

**Bahrain Telecommunications  
Company BSC**

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS**

**31 March 2012**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2012**

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)  
for the three months ended 31 March 2012**

<b>Three months ended 31 March</b>	<b>2012 BD million</b>	<b>2011 BD million</b>	<b>Variation %</b>
Gross revenue	78.0	80.8	(4%)
Expenses	58.3	57.5	1%
Profit attributable to Batelco shareholders	16.1	17.5	(8%)
Return on net worth - Annualised (%)	12.1	15.8	(24%)
Weighted average number of shares outstanding during the period	1,440	1,440	-
Basic earnings per share for the period (Fils)	11.2	12.1	(8%)

## **Independent auditors' report on review of condensed consolidated interim financial statements**

The Board of Directors  
Bahrain Telecommunications Company BSC  
Manama, Kingdom of Bahrain

26 April 2012

### **Introduction**

We have reviewed the accompanying condensed consolidated statement of financial position of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (together the "Group") as at 31 March 2012, and the related condensed consolidated statements of comprehensive income, cash flows and changes in equity for the three months period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information ("the condensed consolidated interim financial statements"). The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 - *Interim Financial Reporting*.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 March 2012**

BD'000

	Note	31 March 2012 (reviewed)	31 December 2011 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		183,546	185,019
Goodwill		124,918	124,682
Intangible assets		50,521	24,308
Investment in associates		76,682	78,580
Deferred tax assets		2,132	2,018
Available-for-sale investments	3	35,180	16,703
<b>Total non-current assets</b>		<b>472,979</b>	<b>431,310</b>
<b>Current assets</b>			
Investment in associate classified as held for sale	4	46,473	46,473
Inventories		2,028	1,869
Available-for-sale investments		3,770	-
Trade and other receivables		96,121	71,762
Cash and bank balances	5	61,795	107,893
<b>Total current assets</b>		<b>210,187</b>	<b>227,997</b>
<b>Total assets</b>		<b>683,166</b>	<b>659,307</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		144,000	144,000
Statutory reserve		76,847	76,719
General reserve		39,444	30,000
Foreign currency translation reserve		1,189	787
Investments fair value reserve		18,850	(3,397)
Retained earnings		233,481	257,731
Total equity attributable to equity holders of the Company		513,811	505,840
Non-controlling interest		12,321	12,851
<b>Total equity (Page 6-7)</b>		<b>526,132</b>	<b>518,691</b>
<b>Non-current liabilities</b>			
Trade and other payables		-	2,555
Loans and borrowings		16,565	-
Deferred tax liability		4,053	4,193
<b>Total non-current liabilities</b>		<b>20,618</b>	<b>6,748</b>
<b>Current liabilities</b>			
Trade and other payables		135,274	133,868
Loans and borrowings		1,142	-
<b>Total current liabilities</b>		<b>136,416</b>	<b>133,868</b>
<b>Total liabilities</b>		<b>157,034</b>	<b>140,616</b>
<b>Total equity and liabilities</b>		<b>683,166</b>	<b>659,307</b>

The condensed consolidated interim financial statements which consist of pages 3 to 12 were approved by the Board of Directors on 26 April 2012 and signed on its behalf by:

Sh. Hamad Bin Abdulla Al Khalifa  
Chairman

Murad Ali Murad  
Deputy Chairman

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the three months ended 31 March 2012**

BD'000

	Note	Three months ended 31 March	
		2012 (reviewed)	2011 (reviewed)
<b>REVENUE</b>	6	<b>77,968</b>	80,814
<b>EXPENSES</b>			
Network operating expenses		(29,387)	(27,124)
Staff costs		(12,543)	(12,520)
Depreciation and amortisation		(8,627)	(9,350)
Other operating expenses		(7,778)	(8,555)
<b>Total expenses</b>		<b>(58,335)</b>	(57,549)
<b>Results from operating activities</b>		<b>19,633</b>	23,265
Finance and other income		758	232
Finance expenses		(25)	(66)
Share of loss of associates (net)		(1,898)	(4,269)
<b>Profit before taxation</b>		<b>18,468</b>	19,162
Income tax expense		(1,557)	(995)
<b>Profit for the period</b>		<b>16,911</b>	18,167
<b>Other comprehensive income</b>			
Foreign currency translation differences		418	70
Investments fair value changes		22,247	(13,040)
<b>Other comprehensive income for the period</b>		<b>22,665</b>	(12,970)
<b>Total comprehensive income for the period</b>		<b>39,576</b>	5,197
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		16,122	17,456
Non-controlling interest		789	711
		<b>16,911</b>	18,167
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		38,771	4,371
Non-controlling interest		805	826
		<b>39,576</b>	5,197
<b>Basic earnings per share (Fils)</b>	7	<b>11.2</b>	12.1

The condensed consolidated interim financial statements which consist of pages 3 to 12 were approved by the Board of Directors on 26 April 2012 and signed on its behalf by:

Sh. Hamad Bin Abdulla Al Khalifa  
Chairman

Murad Ali Murad  
Deputy Chairman

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the three months ended 31 March 2012**

BD'000

	Three months ended 31 March	
	2012 (reviewed)	2011 (reviewed)
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	70,951	74,978
Net cash paid to suppliers	(32,860)	(32,754)
Cash paid to and on behalf of employees	(15,632)	(18,017)
<b>Net cash from operating activities</b>	<b>22,459</b>	24,207
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, equipment and intangibles	(39,424)	(7,804)
Advance payments in respect of rights share issue	(17,713)	-
Net proceeds from sale and maturity of investments	-	4,296
Interest and investment income received	959	354
<b>Net cash used in investing activities</b>	<b>(56,178)</b>	(3,154)
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(30,612)	(37,911)
Borrowings	17,707	-
Payments to charities	(152)	(1,088)
<b>Net cash used in financing activities</b>	<b>(13,057)</b>	(38,999)
<b>Decrease in cash and cash equivalents</b>	<b>(46,776)</b>	(17,946)
Cash and cash equivalents at 1 January	105,095	80,436
<b>Cash and cash equivalents at 31 March</b>	<b>58,319</b>	62,490

*The condensed consolidated interim financial statements consist of pages 3 to 12.*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the three months ended 31 March 2012

BD'000

	Equity attributable to equity holders of the Company						Non - controlling interest	Total equity	
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Retained earnings			Total
<b>2012 (reviewed)</b>									
At 1 January 2012	144,000	76,719	30,000	787	(3,397)	257,731	505,840	12,851	518,691
Profit for the period	-	-	-	-	-	16,122	16,122	789	16,911
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	402	-	-	402	16	418
Investments fair value changes	-	-	-	-	22,247	-	22,247	-	22,247
Total other comprehensive income	-	-	-	402	22,247	-	22,649	16	22,665
<b>Total comprehensive income for the period</b>	-	-	-	<b>402</b>	<b>22,247</b>	<b>16,122</b>	<b>38,771</b>	<b>805</b>	<b>39,576</b>
Final dividends declared for 2011	-	-	-	-	-	(28,800)	(28,800)	-	(28,800)
Donations declared for 2011	-	-	-	-	-	(2,000)	(2,000)	-	(2,000)
Transfer to statutory reserve (net)	-	128	-	-	-	(128)	-	-	-
Transfer to general reserve	-	-	9,444	-	-	(9,444)	-	-	-
Dividends to non-controlling interest	-	-	-	-	-	-	-	(1,335)	(1,335)
	-	<b>128</b>	<b>9,444</b>	-	-	<b>(40,372)</b>	<b>(30,800)</b>	<b>(1,335)</b>	<b>(32,135)</b>
<b>At 31 March 2012</b>	<b>144,000</b>	<b>76,847</b>	<b>39,444</b>	<b>1,189</b>	<b>18,850</b>	<b>233,481</b>	<b>513,811</b>	<b>12,321</b>	<b>526,132</b>

The condensed consolidated interim financial statements consist of pages 3 to 12.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the three months ended 31 March 2012

BD'000

	Equity attributable to equity holders of the Company						Non - controlling interest	Total equity	
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Retained earnings			Total
2011 (reviewed)									
At 1 January 2011	144,000	76,428	15,000	1,376	8,210	259,977	504,991	11,824	516,815
Profit for the period	-	-	-	-	-	17,456	17,456	711	18,167
Other comprehensive income									
Foreign currency translation differences	-	-	-	(45)	-	-	(45)	115	70
Investments fair value changes	-	-	-	-	(13,040)	-	(13,040)	-	(13,040)
Total other comprehensive income	-	-	-	(45)	(13,040)	-	(13,085)	115	(12,970)
Total comprehensive income for the period	-	-	-	(45)	(13,040)	17,456	4,371	826	5,197
Final dividends declared for 2010	-	-	-	-	-	(36,000)	(36,000)	-	(36,000)
Donations declared for 2010	-	-	-	-	-	(2,169)	(2,169)	-	(2,169)
Transfer to general reserve	-	-	15,000	-	-	(15,000)	-	-	-
	-	-	15,000	-	-	(53,169)	(38,169)	-	(38,169)
At 31 March 2011	144,000	76,428	30,000	1,331	(4,830)	224,264	471,193	12,650	483,843

The condensed consolidated interim financial statements consist of pages 3 to 12.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the three months ended 31 March 2012**

BD'000

**1 BACKGROUND**

The condensed consolidated interim financial statements as at and for the three months period ended 31 March 2012 comprise the condensed consolidated interim financial statements of Bahrain Telecommunications Company BSC ("Batelco"/ "the Company") and its subsidiaries (collectively "the Group") and the Group's interests in associates. It does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011. The Group is principally engaged in the provision of public telecommunications and associated products and services.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, which permits the condensed consolidated interim financial statements to be in summarized form and do not include all of the information required for full annual financial statements.

The accounting policies and risk management framework applied by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2011.

The condensed consolidated interim financial statements are not audited but have been reviewed by KPMG Fakhro. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2011 and the comparatives for the condensed consolidated statements of comprehensive income, cash flows and changes in equity have been extracted from the reviewed condensed consolidated interim financial statements for the three months ended 31 March 2011.

Due to the effect of seasonal variations, the results reported in the condensed consolidated interim financial statements may not represent a proportionate share of the overall annual income.

**3 AVAILABLE-FOR-SALE INVESTMENTS**

Available-for-sale investments include BD 33,931 representing market value of an equity investment in Etihad Atheeb Telecommunication Company ( "the investee company") . There is a five year lock in period starting from April 2009.

In order to fund its ongoing operations, the investee company issued right shares of SAR 1,175 million (BD 118.1 million) of which the Group's share is SAR 176.3 million (BD 17.7 million). However, formalities relating to the rights issue and its allocation were completed only in April 2012 and therefore, the subscription amount paid by the Group of BD 17.7 million is shown under "Trade and other receivables" as at 31 March 2012.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the three months ended 31 March 2012**

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**4 INVESTMENT IN ASSOCIATE CLASSIFIED AS HELD-FOR-SALE**

As at 31 March 2012, the Group's investment in STEL Private Limited ("STEL") is classified as asset held-for-sale, following the Board of Directors earlier decision in April 2011 to actively pursue the sale of the investment, whilst identifying other investment opportunities for the Group to remain active in Indian telecom market. The Group has a binding agreement to sell its investment in STEL by quarter ending 31 December 2012 for US\$174.5 (BD 65.8) million. Investment in STEL is measured at lower of its carrying amount and fair value less cost to sell, in accordance with IFRS 5 – *Non-current Assets Held-for-Sale and Discontinued Operations*.

**5 CASH AND BANK BALANCES**

Cash and bank balances include BD 3,476 (2011: BD 2,798) on account of unclaimed dividends and short-term deposits with maturities exceeding three months. These have been excluded for the purposes of statement of cash flows.

**6 REVENUE**

	<b>Three months ended 31 March</b>	
	<b>2012 (reviewed)</b>	2011 (reviewed)
Mobile telecommunications services	33,452	38,456
Fixed line telecommunications services	6,363	7,418
Internet	9,220	9,394
Data communication circuits	14,339	13,885
Wholesale	8,747	8,646
Others	5,847	3,015
	<b>77,968</b>	<b>80,814</b>

**7 EARNINGS PER SHARE**

The calculation of EPS is based on the profit attributable to owners of the Company for the three months ended 31 March 2012 of BD 16.1 million (31 March 2011: BD 17.5 million), attributable to the weighted average number of shares outstanding during the period totaling 1,440 million (2011: 1,440 million) ordinary shares.

**8 COMMITMENTS AND CONTINGENCIES**
**a) Guarantees**

- (i) The Group has furnished a guarantee for BD 7.9 million (2011: BD 27.1 million) to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.
- (ii) The Group has furnished guarantees amounting to BD 1.6 million (2011: BD 1.6 million) to suppliers on behalf of an investee company in Kingdom of Saudi Arabia relating to the equipment supply contracts.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the three months ended 31 March 2012**

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**8** *COMMITMENTS AND CONTINGENCIES (continued)*

(iii) As at 31 March 2012, the Group's banks have issued guarantees, amounting to BD 3.8 million (2011: BD 7.8 million) and letters of credit amounting to BD 0.24 million (2011: BD 0.31 million).

(iv) The Group has furnished a comfort letter for BD 1.9 million (2011: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

**b) Commitments**

The Group has capital commitments at 31 March 2012 amounting to BD 21.2 million (2011: BD 17.0 million).

**c) Contingent liabilities**

The Group is involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD 5.5 (2011: BD 5.5) million. The Group is of the view that there are no legitimate legal grounds for such claims and notices, and all necessary legal steps to respond to and defend its position are being taken.

**d) Claims against STEL**

The Supreme Court of India handed down a judgement in February 2012 against a number of Indian telecom operators holding certain 2G licences that were issued in 2008. The judgement provided that such operators, including STEL, were ineligible to have been granted such 2G licenses under prevailing Indian Law and that such licences are revoked, on terms. The judgement is not appealable.

**9 RELATED PARTIES****a) Transactions with related parties**

The Company qualifies as a government related entity under the definitions provided in the Revised IAS 24. The Group provides telecommunication services to various Government and semi government organisation and companies in the Kingdom of Bahrain. The Group also avails various services from Government and semi government organisation and companies in the Kingdom of Bahrain. Such transactions are in the normal course of business and are not considered to be material.

**b) Transactions with key management personnel**

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2012**

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9 *RELATED PARTIES (continued)*

	Three months ended 31 March	
	2012 (reviewed)	2011 (reviewed)
Short-term employee benefits	711	626
Post-employment benefits	97	60
<b>Total key management personnel compensation</b>	<b>808</b>	<b>686</b>
<b>Directors remuneration (including sitting fees)</b>	<b>137</b>	<b>137</b>

**10 APPROPRIATIONS**

The shareholders of the Company in their meeting held on 22 February 2012 approved final dividend of BD 28,800, donations of BD 2,000 and transfer to general reserve of BD 8,000.

The shareholders of Umniah Mobile Company PSC in their meeting held on 15 February 2012 approved transfer to general reserve of BD 1,504.

**11 COMPARATIVES**

The comparative figures for the previous period have been regrouped, where necessary, in order to conform to the current period's presentation. Such regrouping does not affect the previously reported profit, comprehensive income or equity.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
for the three months ended 31 March 2012

BD'000

**12 SEGMENT INFORMATION***Operating segments*

The Group's operations are segregated between Bahrain, Jordan and Other countries. Other countries include Kuwait, Yemen, Egypt and India. Segment information disclosed for the three months ended 31 March 2012 is as follows:

	Three months ended 31 March 2012 (reviewed)					Three months ended 31 March 2011 (reviewed)				
	Bahrain	Jordan	Other countries	Inter-segment elimination	Total	Bahrain	Jordan	Other countries	Inter-segment elimination	Total
<b>Segment revenue and profit</b>										
Revenue (external customers)	48,103	21,437	8,428	-	77,968	50,829	21,284	8,701	-	80,814
Inter-segment revenues	2,314	5,208	345	(7,867)	-	1,598	2,686	306	(4,590)	-
Profit/(loss)	14,463	3,189	(741)	-	16,911	18,478	3,028	(3,339)	-	18,167

  

	As at 31 March 2012 (reviewed)					As at 31 December 2011 (audited)				
	Bahrain	Jordan	Other countries	Inter-segment elimination	Total	Bahrain	Jordan	Other countries	Inter-segment elimination	Total
<b>Segment assets and liabilities</b>										
Non-current assets	155,047	226,820	91,112	-	472,979	138,672	199,231	93,407	-	431,310
Current assets	133,838	14,189	75,210	(13,050)	210,187	154,517	12,405	73,003	(11,928)	227,997
<b>Total assets</b>	<b>288,885</b>	<b>241,009</b>	<b>166,322</b>	<b>(13,050)</b>	<b>683,166</b>	<b>293,189</b>	<b>211,636</b>	<b>166,410</b>	<b>(11,928)</b>	<b>659,307</b>
Current liabilities	87,829	33,728	24,809	(9,950)	136,416	82,695	35,736	24,177	(8,740)	133,868
Non-current liabilities	20,078	4,053	-	(3,513)	20,618	3,513	6,748	-	(3,513)	6,748
<b>Total liabilities</b>	<b>107,907</b>	<b>37,781</b>	<b>24,809</b>	<b>(13,463)</b>	<b>157,034</b>	<b>86,208</b>	<b>42,484</b>	<b>24,177</b>	<b>(12,253)</b>	<b>140,616</b>