

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.

## SUPPLEMENTARY PROSPECTUS



### 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

This supplementary document (the "**Supplementary Prospectus**" or "**Supplement**") which is dated 14 August 2014 is supplemental to and should be read in conjunction with the prospectus dated 20 July 2014 (the "**Prospectus**") in connection with the Initial Public Offering of 48,000,000 Zain Bahrain B.S.C.(c) new shares in the Subscription Period from 2 September 2014 to 16 September 2014.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplementary Prospectus.

The Issuer accepts responsibility for the information contained in this Supplementary Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information in this Supplementary Prospectus is, to the best of the knowledge of the Issuer, in accordance with the facts, and does not omit anything likely to affect the importance of such information.

This Supplementary Prospectus has been registered with the Central Bank of Bahrain who takes no responsibility for the content of this document. The Supplementary Prospectus has been prepared in accordance with the requirements of the CBB Law issued by Legislative Decree No.64 of 2006 and the "Offering of Securities (OFS)" module of the CBB Rulebook – Volume 6: Capital Markets. The Issuer has obtained a letter from the Central Bank of Bahrain dated 14 August 2014 stating it has no objection to the distribution of this Supplementary Prospectus. As the information available in this Supplementary Prospectus does not reflect the overall position of the Issuer, references have to be made to the Prospectus dated 20 July 2014.

To the extent that there is any inconsistency between any statement in this Supplementary Prospectus and any statement contained in the Prospectus, the statements in this Supplementary Prospectus shall prevail.

Except where disclosed in this Supplementary Prospectus, there has been no change in the information contained in the Prospectus and no significant new matter has arisen in relation to the Issuer since 20 July 2014, the date of issue of the Prospectus relevant to the IPO.

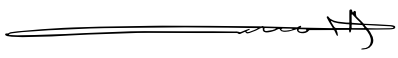





The issue of this Supplementary Prospectus was authorised in accordance with resolutions of the Board of Directors of the Issuer on 20 July 2014.

The Investors are advised to read and understand the content of both the Prospectus and the Supplementary Prospectus prior to deciding whether or not to invest in the shares of Zain Bahrain B.S.C.(c)

The date of registration of this Supplementary Prospectus is 14 August 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	

## **Declarations and Consent Letters Issued by the Issuer's Advisers and Experts**

The Issuer confirms that all declarations and consent letters, as required by applicable law and regulation, which were provided to the Issuer and the CBB (as applicable) by the Issuer's advisers and experts whose materials were used in the Prospectus, in relation to the preparation and publication of the Prospectus, remain valid notwithstanding the issuance of this Supplementary Prospectus.

## Amendments to the Prospectus

### 1 Interim Financial Statements for the Period Ended 30 June 2014 (including the results of up to second quarter of 2014):

Following the registration of the Prospectus on 20 July 2014, the External Auditor has issued the reviewed interim financial statements of the Company for period ended 30 June 2014 (including the results for up to second quarter of 2014), herein referred to as "Interim Financial Statements". These statements are included in this Supplementary Prospectus to supplement the financial information included in sections 8, 9, 10 and 11 and in Appendix C of the Prospectus.

The Interim Financial Statements are also being made available as part of the documents available for inspection.

### 2 Major Shareholders, Related Party Transactions and Conflicts of Interest

On page 61 of the Prospectus, the following text is appended at the end of section 7.6.2, "Ericsson":

The swap arrangement is governed by the following contracts and purchase orders:

- Group Framework Agreement: Signed on 2 March 2009, the term of this agreement is indefinite
- Contract of adherence (COA) – Products: signed on 5 May 2013, the term of this agreement is a minimum period of 12 months from the commencement date until it is terminated by either party giving a three-month prior written notice
- Contract of adherence (COA) – Services: signed on 5 May 2013, the term of this agreement is a minimum period of 12 months from the commencement date until it is terminated by either party giving a three-month prior written notice
- Purchase Order – Services: dated 7 May 2013
- Purchase Order – Products: dated 9 May 2013
- Addendum to purchase order – Products: dated 4 April 2014
- Addendum to purchase order – Services: dated 4 April 2014

This transaction was carried out at an arm's length basis with Ericsson.

As part of the above-mentioned swap arrangement, and as highlighted in the Interim Financial Statements, the non-cash portion of this swap transaction amounts to BHD 20,993,000.

### 3 Operating and Financial Review and Prospects

#### 3.1 Property, plant and equipment ("PP&E")

On page 89 of the Prospectus, as part of section 10.3.1.1, "Property, plant and equipment ("PP&E")", the following new table, together with a commentary, is added in addition to existing Table 69, "Movements in PP&E at 31 March 2014", presenting the movement in PP&E as at 30 June 2014, extracted from the Interim Financial Statements:

**Table 69.A – Movements in PP&E at 30 June 2014**

Currency: BHD '000	Land and Buildings	Network Equipment	Office Equipment	Fixtures and Furniture	Vehicles	Capital Work in Progress	Total
<b>Cost</b>							
<b>Balance at 31 December 2013</b>	<b>2,922</b>	<b>88,545</b>	<b>23,471</b>	<b>3,471</b>	<b>30</b>	<b>12,791</b>	<b>131,230</b>
Additions	37	1,188	224	-	-	27,426	28,875
Transfer	-	30,817	1,766	-	-	(32,583)	-
Disposal	-	(51,067)	-	-	(14)	-	(51,081)
<b>Balance at 30 June 2014</b>	<b>2,959</b>	<b>69,483</b>	<b>25,461</b>	<b>3,471</b>	<b>16</b>	<b>7,634</b>	<b>109,024</b>
<b>Accumulated depreciation</b>							
<b>Balance at 31 December 2013</b>	<b>658</b>	<b>47,403</b>	<b>18,573</b>	<b>3,199</b>	<b>30</b>	<b>-</b>	<b>69,863</b>
Depreciation expense	18	3,179	883	115	-	-	4,195
Relating to disposal	-	(30,111)	-	-	(14)	-	(30,125)
<b>Balance at 30 June 2014</b>	<b>676</b>	<b>20,471</b>	<b>19,456</b>	<b>3,314</b>	<b>16</b>	<b>-</b>	<b>43,933</b>
<b>NBV</b>							
NBV at 30 June 2014	<b>2,283</b>	<b>49,012</b>	<b>6,005</b>	<b>157</b>	<b>-</b>	<b>7,634</b>	<b>65,091</b>

Source: Interim Financial Statements

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

Category	Initial useful life	Revised
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 1,177,680 and BD 2,033,058 respectively.

In preparing the condensed interim financial information, the significant judgments 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.

### 3.2 Contingent Liabilities and Commitments

On page 97 of the Prospectus, section 10.3.5.3, "Capital Commitment", Table 95, "Breakdown of Capital Commitments at 31 March 2014", is replaced by the following table:

**Table 95 – Breakdown of Capital Commitments at 30 June 2014**

Currency: BHD '000	30 June 2014	2014	2015
Fixtures and furniture	877	423	454
Land and buildings	31	31	0
Network equipment	18,040	6,389	11,651
Office equipment	3,218	933	2,285
<b>Total</b>	<b>22,166</b>	<b>7,776</b>	<b>14,390</b>

Source: The Company

Additionally, on page 97 of the Prospectus, the paragraph following Table 95 is updated from:

"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 be incurred in 2015, amounting to BHD 2,326,000."

to:

"As per the table above, 48% of the fixtures and furniture commitments amounting to BHD 423,000 are expected to be incurred by the end of 2014, while the remaining 52% is expected to be incurred during 2015. Commitments in relation to land and building amounting to BHD 31,000 are expected to be incurred during 2014. With regards to network equipment, 35% of the capital commitments amounting to BHD 6,389,000 are expected to be incurred during 2014, whereas the remaining 65% amounting to BHD 11,651,000 are expected to be incurred in 2015. Commitments in relation to office equipment amounting to BHD 933,000 are expected to be incurred in Q4 2014, while the remaining is expected to be incurred in 2015, amounting to BHD 2,285,000."

## 4 Audited Financial Statements

### 4.1 Standards Affecting the Disclosures and Presentation

On page 102 of the Prospectus, the following new section is added as section 11.2.4:

#### 11.2.4 Standards Affecting the Disclosures and Presentation as per the Interim Financial Statements

None of the revised standards that have been adopted in the current period which are effective for annual periods beginning on or after January 1, 2014 have affected the disclosures and presentations in the financial information.

## **4.2 Material Changes**

On page 102 of the Prospectus, section 11.3, "Material Changes", is updated from:

"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."

to:

"Zain Bahrain confirms that there have been no events since 30 June 2014 which may have a material effect on the financial position and results of the Company."

## **4.3 Interim Financial Statements**

The Interim Financial Statements are presented on the following pages.

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 June 30, 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 six-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 June 30, 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”.

Manama – Kingdom of Bahrain,  
July 9, 2014



Deloitte & Touche

## Condensed Statement of Financial Position (Unaudited)

AS AT JUNE 30, 2014

	Notes	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	5	2,428	3,156	1,558
Accounts receivable and other receivables	6	23,451	20,644	17,689
Inventories	7	2,767	2,971	2,770
<b>Total current assets</b>		<b>28,646</b>	<b>26,771</b>	<b>22,017</b>
<b>Non-current assets</b>				
Property, plant and equipment	8	65,091	61,367	54,070
Intangible assets	9	18,026	19,166	17,176
Total non-current assets		83,117	80,533	71,246
<b>Total assets</b>		<b>111,763</b>	<b>107,304</b>	<b>93,263</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Bank overdraft	5	-	-	7,956
Accounts payable and accruals	10	32,204	29,166	24,106
Current portion of term loans	11	6,436	3,286	-
Deferred revenue		4,338	4,769	4,594
<b>Total current liabilities</b>		<b>42,978</b>	<b>37,221</b>	<b>36,656</b>
<b>Non-current liabilities</b>				
Non-current portion of term loans	11	18,452	16,714	6,000
Provisions		350	330	298
Total non-current liabilities		18,802	17,044	6,298
<b>Total liabilities</b>		<b>61,780</b>	<b>54,265</b>	<b>42,954</b>
<b>Equity</b>				
Share capital		32,000	32,000	32,000
Share premium		100	100	100
Statutory reserve		9,675	9,453	9,180
Retained earnings		8,208	11,486	9,029
<b>Total equity</b>		<b>49,983</b>	<b>53,039</b>	<b>50,309</b>
<b>Total liabilities and equity</b>		<b>111,763</b>	<b>107,304</b>	<b>93,263</b>

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 JUNE 30, 2014

Notes	Three month period ended June 30, 2014 BD '000	Three month period ended June 30, 2013 BD '000	Six month period ended June 30, 2014 BD '000	Six month period ended June 30, 2013 BD '000	
	12	18,138	19,045	36,536	38,122
Revenue		(3,938)	(3,783)	(7,435)	(7,656)
Cost of revenue		<b>14,200</b>	<b>15,262</b>	<b>29,101</b>	<b>30,466</b>
<b>Gross profit</b>					
Distribution, marketing and operating expenses		(5,750)	(6,117)	(11,441)	(12,154)
General and administrative expenses		(1,522)	(1,622)	(2,946)	(3,224)
Depreciation and amortisation		(5,202)	(5,876)	(10,833)	(11,758)
Provision for doubtful debts		(404)	(370)	(812)	(752)
Provision for inventories		151	(30)	(148)	(60)
<b>Operating profit</b>		<b>1,473</b>	<b>1,247</b>	<b>2,921</b>	<b>2,518</b>
Interest income		5	2	7	4
Other income		58	196	67	202
Other provision		(210)	-	(420)	-
Gain on currency revaluation		18	25	35	45
Finance costs		(200)	(41)	(386)	(96)
<b>Profit for the period</b>		<b>1,144</b>	<b>1,429</b>	<b>2,224</b>	<b>2,673</b>
<b>Total comprehensive income for the period</b>		<b>1,144</b>	<b>1,429</b>	<b>2,224</b>	<b>2,673</b>
Basic earnings per share	13	<b>Fils 36</b>	<b>Fils 45</b>	<b>Fils 70</b>	<b>Fils 84</b>

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 JUNE 30, 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	-	-	-	2,673	2,673
Transfer to statutory reserve	-	-	267	(267)	-
<b>Balance at June 30, 2013</b>	<b>32,000</b>	<b>100</b>	<b>9,180</b>	<b>9,029</b>	<b>50,309</b>
Balance at December 31, 2013	32,000	100	9,453	11,486	53,039
Dividends	-	-	-	(5,280)	(5,280)
Total comprehensive income for the period	-	-	-	2,224	2,224
Transfer to statutory reserve	-	-	222	(222)	-
<b>Balance at June 30, 2014</b>	<b>32,000</b>	<b>100</b>	<b>9,675</b>	<b>8,208</b>	<b>49,983</b>

The attached notes 1 to 15 form part of this condensed interim financial information.

## Condensed Statement of Cash Flows (Unaudited)

FOR THE PERIOD ENDED JUNE 30, 2014

	Six month period ended June 30, 2014 BD '000	Six month period ended June 30, 2013 BD '000
<b>Cash flows from operating activities:</b>		
Profit for the period	2,224	2,673
Adjustments for:		
Depreciation and amortisation	10,833	11,758
Allowance for doubtful debts and slow moving inventories	960	812
Finance costs	386	96
Interest income	(7)	(4)
Gain on disposal of property, plant and equipment	(40)	-
Provision for employees' end of service indemnity	32	30
Operating profit before working capital changes	14,388	15,365
Decrease / (increase) in inventories	56	(1,235)
(Increase) / decrease in accounts receivable, advances, prepayments and other receivables	(3,619)	1,489
Decrease / (increase) in accounts payable and accruals	(2,271)	422
Decrease in deferred revenue	(431)	(155)
Cash generated from operating activities	8,123	15,886
Payment of employees' end of service indemnity	(12)	(5)
Net cash from operating activities	8,111	15,881
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(7,882)	(6,062)
Increase in intangible assets	(5,498)	(8,220)
Interest received	7	4
Proceeds from disposal of property, plant and equipment	3	-
Net cash used in investing activities	(13,370)	(14,278)
<b>Cash flows from financing activities:</b>		
Long term loans	4,888	6,000
Dividend paid	(41)	(6,400)
Interest paid	(316)	(96)
Net cash from / (used in) financing activities	4,531	(496)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(728)</b>	<b>1,107</b>
Cash and cash equivalents at beginning of the period	3,156	(7,505)
<b>Cash and cash equivalents at the end of the period (Note 5)</b>	<b>2,428</b>	<b>(6,398)</b>
<b>Non-cash transactions:</b>		
Purchase and disposal of property, plant and equipment in assets swap transaction	<b>20,993</b>	-

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 JUNE 30, 2014

### 1. INCORPORATION AND ACTIVITIES:

Zain Bahrain B.S.C. (c) ("the Company") is a Bahraini Joint Stock Company Closed incorporated in the Kingdom of Bahrain on April 19, 2003 and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 50603. The Company is a subsidiary of Mobile Telecommunications Company K.S.C. ("the Parent Company"), a Kuwaiti shareholding company listed on the Kuwait Stock Exchange.

The Company 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.

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

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

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

### 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, 2014 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.

## Notes to the Condensed Interim Financial Information (Unaudited) continued

FOR THE PERIOD ENDED JUNE 30, 2014

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 1,177,680 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 EQUIVALENTS:

	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
Short-term deposits	-	104	1,432
Cash at banks and on hand	2,428	3,052	126
<b>Cash and bank balances</b>	<b>2,428</b>	<b>3,156</b>	<b>1,558</b>
Less: Bank overdraft	-	-	(7,956)
<b>Cash and cash equivalents</b>	<b>2,428</b>	<b>3,156</b>	<b>(6,398)</b>

### 6. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES:

	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
Accounts receivable:			
Due from post paid subscribers	17,967	16,503	15,564
Allowance for doubtful debts	(6,461)	(5,627)	(4,866)
	11,506	10,876	10,698
Due from roaming partners	3,136	3,214	1,217
Due from distributors	552	174	315
	<b>15,194</b>	<b>14,264</b>	<b>12,230</b>
Other receivables:			
Accrued income	577	534	500
Interconnect receivable from other operators	1,752	2,137	1,195
Prepaid expenses	2,785	1,451	2,115
Due from related parties (Note 14.1)	16	16	15
Advance paid to suppliers	2,798	1,826	1,005
Staff receivables	139	164	168
Other receivables	190	252	461
	<b>8,257</b>	<b>6,380</b>	<b>5,459</b>
	<b>23,451</b>	<b>20,644</b>	<b>17,689</b>

**Notes to the Condensed Interim Financial Information (Unaudited)** continued  
FOR THE PERIOD ENDED JUNE 30, 2014

**7. INVENTORIES:**

This caption comprises mobile telephone handsets and accessories, laptops, Subscribers' Identification Module (SIM) cards, recharge vouchers and calling cards.

	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
Laptops, mobile telephone handsets and accessories	3,278	3,321	3,084
SIM cards, recharge vouchers and calling cards	32	45	21
	<b>3,310</b>	<b>3,366</b>	<b>3,105</b>
Allowance for slow moving items	(543)	(395)	(335)
	<b>2,767</b>	<b>2,971</b>	<b>2,770</b>

**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
<b>Cost:</b>							
Balance at December 31, 2013	2,922	88,545	23,471	3,471	30	12,791	131,230
Additions	37	1,188	224	-	-	27,426	28,875
Transfer	-	30,817	1,766	-	-	(32,583)	-
Disposal	-	(51,067)	-	-	(14)	-	(51,081)
<b>Balance at June 30, 2014</b>	<b>2,959</b>	<b>69,483</b>	<b>25,461</b>	<b>3,471</b>	<b>16</b>	<b>7,634</b>	<b>109,024</b>
<b>Accumulated depreciation:</b>							
Balance at December 31, 2013	658	47,403	18,573	3,199	30	-	69,863
Depreciation expense	18	3,179	883	115	-	-	4,195
Relating to disposal	-	(30,111)	-	-	(14)	-	(30,125)
<b>Balance at June 30, 2014</b>	<b>676</b>	<b>20,471</b>	<b>19,456</b>	<b>3,314</b>	<b>16</b>	<b>-</b>	<b>43,933</b>
<b>Carrying amount:</b>							
<b>Balance at June 30, 2014</b>	<b>2,283</b>	<b>49,012</b>	<b>6,005</b>	<b>157</b>	<b>-</b>	<b>7,634</b>	<b>65,091</b>
Balance at December 31, 2013	2,264	41,142	4,898	272	-	12,791	61,367

**Notes to the Condensed Interim Financial Information (Unaudited)** continued  
FOR THE PERIOD ENDED JUNE 30, 2014

**9. INTANGIBLE ASSETS:**

	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
<b>Cost:</b>			
Balance at the beginning of the period / year	59,396	42,075	42,075
Additions	5,498	17,321	8,220
	<b>64,894</b>	<b>59,396</b>	<b>50,295</b>
<b>Accumulated amortisation:</b>			
Balance at the beginning of the period / year	40,230	26,663	26,663
Amortisation expense	6,638	13,567	6,456
Balance at the end of the period / year	46,868	40,230	33,119
<b>Carrying amount at the end of the period / year</b>	<b>18,026</b>	<b>19,166</b>	<b>17,176</b>

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 2,824,703 (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 57,982,178 (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 14,292,403 (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 908,865 (December 31, 2013: BD 940,755).

**10. ACCOUNTS PAYABLE AND ACCRUALS:**

	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
Due to suppliers	9,206	9,846	7,057
Accrued expenses	6,252	5,398	6,462
Due to telecommunication operators	2,924	2,687	1,723
Due to roaming partners	1,502	1,267	1,455
Accrued employees' benefits	770	1,149	846
Subscriber deposits	29	32	38
Dividend payable	5,635	396	364
Due to related parties (Note 14.1)	5,560	7,909	5,927
Directors' remuneration	226	452	226
Accrued interest	100	30	8
	<b>32,204</b>	<b>29,166</b>	<b>24,106</b>

## Notes to the Condensed Interim Financial Information (Unaudited) continued

FOR THE PERIOD ENDED JUNE 30, 2014

### 11. LONG TERM LOANS:

	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
Long term loans	24,888	20,000	6,000
Less: current portion of long term loans	(6,436)	(3,286)	-
	<b>18,452</b>	<b>16,714</b>	<b>6,000</b>

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

### 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:

	Three month period ended June 30, 2014 BD '000	Three month period ended June 30, 2013 BD '000	Six month period ended June 30, 2014 BD '000	Six month period ended June 30, 2013 BD '000
Profit for the period	1,144	1,429	2,224	2,673
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	32,000	32,000	32,000	32,000
	Fils per share	Fils per share	Fils per share	Fils per share
Basic earnings per share	36	45	70	84

### 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.

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

	Three month period ended June 30, 2014 BD '000	Three month period ended June 30, 2013 BD '000	Six month period ended June 30, 2014 BD '000	Six month period ended June 30, 2013 BD '000
Office rent and maintenance costs	245	261	504	523
Site and outlet rent	12	16	24	31
Management fee	560	586	1,123	1,175
Employee share option plan charges (Note 14.1)	-	41	8	86
Royalty fee	90	88	179	175



**Notes to the Condensed Interim Financial Information (Unaudited)** continued  
FOR THE PERIOD ENDED JUNE 30, 2014

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) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
<b>Related party balances</b>			
Zain Group Holding-Bahrain S.P.C.	(5,535)	(7,850)	(5,869)
Zain – Jordan	(5)	(5)	(4)
Zain – Kingdom of Saudi Arabia	3	3	2
Sudanese Mobile Telephone Company Ltd	12	12	13
Zain – Iraq	-	(34)	(34)
Mobile Telecommunication Company - Kuwait	(20)	(20)	(20)
Zain – South Sudan	1	1	-
	<b>(5,544)</b>	<b>(7,893)</b>	<b>(5,912)</b>
Due from related parties (Note 6)	16	16	15
<b>Due to related parties (Note 10)</b>	<b>5,560</b>	<b>7,909</b>	<b>5,927</b>

**Compensation of key management personnel:**

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

	Three month period ended June 30, 2014 BD '000	Three month period ended June 30, 2013 BD '000	Six month period ended June 30, 2014 BD '000	Six month period ended June 30, 2013 BD '000
Short term benefits	349	313	674	626
Other long term benefits	37	22	73	44
	<b>386</b>	<b>335</b>	<b>747</b>	<b>670</b>

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

**Notes to the Condensed Interim Financial Information (Unaudited)** continued  
FOR THE PERIOD ENDED JUNE 30, 2014

**15. CONTINGENT LIABILITIES AND COMMITMENTS:**

**(i) Contingent liabilities:**

	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
Letters of guarantee	919	1,091	72

**(ii) Capital commitment:**

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

	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
Capital expenditures	22,167	24,050	22,194

**(iii) Operating leases:**

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

	(Unaudited) June 30, 2014 BD '000	(Audited) December 31, 2013 BD '000	(Unaudited) June 30, 2013 BD '000
Within one year	3,286	6,424	2,338
After one year, but not more than five years.	18,452	3,862	8,426
	<b>21,738</b>	<b>10,286</b>	<b>10,764</b>



