

ZAIN BAHRAIN B.S.C.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2020

ZAIN BAHRAIN B.S.C.

<u>Commercial Registration No.</u>	50603
<u>Chairman of the Board</u>	Sh. Ahmed Bin Ali Al Khalifa
<u>Members of the Board of Directors</u>	Sh. Rashid Bin Abdulrahman Al Khalifa – Independent Director Mr. Ali Hassan Al-Khaja – Independent Director Mr. Bader Nasser Al-Kharafi Mr. Ahmed Tahous Al-Tahous Mr. Yousif Khaled Alabdurazzaq Mr. Saud Ahmed Al-Nahari (up to April 29, 2020) Mr. Zaki bin Hilal Al Busaidi (from April 29, 2020)
<u>Corporate Secretary</u>	Mrs. Nadia Aqeel Abdulrahman
<u>Chief Executive Officer</u>	Mr. Duncan Howard
<u>Managing Director</u>	Mr. Mohammed Zainalabedin
<u>Finance Director</u>	Mr. Mudassar Muhammad Ali
<u>Registered Office</u>	P.O. Box 266 Kingdom of Bahrain
<u>Principal Bankers</u>	National Bank of Kuwait Bank of Bahrain and Kuwait National Bank of Bahrain First Abu Dhabi Bank Ahli United Bank Ithmar Bank Arab Bank Khaleeji Commercial Bank Al Salam Bank Kuwait Finance House Bahrain Islamic Bank Al Baraka Islamic Bank Standard Chartered Bank
<u>Auditors</u>	Deloitte & Touche - Middle East P.O. Box 421 Manama, Kingdom of Bahrain

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ZAIN BAHRAIN B.S.C.

DIRECTORS' REPORT

The Directors of Zain Bahrain B.S.C. (the "Company") present their annual report together with the financial statements for the year ended December 31, 2020.

Principal activity

The principal activity of the Company is to provide telecommunication services under various licenses issued by the Telecommunications Regulatory Authority of the Kingdom of Bahrain.

Results of the year

The Company's profit for the year amounted to BD 5.41 million.

Share capital structure

Shareholders:

Mobile Telecommunication Company K.S.C.P. - Kuwait
Sheikh Ahmed Bin Ali Al Khalifa
Gulf International Bank B.S.C.
Others

<u>2020(%)</u>	<u>2019(%)</u>
54.78	54.78
16.10	16.10
6.54	6.54
22.58	22.58
<u>100.00</u>	<u>100.00</u>

Change in Directors

Mr. Zaki bin Hilal Al Busaidi was appointed on April 29, 2020 replacing Mr. Saud Ahmed Al-Nahari.

Directors' remuneration

Director's remuneration charge for the year, amounted to BD 223,612 (2019: BD 223,612).

Auditors

The auditors, Deloitte & Touche - Middle East, have expressed their willingness to accept re-appointment.

On behalf of the Board


Sh. Ahmed Bin Ali Al Khalifa
Chairman

February 16, 2021


Mr. Bader Nasser Al-Kharafi
Board Member

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zain Bahrain B.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2020, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>The Company has recognized revenue from telecom services amounting to BD 50.605 million for the year ended 31 December 2020.</p> <p>There is an inherent risk around telecom services revenue recognition because of the complexity of the related Information Technology ("IT") environment, the processing of large volumes of data through a number of different IT systems and the combination of different products and prices. Due to the complexities and dependencies on different IT systems in the revenue recognition process, we have considered this as a key audit matter.</p> <p>The accounting policy for revenue recognition is set out in note 3 and the related disclosures are made in note 18 to the financial statements.</p>	<p>In responding to this area of focus, our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ an understanding of the significant revenue processes and identifying the relevant controls, IT systems, interfaces and reports; • an evaluation of the relevant IT systems, with the assistance of our internal IT specialists, and the design and implementation of internal controls related to revenue recognition. • testing the operating effectiveness of controls over the recording of revenue transactions; authorization of rate changes and its input to the billing systems and the change control procedures in place around those systems.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition <i>(continued)</i>	<ul style="list-style-type: none"> • verifying key reconciliations performed by the Company's Revenue Assurance team, including testing end to end reconciliation from business support systems to billing and rating systems to the general ledger, this testing includes validation of material journals processed between billing systems and general ledger. • performing substantive tests of revenue recorded. <p>We also assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs.</p>

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements

- A) As required by the Bahrain Commercial Companies Law, we report that:
- a) The Company has maintained proper accounting records and the financial statements from page 6 to 33 are in agreement therewith;
 - b) The financial information contained in the Directors' report on page 1 is consistent with the financial statements;
 - c) Nothing has come to our attention which causes us to believe that the Company has, during the year, breached any of the applicable provisions of the Commercial Companies Law, or the items of its Articles of Association that would have a material adverse effect on its business or its financial position; and
 - d) Satisfactory explanations and information have been provided to us by management in response to all our requests.
- B) As required by the Ministry of Industry, Commerce and Tourism in their letter dated January 30, 2020 in respect of Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company:
- a) has appointed a Corporate Governance Officer; and
 - b) has a board approved written guidance and procedures for corporate governance.
- C) We are not aware of violations occurred during the year to the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) or the Bahrain Bourse rules and procedures that would have a material adverse effect on the business of the Company or its financial position.

The engagement partner on the audit resulting in this independent auditor's report is Irshad Mahmood.

Deloitte & Touche

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 157
Manama, Kingdom of Bahrain

February 16, 2021

ZAIN BAHRAIN B.S.C.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	<u>Notes</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
		BD '000	BD '000
ASSETS			
Current assets			
Cash and banks	5	8,569	10,239
Trade receivables and other assets	6	15,760	16,998
Contract assets	7.1	4,433	5,251
Inventories	8	1,665	2,886
Total current assets		<u>30,427</u>	<u>35,374</u>
Non-current assets			
Trade receivables and other assets	6	1,400	1,199
Contract assets	7.1	1,640	2,024
Right-of-use assets	9.1	12,253	12,763
Property and equipment	10	66,430	52,042
Intangible assets	11	13,581	15,337
Total non-current assets		<u>95,304</u>	<u>83,365</u>
Total assets		<u>125,731</u>	<u>118,739</u>
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Accounts payable and other liabilities	12	30,731	23,453
Lease liabilities	9.2	3,128	3,806
Contract liabilities	7.2	1,747	1,708
Total current liabilities		<u>35,606</u>	<u>28,967</u>
Non-current liabilities			
Accounts payable and other liabilities	12	5,051	7,819
Lease liabilities	9.2	9,220	9,343
Provision for employees' end of service benefits	13	371	349
Total non-current liabilities		<u>14,642</u>	<u>17,511</u>
Total liabilities		<u>50,248</u>	<u>46,478</u>
Equity			
Share capital	14	36,800	36,800
Treasury shares	15	(754)	(754)
Treasury shares reserve	15	(6)	(6)
Share premium	16	3,032	3,032
Statutory reserve	17	12,823	12,282
Retained earnings		23,588	20,907
Total equity		<u>75,483</u>	<u>72,261</u>
Total liabilities and equity		<u>125,731</u>	<u>118,739</u>

The financial statements from page 6 to 33 were approved by the Board of Directors on February 16, 2021 and signed on its behalf by:


 Sh. Ahmed Bin Ali Al Khalifa
 Chairman


 Mr. Bader Nasser Al-Kharafi
 Board Member

The accompanying notes are an integral part of these financial statements

ZAIN BAHRAIN B.S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2020

	Notes	Year ended December 31,	
		2020	2019
		BD '000	BD '000
Revenue	18	61,992	62,895
Cost of revenue	19	(18,294)	(18,997)
Gross profit		43,698	43,898
Operating and administrative expenses	20	(21,517)	(21,675)
Depreciation of property and equipment	10	(9,157)	(9,361)
Depreciation of right-of-use assets	9.1	(4,102)	(3,903)
Amortization of intangible assets	11	(1,756)	(1,371)
Expected credit losses on financial assets	21	(826)	(1,250)
Operating profit		6,340	6,338
Other income / (loss) - net		115	(145)
Loss on currency translation adjustment		(31)	(23)
Interest income		227	286
Finance costs	22	(1,246)	(1,187)
Profit for the year		5,405	5,269
Other comprehensive income		-	-
Total comprehensive income for the year		5,405	5,269
Basic and diluted earnings per share	23	Fils 15	Fils 14

Sh. Ahmed Bin Ali Al Khalifa
Chairman

Mr. Bader Nasser Al-Kharafi
Board Member

The accompanying notes are an integral part of these financial statements

ZAIN BAHRAIN B.S.C.
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2020

	Share capital	Treasury shares	Treasury shares reserve	Share premium	Statutory reserve	Retained earnings	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance, December 31, 2018	36,800	(754)	(6)	3,032	11,755	19,386	70,213
Transition adjustment on adoption of IFRS 16	-	-	-	-	-	(1,402)	(1,402)
Balance as restated, January 1, 2019	36,800	(754)	(6)	3,032	11,755	17,984	68,811
Appropriation of dividends	-	-	-	-	-	(1,819)	(1,819)
Total comprehensive income for the year	-	-	-	-	-	5,269	5,269
Appropriation to statutory Reserve	-	-	-	-	527	(527)	-
Balance, December 31, 2019	36,800	(754)	(6)	3,032	12,282	20,907	72,261
Appropriation of dividends (note 14)	-	-	-	-	-	(2,183)	(2,183)
Total comprehensive income for the year	-	-	-	-	-	5,405	5,405
Appropriation to statutory Reserve	-	-	-	-	541	(541)	-
Balance, December 31, 2020	36,800	(754)	(6)	3,032	12,823	23,588	75,483

The accompanying notes are an integral part of these financial statements

ZAIN BAHRAIN B.S.C.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	Notes	Year ended December 31,	
		2020	2019
		BD `000	BD `000
Cash flows from operating activities			
Profit for the year		5,405	5,269
Adjustments for:			
Depreciation of property and equipment	10	9,157	9,361
Depreciation of right-of-use assets	9.1	4,102	3,903
Amortization of intangible assets	11	1,756	1,371
Expected credit loss on financial assets	21	826	1,250
(Reversal) / provision for inventories	8	(495)	122
Finance costs	22	1,246	1,187
Write-off property and equipment	10	-	950
Rebate received on payables		-	(754)
Gain on termination of leases		(82)	-
Employees' end of service benefits	13	49	62
		<u>21,964</u>	<u>22,721</u>
Working capital changes:			
Net change in inventories		1,716	73
Net change in trade receivables and other assets		178	(1,883)
Net change in contract assets		1,235	2,241
Net change in accounts payable and other liabilities		1,160	1,094
Net change in contract liabilities		39	(467)
Cash generated from operating activities		<u>26,292</u>	<u>23,779</u>
End of service benefits paid	13	(27)	(13)
Interest expenses paid	22	<u>(1,246)</u>	<u>(1,187)</u>
<i>Net cash from operating activities</i>		<u>25,019</u>	<u>22,579</u>
Cash flows from investing activities			
Acquisition of property and equipment	10	(17,138)	(6,295)
Payment for intangible assets	11.2	(2,943)	(5,078)
<i>Net cash used in investing activities</i>		<u>(20,081)</u>	<u>(11,373)</u>
Cash flows from financing activities			
Repayment of principal portion of lease liabilities		(4,311)	(4,223)
Dividends paid to shareholders	14	(2,138)	(1,789)
Transfer of unclaimed dividends to the regulator	14	(159)	-
<i>Net cash used in financing activities</i>		<u>(6,608)</u>	<u>(6,012)</u>
Net (decrease) / increase in cash and cash equivalents		(1,670)	5,194
Cash and cash equivalents, beginning of year		<u>10,239</u>	<u>5,045</u>
Cash and cash equivalents, end of year	5	<u>8,569</u>	<u>10,239</u>

Non-cash transactions (note 5)

The accompanying notes are an integral part of these financial statements

ZAIN BAHRAIN B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

1. CORPORATE INFORMATION

Zain Bahrain B.S.C. (the "Company") is a Bahraini Shareholding Company (Public) incorporated in the Kingdom of Bahrain on April 19, 2003 and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration number 50603. Its shares are listed on Bahrain Bourse. The Company is a subsidiary of Mobile Telecommunications Company K.S.C.P. (the "Parent Company"), a Kuwaiti shareholding company listed on the Kuwait Stock Exchange. The Company's registered office is P.O. Box 266, Manama, Kingdom of Bahrain.

The Company is mainly engaged in the provision of public telecommunications and related products and services.

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs)

2.1 New and revised Standards applied with no material impact on the financial statements

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 01, 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to *Interest Rate Benchmark Reform in IFRS 9 and IFRS 7*: The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.
- Amendments to IFRS 16 *Leases* relating to Covid-19-Related Rent Concessions: The amendments provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 01, 2020.
- Amendments to *Reference to the Conceptual Framework in IFRS Standards*: The amendments include consequential amendments to affected Standards so that they refer to the new Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
- Amendments to IFRS 3 *Definition of a business*: The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.
- Amendments to IAS 1 and IAS 8 *Definition of material*: The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

ZAIN BAHRAIN B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

2.2 New and revised standards issued but not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts* (effective from January 1, 2023).
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date not yet decided).
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (effective from January 1, 2023).
- Amendments to IFRS 3 *Business Combinations: Reference to the Conceptual Framework* (effective from January 1, 2022).
- Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use (effective from January 1, 2022).
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* related to Onerous Contracts—Cost of Fulfilling a Contract (effective from January 1, 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective from January 1, 2022), IFRS 9 *Financial Instruments* (effective from January 1, 2022), IFRS 16 *Leases* (effective date not yet decided) and IAS 41 *Agriculture* (effective from January 1, 2022).
- Amendments to Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); the amendments require additional disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks (effective from January 1, 2021).

The Directors do not expect that the adoption of the above Standards will have a material impact on the Company's financial statements in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Standards") and the applicable requirements of the Bahrain Commercial Companies Law and the Central Bank of Bahrain Rule Book.

The financial statements have been prepared on the historical cost basis.

The financial statements have been presented in Bahraini Dinars ("BD") which is the Company's functional currency. All financial information presented in Bahraini Dinars has been rounded to the nearest thousand (BD'000) except where stated otherwise.

Going concern

Management has assessed the Company's ability to continue on a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors of the Company is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The principal accounting policies adopted are set out below.

Revenue recognition

The Company recognizes revenue from the following major sources:

- Revenue from telecommunication services
- Handset trading
- Upgrade rights for additional services
- Value added services (VAS) sharing arrangements

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

ZAIN BAHRAIN B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Handsets and telecommunication services

Revenue from mobile telecommunication services provided to postpaid and prepaid customers is recognized as services are transferred. When the customer performs first, for example, by prepaying its promised consideration, the Company has a contract liability. If the Company performs first by satisfying performance obligation, the Company has a contract asset. Consideration received from the sale of prepaid credit is recognized as contract liability until such time as the customer uses the services when it is recognized as revenue. A single net figure is presented when a contract contains more than one performance obligation and the amounts already paid by the customer and unpaid amounts recognized as receivables is less than the revenue recognized for some performance obligations, but exceeds the revenue recognized for other performance obligations.

The Company provides subsidized handsets to its customers along with mobile telecommunication services and IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. Revenue from device sales is recognized when device is delivered to the customer. This usually occurs when customer signs a contract. Revenue from voice, messaging, internet services etc. are included in the bundled package are recognized on the period of the contract as the services are rendered.

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

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

Upgrade rights

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

Value-added services

Revenue from VAS is recognized when the Company performs the related service on the basis of Company's share of the billing rate applied against facilitating the service.

Significant financing component

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

Roaming

Roaming revenue arises from revenue sharing arrangements with other telecommunication operators in respect of traffic exchanged and is recognized as earned.

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.

Expense (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.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition cost of the asset. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is recognized so as to write off the cost of assets or valuation of assets (other than freehold land and capital work in progress) over their estimated useful lives, using the straight-line method.

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The estimated useful lives of property and equipment are as follows:

Freehold building	50 years
Network equipment	3-20 years
Office equipment	4-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Freehold land is not depreciated. Assets (including capital work in progress) are depreciated from the time an asset is completed and ready for use.

An item of property 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 and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. For acquired network businesses whose operations are governed by fixed-term licenses, the amortization period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortized on a straight line basis over the life of the license.

Indefeasible Right to Use ("IRU") are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Company has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight line basis over the shorter of the expected period of use and the life of the contract.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

Impairment of non-financial assets

Where there is an indication of impairment in value, such that the recoverable amount of an asset (other than inventories) falls below its net book value, an impairment loss is recognized 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 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized 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.

Funding 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. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realizable value after making due allowance for any obsolete items. 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 realizable value represents the estimated selling price in the ordinary course of business less all estimated selling expenses.

Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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Financial assets

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of financial assets.

Classification of financial assets

Financial assets are classified as follows:

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

The classification and measurement category of financial assets, except for equity instruments and derivatives, are assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment:

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test:

The Company assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Company reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Company's cash and cash equivalents, trade and receivables, contract assets, and other assets are classified as financial assets at amortized cost.

Financial assets at FVTOCI

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in Other Comprehensive Income (OCI). Interest income is calculated using the effective interest method. Foreign exchange gains/losses and impairment are recognized in profit or loss. On de-recognition, gains and losses accumulated in OCI are reclassified to the statement of profit or loss.

For an equity instrument; upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to the statement of profit or loss. Dividends are recognized in profit or loss when the right to receive has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the statement of changes in equity.

Financial asset at FVTPL

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the statement of financial position at fair value. Changes in fair values and dividend income are recorded in statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

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Impairment of financial assets

A loss allowance for expected credit losses (ECL) is recognized on investments in debt instruments that are measured at amortized cost or at FVTOCI and trade receivables, as well as on financial guarantee contracts. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

Impairment of trade receivables

The Company always recognizes lifetime ECL for subscriber receivables, contract assets and distributor receivables, using the simplified approach.

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

Impairment of other financial assets

The Company recognizes expected credit loss (ECL) for cash and cash equivalents and other advances using the general approach.

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The Company considers a financial asset to have a low credit risk when the asset has external credit rating of 'investment grade' and there is no past due amounts.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset, have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter into bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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Financial liabilities

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) Held for trading, or (iii) designated at FVTPL, are subsequently measured at amortized cost.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported on a net basis in the statement of financial position when a legally enforceable right to set-off such amounts exists and when the Company intends to settle on a net benefits basis or to release the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks and bank deposits with contractual maturities of three months or less and which are subject to insignificant risk of changes in fair value.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of amount of obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When same or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

The Company as lessee:

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following where applicable:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amount expected to be payable by the lessee under the residual value guarantees;
- The exercise price of the purchase option, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated amortization (over the shorter period of lease term and useful life of the underlying asset) and impairment losses.

The Company recognizes a provision when it incurs an obligation for costs to dismantle and remove a leased asset or restore the site on which it is located.

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Provision for employees' end-of-service benefits

Bahraini employees

Pension rights (and other social benefits) for Bahraini employees are covered by Social Insurance Organization for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme under IAS 19 *Employee benefits* is recognized as an expense statement of profit or loss and total comprehensive income.

Expatriate employees

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labor Law for private sector, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan has been made by calculating the notional liability had all employees left at the reporting date. The liability recognized in the statement of financial position in respect of the employees' end of service benefits is the present value at the reporting date.

Employees' saving scheme

The Company operates an employee saving scheme for its Bahraini employees. The scheme's assets consist of deposits with banks are not incorporated in these financial statements.

Foreign currencies

Transactions in currencies other the Company's functional currency (foreign currencies) are recognized in the Company's functional currency at the rates of exchange 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.

Segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Treasury shares

The cost of the Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the 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 recognized 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 Company's accounting policies

In the process of applying the Company's accounting policies, which are described in note 3, management has made the following judgements that may have significant effect on the amounts recognized in the financial statements.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management did not include the extension options in those the lease terms stipulating that the lease cannot be renewed without the consent of both parties.

Key sources of estimation uncertainty

The following is the key assumption 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 and equipment - network

Due to the nature of the Company's business, the network assets of the Company, as detailed in note 10, are susceptible to technological obsolescence. Management depreciates those assets over 3 to 20 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 of equipment.

Provision for expected credit losses of customer, distributor receivables and contract assets

The Company uses a provision matrix to calculate ECLs for customer and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Useful lives of intangible assets

The Company's management determines the estimated useful lives of its intangible assets for calculating amortisation. This estimate is determined based on the expected pattern of consumption of future economic benefits embodied in the asset.

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5. CASH AND BANKS

Cash and cash equivalents include cash and short-term bank deposits with an original maturity of three months or less.

	<u>2020</u>	<u>2019</u>
	BD '000	BD '000
Cash and current accounts with banks	8,481	10,160
Items under collection	96	81
	<u>8,577</u>	<u>10,241</u>
Expected credit loss	(8)	(2)
Cash and cash equivalents	<u>8,569</u>	<u>10,239</u>

The following table shows the movement of expected credit loss on cash and cash equivalents during the year:

	<u>2020</u>	<u>2019</u>
	BD '000	BD '000
Balance as at January 1	2	2
Net increase in expected credit loss (note 21)	6	-
Balance as at December 31	<u>8</u>	<u>2</u>

Non-cash transactions:

	<u>2020</u>	<u>2019</u>
	BD '000	BD '000
Dividends declared not yet settled at the reporting date	<u>54</u>	<u>168</u>

6. TRADE RECEIVABLES AND OTHER ASSETS

	<u>2020</u>	<u>2019</u>
	BD '000	BD '000
Trade receivables:		
Due from postpaid subscribers	23,594	24,712
Due from roaming partners	1,454	1,376
Due from distributors	177	409
Interconnect receivables from other operators	1,023	727
	<u>26,248</u>	<u>27,224</u>
Expected credit loss	(13,110)	(12,295)
	<u>13,138</u>	<u>14,929</u>
Accrued income (unbilled services)	2	77
	<u>13,140</u>	<u>15,006</u>
Other assets:		
Due from related parties (note 24)	2	1
Sundry receivables and advance payments	2,327	1,411
Staff receivables	94	124
Expected credit loss	(193)	(155)
Prepaid expenses	1,790	1,810
	<u>4,020</u>	<u>3,191</u>
Total trade receivables and other assets	<u>17,160</u>	<u>18,197</u>
<i>Represented by:</i>		
Current portion:		
Trade receivables and other assets	15,370	16,387
Prepaid expenses	390	611
	<u>15,760</u>	<u>16,998</u>
Non-current portion:		
Prepaid expenses	1,400	1,199
	<u>1,400</u>	<u>1,199</u>

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The expected loss allowance of trade receivables and other assets is broken down as follows:

		<u>2020</u>	<u>2019</u>
		BD '000	BD '000
Trade receivables:			
Postpaid subscribers (note 6.1)	Collectively assessed	12,525	11,843
Roaming partners	Individually assessed	418	328
Due from distributors	Collectively assessed	6	4
Interconnect receivables from other operators	Individually assessed	161	120
Other assets:			
Due from related parties	Individually assessed	1	-
Sundry receivables	Collectively assessed	187	149
Staff receivables	Collectively assessed	5	6
		<u>13,303</u>	<u>12,450</u>

6.1 Trade receivables postpaid subscribers

Management considers that invoices outstanding up to 60 days are considered within the acceptable credit period. No interest is charged on trade receivable.

The Company always measures the allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables is estimated using a provision matrix by reference to past default experience of the debtors' group under postpaid receivables, and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company considered the probability of default at 100% for the aggregate portion of trade receivables balance aged more than 90 days.

There has been no change in the estimation techniques or significant assumptions made during the current year.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables from post-paid subscribers and due from distributors based on the Company's provision risk matrix. As the Company's historical credit loss experience does not show significantly different loss patterns from different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer bases.

Aging brackets	December 31, 2020			December 31, 2019		
	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	BD '000	%	BD '000	BD '000	%	BD '000
< 30 days	1,204	1%	10	1,795	11%	193
31 - 60 days	616	3%	19	794	14%	109
61 - 90 days	308	8%	24	409	34%	139
91 - 180 days	692	20%	138	1,373	45%	616
> 181 days	20,951	59%	12,340	20,750	52%	10,790
	<u>23,771</u>		<u>12,531</u>	<u>25,121</u>		<u>11,847</u>

The following table shows the movement in the expected credit loss that has been recognized for trade and other receivables:

	Collectively assessed	Individually assessed	Total
	BD '000	BD '000	BD '000
Balance, January 1, 2019	10,690	404	11,094
Net increase in expected credit loss (note 21)	1,312	44	1,356
Balance, December 31, 2019	12,002	448	12,450
Net increase in expected credit loss (note 21)	721	132	853
Balance, December 31, 2020	<u>12,723</u>	<u>580</u>	<u>13,303</u>
<i>Represented by:</i>			
Expected credit loss on trade receivables			13,110
Expected credit loss on other assets			193
			<u>13,303</u>

The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default, namely for postpaid trade receivables under the aging bracket above 181 days.

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7. CONTRACT BALANCES

7.1 Contract Assets

	<u>2020</u>	<u>2019</u>
	BD '000	BD '000
Assets relating to sale of devices	6,555	7,790
Expected credit loss	(482)	(515)
	<u>6,073</u>	<u>7,275</u>
<i>Represented by:</i>		
Current portion	4,433	5,251
Non-current portion	1,640	2,024
	<u>6,073</u>	<u>7,275</u>

The following table shows the movement of expected credit loss on contract assets during the year:

	<u>2020</u>	<u>2019</u>
	BD '000	BD '000
Balance as at January 1	515	621
Net decrease in expected credit loss (note 21)	(33)	(106)
Balance as at December 31	<u>482</u>	<u>515</u>

7.2 Contract liabilities

	<u>2020</u>	<u>2019</u>
	BD '000	BD '000
Deferred revenue – telecommunication services	1,147	1,169
Deferred revenue- trading (note 18)	600	539
	<u>1,747</u>	<u>1,708</u>

8. INVENTORIES

	<u>2020</u>	<u>2019</u>
	BD '000	BD '000
Handsets, accessories and others	2,778	4,494
Provision for obsolescence and net realizable value	(1,113)	(1,608)
	<u>1,665</u>	<u>2,886</u>

The following table shows the movement of provision for obsolescence and net realizable value during the year:

	<u>2020</u>	<u>2019</u>
	BD '000	BD '000
Balance as at January 1	1,608	1,486
(Reversal) / provision for inventories (note 20)	(495)	122
Balance as at December 31	<u>1,113</u>	<u>1,608</u>

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9. LEASES

The Company only operates as a lessee.

9.1 Right-of-use assets

The recognized right-of-use assets relates to the following types of assets leased by the Company. The average lease term is five years.

	Building and premises	Sites	Vehicles	Total
	BD `000	BD `000	BD `000	BD `000
Balance, January 1, 2019	3,995	10,110	52	14,157
Depreciation	(1,189)	(2,689)	(25)	(3,903)
Additions / modifications	330	2,266	3	2,599
Termination	-	(90)	-	(90)
Balance, December 31, 2019	3,136	9,597	30	12,763
Depreciation	(1,057)	(3,039)	(6)	(4,102)
Additions / modifications	539	5,918	-	6,457
Termination	(1,914)	(951)	-	(2,865)
Balance, December 31, 2020	704	11,525	24	12,253

The following are the amounts recognized in profit and loss:

	2020	2019
	BD `000	BD `000
Depreciation expense on right-of-use assets	4,102	3,903
Interest expense on lease liabilities	730	736

During 2020, the total cash outflow for leases amounted to BD 5,041 (2019: BD 4,954 thousands).

At the reporting date, none of the property leases in which the Company is the lessee, contain variable lease payment terms.

9.2 Lease liabilities

	2020	2019
	BD `000	BD `000
Balance, January 1	13,149	14,863
Additions	6,457	2,599
Terminations	(2,947)	(95)
Accretion of interest (note 22)	730	736
Payments	(5,041)	(4,954)
Balance, December 31,	12,348	13,149

Below is the allocation of lease liabilities as at December 31:

	2020	2019
	BD `000	BD `000
Current lease liabilities	3,128	3,806
Non-current lease liabilities	9,220	9,343
	12,348	13,149

The maturity analysis of lease liabilities as at December 31 is as follows:

	2020	2019
	BD `000	BD `000
Not later than 1 year	3,710	4,422
Later than 1 year and not later than 5 years	7,836	9,235
Later than 5 years	2,693	1,192
	14,239	14,849
Less: unearned interest	(1,891)	(1,700)
	12,348	13,149

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

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10. PROPERTY AND EQUIPMENT

	Freehold Land and Building	Network Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Capital work in Progress	Total
	BD `000	BD `000	BD `000	BD `000	BD `000	BD `000	BD `000
Cost:							
At December 31, 2018	3,027	87,646	36,394	2,813	17	2,389	132,286
Additions	-	-	-	-	-	6,295	6,295
Transfers	-	1,498	414	5	-	(1,917)	-
Write-off	-	-	-	-	-	(950)	(950)
At December 31, 2019	3,027	89,144	36,808	2,818	17	5,817	137,631
Additions	14,747*	-	-	-	-	8,798	23,545
Transfers	-	6,975	602	-	-	(7,577)	-
Write-off	-	-	-	-	-	-	-
At December 31, 2020	17,774	96,119	37,410	2,818	17	7,038	161,176
Accumulated Depreciation:							
At December 31, 2018	852	41,783	30,883	2,693	17	-	76,228
Adjustment of depreciation expense	(193)	-	-	-	-	-	(193)
Depreciation expense	38	7,365	2,056	95	-	-	9,554
At December 31, 2019	697	49,148	32,939	2,788	17	-	85,589
Depreciation expense	76	7,442	1,619	20	-	-	9,157
At December 31, 2020	773	56,590	34,558	2,808	17	-	94,746
Carrying amount:							
December 31, 2020	17,001	39,529	2,852	10	-	7,038	66,430
December 31, 2019	2,330	39,996	3,869	30	-	5,817	52,042

The Freehold land and buildings include freehold land amounting BD 9.97 million (2019: BD 1.13 million) which is not depreciated.

Capital work in progress mainly relates to network equipment in respect of network expansions and improvements. As at December 31, 2020 capital work in progress outstanding for more than one year amounted to approximately BD 854 thousand (2019: BD 95 thousand).

* During the year land and building amounting to BD 14.50 million were acquired from a related party.

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11. INTANGIBLE ASSETS

	2020	2019
	BD `000	BD `000
National Fixed Wireless Services license (note 11.1)	408	780
Mobile frequency and spectrum licenses (note 11.2)	12,279	13,579
Other intangible assets (note 11.3)	894	978
	13,581	15,337

The movement of intangible assets is as follows:

	2020	2019
	BD `000	BD `000
Balance, beginning of year	15,337	2,842
Additions	-	13,866
Amortization charge	(1,756)	(1,371)
Balance, end of year	13,581	15,337

- 11.1 The National Fixed Wireless Services ("NFWS") license was acquired on January 8, 2007. Cost of BD 5,576,211 is amortized over the license period of 15 years.
- 11.2 Frequency license for additional spectrum block was acquired on September 19, 2013. Cost of BD 956,700 is amortized over the license period of 15 years. In 2019, the Company renewed mobile frequency license and spectrum frequency license for 10 years and 15 years respectively and the license fees are required to be paid over five year period. Accordingly, the license fees were capitalized by discounting at incremental borrowing rate.
- 11.3 Other intangible assets are amortized over the contracted period.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2020	2019
	BD `000	BD `000
Due to suppliers	8,086	9,972
Accrued expenses	17,813	14,569
Interconnection payable	2,407	1,925
Due to roaming partners	516	551
Accrued employees' benefits	1,391	1,267
Due to related parties (note 24)	5,104	2,356
Value added tax payable	168	218
Accrued Directors' remuneration (note 24)	224	224
Deposits	19	22
Dividends payable	54	168
Total accounts payable and other liabilities	35,782	31,272
<i>Represented by:</i>		
Current portion	30,731	23,453
Non-Current portion of due to suppliers	5,051	7,819
	35,782	31,272

No interest is charged on trade payables.

13. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The movement of the provision for the employees' end of service indemnity was as follows:

	2020	2019
	BD `000	BD `000
Balance, beginning of year	349	300
Charge for the year	49	62
Settlements	(27)	(13)
Balance, end of year	371	349

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14. SHARE CAPITAL

The Company's issued share capital consists of 368,000,000 ordinary shares at 100 Fils each, issued and fully paid. Below are the shareholders with more than 5% equity stake:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>		
	<u>No. of shares</u>	<u>% of shareholding</u>	<u>No. of shares</u>	<u>% of shareholding</u>	
Mobile Telecommunication Company K.S.C.P.	Kuwait	201,600,000	54.78%	201,600,000	54.78%
Sh. Ahmed Bin Ali Al-Khalifa	Bahrain	59,260,000	16.10%	59,260,000	16.10%
Gulf International Bank B.S.C.	Bahrain	24,085,097	6.54%	24,085,097	6.54%

Subsequent to the year end, Mobile Telecommunications Company K.S.C.P. purchased 35,335,155 shares from Sheikh Ahmed Bin Ali Al Khalifa. Accordingly, the percentage of shareholding of Mobile Telecommunications Company K.S.C.P. increased from 54.78% to 64.38% and the percentage of shareholding of Sheikh Ahmed Bin Ali Al Khalifa decreased from 16.10% to 6.50%.

Distribution of shares by shareholding brackets

<u>Shareholding brackets</u>	<u>% of total shares</u>		<u>No. of shareholders</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Less than 1%	14%	14%	495	478
1 % up to less than 5%	8%	8%	5	5
5 % up to less than 10%	7%	7%	1	1
10 % up to less than 20%	16%	16%	1	1
More than 50%	55%	55%	1	1
			503	486

Dividends

The annual general meeting of shareholders for the year ended December 31, 2019, held on March 30, 2020 approved the distribution of cash dividends of 6 fils per share totaling BD 2,183,000.

During the year, the Company has transferred unclaimed dividends of BD 159 thousand to the regulator.

The Board of Directors proposed a cash dividends distribution of 6 fils per share to the registered shareholders subject to ratification during the Annual General Meeting of Shareholders to be held in 2021, after obtaining the necessary regulatory approvals.

15. TREASURY SHARES

	<u>2020</u>	<u>2019</u>
Number of shares	4,116,990	4,116,990
Percentage of issued shares	1.12%	1.12%
Market value (BD '000)	494	441
Cost (BD '000)	754	754

16. SHARE PREMIUM

Share premium relates to amounts collected in excess of the par value of the issued share capital, net of shares issue costs. Share premium is not available for distribution.

17. STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's Articles of Association, 10% of the yearly net profit should be appropriated to statutory reserve. The Company may elect to discontinue such appropriation when the reserves reaches 50% of the capital. This reserve is not available for distribution.

18. REVENUE

The Company derives its revenues from telecommunications services and related services, which management considers a single reportable business segment, categorized as follows:

	<u>2020</u>	<u>2019</u>
	<u>BD '000</u>	<u>BD '000</u>
Airtime, data and subscription (Over time)	50,605	50,568
Trading (Point in time)	11,387	12,327
	61,992	62,895

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The transaction price allocated to (partially) unsatisfied performance obligations at December 31 is set out below:

	2020	2019
	BD '000	BD '000
Trading (note 7.2)	600	539

Management expects that the transaction price allocated to unsatisfied contracts as of 2020 year-end will be recognized as revenue during 2021.

As permitted under IFRS 15, the Company does not disclose transaction price allocated to the remaining performance obligations as it primarily provides services that corresponds directly with the value transferred to the customer.

19. COST OF REVENUE

	2020	2019
	BD '000	BD '000
Outpayments to telecommunications operators	5,646	6,506
Cost of equipment sold and others	12,648	12,491
	18,294	18,997

20. OPERATING AND ADMINISTRATIVE EXPENSES

	2020	2019
	BD '000	BD '000
Staff costs	6,383	6,581
Rent	75	133
Management fees (note 24)	1,531	1,564
Directors' remuneration (note 24)	224	224
(Reversal) / provision for inventories (note 8)	(495)	122
Other	13,799	13,051
	21,517	21,675

The Company's share of contributions to Social Insurance Organization is included in staff costs amounted to BD 562 thousand (2019: BD 407 thousand).

As per an agreement dated December 28, 2003 and subsequent amendments in 2013 and 2018 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 revenue as defined in the agreement.

The above is after adjusting subsidy of BD 875 thousand comprising BD 796 thousand towards staff costs and BD 79 thousand towards utilities, granted by the Government of the Kingdom of Bahrain to lessen the impact of effect of the pandemic.

21. EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	2020	2019
	BD '000	BD '000
Expected credit losses on trade and other assets (note 6)	853	1,356
Expected credit losses on contract assets (note 7)	(33)	(106)
Expected credit losses on bank balances (note 5)	6	-
	826	1,250

22. FINANCE COSTS

	2020	2019
	BD '000	BD '000
Interest expense on lease liabilities (note 9.2)	730	736
Others	516	451
	1,246	1,187

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23. EARNINGS PER SHARE

The basic and diluted earnings per share based are as follows:

	2020	2019
	BD `000	
Profit for the year	5,405	5,269
	Number of shares	
Weighted average number of shares in issue	363,883,010	363,883,010
	Fils	
Basic and diluted earnings per share	15	14

Basic and diluted earnings per share are same since the Company has no instruments that would have a diluting effect.

24. RELATED PARTIES

During the years 2020 and 2019, the Company has entered into transactions with following related parties on terms approved by management.

	Relationship
Mobile Telecommunications Company K.S.C.P.	Parent Company
Zain – South Sudan	Affiliate
Zain – Lebanon	Affiliate
Zain Group Holding-Bahrain W.L.L.	Affiliate
Zain – Jordan	Affiliate
Zain – KSA	Affiliate

Transactions and balances with related parties are as follows:

	2020	2019
	BD `000	
Costs:		
Office rent and maintenance costs	735	980
Management fees (note 20)	1,531	1,564
Telecommunication services	992	1,291
Revenues:		
Telecommunication services	134	401
Gain on termination of lease contract	56	-
Capital expenditures:		
Purchase of property and equipment (note 10)	14,500	398

Accruals for Board of Directors' remuneration made during the year amounted to BD 224 thousand, subject to ratification by the Annual General Meeting of Shareholders (2019: BD 224 thousand) (notes 12 & 20).

Remuneration of members of key management during the year was as follows:

	2020	2019
	BD `000	
Short-term benefits	1,693	1,311
Other long-term benefits	155	110
	1,848	1,421

Balances with related parties are as follows:

	2020	2019
	BD `000	
Due from a related party: (note 6)		
Zain – Lebanon	1	1
Zain – South Sudan	1	-
	2	1
Due to related parties: (note 12)		
Zain Group Holding-Bahrain W.L.L.	5,090	2,340
Zain – Jordan	14	16
	5,104	2,356

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25. SEGMENT INFORMATION

The Company operates in a single business segment, telecommunications and related services, organized into three main activities: mobile operation, fixed broadband operation and trading of handsets and accessories. Management considers that these business activities are not separate operating units.

The Company carries out its operations in the Kingdom of Bahrain.

26. COMMITMENTS AND CONTINGENCIES

As of the year-end, the Company had the following outstanding items:

	<u>2020</u>	<u>2019</u>
	BD `000	BD `000
Letters of guarantee	6,839	8,870
Capital expenditures	<u>84</u>	<u>123</u>

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Company's financial assets and financial liabilities are categorized at amortized cost. There were no financial instruments measured at FVTPL or classified at FVTOCI.

	<u>2020</u>	<u>2019</u>
	BD `000	BD `000
Financial assets		
Cash and banks at amortized cost	8,569	10,239
Trade receivables and other assets at amortized cost	<u>13,825</u>	<u>15,976</u>
Total financial assets	<u>22,394</u>	<u>26,215</u>
Financial liabilities		
Accounts payable and other liabilities at amortized cost	35,614	31,054
Lease liabilities at amortized cost	<u>12,348</u>	<u>13,149</u>
Total financial liabilities	<u>47,962</u>	<u>44,203</u>

Financial instruments subject to offsetting enforceable master netting arrangements or similar arrangements:

	<u>Trade receivables</u>	
	<u>2020</u>	<u>2019</u>
	BD `000	BD `000
Gross amounts of recognized financial instruments	7,757	7,235
Gross amounts of recognized financial instruments subject to set off in the statement of financial position	<u>(5,280)</u>	<u>(5,132)</u>
Net amounts of financial instruments presented in the statement of financial position	<u>2,477</u>	<u>2,103</u>
	<u>Accounts payables</u>	
	<u>2020</u>	<u>2019</u>
	BD `000	BD `000
Gross amounts of recognized financial instruments	8,203	7,608
Gross amounts of recognized financial instruments subject to set off in the statement of financial position	<u>(5,280)</u>	<u>(5,132)</u>
Net amounts of financial instruments presented in the statement of financial position	<u>2,923</u>	<u>2,476</u>

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The Company's use of financial instruments exposes it to a variety of financial risks such as market risk (such as foreign exchange risk, interest rate risk, and equity price risk), credit risk and liquidity risk. The Company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework and monitoring the risk management policies in close co-operation with the Parent Company. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

There has been no change to the Company's exposure to the above financial risks or the manner in which it manages and measures the risk.

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at December 31, 2020, the Company maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

- The carrying amount of the financial assets as stated in the statement of financial position; and
- The maximum amount the Company would have to pay if the letters of guarantees disclosed in note 26 are called upon, irrespective of the likelihood of the guarantee being exercised.

The Company's financial assets are detailed below:

		December 31, 2020		
	Notes	Gross carrying amount	Loss allowance	Net carrying amount
		BD '000	BD '000	BD '000
Cash and banks	5 (i)	8,481	(8)	8,473
Items under collection	5	96	-	96
Trade and other receivables:				
Due from postpaid subscribers	6 (ii)	23,594	(12,525)	11,069
Due from roaming partners	6	1,454	(418)	1,036
Due from distributors	6 (ii)	177	(6)	171
Interconnect receivables	6	1,023	(161)	862
Accrued income (unbilled services)	6	2	-	2
Due from related parties	6	2	(1)	1
Sundry receivables	6	782	(187)	595
Staff receivables	6	94	(5)	89
		35,705	(13,311)	22,394
		December 31, 2019		
	Notes	Gross carrying amount	Loss allowance	Net carrying amount
		BD '000	BD '000	BD '000
Cash and banks	5 (i)	10,160	(2)	10,158
Items under collection	5	81	-	81
Trade and other receivables:				
Due from postpaid subscribers	6 (ii)	24,712	(11,843)	12,869
Due from roaming partners	6	1,376	(328)	1,048
Due from distributors	6 (ii)	409	(4)	405
Interconnect receivables	6	727	(120)	607
Accrued income (unbilled services)	6	77	-	77
Due from related parties	6	1	-	1
Sundry receivables	6	1,000	(149)	851
Staff receivables	6	124	(6)	118
		38,667	(12,452)	26,215

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- (i) Cash is deposited at banks with external credit rating at investment grade. Loss allowance is measured at 12 months ECL.
- (ii) For trade receivables, contract assets and due from distributors, the Company has adopted the simplified approach to measure the loss allowance at lifetime ECL. The Company adjusts the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience. The credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 6 includes further details on the loss allowance for postpaid trade receivables and distributors.

Other receivables are categorized under stage 2 and stage 3 depending on credit risk quality.

Trade receivables from postpaid subscribers consist of a large number of customers.

The Company is also exposed to credit risk in relation to letters of guarantees given (note 26). The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on.

The Company does not hold any collateral or credit enhancement to cover its credit risks associated with its financial assets.

Foreign exchange risk

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.

At the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the Company's functional currency are as follows:

<u>December 31, 2020</u>	U.S Dollar	Pound	Euro	Total foreign currencies
	BD '000	BD '000	BD '000	BD '000
Monetary assets				
Cash and banks	1,409	-	3	1,412
Trade receivables and other assets	1,613	-	56	1,669
	3,022	-	59	3,081
Monetary liabilities				
Accounts payable and other liabilities*	9,832	-	89	9,921
	9,832	-	89	9,921
Net	(6,810)	-	(30)	(6,840)
<u>December 31, 2019</u>	U.S Dollar	Pound	Euro	Total foreign currencies
	BD '000	BD '000	BD '000	BD '000
Monetary assets				
Cash and banks	405	-	-	405
Trade receivables and other assets	1,301	19	22	1,342
	1,706	19	22	1,747
Monetary liabilities				
Accounts payable and other liabilities*	8,363	-	3,205	11,568
	8,363	-	3,205	11,568
Net	(6,657)	19	(3,183)	(9,821)

* The remaining monetary liabilities including lease liabilities are denominated in Company's functional currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to significant interest rate risk.

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Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its funding requirements. The Company manages this risk by maintaining sufficient cash, availability of funding from credit facilities and its ability to close out market positions on short notice.

The Company has unutilized bank overdraft facility of BD 5.5 million (2019: BD 5.5 million) with local commercial banks.

Below is analysis of the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturity at the reporting date, modified to the expected settlement period. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant:

	2020				Total BD '000
	<u>Less than</u>	<u>1 - 3</u>	<u>3 - 12</u>	<u>1 - 5</u>	
	<u>1 month</u>	<u>months</u>	<u>months</u>	<u>years</u>	
	BD '000	BD '000	BD '000	BD '000	
Accounts payable and other liabilities	3,652	10,211	17,056	5,232	36,151

	2019				Total BD '000
	<u>Less than</u>	<u>1 - 3</u>	<u>3 - 12</u>	<u>1 - 5</u>	
	<u>1 month</u>	<u>months</u>	<u>months</u>	<u>years</u>	
	BD '000	BD '000	BD '000	BD '000	
Accounts payable and other liabilities	3,164	8,009	12,062	8,871	32,106

The maturity analysis of lease liabilities are disclosed in note 9.2.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying values and the fair value estimates.

The Company's financial instruments are carried at amortized cost. The fair values of these financial instruments approximate their carrying value.

29. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide return on investment to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of equity, comprising issued capital, treasury shares, reserves and retained earnings. The management reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risk associated with each claim as capital. The Company is relatively debt free at the current reporting date.

30. RECLASSIFICATIONS

Certain items have been reclassified in the statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows for the prior year ended December 31, 2019 to comply with the requirements of IFRS 15 *Revenue from Contracts with Customers* and IAS 1 *Presentation of Financial Statements*. The related changes have been presented as follows:

ZAIN BAHRAIN B.S.C.
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a) Statement of financial position

	December 31, 2019		
	As previously reported	Reclassifications	As reclassified
	BD '000	BD '000	BD '000
Current assets			
Trade receivables and other assets	22,106	(5,108)	16,998
Contract assets	-	5,251	5,251
	-	5,251	5,251
Non-current assets			
Trade receivables and other assets	3,366	(2,167)	1,199
Contract assets	-	2,024	2,024
	-	2,024	2,024

b) Statement of Profit or Loss and Other Comprehensive Income

	December 31, 2019		
	As previously Reported	Reclassifications	As reclassified
	BD '000	BD '000	BD '000
Operating and administrative expenses	(21,553)	(122)	(21,675)
Provision for inventories	(122)	122	-
	-	122	-

c) Statement of Cash Flows

	December 31, 2019		
	As previously Reported	Reclassifications	As reclassified
	BD '000	BD '000	BD '000
Net change in trade receivables and other assets	358	(2,241)	(1,883)
Net change in contract assets	-	2,241	2,241
	-	2,241	2,241

31. IMPACT OF COVID-19

The outbreak of the novel Coronavirus (COVID-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Company is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statements. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the financial statements:

Impairment of non-financial assets:

The Company has performed a qualitative assessment, considering the minimal impact of COVID-19 on entities operating in the telecommunication sector, and compared the actual results for the year against the budget and industry benchmarks to conclude the impairment assessment as at December 31, 2020 remains largely unchanged.

The Company has also considered any impairment indicators arising and any significant uncertainties around its property and equipment, intangible assets and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19.

Expected Credit Losses ("ECL") and impairment of financial assets:

The Company has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Company has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

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Commitments and contingent liabilities:

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Company, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

Going concern:

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these financial statements have been appropriately prepared on a going concern basis.

The Government of the Kingdom of Bahrain has granted a total subsidy to the Company of BD 875 thousand comprising BD 796 thousand towards staff costs and BD 79 thousand towards utilities, to lessen the impact of effect of the pandemic. These amounts have been adjusted against the respective line items in the income statement for the year (note 20).

ZAIN BAHRAIN B.S.C.
SUPPLEMENTARY INFORMATION – UNAUDITED

Further to the CBB letter dated 14 July 2020 (ref. OG/259/2020), Zain Bahrain B.S.C. ("Company") provides the following information relating to the financial statements as of December 31, 2020:

A. The overall impact on the financial statements

The Company's overall financial statements have not been impacted significantly due to the impact of the Covid-19 pandemic. As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now. Management believes, based on their assessment, that the Company has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

B. The impact on Income Statement

Revenues	The industry has faced serious challenges in terms of roaming revenues due to heavy travel restrictions impacting significantly the inbound and out bound roaming. This revenue stream is generally cyclical in nature and has been significantly impacted due to Covid-19. However, the composition of roaming revenue in relation to the overall revenue of the Company is not significant, hence, no material impact on the financial statements for the year ended December 31, 2020.
Expenses	The Company was agile in implementing cost optimization initiatives aimed at reducing costs and minimizing the impact of top-line pressure resulting in an overall positive variance in the operating cost. This was also supplemented by the government support provided through reimbursement of salaries of Bahrainis.
Net income	The consequential impact resulting from the above is not considered material.

C. The impact on Balance Sheet

Assets	
(specify sub-categories, ex. Cash and balances with banks)	The management of the Company is closely monitoring the situation resulting from Covid-19 and its impact on the Company's operation, cash flows and financial position. Management believes, based on their assessment, the inherent value of property and equipment appearing in the financial statements as of December 31, 2020 has not been impaired. Furthermore, taking into account the necessary adjustments relating to ECL model, the receivables and other assets are stated at the appropriate amounts and do not require any adjustment as at December 31, 2020.
Liabilities	
(specify sub-categories, ex. Loans)	The Company currently does not have any borrowings.
Net equity attributable to shareholders	No material change.
Other material impact on the Balance Sheet	None other attributable to Covid-19.

D. The impact on the company's ability to continue as going concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these financial statements has been appropriately prepared on a going concern basis.