-	-	(13)	-	(13)
Balance at March 31, 2014	**667**	**49,157**	**18,982**	**3,257**	**17**	**-**	**72,080**
Carrying amount:							
Balance at March 31, 2014	**2,255**	**39,472**	**4,629**	**214**	**-**	**17,191**	**63,761**
Balance at December 31, 2013	2,264	41,142	4,898	272	-	12,791	61,367

9. INTANGIBLE ASSETS:

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Cost:			
Balance at the beginning of the period / year	59,396	42,075	42,075
Additions	2,954	17,321	3,628
	62,350	**59,396**	**45,703**
Accumulated amortisation:			
Balance at the beginning of the period / year	40,230	26,663	26,663
Amortisation expense	3,399	13,567	3,250
Balance at the end of the period / year	**43,629**	**40,230**	**29,913**
Carrying amount at the end of the period / year	**18,721**	**19,166**	**15,790**

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 2,917,640 (December 31, 2013: BD 3,010,577).

9.2 Fees of BD 378,000 for the Rotana digital entertainment music license. This fee is amortised over a period of three years from the launching day of the agreed services with Rotana which is from May 1, 2009. This has been fully amortised.

9.3 Subscribers acquisition cost amounting to BD 55,437,792 (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 14,878,085 (December 31, 2013: BD 15,214,865).

9.4 Fees of BD 956,700 for the 4G Long Term Evolution ("4G LTE") license obtained on September 19, 2013. This fee is amortised over the license period of 15 years. The net book value of the license at the end of the period amounts to BD 924,810 (December 31, 2013: BD 940,755).

10. ACCOUNTS PAYABLE AND ACCRUALS:

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Due to suppliers	10,324	9,846	8,908
Accrued expenses	7,144	5,398	7,755
Due to telecommunication operators	3,400	2,687	1,350
Due to roaming partners	1,360	1,267	1,679
Accrued employees' benefits	515	1,149	1,094
Subscriber deposits	30	32	38
Dividend payable	5,692	396	6,764
Due to related parties (Note 14.1)	4,830	7,909	5,137
Directors' remuneration	439	452	113
Accrued interest	35	30	-
	33,769	**29,166**	**32,838**

11. LONG TERM LOANS:

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Long term loans	24,400	20,000	-
Less: current portion of long term loans	(4,568)	(3,286)	-
	19,832	**16,714**	**-**

During the last year, 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 24.4 million out of the total loan facilities available. These loans carry interest rate of three months BIBOR plus 2.25%. Loans are payable in 8, 7 and 8 semi-annual installments respectively starting after one year and one and half year respectively from the loan agreement date. The Company signed promissory notes against these loans.

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:

	(Unaudited) Three-month period ended March 31, 2014 BD '000	(Unaudited) Three-month period ended March 31, 2013 BD '000
Profit for the period	1,080	1,244
Number of shares	*'000*	*'000*
Weighted average number of ordinary shares in issue	32,000	32,000
	Fils per share	Fils per share
Basic earnings per share	34	39

14. RELATED PARTY TRANSACTIONS:

These represent transactions 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. Pricing policies and terms of these transactions are approved by the Company's management.

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

	(Unaudited) Three-month period ended March 31, 2014 BD '000	(Unaudited) Three-month period ended March 31, 2013 BD '000
Office rent and maintenance costs	259	262
Site and outlet rent	12	15
Management fee	563	589
Employee share option plan charges (Note 14.1)	8	45
Royalty fee	89	87

14.1 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.

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Related party balances			
Zain Group Holding-Bahrain S.P.C.	(4,805)	(7,850)	(5,079)
Zain – Jordan	(5)	(5)	(4)
Zain – Kingdom of Saudi Arabia	3	3	7
Sudanese Mobile Telephone Company Ltd	12	12	13
Zain – Iraq	-	(34)	(34)
Mobile Telecommunication Company - Kuwait	(20)	(20)	(20)
Zain – South Sudan	1	1	-
	(4,814)	**(7,893)**	**(5,117)**

Amounts due from / to related parties are presented in Notes 7 and 11 as follows:

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Due from related parties (Note 6)	16	16	20
Due to related parties (Note 10)	**4,830**	**7,909**	**5,137**

Compensation of key management personnel:

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

	(Unaudited) Three-month period ended March 31, 2014 BD '000	(Unaudited) Three-month period ended March 31, 2013 BD '000
Short term benefits	325	313
Other long term benefits	36	22
	361	**335**

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

15. CONTINGENT LIABILITIES AND COMMITMENTS:

(i) Contingent liabilities:

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Letters of guarantee	908	1,091	62

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

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Capital expenditures	19,789	24,050	15,191

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

	(Unaudited) March 31, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) March 31, 2013 BD '000
Within one year	6,017	6,424	2,271
After one year, but not more than five years.	3,880	3,862	8,745
	9,897	**10,286**	**11,016**

C.2 – Financial Statements and External Auditor's Report for the Year Ended 31 December 2013

Deloitte.

BH 99-8-12

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Zain Bahrain B.S.C. (c) ("the Company"), which comprise the statement of financial position as at December 31, 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (CONTINUED)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zain Bahrain B.S.C. (c) ("the Company") as at December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

As explained in Note 1 to the financial statements, the Telecommunication Regulatory Authority ("TRA") of Bahrain had issued a directive to the Company in accordance with the Individual Mobile Telecommunication License of the Company, as amended, to complete the Initial Public Offering ("IPO") of shares by no later than December 31, 2013 which was not met by the Company. Management advised that although the deadline was not met, key milestones towards completing the IPO were achieved and remaining work is in progress, in this respect, a formal request for an extension of the deadline up to June 30, 2014 was sent to the TRA. The outcome of this matter and any possible impact on the financial statements cannot be determined as the TRA has not yet replied.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the Company has maintained proper accounting records and the financial statements have been prepared in accordance with those records. We further report that, to the best of our knowledge and belief, the financial information provided in the Board of Directors' report is in agreement with the financial statements and based on the information and explanations provided by the management which were required for the purpose of our audit, we are not aware of any violations of the relevant provisions of the Bahrain Commercial Companies Law 2001 and the Company's Memorandum and Articles of Association having occurred during the year ended December 31, 2013 that might have had a material effect on the business of the Company or on its financial position.

Deloitte & Touche

Manama - Kingdom of Bahrain,
January 12, 2014

Deloitte & Touche

Statement of Financial Position
AS AT DECEMBER 31, 2013

	Notes	2013 BD '000	2012 BD '000
ASSETS			
Current assets			
Cash and bank balances	5	3,156	1,766
Accounts and other receivables	6	20,644	19,930
Inventories	7	2,971	1,595
Total current assets		**26,771**	**23,291**
Non-current assets			
Property, plant and equipment	8	61,367	53,310
Intangible assets	9	19,166	15,412
Total non-current assets		80,533	68,722
Total assets		**107,304**	**92,013**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Bank overdraft	5	-	9,271
Accounts payable and accruals	10	29,166	23,684
Current portion of term loans	11	3,286	-
Deferred revenue		4,769	4,749
Total current liabilities		**37,221**	**37,704**
Non-current liabilities			
Non-current portion of term loans	11	16,714	-
Provision for employees' end of service benefits	12	330	273
Total non-current liabilities		17,044	273
Total liabilities		**54,265**	**37,977**
Equity			
Share capital	13	32,000	32,000
Share premium	14	100	100
Statutory reserve	15	9,453	8,913
Retained earnings		11,486	13,023
Total equity		**53,039**	**54,036**
Total liabilities and equity		**107,304**	**92,013**

Statement of Profit or Loss and other Comprehensive Income
FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	2013 BD '000	2012 BD '000
Revenue	16	78,081	73,533
Cost of revenue		(16,304)	(16,250)
Gross profit		**61,777**	**57,283**
Distribution, marketing and operating expenses		(24,597)	(22,100)
General and administrative expenses		(6,225)	(6,492)
Depreciation and amortisation		(24,320)	(20,877)
Provision for doubtful debts		(1,513)	(1,336)
Provision for inventories		(120)	(72)
Operating profit		**5,002**	**6,406**
Interest income		8	27
Other income - net		610	8
Gain on currency revaluation		104	176
Finance costs	17	(321)	(208)
Profit for the year	18	5,403	6,409
Total comprehensive income for the year		**5,403**	**6,409**
Basic earnings per share	19	**Fils 169**	**Fils 200**

Statement of Changes in Equity
FOR THE YEAR ENDED DECEMBER 31, 2013

	Share Capital BD '000	Share Premium BD '000	Statutory Reserve BD '000	Retained Earnings BD '000	Total BD '000
Balance at December 31, 2011	32,000	100	8,272	18,455	58,827
Dividends declared	-	-	-	(11,200)	(11,200)
Total comprehensive income for the year	-	-	-	6,409	6,409
Transfer to statutory reserve	-	-	641	(641)	-
Balance at December 31, 2012	**32,000**	**100**	**8,913**	**13,023**	**54,036**
Dividends declared (Note 13)	-	-	-	(6,400)	(6,400)
Total comprehensive income for the year	-	-	-	5,403	5,403
Transfer to statutory reserve	-	-	540	(540)	-
Balance at December 31, 2013	**32,000**	**100**	**9,453**	**11,486**	**53,039**

Statement of Profit Cash Flows
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 BD '000	2012 BD '000
Cash flows from operating activities:		
Profit for the year	5,403	6,409
Adjustments for:		
Depreciation and amortisation	24,320	20,877
Insurance claim	(470)	-
Provision for doubtful debts and slow moving inventories	1,633	1,408
Finance costs	321	208
Interest income	(8)	(27)
Provision for employees' end of service benefits	62	78
Loss on property, plant and equipment written off	65	-
Operating profit before working capital changes	31,326	28,953
(Increase) / decrease in accounts and other receivables	(1,757)	288
(Increase) / decrease in inventories	(1,496)	934
Increase / (decrease) in accounts payable and accruals	5,420	(1,866)
Increase in deferred revenue	20	799
Cash generated from operating activities	33,513	29,108
Payment of employees' end of service benefits	(5)	(119)
Net cash from operating activities	**33,508**	**28,989**
Cash flow from investing activities:		
Purchase of property, plant and equipment	(18,875)	(13,230)
Interest received	8	27
Increase in intangible assets	(17,321)	(16,366)
Net cash used in investing activities	**(36,188)**	**(29,569)**
Cash flows from financing activities:		
Interest paid	(291)	(208)
Dividend paid	(6,368)	(11,116)
Term loans	20,000	-
Net cash from / (used in) financing activities	**13,341**	**(11,324)**
Net increase / (decrease) in cash and cash equivalents	10,661	(11,904)
Cash and cash equivalents at beginning of the year	(7,505)	4,399
Cash and cash equivalents at end of the year (Note 5)	**3,156**	**(7,505)**

Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2013

1. GENERAL INFORMATION:

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

In accordance with the Individual Mobile Telecommunication License of the Company, the TRA requested the Company to complete the Initial Public Offering of shares by no later than December 31, 2013. This requirement was not met by the Company and a formal request for an extension of the deadline up to June 30, 2014 was sent to the TRA.

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

2.1 Standards and Interpretations effective for the current period

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

- Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

- New and revised Standards on *Consolidation, Joint Arrangements, Associates and Disclosures;*

  In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements and IAS 28* (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

  These Standards are not applicable to the Company as it does not have any activities that fall within the scope of these Standards.

- IFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements and disclosures about fair value measurements and is applicable for both financial and non-financial items.

- Amendments to IAS 1 – *Presentation of Other Comprehensive Income*. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.

- Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*

- Amendments to IFRS 7 *Financial Instruments*: Disclosures enhancing disclosures about offsetting of financial assets and liabilities.

2.2 Standards and Interpretations in issue not yet effective

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

	Effective for annual periods beginning on or after
• IFRS 9 Financial Instruments. The requirements of IFRS 9 represent a significant change from the classification and measurement requirements in IAS 39 *Financial Instruments: Classification and Measurement* in respect of financial assets. The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of the issuer.	**Mandatory effective date to be determined by the IASB**
• Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.	**January 1, 2014**
• Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	**January 1, 2015 (or otherwise when IFRS 9 is first applied)**
• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements relating to exception from the requirement to consolidate subsidiaries for eligible Investment Entities	**January 1, 2014**
• IFRIC 21 Levies.	**January 1, 2014**
• Amendment to IAS 36: Impairment of Assets relating to the disclosure of information about the recoverable amount of impaired assets if the amount is based on fair value less cost of disposal.	**January 1, 2014**
• Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting.	**January 1, 2014**
• Amendments to IFRS 9: Financial Instruments relating to general hedge accounting	**When IFRS 9 is first applied**

The Directors anticipate that all of the above Standards and Interpretations as applicable, will be adopted in the Company's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES:

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

The principal accounting policies are set out below.

3.3 Revenue recognition

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

3.3.1 Post paid

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

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

3.3.2 Prepaid

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

3.3.3 Roaming

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

3.3.4 Interconnection

Revenue (inbound)
Interconnection revenue represents amounts receivable from other network operators for their subscribers' traffic terminated on the Company's network and is accounted for during the period of such use.

Expenses (outbound)
Interconnection expenses represent amounts payable to other network operators for the traffic terminated on their network by the Company's subscribers and are accounted for during the period of such use.

3.3.5 Prepaid calling card

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

3.3.6 Trading revenue

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

3.3.7 Interest income

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

3.4 Property, plant and equipment

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

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

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

Freehold building	20 years
Network equipment	3-15 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Freehold land and properties under construction are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Intangible assets

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

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

3.6 Impairment of tangible and intangible assets

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

The recoverability of the Company's tangible and intangible assets is subject to the future profitability of its operations and evolution of the business in accordance with its plans. In evaluating the recoverability of its assets, the management reviews the value and future benefits of the Company's operations based on technological, regulatory and market conditions.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred

3.8 Inventories

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

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

3.9 Financial assets

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

3.9.1 Receivables

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

3.9.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.9.3 Impairment of financial assets

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

The objective evidence of impairment could include:

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

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

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

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

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

3.9.4 Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.10 Financial liabilities

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

3.10.1Other financial liabilities

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

3.10.2Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3.12 Leasing

The Company as lessee

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

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

3.13 Provision for employees' end of service benefits

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

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

3.14 Employee saving scheme

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

3.15 Foreign currencies

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

3.16 Share-based payment transactions

The Parent Company operates both an equity settled and cash settled share based compensation plan. The cost of these share based transactions is measured at fair value at the date of the grant taking into account the terms and conditions upon which the instruments were granted.

The Company grants rights to equity instruments of its parent to certain entitled employees and accounts for the transaction as cash-settled. The fair value is expensed over the vesting period with a corresponding adjustment in liability.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

Critical judgements in applying the entity's accounting policies

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

Key sources of estimation uncertainty

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

Property, plant and equipment - network:

Due to the nature of the Company's business, the network assets of the Company, as detailed in Note 8, are susceptible to rapid technological obsolescence. Management depreciates those assets over 3 to 15 years. The estimation of network assets useful lives is based on management judgement and estimates. In order to estimate the lives of network assets, management considers the nature of the assets, usage and technological advancement. Therefore, any technological advancement in future may warrant the need for substantial upgrade or replacement of equipment. Hence, management performs annual impairment tests on the network assets, as described in Note 3, to identify any indication that those assets have suffered an impairment loss. As per the policy the impairment loss, if any, will be recognised immediately in the profit or loss.

Allowance for bad debts on due from post paid subscribers:

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

Impairment of tangible and intangible assets and useful lives

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

The management determines the useful lives of property, plant and equipment and intangible assets and the related depreciation and amortisation charge. The depreciation and amortisation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset.

The review carried out by the management did not reveal any impairment or change in the useful life of the tangible and intangible assets.

5. CASH AND CAH EQUIVALENTS:

	2013 BD '000	2012 BD '000
Short-term deposits	104	252
Cash and bank balances	3,052	1,514
Cash and bank balances	3,156	1,766
Less: Bank overdraft	-	(9,271)
	3,156	**(7,505)**

Cash and bank balances include BD 238,257 (2012: BD 203,755), denominated in United States Dollars and BD 105,504 (2012: BD 323,156) denominated in Euros. The average interest rate per annum on short-term deposits is 1% (2012: 1%) per annum.

The purpose of the bank overdraft was to finance the working capital requirements of the Company. It carried a variable interest rate of 3-months Bahrain Inter Bank Offered Rate (BIBOR) + 2.25% as at December 31, 2012.

6. ACCOUNTS AND OTHER RECEIVABLES:

	2013 BD '000	2012 BD '000
Accounts receivables:		
Due from post paid subscribers	16,503	14,296
Allowance for doubtful debts	(5,627)	(4,114)
	10,876	10,182
Due from telecommunication operators	3,214	1,277
Due from distributors	174	380
	14,264	**11,839**
Other receivables:		
Accrued income (6.1)	534	452
Interconnect receivable from other operators	2,137	1,808
Prepaid expenses (6.2)	1,451	1,626
Due from related parties (Note 20)	16	19
Advance paid to suppliers	1,826	3,182
Staff receivables	164	175
Other receivables	252	829
	6,380	**8,091**
	20,644	**19,930**

The average credit period for subscribers on services provided is 60 days. No interest is charged on the overdue subscribers' balances. The Company has provided fully for all subscriber receivables over 360 days excluding those receivables being followed by the collection agencies and certain specific customer receivables which are considered recoverable, because historical experience is such that receivables that are past due beyond 360 days are generally not recoverable. Trade receivables between 60 days and 360 days are provided for based on estimated irrecoverable amounts for the service provided, determined by reference to past default experience.

Included in the due from telecommunication operators balance are debtors with a carrying amount of BD 207,480 (2012: BD 176,573) which are past due at the reporting date for which the Company has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. As at December 31, 2013, the Company has also a payable balance of BD 1,266,825 (2012: BD 1,826,253) to the same operators included under accounts payable and accruals (Note 10).

As at December 31, 2013, ten (2012: ten) operators account for approximately 39% (2012: 59%) of amounts due from telecommunication operators.

Included in accounts receivable balances are debtors with carrying amount of BD 7,959,879 (2012: BD 6,695,809) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

	2013 BD '000	2012 BD '000
3 months	2,797	1,060
4-6 months	1,589	1,529
7-12 months	1,332	1,138
More than 360 days	3,611	2,969
	9,329	**6,696**

Movement in the allowance for doubtful debts is as follow:

	2013 BD '000	2012 BD '000
Balance at beginning of the year	4,114	2,778
Impairment losses recognised on receivables	1,513	1,336
Balance at end of the year	**5,627**	**4,114**

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

Ageing of impaired accounts receivables;

	2013 BD '000	2012 BD '000
Up to 3 months	51	56
3-6 months	223	283
7-12 months	890	716
More than 360 days	4,463	3,059
	5,627	**4,114**

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

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

6.1 Accrued income comprises unbilled charges for services provided at the year end where the billing was not due at that date.

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

7. INVENTORIES:

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

	2013 BD '000	2012 BD '000
Laptops, mobile telephone handsets and accessories	3,321	1,800
SIM cards, recharge vouchers and calling cards	45	70
	3,366	1,870
Allowance for slow moving items	(395)	(275)
	2,971	**1,595**

8. PROPERTY, PLANT AND EQUIPMENT:

	Freehold Land and Building BD '000	Network Equipment BD '000	Office Equipment BD '000	Furniture and Fixtures BD '000	Vehicles BD '000	Properties Under Construction BD '000	Total BD '000
Cost:							
Balance at December 31, 2011	2,172	69,324	20,017	3,330	30	4,761	99,634
Additions	49	4,526	396	13	-	8,246	13,230
Transfers	-	4,254	1,869	119	-	(6,242)	-
Balance at December 31, 2012	2,221	78,104	22,282	3,462	30	6,765	112,864
Additions	65	2,065	392	8	-	16,345	18,875
Transfers	636	8,381	1,304	-	-	(10,321)	-
Written off	-	(509)	-	-	-	-	(509)
Balance at December 31, 2013	**2,922**	**88,041**	**23,978**	**3,470**	**30**	**12,789**	**131,230**
Accumulated Depreciation:							
Balance at December 31, 2011	490	31,823	14,727	2,717	29	-	49,786
Depreciation expense	80	7,456	1,991	240	1	-	9,768
Balance at December 31, 2012	570	39,279	16,718	2,957	30	-	59,554
Depreciation expense	86	8,248	2,175	244	-	-	10,753
Relating to written off	-	(444)	-	-	-	-	(444)
Balance at December 31, 2013	**656**	**47,083**	**18,893**	**3,201**	**30**	**-**	**69,863**
Carrying amount:							
As at December 31, 2013	**2,266**	**40,958**	**5,085**	**269**	**-**	**12,789**	**61,367**
As at December 31, 2012	1,651	38,825	5,564	505	-	6,765	53,310

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

9. INTANGIBLE ASSETS:

	2013 BD '000	2012 BD '000
Cost:		
Balance at the beginning and end of the year	42,075	25,709
Additions	17,321	16,366
	59,396	**42,075**
Accumulated **Amortisation**:		
Balance at the beginning of the year	26,663	15,554
Amortisation expense	13,567	11,109
Balance at the end of the year	40,230	26,663
	19,166	**15,412**

Intangible assets consist of the following license fees:

9.1 Fees of BD 5,576,211 for the National Fixed Wireless Services ("NFWS") license obtained on January 8, 2007. This fee is amortised over the license period of 15 years. The net book value of the license at the end of the year amounts to BD 3,010,577 (2012: BD 3,382,324).

9.2 Fees of BD 378,000 for the Rotana digital entertainment music license. This fee is amortised over a period of three years from the launching day of the agreed services with Rotana which is from May 1, 2009. This has been fully amortised in the last year.

9.3 Subscribers acquisition cost amounting to BD 52,484,646 (December 31, 2012: BD 36,119,788) 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 15,214,865 (December 31, 2012: BD 12,029,896).

9.4 Fees of BD 956,700 for the 4G Long Term Evolution ("4G LTE") license obtained on September 19, 2013. This fee is amortised over the license period of 15 years. The net book value of the license at the end of the year amounts to BD 940,755.

10. ACCOUNTS PAYABLE AND ACCRUALS:

	2013 BD '000	2012 BD '000
Due to suppliers	9,846	7,760
Accrued expenses	5,398	5,747
Due to telecommunication operators	2,687	2,181
Due to roaming partners	1,267	1,826
Accrued employees' benefits	1,149	977
Subscriber deposits	32	39
Dividend payable	396	364
Due to related parties (Note 20)	7,909	4,138
Directors' remuneration	452	652
Accrued interest	30	-
	29,166	**23,684**

There is no interest charge on overdue payables to suppliers however the Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Due to telecommunication operators relate to interconnect charges which are outstanding at the year end. This includes amount of BD 1,882,216 (2012: BD 1,245,212) due to three (2012: one) operators in respect of interconnect charges, supplies and services received prior to the year end of which invoices were under negotiation as of that date.

Subscriber deposits represent refundable amounts received from the subscribers.

11. TERM LOANS:

	2013 BD '000	2012 BD '000
Term loans	20,000	-
Less: current portion of term loans	(3,286)	-
	16,714	-

During the year, 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 20 million out of the total loan facilities available. These loans carry interest rate of three months BIBOR plus 2.25%. Loans are payable in 8, 7 and 8 semi-annual installments respectively starting after one year from the loan agreement date.

12. PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY:

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

	2013 BD '000	2012 BD '000
Balance at the beginning of the year	273	314
Additional provision	62	78
Reductions arising from payments	(5)	(119)
Balance at the end of the year	**330**	**273**

13. SHARE CAPITAL:

	Authorised		Issued and Fully Paid	
	2013 BD '000	2012 BD '000	2013 BD '000	2012 BD '000
Shares of BD 1 each	**32,000**	**32,000**	**32,000**	**32,000**

Dividend – 2012

The Annual General Assembly meeting held on March 21, 2013 approved the distribution of dividend of fils 200 per share totaling BD 6,400,000.

14. SHARE PREMIUM:

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

15. STATUTORY RESERVE:

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

16. REVENUE:

This caption represents revenues from airtime, data, subscription, handsets, accessories and SIM card starter pack sales, net of roaming expenses. Revenue from sale of handsets, accessories and other items amounts to BD 2,283,546 (2012: BD 2,436,458).

17. FINANCE COSTS:

	2013 BD '000	2012 BD '000
Interest on term loans	321	208

18. PROFIT FOR THE YEAR:

Profit for the year has been arrived at after charging

	2013 BD '000	2012 BD '000
Employees' costs and benefits:		
End-of-service benefits	62	78
Employees costs	7,942	7,835
	8,004	**7,913**
Site rental	2,308	2,062
Provision for doubtful debts and slow moving inventories	1,633	1,408
Business promotion cost	2,367	2,823
Amortisation expense (Note 9)	13,567	11,109
License fees (18.1)	2,935	1,852
Royalty fees (18.2)	350	400
Management fees (18.3)	2,409	2,284

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

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

18.3 As per an agreement dated December 28, 2003 between the Company and the Parent Company, the Parent Company provides different management services to the Company against management fees of 3% on the annual gross revenue as defined in the agreement.

19. BASIC EARNINGS PER SHARE:

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

	2013 BD '000	2012 BD '000
Profit for the period	5,403	6,409
Number of shares	**'000**	**'000**
Number of shares at the beginning and end of the period	**32,000**	**32,000**
Basic earnings per share	**Fils 169**	**Fils 200**

20. RELATED PARTY TRANSACTIONS:

Related party transactions represent transactions with related parties as defined in International Accounting Standard 24: "Related Party Disclosures" (these include shareholders, directors and key management personnel including their close family members and companies in which they exercise control, joint control or significant influence). Related party transactions are carried out at arms length and at rates approved by the Company's management. Amounts due from / to related parties are unsecured, bear no interest and have no fixed repayment terms. Management considers these to be current assets and current liabilities as appropriate.

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

	2013 BD '000	2012 BD '000
Office rent and maintenance costs	1,040	1,037
Site and outlet rent	65	64
Management fees (Note 18.3)	2,409	2,284
Employee share option plan charges (20.1)	217	523
Royalty fees (Note 18.2)	350	400

During the year, Management accrued for Board of Directors' remuneration (Note 10) an amount of BD 452,000 (2012: BD 652,000). The amount due for the year 2013 is subject to the approval by the Shareholders' general assembly.

20.1 The employee share option plan charges relate to the share option plan managed and handled by the Parent Company. The liability of the Company is limited to its contribution as charged by the Parent Company. The details of the plan are disclosed in the consolidated financial statements of Zain Group.

	2013 BD '000	2012 BD '000
Related party balances		
Zain Group Holding-Bahrain S.P.C.	(7,850)	(4,084)
Zain – Jordan	(5)	-
Zain – Kingdom of Saudi Arabia	3	6
Sudanese Mobile Telephone Company Ltd	12	13
Zain – Iraq	(34)	(34)
Mobile Telecommunication Company - Kuwait	(20)	(20)
Zain – South Sudan	1	-
	7,893	**(4,119)**

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

	2013 BD '000	2012 BD '000
Due from related parties (Note 6)	16	19
Due to related parties (Note 10)	7,909	4,138

Compensation of key management personnel:

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

	2013 BD '000	2012 BD '000
Short-term benefits	1,251	1,514
Other long-term benefits	88	110
	1,339	**1,624**

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

21. CONTINGENT LIABILITIES AND COMMITMENTS:

21.1 Contingent liabilities:

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

	2013 BD '000	2012 BD '000
Letters of guarantee	1,091	36

21.2 Capital commitments:

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

	2013 BD '000	2012 BD '000
Capital expenditures	24,050	16,061

21.3 Commitments under operating leases:

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

	2013 BD '000	2012 BD '000
Within one year	6,424	3,764
After one year, but not more than five years	3,862	7,674
	10,286	**11,438**

22. FINANCIAL INSTRUMENTS:

Financial instruments consist of financial assets and financial liabilities.

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

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

22.1 Significant accounting policies

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

22.2 Categories of financial instruments

The summary of financial assets and liabilities is as follows:

	2013 BD '000	2012 BD '000
Financial assets		
Cash and bank balances at amortised cost	3,156	1,766
Receivables at amortised cost	16,833	14,670
	19,989	**16,436**
Financial liabilities		
At amortised cost	**49,166**	**32,955**

22.3 Capital risk management

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

The capital structure of the Company consists of equity comprising share capital, share premium, reserves and net debts and debt is defined as term loans and bank overdraft.

The gearing ratio at the year end was as follows:

	2013 BD '000	2012 BD '000
Debts (i)	20,000	9,271
Cash and cash equivalents	(3,156)	(1,766)
Net debts	16,844	7,505
Equity (all capital and reserves)	53,039	54,036
Net debt to equity ratio	**31.8%**	**13.9%**

(i) Debt is defined as bank overdraft and term loans, as shown in Note 5 and 11 respectively.

22.4 Financial risk management objectives

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

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

22.5 Market risk

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

22.5.1 Interest rate risk management

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

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

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

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended December 31, 2013 would decrease/increase by BD 100,000 (2012: decrease/increase by BD 46,357). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

22.5.2 Currency Risk Management

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

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

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

	Liabilities		Assets	
	2013 BD '000	2012 BD '000	2013 BD '000	2012 BD '000
Euros	10	80	106	323

Foreign currency sensitivity analysis

The Company is mainly exposed to the Euro.

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

	Euro Impact	
	2013 BD '000	2012 BD '000
Profit or loss	(10)	(24)

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

22.6 Credit risk management

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

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

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

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

22.7 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. To mitigate the risk, management has diversified funding sources and assets are managed with a liquidity approach, maintaining a healthy balance of cash and cash equivalents. The Company manages the maturities of the Company's assets and liabilities in way to be able to maintain an adequate liquidity. During the year, the Company obtained term loan facilities from three local banks with a limit of BD 12.5, BD 10.5 and BD 7.5 million respectively.

22.7.1 Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 month BD '000	1-3 months BD '000	3 months to 1 year BD '000	1 year to 5 years BD '000	Total BD '000
2013						
Non-interest bearing	-	3,300	7,254	18,612	-	29,166
Variable interest bearing	3.41	-	148	3,773	17,703	21,624
		3,300	**7,402**	**22,385**	**17,703**	**50,790**
2012						
Non-interest bearing	-	3,104	14,487	6,093	-	23,684
Variable interest bearing	3.25	3,770	2,826	2,826	-	9,422
		6,874	**17,313**	**8,919**	**-**	**33,106**

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

	Weighted average effective interest rate %	Less than 1 month BD '000	1-3 months BD '000	3 months to 1 year BD '000	Total BD '000
2013					
Non-interest bearing	-	3,226	1,407	15,252	19,855
Fixed interest rate instruments	1	-	104	-	104
		3,226	**1,511**	**15,252**	**19,989**
2012					
Non-interest bearing	-	3,957	6,149	6,078	16,184
Fixed interest rate instruments	1	254	-	-	254
		4,211	**6,149**	**6,078**	**16,438**

23. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The Directors believe that the fair values of the Company's financial instruments approximated their carrying amounts as at the reporting dates.

There are no financial assets and liabilities carried at fair value at the reporting dates.

24. COMPARATIVE FIGURES:

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

C.3 – Financial Statements and External Auditor's Report for the Year Ended 31 December 2012

BH 99-8-12

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Zain Bahrain B.S.C. (c) ("the Company"), which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zain Bahrain B.S.C. (c) ("the Company") as at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the Company has maintained proper accounting records and the financial statements have been prepared in accordance with those records. We further report that, to the best of our knowledge and belief, the financial information provided in the Board of Directors' report is in agreement with the financial statements and based on the information and explanations provided by the management which were required for the purpose of our audit, we are not aware of any violations of the relevant provisions of the Bahrain Commercial Companies Law 2001 and the Company's Memorandum and Articles of Association having occurred during the year ended December 31, 2012 that might have had a material effect on the business of the Company or on its financial position.

Deloitte & Touche

Manama - Kingdom of Bahrain,
January 6, 2013

Deloitte & Touche

Statement of Financial Position
AS AT DECEMBER 31, 2012

	Notes	2012 BD '000	2011 BD '000
ASSETS			
Current assets			
Cash and bank balances	5	1,766	5,238
Account receivable	6	11,459	10,744
Advances, prepayments and other receivables	7	8,471	10,810
Inventories	8	1,595	2,601
Total current Assets		**23,291**	**29,393**
Non-current assets			
Property, plant and equipment	9	53,310	49,848
Intangible assets	10	15,412	10,155
Total non-current Assets		68,722	60,003
Total Assets		**92,013**	**89,396**
LIABILITIES & EQUITY			
Liabilities			
Current liabilities			
Bank overdraft	5	9,271	839
Accounts payable and accruals	11	23,684	25,466
Deferred revenue		4,749	3,950
Total current liabilities		**37,704**	**30,255**
Non-current liabilities			
Provision for employees' end of service benefits	12	273	314
Total liabilities		**37,977**	**30,569**
Equity			
Share capital	13	32,000	32,000
Share premium	14	100	100
Statutory reserve	15	8,913	8,272
Retained earnings		13,023	18,455
Total equity		**54,036**	**58,827**
Total Liabilities & Equity		**92,013**	**89,396**

Statement of Comprehensive Income
FOR THE YEAR ENDED DECEMBER 31, 2012

	Notes	2012 BD '000	2011 BD '000
Revenue	16	73,533	77,021
Cost of revenue		(16,250)	(22,108)
Gross profit		**57,283**	**54,913**
Distribution, marketing and operating expenses		(22,100)	(20,286)
General and administrative expenses		(6,492)	(4,601)
Depreciation and amortisation		(20,877)	(15,770)
Provision for doubtful debts		(1,336)	(2,013)
Provision for inventories		(72)	(72)
Operating profit		**6,406**	**12,171**
Interest income		27	144
Other income		8	489
Gain on currency revaluation		176	243
Finance costs	17	(208)	0
Profit for the year	18	**6,409**	**13,047**
Total comprehensive income for the year		**6,409**	**13,047**
Basic earnings per share	19	Fils 200	Fils 408

Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2012

	Share Capital BD '000	Share Premium BD '000	Statutory Reserve BD '000	Retained Earnings BD '000	Total BD '000
BBalance at December 31, 2010	32,000	100	6,968	24,312	63,380
Dividends declared	-	-	-	(17,600)	(17,600)
Total comprehensive income for the year	-	-	-	13,047	13,047
Transfer to statutory reserve	-	-	1,304	(1,304)	-
Balance at December 31, 2011	**32,000**	**100**	**8,272**	**18,455**	**58,827**
Dividends declared	-	-	-	(11,200)	(11,200)
Total comprehensive income for the year	-	-	-	6,409	6,409
Transfer to statutory reserve	-	-	641	(641)	-
Balance at December 31, 2012	**32,000**	**100**	**8,913**	**13,023**	**54,036**

Statement of Cash Flows
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 BD '000	2011 BD '000
Cash flows from operating activities		
Profit for the year	6,409	13,047
Adjustments for:		
Depreciation and amortisation	20,877	15,770
Gain on disposal of property, plant and equipment	0	(359)
Provision for doubtful debts and slow moving inventories	1,408	2,085
Finance costs	208	0
Interest income	(27)	(144)
Provision for employees' end of service benefits	78	81
Operating profits before working capital changes	**28,953**	**30,480**
Increase in accounts receivable	(2,051)	(3,632)
Decrease/(increase) in advances, payments and other receivables	2,339	(794)
Decrease/(increase) in inventories	934	(48)
Decrease in accounts payable and accruals	(1,866)	(1,064)
Increase/(decrease) in deferred revenue	799	(194)
Cash generated from operating activities	**29,108**	**24,748**
Payment of employees' end of services benefits	(119)	(39)
Net cash from operating activities	**28,989**	**24,709**
Cash flow from investing activities		
Purchase of property, plant and equipment	(13,230)	(13,824)
Interest received	27	144
Increase in intangible assets	(16,366)	(7,215)
Net cash used in investing activities	**(29,569)**	**(20,895)**
Cash flows from financing activities		
Interest paid	(208)	0
Dividend paid	(11,116)	(17,512)
Net cash used in financing activities	**(11,324)**	**(17,512)**
Net increase / (decrease) in cash and cash equivalents	(11,904)	(13,698)
Cash and cash equivalents at the beginning of the year	4,399	18,097
Cash and cash equivalents at the end of the year (Note 5)	**(7,505)**	**4,399**

Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2012

1. GENERAL INFORMATION
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 provides telecommunication services under various licenses issued by the Telecommunications Regulatory Authority ("TRA") of the Kingdom of Bahrain. The initial periods of the licenses are 15 years. The Company is also involved in the sale of handsets and accessories in the Kingdom of Bahrain. The Company launched its services on December 25, 2003.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

2.1 Standards and Interpretations effective for the current period
The following new and revised standards and interpretations have been adopted in the current year with no material impact on the disclosures and amounts reported for the current and prior years but may affect the-accounting for future transactions or arrangements:

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Replacement of fixed dates for certain exceptions with the date of transition to IFRSs.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation.

- Amendments to IFRS 7 Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

- Amendments to IAS 12 Income Taxes provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 Investment Property by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.

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

	Effective for annual periods beginning on or after:
• IFRS 9 Financial Instruments. The requirements of IFRS 9 represent a significant change from the classification and measurement requirements in IAS 39 Financial Instruments: Classification and Measurement in respect of financial assets. The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of the issuer.	**January 1, 2015**
• IFRS 10 Consolidated Financial Statements uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures have been amended for the issuance of IFRS 10.	**January 1, 2013**
• IFRS 11 Joint Arrangements establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 Investments in Associates and Joint Ventures has been amended for the issuance of IFRS 11.	**January 1,2013**
• IFRS 12 Disclosure of Interests in Other Entities combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.	**January 1, 2013**
• IFRS 13 Fair Value Measurement issued in May 2011, establishes a single framework for measuring fair value and is applicable for both financial and nonfinancial items.	**January 1, 2013**

• Amendments to IAS 1 — Presentation of Other Comprehensive Income. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	**July 1,2012**
• Amendments to IAS 19 Employee Benefits eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	**January 1, 2013**
• IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.	**January 1, 2013**
• Amendments to IFRS 7 Financial Instruments: Disclosures enhancing disclosures about offsetting of financial assets and liabilities.	**January 1, 2013**
• Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.	**January 1, 2014**
• Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	**January 1, 2015** (or otherwise when URS 9 is first applied)
• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements relating to exception from the requirement to consolidate subsidiaries for eligible Investment Entities.	**January 1, 2014**

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that all of the above Standards and Interpretations as applicable, will be adopted in the Company's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

The principal accounting policies are set out below.

3.3 Revenue recognition

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

3.3.1 Postpaid

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

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

3.3.2 Prepaid

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

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

3.3.4 Interconnection

Revenue (inbound)
Interconnection revenue represents amounts receivable from other network operators for their subscribers' traffic terminated on the Company's network and is accounted for during the period of such use.

Expenses (outbound)
Interconnection expenses represent amounts payable to other network operators for the traffic terminated on their network by the Company's subscribers and are accounted for during the period of such use.

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

3.3.6 Trading revenue
Revenues arising from trading primarily comprise of handsets, equipment and SIM card starter packs sales and are recognised upon delivery to the customer.

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

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

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

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

Freehold building	20 years
Network equipment	3-15 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Freehold land and properties under construction are not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

3.6 Impairment of tangible and intangible assets

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

The recoverability of the Company's tangible and intangible assets is subject to the future profitability of its operations and evolution of the business in accordance with its plans. In evaluating the recoverability of its assets, the management reviews the value and future benefits of the Company's operations based on technological, regulatory and market conditions.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash- generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.8 Inventories

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

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

3.9 Financial assets

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

3.9.1 Receivables

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

3.9.2 Effective interest method

The effective interest method is a method of calculating the amortised cast of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.9.3 Impairment of financial assets

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

The objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

3.9.4 Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flow from the asset expire, or it is transfers the financial asset and substantially all the risks and rewards of the ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retailed interest in the asset and as associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition, of a financial asset in liability, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit and loss.

3.10 Financial Liabilities

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

3.10.1 Other financial liabilities

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

3.10.2 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3.12 Leasing

The Company as lessee

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

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

3.13 Provision for employees' end of service benefits

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

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

3.14 Employee saving scheme

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

3.15 Foreign currencies

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

3.16 Share based payment transactions

The Parent Company operates both an entity settled and cash settled share based compensation plan. The cost of these share based transactions is measured at fair value of its value at the date of the grant taking into account the terms and conditions upon which the instruments were granted.

The Company grants rights to equity instruments of its parent to certain entitled employees and accounts for transactions as cash-settled. The fair value is expensed over the vesting period with a corresponding adjustment in liability.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods of the revision affects both current and future periods.

Critical judgment in applying the entity's accounting policies

In the process of applying the entity's accounting policies, management did not have to make judgments that may have significant effect on the amounts recognized in the financial statements.

Key sources of estimation uncertainty

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

Property, plant and equipment

Due to the nature of the Company's business, the network assets of the Company are susceptible to rapid technological obsolescence. Management depreciates those assets over 3 to 15 years. The estimation of network assets useful lives is based on management judgment and estimates. In order to estimate the lives of network assets, management considers the nature of the asset, usage and technology advancement. Therefore, any technological advancement in future may warrant the need for substantial upgrade or replacement of the equipment. Hence, management performs annual impairment tests on network assets to identify any indication that those assets have suffered an impairment loss. As per the policy the impairment loss, if any, will be recognized immediately in the profit and loss.

Allowance for bad debts on due from postpaid subscribers

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

Impairment of tangible and intangible assets and useful lives

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

The management determines the useful lives of property, plant and equipment and intangible assets and the related depreciation and amortization charge. The depreciation and amortization charge for the year will change significantly if the actual life is different from the estimated useful life of the assets.

The review carried out by the management did not reveal impairment or change in the useful life of the tangible and intangible assets.

5. CASH AND CASH EQUIVALENTS

	2012 BD '000	2011 BD '000
Short term deposits	252	3,013
Cash and bank balances	1,514	2,225
Cash and bank balances	**1,766**	**5,238**
Less: Bank overdraft	(9,271)	(839)
	(7,505)	**4,399**

Cash and bank balances include BHD 203,755 (2011: BHD 250,861), denominated in United States Dollars and BHD 323,156 (2011: 586,020) denominated in Euros. The average interest rate per annum on short term deposits is 1% (2011: 2.75%).

The purpose of bank overdraft is to finance the working capital requirements of the Company. It carries a variable interest rate of 3-months Bahrain Inter Bank Offered Rate (BIBOR) + 2.25% (2-11: 3-month BIBOR + 2.25%) per annum.

6. ACCOUNTS RECEIVABLES

	2012 BD '000	2011 BD '000
Due from postpaid subscribers	14,296	10,430
Allowance for doubtful debts	(4,114)	(2,778)
	10,182	**7,652**
Due from telecommunication operators	1,277	3,092
	11,459	**10,744**

The average credit period for subscribers on services provided is 60 days. No interest is charged on overdue subscribers balances. The Company has provided fully for all subscriber receivables over 360 days excluding those receivables being followed by the collection agencies and certain specific customer receivables which are considered recoverable, because historical experience is such that receivables that are past due beyond 360 days are generally not recoverable. Trade receivables between 60 days and 360 days are provided for based on estimated irrecoverable amounts for the service provided, determined by reference to past default experience.

Included in accounts receivable balances are debtors with carrying amount of BHD 6,695,809 (2011: BHD 4,776,208) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. Further, the above mentioned amount includes BHD 1,196,402 (2011: BHD 842,708) relating to government entities, government officials and other important individuals and BHD 953,775 (2011: BHD 372,981) relates to finalized legal cases through execution. Management believes that these are 100% recoverable.

Included in the due from telecommunication operators are debtors with carrying amount of BHD 774,579 (2011: BHD 1,909,736) which are past due at the reporting date for which the Company has not provided for as there has not been a significant change in credit quality and amounts are still considered recoverable. The Company does not hold any collateral over these balances. As at December 31, 2012, The Company has also a payable balance of BHD 1,826,253 (2011: BHD 2,959,218) to the same operators included under accounts payable and accruals, hence it is not considered for impairment.

As at December 31, 2012, ten (2011: ten) operators accounts for approximately 59% (2011: 65%) of amounts due from telecommunication operators.

The aging of past due but not impaired postpaid subscribers and due from telecommunication operators is as follows:

	2012 BD '000	2011 BD '000
Upto 3 months	1,060	887
3-6 months	1,529	1,205
7-12 months	1,138	1,267
More than 360 days	2,969	1,417
	6,696	**4,776**

Movement in allowance for doubtful debts is as follows:

	2012 BD '000	2011 BD '000
Balance at beginning of the year	2,778	2,062
Impairment losses recognised on receivables	1,336	2,013
Amount written off	-	(1,297)
Balance at end of the year	**4,114**	**2,778**

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

Aging of impaired trade receivables:

	2012 BD '000	2011 BD '000
Upto 3 months	56	33
3-6 months	283	167
7-12 months	716	937
More than 360 days	3,059	1,641
	4,114	**2,778**

The Directors consider that the carrying amount of account receivables approximately their fair value.

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

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2012 BD '000	2011 BD '000
Accrued income (7.1)	452	721
Interconnect receivable from other operators	1,808	3,649
Prepaid expenses (7.2)	1,626	1,825
Due from related parties (note 20)	19	14
Advance paid to suppliers	3,182	3,217
Other receivables	1,384	1,451
	8,471	**10,877**
Allowance for other receivables	-	(67)
	8,471	**10,810**

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

8. INVENTORIES

	2012 BD '000	2011 BD '000
Laptops, mobile telephone handsets and accessories	1,800	2,640
SIM cards, recharge vouchers and calling cards	70	164
	1,870	**2,804**
Allowance for slow moving items	(275)	(203)
	1,595	**2,601**

9. 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	Properties Under Construction BD '000	Total BD '000
Cost:							
Balance December 31, 2010	2,089	55,702	17,910	3,288	30	11,401	90,420
Additions	83	3,982	362	1	-	13,834	18,262
Transfers	-	18,044	1,745	41	-	(19,830)	-
Disposals	-	(8,404)	(644)	(9,048)			
Balance December 31, 2011	**2,172**	**69,324**	**20,017**	**3,330**	**30**	**4,761**	**99,634**
Additions	49	4,526	396	13	-	8,246	13,230
Transfers	-	4,254	1,869	119	-	(6,242)	-
Balance December 31, 2012	**2,221**	**78,104**	**22,282**	**3,462**	**30**	**6,765**	**112,864**
Accumulated Depreciation:							
Balance December 31, 2010	414	28,370	12,818	2,483	26	-	44,111
Depreciation expense	76	8,392	1,909	234	3	-	10,614
Relating to disposal	-	(4,939)	-	-	-	-	(4,939)
Balance December 31, 2011	**490**	**31,823**	**14,727**	**2,717**	**29**	**-**	**49,786**
Depreciation expense	80	7,456	1,991	240	1	-	9,768
Balance December 31, 2012	**570**	**39,279**	**16,718**	**2,957**	**30**	**-**	**59,554**
Carrying amount:							
As at December 31, 2012	**1,651**	**38,825**	**5,564**	**505**	**-**	**6,765**	**53,310**
As at December 31, 2011	**1,682**	**37,501**	**5,290**	**613**	**1**	**4,761**	**49,848**

10. INTANGIBLE ASSETS

	2012 BD '000	2011 BD '000
Cost:		
Balance at the beginning and end of the year	25,709	18,494
Additions	16,366	7,215
	42,075	**25,709**
Accumulated Amortisation:		
Balance at the beginning of the year	15,554	10,398
Amortisation expense	11,109	5,156
Balance at the end of the year	**26,663**	**15,554**
	15,412	**10,155**

Intangible assets consist of the following license fees:

- Fees for National Fixed Wireless Services ("NFWS") license obtained on January 8, 2007. This fee is amortized over the license period of 15 years.
- Fees for the Rotana digital entertainment music license. This fee is amortized over a period of three years from the launching day of the agreed services with Rotana which is from May1, 2009.
- Subscriber acquisition cost comprises the subscribed cost of inventory items sold by the Company to its suppliers. These items are amortized over the contracted subsidy period which ranges from 1 to 3 years. The net book value of the subscriber acquisition cost at the year-end amount for BHD 12,029,896 (2011: BHD 6,358,947).

11. ACCOUNTS PAYABLES AND ACCRUALS

	2012 BD '000	2011 BD '000
Due to suppliers	7,760	6,105
Accrued expenses	7,685	11,591
Due to telecommunication operators	2,069	3,124
Accrued employees' benefits	1,629	1,054
Subscriber deposits	39	47
Dividend payable	364	280
Due to related parties (Note 20)	4,138	3,265
	23,684	**25,466**

There is no interest charge on overdue payables to suppliers however the Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Accrued expenses include an amount of BHD 1,245,212 (2011: 2,329,882) due to another operator in respect of interconnect charges, supplies and services received prior to the year end for which no invoices were received as of that date.

Due to telecommunication operators relate to interconnect and roaming charges which are outstanding at the year end.

Subscriber deposits represent refundable amounts from the subscribers.

12. PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY

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

	2012 BD '000	2011 BD '000
Balance at beginning of the year	314	272
Additional provision	78	81
Reductions arising from payments	(119)	(39)
Balance at the end of the year	**273**	**314**

13. SHARE CAPITAL

	Authorised		Issued and Fully Paid	
	2012 BD '000	2011 BD '000	2012 BD '000	2011 BD '000
Shares of BHD 1 each	32,000	32,000	32,000	32,000

14. SHARE PREMIUM

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

15. STATUTORY RESERVES

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

16. REVENUE

This caption represents revenues from airtime, data, subscription, handsets, accessories and SIM card starter pack sales, net of roaming expenses. Revenue from sales of handsets, accessories and other items amounts to BHD 2,436,458 (2011: BHD11,354,841). The decrease is due to change in accounting policy (Note 24).

17. FINANCE COSTS

	2012 BD '000	2011 BD '000
Interest on bank overdrafts	208	-

18. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging

	2012 BD '000	2011 BD '000
Employees' costs and benefits:		
End of service benefits	78	81
Employees costs	7,835	6,498
	7,913	**6,579**
Site rental	2,062	1,650
Provision for doubtful debt and slow moving inventories	1,408	2,085
Business promotion cost	2,859	2,149
Amortisation expenses (Note 10)	11,109	5,156
Licence fees (18.1)	1,852	1,443
Royalty fees (18.2)	400	539
Management fees (18.3)	2,284	2,421

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

18.2 The Company has an agreement dated September 1, 2007 with Vodafone Global Products and Services Limited in respect of use of "Vodafone" brand and to provide other assistance to the Company against royalty fee of Euro 1 million per annum.

18.3 As per an agreement dated 28 December 2003 between the Company and the Parent Company, the Parent Company provides different management services to the Company against management fees of 3% on the annual gross revenue as defined in the agreement.

19. BASIC EARNINGS PER SHARE

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

	2012 BD '000	2011 BD '000
Profit for the period	6,409	13,047
Number of shares	000'	000'
Number of shares at the beginning of the period	32,000	32,000
Basic earnings per share	Fills 200	Fills 408

20. RELATED PARTY TRANSACTIONS

These represent transactions with related parties as defined in IAS 24. Pricing policies and terms of these transactions are approved by the Company's management.

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

	2012 BD '000	2011 BD '000
Office rent and maintenance costs	1,037	753
Site and outlet rent	64	62
Management fees (Note 18.3)	2,284	2,421
Employee share option plan charges (20.1)	523	343
Royalty fees (Note 18.2)	400	539

During the year, Management accrued for Board of Directors' remuneration and amount of BHD 652,000 (2011: BHD 252,000) which includes an amount of BHD 452,000 due to the Directors for the year 2012 in addition to an amount of BHD 200,000 which relates to year 2011. The amount due for the year 2012 is subject to the approval by the Shareholders' general assembly.

20.1 The employee share option plan charges relate to the share option plan managed and handled by the Parent Company. The liability of the Company is limited to its contribution as charged by the Parent Company. The details of the plan are disclosed in the consolidated financial statements of Zain Group.

	2012 BD '000	2011 BD '000
Zain Group Holding-Bahrain S.P.C.	(4,084)	(3,005)
Zain-Jordan	-	(151)
Zain-Kingdom of Saudi Arabia	6	1
Sudanese Mobile Telephone Company Ltd	13	13
Zain-Iraq	(34)	(34)
Mobile Telecommunication Company-Kuwait	(20)	(75)
	(4,119)	**(3,251)**

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

	2012 BD '000	2011 BD '000
Due from related parties (Note 7)	19	14
Due to related parties (Note 11)	4,138	3,265

Compensation of key management personnel

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

	2012 BD '000	2011 BD '000
Short-term benefits	1,514	1,155
Other long-term benefits	110	84
	1,624	**1,239**

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

21. CONTINGENT LIABILITIES AND COMMITMENTS

21.1 Contingent liabilities

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

	2012 BD '000	2011 BD '000
Letters of guarantee	36	66

21.2 Capital commitments

	2012 BD '000	2011 BD '000
Capital expenditures	16,061	14,278

21.3 Commitments under operating leases

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

	2012 BD '000	2011 BD '000
Within one year	2,251	1,856
After one year, but not more than five years	8,549	6,889
	10,800	**8,745**

22. FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

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

Financial liabilities of the Company include accounts payables and accruals.

22.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurements and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instruments are disclosed in note 3 of the financial statements.

22.2 Categories of financial instruments

The summary of financial assets and liabilities is as follows:

	2012 BD '000	2011 BD '000
Financial assets		
Cash and bank balances at amortised cost	1,766	5,238
Receivables at amortised cost	14,670	15,791
	16,436	**21,029**
Financial liabilities		
At amortised cost	**32,955**	**26,305**

22.3 Capital risk management

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

The capital structure of the Company consists of equity comprising share capital, share premium and reserves. The Company does not have long term borrowings as at the reporting date, however it resorts to borrowing in the form of bank overdraft.

The Gearing ratio at the year end was as follows:

	2012 BD '000	2011 BD '000
Debts (i)	9,271	839
Cash and equivalents	(1,766)	(5,238)
Net debts	7,505	(4,399)
Equity (all capital and reserves)	54,036	58,827
Net debt to equity ratio	13.9%	N/A

(i) Debt is defined as bank overdraft, as shown in Note 5.

22.4 Financial risk management objectives

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

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

22.5 Market risk

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

22.5.1 Interest rate risk management

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

The Company's short-term deposits carry fixed interest rates and mature within three months. the company's overdraft facility carries variable interest rate and is short-term in nature (Note 5).

The Company is not exposed to significant interest risk since it does not have interest bearing long term liabilities at the reporting dates. The Company reviews the market analysis and expectations for interest rate movements as the basis on which the Company decides to utilise floating rates for its interest bearing liabilities, if any.

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

22.5.2 Currency risk management

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

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

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

	Liabilities		Assets	
	2012 BD '000	2011 BD '000	2012 BD '000	2011 BD '000
Euros	80	476	323	586

Foreign currency sensitivity analysis
The Company is mainly exposed in Euro.

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

		Euro Impact
	2012 BD '000	2011 BD '000
Profit or loss (a)	(24)	(11)

(a) This is mainly attributable to the Company's exposure outstanding on Euro financial assets and liabilities at year end.

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

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

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

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

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

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

Ultimate responsibility for liquidity risk management rests with Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. To mitigate the risk, management has diversified funding sources and assets are managed with liquidity approach, maintaining a healthy balance of cash and cash equivalents. The Company manages maturities of the Company's assets and liabilities in way to be able to maintain an adequate liquidity. During the year, the Company obtained credit facilities from a local bank with a limit of BHD 5 million for overdraft and BHD 3 million for bills discounting.

22.7.1 Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 month BD '000	1-3 months BD '000	3 months to 1 year BD '000	Total BD '000
2012					
Non-interest bearing	-	3,104	14,487	6,093	23,684
Variable interest bearing	3.25%	3,769	2,826	2,826	9,422
		6,873	**17,313**	**8,919**	**33,106**
2011					
Non-interest bearing	-	3,750	14,466	7,250	25,466
Variable interest bearing	3.25%	839	-	-	839
		4,589	**14,466**	**7,250**	**26,305**

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

	Weighted average effective interest rate %	Less than 1 month BD '000	1-3 months BD '000	3 months to 1 year BD '000	Total BD '000
2012					
Non-interest bearing	-	3,957	6,149	6,078	16,184
Fixed interest rate instruments	1%	254	-	-	254
		4,211	**6,149**	**6,078**	**16,438**
2011					
Non-interest bearing	-	4,809	7,798	5,409	18,016
Fixed interest rate instruments	2.75%	3,020	-	-	3,020
		7,829	**7,798**	**5,409**	**21,036**

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged for a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The Directors believe that the fair values of the Company's financial instruments approximated their carrying amounts as at the reporting dates.

There are no financial assets and liabilities carried at fair value at the reporting dates.

24. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2012 the Company changed its accounting policies in recognising its trading revenues to follow the changes in the accounting policy of the Group. The previous practice recorded the trading revenue including the mark up from sale of handsets, accessories and other devices in addition to the cost of sakes of such items that are sold under the subscriber acquisition programs. Under the new practice, trading revenue is recognised up to the amount which is actually collected from the subscribers at the signing of the contract as this provides reliable and more relevant information about the effect of such transactions in accordance with IAS 18: Revenue Recognition.

This change has not been retrospectively applied in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, as it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Revenue from sale of handsets, accessories and other items are disclosed in Note 16.

25. COMPARATIVE FIGURES

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

C.4 – Financial Statements and External Auditor's Report for the Year Ended 31 December 2011

Deloitte.

BH 99-8-12

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Zain Bahrain B.S.C. (c) ("the Company"), which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zain Bahrain B.S.C.(c) ("the Company") as at December 31, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the Company has maintained proper accounting records and the financial statements have been prepared in accordance with those records. We further report that, to the best of our knowledge and belief, the financial information provided in the Board of Directors' report is in agreement with the financial statements and based on the information and explanations provided by the management which were required for the purpose of our audit, we are not aware of any violations of the relevant provisions of the Bahrain Commercial Companies Law 2001 and the Company's Memorandum and Articles of Association having occurred during the year ended December 31, 2011 that might have had a material effect on the business of the Company or on its financial position.

Deloitte & Touche

Manama - Kingdom of Bahrain,
January 10, 2012

Deloitte & Touche

Statement of Financial Position
AS AT DECEMBER 31, 2011

	Notes	2011 BD '000	2010 BD '000
ASSETS			
Current assets			
Cash and bank balances	5	5,238	18,097
Account receivable	6	10,744	9,125
Advances, prepayments and other receivables	7	17,169	13,788
Inventories	8	2,601	2,625
Total current Assets		**35,752**	**43,635**
Non-current assets			
Property, plant and equipment	9	49,848	46,309
Intangible assets	10	3,796	4,294
Total non-current Assets		**53,644**	**50,603**
Total Assets		**89,396**	**94,238**
LIABILITIES & EQUITY			
Liabilities			
Current liabilities			
Bank overdraft	5	839	-
Accounts payable and accruals	11	25,466	26,442
Deferred revenue		3,950	4,144
Total current liabilities		**30,255**	**30,586**
Non-current liabilities			
Provision for employees' end of service benefits	12	314	272
Total liabilities		**30,569**	**30,858**
Equity			
Share capital	13	32,000	32,000
Share premium	14	100	100
Statutory reserve	15	8,272	6,968
Retained earnings		18,455	24,312
Total equity		**58,827**	**63,380**
Total Liabilities & Equity		**89,396**	**94,238**

Statement of Comprehensive Income
FOR THE YEAR ENDED DECEMBER 31, 2011

	Notes	2011 BD '000	2010 BD '000
Revenue	16	77,021	88,882
Cost of revenue		(22,108)	(20,437)
Gross profit		**54,913**	**68,445**
Distribution, marketing and operating expenses		(24,944)	(29,424)
General and administrative expenses		(4,601)	(7,255)
Depreciation and amortisation		(11,112)	(10,060)
Provision for doubtful debts		(2,013)	(295)
Provision for inventories		(72)	(24)
Operating profit		**12,171**	**21,387**
Interest income		144	287
Other income		489	31
Gain on currency revaluation		243	226
Finance costs	17	-	(59)
Profit for the year	18	**13,047**	**21,872**
Total comprehensive income for the year		**13,047**	**21,872**
Basic earnings per share	19	Fils 408	Fils 684

Statement of Changes in Equity
FOR THE YEAR ENDED DECEMBER 31, 2011

	Share Capital BD '000	Share Premium BD '000	Statutory Reserve BD '000	Retained Earnings BD '000	Total BD '000
Balance at December 31, 2009	32,000	100	4,781	27,027	63,908
Dividends declared	-	-	-	(22,400)	(22,400)
Total comprehensive income for the year	-	-	-	21,872	21,872
Transfer to statutory reserve	-	-	2,187	(2,187)	-
Balance at December 31, 2010	**32,000**	**100**	**6,968**	**24,312**	**63,380**
Dividends declared	-	-	-	(17,600)	(17,600)
Total comprehensive income for the year	-	-	-	13,047	13,047
Transfer to statutory reserve	-	-	1,304	(1,304)	-
Balance at December 31, 2011	**32,000**	**100**	**8,272**	**18,455**	**58,827**

Statement of Cash Flows
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 BD '000	2010 BD '000
Cash flows from operating activities		
Profit for the year	13,047	21,872
Adjustments for:		
Depreciation and amortisation	11,112	10,060
Gain on disposal of property, plant and equipment	(359)	-
Provision for doubtful debts and slow moving inventories	2,085	319
Finance costs	-	59
Interest income	(144)	(287)
Provision for employees' end of service benefits	81	150
Operating profits before working capital changes	**25,822**	**32,173**
Increase in accounts receivable	(3,632)	(2,204)
Decrease/(increase) in advances, prepayments and other receivables	(3,351)	7,457
Decrease/(increase) in inventories	(48)	(242)
(Decrease)/increase in accounts payable and accruals	(1,064)	1,788
Increase/(decrease) in deferred revenue	(194)	(233)
Cash generated from operating activities	**17,533**	**38,739**
Payment of employees' end of services benefits	(39)	(103)
Net cash from operating activities	**17,494**	**38,636**
Cash flow from investing activities		
Purchase of property, plant and equipment	(13,824)	(15,182)
Interest received	144	273
Net cash used in investing activities	**(13,680)**	**(14,909)**
Cash flows from financing activities		
Repayment of term loans	-	(2,585)
Repayment of capital element of finance lease	-	(438)
Interest paid	-	(59)
Dividend paid	(17,512)	(22,288)
Net cash used in financing activities	**(17,512)**	**(25,370)**
Net increase / (decrease) in cash and cash equivalents	**(13,698)**	**(1,643)**
Cash and cash equivalents at the beginning of the year	18,097	19,740
Cash and cash equivalents at the end of the year (Note 5)	**4,399**	**18,097**

Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2011

1. GENERAL INFORMATION

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

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards affecting the disclosures and presentation in the current year

None of the revised Standards that have been adapted in the current year which are effective for annual periods beginning on or after January 1, 2011 have affected the disclosures and presentations in the financial statements. Details of those Standards adapted in these financial statements but that have had no effect on the amounts reported are set out in Note 2.2

2.2 Standards and interpretations adapted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adapted in these financial statements. Their adaption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for the future transaction or arrangements.

New Interpretation:		Effective for annual periods beginning on or after:
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	**July 1, 2010**
Amendments to Standards and Interpretations:		
IFRS 1	First-time Adaption of International Financial Reporting Standards – Amendment relating to limited exemption from Comparative IFRS 7 Disclosures for First-Time Adopters.	**July 1, 2010**
IAS 24	Related Party Disclosures – Revised definition of related parties	**January 1, 2011**
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues	**February 1, 2010**
IFRIC 13	Customer Loyalty Programmes – Amendments relating to the clarifications on the measurement of the fair value of award credits	**January 1, 2011**
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction Conceptual Framework for Financial Reporting 2010	**January 1, 2011** **September 2010**
IAS 27	Consolidated and Separate Financial Statements (as amended in 2008)	**July 1, 2010**
Various Standards	Amendments resulting from May 2010 Annual Improvements to IFRSs	**Various**

2.3 Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not effective:

New Interpretation:		**Effective for annual periods beginning on or after**
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	**January 1, 2013**
New Standards:		
IFRS 9	Financial Instruments	**January 1, 2015**
IFRS 10	Consolidated Financial Statements	**January 1, 2013**
IFRS 11	Joint Arrangements	**January 1, 2013**
IFRS 12	Disclosure of Interests in Other Entities	**January 1, 2013**
IFRS 13	Fair Value Measurement	**January 1, 2013**
Amendments to Standards and Interpretations		
IFRS 1	First-time Adaption of International Financial Reporting Standards – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRS's	**July 1, 2011**
IFRS 1	First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation	**July 1, 2011**
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	**July 1, 2011**
IFRS 7	Financial Instruments Disclosures – Amendments requiring disclosures about the transfer of financial assets and liabilities	**January 1, 2013**
IFRS 7	Financial Instruments Disclosures – Amendments enhancing disclosures about the initial application of IFRS 9	**January 1, 2015**
IAS1	Presentation of Financial Statements (2011) - Amendments enhancing presentation of items of other comprehensive income	**January 1, 2012**
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets)	**January 1, 2012**
IAs 19	Employee Benefits – Amendments resulting from the Post-Employment Benefits and Termination Benefits projects	**January 1, 2013**
IAS 27	Separate Financial Statements (2011)	**January 1, 2013**
IAS 28	Investment in Associates and Joint Ventures (2011)	**January 1, 2013**
IAS 32	Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and liabilities	**January 1, 2014**
Various Standards	Amendments resulting from May 2010 Annual Improvements to IFRS's.	**Various**

The Directors anticipate that all of the above Standards and Interpretations as applicable will be adopted in the Company's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

The principal accounting policies are set out below.

3.3 Revenue recognition

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

3.3.1 Postpaid

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

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

3.3.2 Prepaid

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

3.3.3 Roaming

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

3.3.4 Interconnection

Revenue (inbound)
Interconnection revenue represents amounts receivable from other network operators for their subscribers' traffic terminated on the Company's network and is accounted for during the period of such use.

Expenses (outbound)
Interconnection expenses represent amounts payable to other network operators for the traffic terminated on their network by the Company's subscribers and are accounted for during the period of such use.

3.3.5 Prepaid calling cards

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

3.3.6 Trading revenue

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

3.3.7 Interest income

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

3.4 Property, plant and equipment

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

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

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

Freehold building	20 years
Network equipment	3-15 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Freehold land and properties under construction are not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Intangible assets

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

3.6 Impairment of tangible and intangible assets

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

The recoverability of the Company's tangible and intangible assets is subject to the future profitability of its operations and evolution of the business in accordance with its plans. In evaluating the recoverability of its assets, the management reviews the value and future benefits of the Company's operations based on technological, regulatory and market conditions.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash- generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.8 Inventories

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

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

3.9 Financial assets

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

3.9.1 Receivables

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

3.9.2 Effective interest method

The effective interest method is a method of calculating the amortised cast of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.9.3 Impairment of financial assets

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

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

3.9.4 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flow from the asset expire, or it is transfers the financial asset and substantially all the risks and rewards of the ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retailed interest in the asset and as associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition, of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit and loss.

3.10 Financial Liabilities

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

3.10.1 Other financial liabilities

Other financial liabilities (including borrowing and trade and other payables) are subsequently measured at amortized cost using the effective interest method with interest expense recognized on an effective yield basis.

3.10.2 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3.12 Leasing

The Company as lessee

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

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

3.13 Provision for employees' end of service benefits

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

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

3.14 Employee saving scheme

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

3.15 Foreign currencies

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

3.16 Share based payment transactions

The Parent Company operates both an entity settled and cash settled share based compensation plan. The cost of these share based transactions is measured at fair value of its value at the date of the grant taking into account the terms and conditions upon which the instruments were granted.

The Company grants rights to equity instruments of its parent to certain entitled employees and accounts for transactions as cash-settled. The fair value is expensed over the vesting period with a corresponding adjustment in liability.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical judgment in applying the entity's accounting policies

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

Key sources of estimation uncertainty

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

Property, plant and equipment – network:

Due to the nature of the Company's business, the network assets of the Company, are susceptible to rapid technological obsolescence. Management depreciates those assets over 3 to 15 years. The estimation of network assets useful lives is based on management judgment and estimates. In order to estimate the lives of network assets, management considers the nature of the asset, usage and technology advancement. Therefore, any technological advancement in future may warrant the need for substantial upgrade or replacement of equipment. Hence, management performs annual impairment tests on network assets, as described in Note 3, to identify any indication that those assets have suffered an impairment loss. As per the policy the impairment loss, if any, will be recognised immediately in the profit and loss.

Allowance for bad debts on due from postpaid subscribers

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

Impairment of tangible assets and useful lives

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

The management determines the useful lives of property, plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset.

The review carried out by the management did not reveal any impairment or change in the useful life of the tangible assets.

5. CASH AND CASH EQUIVALENTS

	2011 BD '000	2010 BD '000
Short term deposits	3,013	14,053
Cash and bank balances	2,225	4,044
Cash and bank balances	**5,238**	**18,097**
Less: Bank overdraft	(839)	-
	4,399	**18,097**

Cash and bank balances include BHD 250,861 (2010: BHD 1,181,452), denominated in United States Dollars and BHD 586,020 (2010: 2,049,581) denominated in Euros. The average interest rate per annum on short term deposits was 2.75% (2010: 2%).

The purpose of bank overdraft is to finance the working capital requirements of the Company. It carries a variable interest rate of 3-months Bahrain Inter Bank Offered Rate (BIBOR) + 2.25% per annum.

6. ACCOUNTS RECEIVABLES

	2011 BD '000	2010 BD '000
Due from postpaid subscribers	10,430	9,328
Allowance for doubtful debts	(2,778)	(2,062)
	7,652	**7,266**
Due from telecommunication operators	3,092	1,859
	10,744	**9,125**

The average credit period for subscribers on services provided is 60 days. No interest is charged on overdue subscribers balances. The Company has provided fully for all subscriber receivables over 360 days excluding those receivables being followed by the collection agencies and certain specific customer receivables which are considered recoverable, because historical experience is such that receivables that are past due beyond 360 days are generally not recoverable. Trade receivables between 60 days and 360 days are provided for based on estimated irrecoverable amounts for the service provided, determined by reference to past default experience.

Included in the due from telecommunication operator balances are debtors with carrying amount of BHD 448,455 (2010: BHD174,770) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. As at December 31, 2011, the Company has also a payable balance of BHD 581,086 (2010: BHD 259,912) to the dame operators included under Note 11 accounts payable and accruals.

As at December 31, 2011, ten (2010: ten) operators accounts for approximately 65% (2010: 52%) of amounts due from telecommunication operators.

Movement in allowance for doubtful debts is as follows:

	2011 BD '000	2010 BD '000
Balance at beginning of the year	2,062	2,753
Impairment losses recognised on receivables	2,013	295
Amount written off	(1,297)	(986)
Balance at end of the year	**2,778**	**2,062**

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

Ageing of impaired trade receivables:

	2011 BD '000	2010 BD '000
Upto 3 months	33	38
3-6 months	167	271
7-12 months	937	757
More than 360 days	1,641	996
	2,778	**2,062**

Ageing of past due but not impaired is as follows:

	2011 BD '000	2010 BD '000
Upto 3 months	887	1,119
3-6 months	1,205	2,241
7-12 months	1,267	890
More than 360 days	1,417	992
	4,776	**5,242**

The Directors consider that the carrying amount of account receivables approximately their fair value.

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

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2011 BD '000	2010 BD '000
Accrued income (7.1)	721	886
Interconnect receivable from other operators	3,649	5,357
Prepaid expenses (7.2)	1,825	1,930
Due from related parties (note 20)	14	86
Subscriber acquisition cost (7.3)	6,359	3,802
Advance paid to suppliers	3,217	-
Other receivables	1,451	1,792
	17,236	**13,853**
Allowance for other receivables	(67)	(65)
	17,169	**13,788**

7.1 Accrued income comprises unbilled charges for services provided at the year-end where the billing was not due at that date.

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

7.3 Subscriber acquisition cost comprises the cost of inventory items granted to the Company's customers. These items are amortised over the contracted subsidy period which ranges from 1 to 3 years.

8. INVENTORIES

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

	2011 BD '000	2010 BD '000
Laptops, mobile telephone handsets and accessories	2,640	2,671
SIM cards, recharge vouchers and calling cards	164	85
	2,804	**2,756**
Allowance for slow moving items	(203)	(131)
	2,601	**2,625**

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Building BD '000	Properties Under Finance Lease BD '000	Network Equipment BD '000	Office Equipment BD '000	Fixtures and Furniture BD '000	Vehicles BD '000	Properties Under Construction BD '000	Total
Cost:								
Balance December 31, 2009	710	1,169	50,639	14,643	3,284	30	5,473	75,948
Additions	210	-	2,013	480	4	-	12,475	15,182
Transfers	1,169	(1,169)	3,760	2,787	-	-	(6,547)	-
Disposals	-	(710)	-	-	-	-	(710)	
Balance December 31, 2010	**2,089**	**-**	**55,702**	**17,910**	**3,288**	**30**	**11,401**	**90,420**
Additions	83	-	3,982	362	1	-	13,834	18,262
Transfers	-	-	18,044	1,745	41	-	(19,830)	-
Disposals	-	-	(8,404)	-	-	-	(644)	(9,048)
Balance December 31, 2011	**2,172**	**-**	**69,324**	**20,017**	**3,330**	**30**	**4,761**	**99,634**
Accumulated Depreciation:								
Balance December 31, 2009	208	138	21,082	11,115	2,245	21	-	34,809
Depreciation expense	45	23	7,548	1,703	238	5	-	9,562
Relating to disposal	-	-	(260)	-	-	-	-	(260)
Transfers	161	(161)	-	-	-	-	-	-
Balance December 31, 2010	**414**	**-**	**28,370**	**12,818**	**2,483**	**26**	**-**	**44,111**
Depreciation expense	76	8,392	1,909	234	3	-	10,614	
Relating to disposal	-	(4,939)	-	-	-	-	(4,939)	
Balance December 31, 2011	**490**	**-**	**31,823**	**14,727**	**2,717**	**29**	**-**	**49,786**
Carrying amount:								
As at December 31, 2011	**1,682**	**-**	**37,501**	**5,290**	**613**	**1**	**4,761**	**49,848**
As at December 31, 2010	**1,675**	**-**	**27,332**	**5,092**	**805**	**4**	**11,401**	**46,309**

10. INTANGIBLE ASSETS

	2011 BD '000	2010 BD '000
Cost:		
Balance at the beginning and end of the year	5,954	5,954
Accumulated Amortisation:		
Balance at the beginning of the year	1,660	1,162
Amortisation expense	498	498
	2,158	**1,660**
Balance at the end of the year	**3,796**	**4,294**

Intangible assets consist of the following license fees:

10.1 Fees for National Fixed Wireless Services ("NFWS") license obtained on January 8, 2007. This fee is amortized over the license period of 15 years.

10.2 Fees for the Rotana digital entertainment music license. This fee is amortized over a period of three years from the launching day of the agreed services with Rotana which is from May1, 2009.

11. ACCOUNTS PAYABLES AND ACCRUALS

	2011 BD '000	2010 BD '000
Due to suppliers	6,105	5,556
Accrued expenses	11,591	13,989
Due to telecommunication operators	3,124	1,692
Accrued employees' benefits	1,054	3,368
Subscriber deposits	47	74
Dividend payable	280	192
Due to related parties (Note 20)	3,265	1,571
	25,466	**26,442**

There is no interest charge on overdue payables to suppliers however the Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The majority of due to suppliers balance related to purchases of equipment and is substantially denominated in Euros.

Accrued expenses include an amount of BHD 2,329,882 (2010: 4,409,237) due to another operator in respect of interconnect charges, supplies and services received prior to the year end for which no invoices were received as of that date.

Due to telecommunication operators relate to interconnect and roaming charges which are outstanding at the year end.

Subscriber deposits represent refundable amounts received from the subscribers.

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

	2011 BD '000	2010 BD '000
Balance at beginning of the year	272	317
Additional provision	81	150
Provision representing the employees transferred to related parties	-	(92)
Reductions arising from payments	(39)	(103)
Balance at the end of the year	**314**	**272**

13. SHARE CAPITAL

	Authorised		Issued and Fully Paid	
	2011 BD '000	2010 BD '000	2011 BD '000	2010 BD '000
Shares of BHD 1 each	32,000	32,000	32,000	32,000

14. SHARE PREMIUM

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

15. STATUTORY RESERVES

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

16. REVENUE

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

17. FINANCE COSTS

	2011 BD '000	2010 BD '000
Interest on term loans	-	35
Interest on finance lease obligations	-	24
	-	**59**

18. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging

	2011 BD '000	2010 BD '000
Employees' costs and benefits:		
End of service benefits	81	150
Employees costs	6,498	8,338
	6,579	8,488
Site rental	1,650	1,419
Allowance for doubtful debt and inventories	2,085	319
Business promotion cost	6,788	9,625
Licence fees amortisation (Note 10)	498	498
Licence fees (18.1)	1,443	1,850
Royalty fees (18.2)	539	488
Management fees (18.3)	2,421	2,809

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

18.2 The Company has an agreement dated September 1, 2007 with Vodafone Global Products and Services Limited in respect of use of "Vodafone" brand and to provide other assistance to the Company against royalty fee of Euro 1 million per annum.

18.3 As per an agreement dated 28 December 2003 between the Company and the Parent Company, the Parent Company provides different management services to the Company against management fees of 3% on the annual gross revenue as defined.

19. BASIC EARNINGS PER SHARE

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

	2011 BD '000	2010 BD '000
Profit for the period	13,047	21,872
Number of shares	000'	000'
Number of shares at the beginning of the period	32,000	32,000
Basic earnings per share	Fills 408	Fills 684

20. RELATED PARTY TRANSACTIONS

These represent transactions with related parties including Shareholders, Directors, and senior management of the Company and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

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

	2011 BD '000	2010 BD '000
Office rent and maintenance costs	753	380
Site and outlet rent	62	61
Management fees (Note 18.3)	2,421	2,809
Group staff costs	-	18
Employee share option plan charges (20.1)	343	630
Royalty fees (Note 18.2)	539	488

During the year, Management accrued for Board of Directors' remuneration and amount of BHD 200,000 subject to the approval by the Shareholders' general assembly (2010: BHD640,000).

20.1 The employee share option plan charges relate to the share option plan managed and handled by the Parent Company. The liability of the Company is limited to its contribution as charged by the Parent Company. The details of the plan are disclosed in the consolidated financial statements of Zain Group.

	2011 BD '000	2010 BD '000
Zain Group Holding-Bahrain S.P.C.	(3,005)	(779)
Zain-Touch	-	1
Zain Jordan	(151)	(149)
Zain - Kingdom of Saudi Arabia	1	(643)
Sudanese Mobile Telephone Company Ltd	13	13
Zain - Iraq	(34)	1
Mobile Telecommunications Company - Kuwait	(75)	71
	(3,251)	**(1,485)**

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

	2011 BD '000	2010 BD '000
Due from related parties (Note 7)	14	86
Due to related parties (Note 11)	**3,265**	**1,571**

Compensation of key management personnel

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

	2011 BD '000	2010 BD '000
Short-term benefits	1,155	1,116
Other long-term benefits	84	64
	1,239	**1,180**

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

21. CONTINGENT LIABILITIES AND COMMITMENTS

21.1 Contingent liabilities

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

	2011 BD '000	2010 BD '000
Letters of guarantee	66	64

21.2 Capital commitments

	2011 BD '000	2010 BD '000
Capital expenditures	14,278	11,861

21.3 Commitments under operating leases

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

	2011 BD '000	2010 BD '000
Within one year	1,856	1,591
After one year, but not more than five years	6,889	5,649
	8,745	**7,240**

22. FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

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

Financial liabilities of the Company include accounts payables and accruals.

22.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurements and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instruments are disclosed in note 3 of the financial statements.

22.2 Categories of financial instruments

The summary of financial assets and liabilities is as follows:

	2011 BD '000	2010 BD '000
Financial assets		
Cash and bank balances at amortised cost	5,238	18,097
Receivables	15,791	16,295
	21,029	**34,392**
Financial liabilities		
At amortised cost	**26,305**	**26,442**

22.3 Capital risk management

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

The capital structure of the Company consists of equity comprising share capital, share premium and reserves. The Company does not have long term borrowings as at the reporting date.

22.4 Financial risk management objectives

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

22.5 Market risk

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

22.5.1 Interest rate risk management

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

The Company's short-term deposits carry fixed interest rates and mature within three months. The company's overdraft facility carries variable interest rate and is short-term in nature (Note 5).

The Company is not exposed to significant interest risk since it does not have interest bearing long term liabilities at the reporting dates. The Company reviews the market analysis and expectations for interest rate movements as the basis on which the Company decides to utilise floating rates for its interest bearing liabilities, if any.

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

22.5.2 Currency risk management

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

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

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

	Liabilities		Assets	
	2011 BD '000	2010 BD '000	2011 BD '000	2010 BD '000
Euros	476	1,657	586	1,876

Foreign currency sensitivity analysis

The Company is mainly exposed in Euro.

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

		Euro Impact
	2011 BD '000	2010 BD '000
Profit or loss (a)	(11)	(22)

(a) This is mainly attributable to the Company's exposure outstanding on Euro financial assets and liabilities at year end.

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

22.6 Credit risk management

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

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

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

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

22.7 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. To mitigate the risk, management has diversified funding sources and assets are managed with liquidity approach, maintaining a healthy balance of cash and cash equivalents. The Company manages maturities of the Company's assets and liabilities in way to be able to maintain an adequate liquidity. During the year, the Company obtained credit facilities from a local bank with a limit of BHD 5 million for overdraft and BHD 3 million for bills discounting.

22.7.1 Liquidity and interest risk tables

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

	Weighted average effective interest rate	Less than 1 month BD '000	1-3 months BD '000	3 months to 1 year BD '000	Total BD '000
2011					
Non-interest bearing	-	3,750	14,466	7,250	25,466
Variable interest bearing	3.25%	839	-	-	839
		4,589	**14,466**	**7,250**	**26,305**
2010					
Non-interest bearing	-	**8,592**	**10,996**	**6,854**	**26,442**

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

	Weighted average effective interest rate	Less than 1 month BD '000	1-3 months BD '000	3 months to 1 year BD '000	Total BD '000
2011					
Non-interest bearing	-	4,809	7,798	5,409	18,016
Fixed interest rate instruments	2.75%	3,020	-	-	3,020
		7,829	**7,798**	**5,409**	**21,036**
2010					
Non-interest bearing	-	5,802	10,347	4,190	20,339
Fixed interest rate instruments	2.00%	14,076	-	-	14,076
		19,878	**10,347**	**4,190**	**34,415**

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged for a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The Directors believe that the fair values of the Company's financial instruments approximated their carrying amounts as at the reporting dates.

There are no financial assets and liabilities carried at fair value at the reporting dates.