

**Bahrain Telecommunications
Company BSC**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

30 June 2013

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 30 June 2013**

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the six months ended 30 June 2013**

Six months ended 30 June	2013 BD million	2012 BD million	% Variation
Gross revenue	170.7	155.3	10
Expenses	137.2	116.8	(17)
Profit attributable to Batelco shareholders	27.0	34.6	(22)
Return on net worth - Annualised (%)	10.6	11.8	(10)
Weighted average number of shares outstanding during the period	1,584	1,440	10
Basic earnings per share (Fils)*	17.1	21.8	(22)

**Basic earnings per share for 2013 and 2012 are calculated using revised weighted average number of shares outstanding during the period.*

Independent auditors' report on review of condensed consolidated interim financial information

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

30 July 2013

Introduction

We have reviewed the accompanying 30 June 2013 condensed consolidated interim financial information of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (together "the Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 June 2013;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and six month periods ended 30 June 2013;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2013;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2013; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 30 June 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

BD'000

ASSETS	Note	30 June 2013 (reviewed)	31 December 2012 (audited)
Non-current assets			
Property and equipment		259,207	185,865
Goodwill	14	249,458	124,377
Intangible asset		52,223	50,880
Investment in associate		77,312	77,417
Deferred tax asset		3,038	2,298
Other investments, including derivatives	3	38,526	31,640
Total non-current assets		679,764	472,477
Current assets			
Inventories		4,668	2,630
Other investments, including derivatives	3	37,700	3,770
Trade and other receivables		135,680	115,569
Cash and bank balances	4	153,138	94,922
Total current assets		331,186	216,891
Total assets		1,010,950	689,368
EQUITY AND LIABILITIES			
Equity			
Share capital		158,400	144,000
Statutory reserve		77,684	76,847
General reserve		46,412	39,444
Foreign currency translation reserve		1,539	361
Investment fair value reserve		4,483	(2,403)
Retained earnings		245,024	256,099
Total equity attributable to equity holders of the Company		533,542	514,348
Non-controlling interest		37,475	5,833
Total equity (Page 6-7)		571,017	520,181
Non-current liabilities			
Trade and other payables		5,648	2,029
Loans and borrowings	5	255,281	14,388
Deferred tax liability		4,500	3,634
Total non-current liabilities		265,429	20,051
Current liabilities			
Trade and other payables		162,314	145,051
Loans and borrowings	5	12,190	4,085
Total current liabilities		174,504	149,136
Total liabilities		439,933	169,187
Total equity and liabilities		1,010,950	689,368

The condensed consolidated interim financial statements which consist of pages 3 to 17 were approved by the Board of Directors on 30 July 2013 and signed on its behalf by:

Sh. Hamad Bin Abdulla Al Khalifa
Chairman

Murad Ali Murad
Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**for the six months ended 30 June 2013**

BD'000

	Note	Six months ended 30 June		Three months ended 30 June	
		2013 (reviewed)	2012 (reviewed)	2013 (reviewed)	2012 (reviewed)
REVENUE	6	170,697	155,258	99,706	77,290
EXPENSES					
Network operating expenses		(64,234)	(57,938)	(36,762)	(28,639)
Staff costs		(26,874)	(25,566)	(14,863)	(13,023)
Depreciation and amortisation		(23,044)	(17,290)	(13,403)	(8,663)
Other operating expenses		(23,014)	(15,984)	(13,444)	(8,118)
Total expenses		(137,166)	(116,778)	(78,472)	(58,443)
Results from operating activities		33,531	38,480	21,234	18,847
Finance and other income		1,115	1,358	753	600
Finance expenses		(5,142)	(214)	(4,880)	(189)
Share of profit/ (loss) of associate		2,942	(899)	685	999
Profit before taxation		32,446	38,725	17,792	20,257
Income tax expense		(2,178)	(2,299)	(1,592)	(742)
Profit for the period		30,268	36,426	16,200	19,515
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences		1,158	718	(393)	300
Investment fair value changes		6,886	4,081	7,717	(18,166)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		8,044	4,799	7,324	(17,866)
Total comprehensive income for the period		38,312	41,225	23,524	1,649
<i>Profit for the period attributable to</i>					
Equity holders of the Company		27,030	34,559	13,631	18,437
Non-controlling interest		3,238	1,867	2,569	1,078
		30,268	36,426	16,200	19,515
<i>Total comprehensive income for the period attributable to</i>					
Equity holders of the Company		35,094	39,404	20,945	633
Non-controlling interest		3,218	1,821	2,579	1,016
		38,312	41,225	23,524	1,649
Basic earnings per share (Fils)	7	17.1	21.8	8.6	11.6

The condensed consolidated interim financial statements which consist of pages 3 to 17 were approved by the Board of Directors on 30 July 2013 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 six months ended 30 June 2013

BD'000

	Six months ended 30 June	
	2013 (reviewed)	2012 (reviewed)
OPERATING ACTIVITIES		
Cash receipts from customers	152,477	138,577
Net cash paid to suppliers	(70,152)	(61,951)
Cash paid to and on behalf of employees	(35,453)	(28,786)
Net cash from operating activities	46,872	47,840
INVESTING ACTIVITIES		
Acquisition of property, equipment and intangibles	(18,528)	(51,554)
Payments in respect of rights share issue	-	(17,713)
Acquisition of businesses, net of cash acquired (note 14)	(166,445)	-
Receipts from investee company	-	2,781
Receipts from associate	3,047	730
Net proceeds from sale/ (purchase) of investments	(33,930)	-
Interest and investment income received	791	1,327
Net cash used in investing activities	(215,065)	(64,429)
FINANCING ACTIVITIES		
Dividend paid	(17,602)	(30,638)
Interest paid	(3,543)	-
Borrowings (net)	248,212	27,494
Payments to charities	(393)	(400)
Net cash from/ (used) in financing activities	226,674	(3,544)
Increase/ (decrease) in cash and cash equivalents	58,481	(20,133)
Cash and cash equivalents at 1 January	92,167	105,095
Cash and cash equivalents at 30 June	150,648	84,962

The condensed consolidated interim financial statements consist of pages 3 to 17.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2013

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
2013 (reviewed)									
At 1 January 2013	144,000	76,847	39,444	361	(2,403)	256,099	514,348	5,833	520,181
Profit for the period	-	-	-	-	-	27,030	27,030	3,238	30,268
Other comprehensive income									
Foreign currency translation differences	-	-	-	1,178	-	-	1,178	(20)	1,158
Investment fair value changes	-	-	-	-	6,886	-	6,886	-	6,886
Total other comprehensive income	-	-	-	1,178	6,886	-	8,064	(20)	8,044
Total comprehensive income for the period	-	-	-	1,178	6,886	27,030	35,094	3,218	38,312
Non-controlling interest recognised on acquisition (note 14)	-	-	-	-	-	-	-	28,667	28,667
Bonus shares issued	14,400	-	-	-	-	(14,400)	-	-	-
Final dividends declared for 2012	-	-	-	-	-	(14,400)	(14,400)	-	(14,400)
Donations declared for 2012	-	-	-	-	-	(1,500)	(1,500)	-	(1,500)
Transfer to statutory reserve	-	837	-	-	-	(837)	-	-	-
Transfer to general reserve	-	-	6,968	-	-	(6,968)	-	-	-
Dividends to non-controlling interest	-	-	-	-	-	-	-	(243)	(243)
	14,400	837	6,968	-	-	(38,105)	(15,900)	28,424	12,524
At 30 June 2013	158,400	77,684	46,412	1,539	4,483	245,024	533,542	37,475	571,017

The condensed consolidated interim financial statements consist of pages 3 to 17.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2013

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
2012 (reviewed)									
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	-	-	-	-	-	34,559	34,559	1,867	36,426
Other comprehensive income									
Foreign currency translation differences	-	-	-	764	-	-	764	(46)	718
Investment fair value changes	-	-	-	-	4,081	-	4,081	-	4,081
Total other comprehensive income	-	-	-	764	4,081	-	4,845	(46)	4,799
Total comprehensive income for the period	-	-	-	764	4,081	34,559	39,404	1,821	41,225
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)
	-	128	9,444	-	-	(40,372)	(30,800)	(1,335)	(32,135)
At 30 June 2012	144,000	76,847	39,444	1,551	684	251,918	514,444	13,337	527,781

The condensed consolidated interim financial statements consist of pages 3 to 17.

NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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1 REPORTING ENTITY

The condensed consolidated interim financial statements as at and for the three months and six months period ended 30 June 2013 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 associate entity. The Group is principally engaged in the provision of public telecommunications and associated products and services.

2 BASIS OF PREPARATION**(a) Statement of compliance**

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2012.

(b) Accounting policies

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 as at and for the year ended 31 December 2012, except for the adoption of relevant new IFRSs, amendments and interpretations issued by IASB that are effective for annual periods beginning 1 January 2013. The adoption of these standards did not have a significant impact on the condensed consolidated interim financial statements.

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

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 2012 and comparatives for the condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity have been extracted from the reviewed condensed consolidated interim financial statements for the three months and six month period ended 30 June 2012.

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.

(c) Judgements and estimates

In preparing these condensed consolidated interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2012.

During the period, the Group has acquired certain businesses (refer note 14) and is currently in the process of determining fair values of the acquired identifiable assets, liabilities and contingent consideration. These condensed consolidated interim financial statements have been prepared using provisional accounting, as permitted by IFRS 3 *Business Combinations*. It is possible that there may be significant adjustments to the recognized assets and liabilities in subsequent reporting periods that may require adjustments to the reported amounts and results in the 30 June 2013 condensed consolidated interim financial statements.

NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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3 OTHER INVESTMENTS, INCLUDING DERIVATIVES

	30 June 2013 (reviewed)	31 December 2012 (audited)
Available-for-sale investments:		
- Quoted equity securities (at fair value)	37,277	30,391
- Unquoted equity securities (at cost)	682	682
- Debt securities (at fair value)	567	4,337
	38,526	35,410
Investment at fair value through profit or loss	37,700	-
	76,226	35,410

Of the total investment, BD 37,700 (2012: 3,770) is considered to be current.

Available-for-sale investments include BD 37,277 (2012: BD 30,391) 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.

Investment at fair value through profit or loss represents the 25 % of Compagnie Monegasque de Communication S.A.M. (CMC), a company which holds 55 % interest in Monaco Telecom. This transaction formed part of the wider acquisition of the Islands business of Cable & Wireless Communications plc. ("CWC") by the Group during the period (refer note 14). The Group paid a consideration of BD 37.7 million (US\$ 100 million) for acquisition of this interest and for the associated put and call options. As a part of purchase agreement, the Group and CWC have entered into put and call option arrangements (the Monaco Option) which will, if the relevant conditions are satisfied and the option is exercised prior to 3 April 2014, result in the Group acquiring the remaining 75 % of the share capital of CMC for additional consideration (on a debt and cash free basis) of BD 130.1 million (US\$ 345 million), subject to customary adjustments relating to the amounts of debt, cash and working capital in the underlying companies at the completion date. The Group and CWC have also entered into put and call option arrangements in respect of the 25 % CMC shares acquired which will become exercisable if the Monaco Option is not exercised and will, in such event and if exercised, require the transfer of the 25 % CMC shares from the Group to CWC for an amount of BD 37.7 million (US\$ 100 million).

4 CASH AND BANK BALANCES

Cash and bank balances include BD 2,490 (2012: BD 2,755) 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.

5 LOANS AND BORROWINGS

During the period, a bridge facility of BD 197.9 million (US\$ 525 million) was raised (priced at LIBOR + 1.9%) to finance the acquisition of new businesses (note 14). The bridge facility was subsequently replaced by a bond issue of BD 245.1 million (US\$ 650 million) which closed in May 2013. The bond is listed for trading in the Irish Stock Exchange. The bond has a tenor of 7 years, is unsecured and was priced at 325 points over 7 years US Treasuries, for a yield of 4.342% and coupon of 4.250% payable semi-annually. The bonds are rated BBB- by both S&P and Fitch.

NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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6 REVENUE

Revenue	Six months ended 30 June		Three months ended 30 June	
	2013 (reviewed)	2012 (reviewed)	2013 (reviewed)	2012 (reviewed)
Mobile telecommunications services	75,561	66,491	45,305	33,039
Fixed line telecommunication services	14,316	12,893	8,821	6,530
Internet	20,453	18,272	11,660	9,052
Data communication circuits	28,184	28,503	15,850	14,164
Wholesale	18,298	18,025	10,575	9,278
Others	13,885	11,074	7,495	5,227
	170,697	155,258	99,706	77,290

7 BASIC EARNINGS PER SHARE

	Six months ended 30 June		Three months ended 30 June	
	2013 (reviewed)	2012 (reviewed)	2013 (reviewed)	2012 (reviewed)
Profit for the period attributable to equity holders of the Company	27,030	34,559	13,631	18,437
Weighted average number of shares outstanding during the period	1,584	1,584	1,584	1,584
Basic earnings per share (Fils)	17.1	21.8	8.6	11.6

Comparatives for weighted average number of shares outstanding during the period have been adjusted for bonus shares issued during the period.

8 COMMITMENTS AND CONTINGENCIES

a) Guarantees

- (i) The Group has furnished a guarantee for BD 7.3 million (2012: BD 7.3 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 (2012: BD 1.6 million) to suppliers on behalf of an investee company in Kingdom of Saudi Arabia relating to the equipment supply contracts.
- (iii) As at 30 June 2013, the Group's banks have issued guarantees, amounting to BD 4.3 million (2012: BD 4.1 million) and letters of credit amounting to BD Nil (2012: BD 0.1 million).
- (iv) The Group has furnished a comfort letter for BD 1.9 million (2012: 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 30 June 2013 amounting to BD 14.4 million (2012: BD 3.2 million).

NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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8 COMMITMENTS AND CONTINGENCIES (Continued)

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 (2012: 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 strenuously defend its position are being taken.

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 comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. During the period, the Group paid the following compensation to the key management personnel.

	Six months ended 30 June	
	2013 (reviewed)	2012 (reviewed)
Short-term employee benefits	1,361	1,327
Post-employment benefits	121	64
Total key management personnel compensation	1,482	1,391
Directors remuneration (including sitting fees)	280	291

10 APPROPRIATIONS

The shareholders of the Company in their meeting held on 25 February 2013 approved bonus shares of BD 14,400 in the ratio of one bonus share for every 10 shares held of the paid-up capital by capitalising reserves, final dividend of BD 14,400, donations of BD 1,500 and transfer to general reserve of BD 6,000.

The shareholders of Umniah Mobile Company PSC in their meeting held on 24 March 2013 approved transfer to general reserve of BD 1 million.

NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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11 COMPARATIVES

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

12 FAIR VALUE

The Group's financial assets and financial liabilities are measured at amortised cost except for certain available-for-sale investments and investments at fair value through profit or loss (including derivatives), which are carried at fair value. Fair values measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measures:

- (i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of 30 June 2013, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	30 June 2013 (reviewed)	31 December 2012 (audited)
Available-for-sale investments (Level 1)	37,277	30,391
Available-for-sale investments (Level 3)	567	4,337
Investments at fair value through profit or loss (Level 3)	37,700	-

NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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13 SEGMENT INFORMATION

Operating segments

The Group's operations are segregated between Bahrain, Jordan, Islands Group and Other countries. As a result of acquisition of new businesses (refer note 14), the Company has added the Islands Group as a new reportable segment, which comprises Maldives, Guernsey, Jersey, Isle of Man, South Atlantic and Diego Garcia . Other countries include Kuwait, Yemen, and Egypt. The amounts included for the Islands Group have been determined on a provisional basis. Segment information disclosed for the six months ended 30 June 2013 is as follows:

Segment revenue and profit	Six months ended 30 June 2013 (reviewed)						Six months ended 30 June 2012 (reviewed)				
	Bahrain	Jordan	Islands Group	Other countries	Inter-segment elimination	Total	Bahrain	Jordan	Other countries	Inter-segment elimination	Total
Revenue (external customers)	84,062	45,925	25,321	15,389	-	170,697	94,349	43,915	16,994	-	155,258
Inter-segment revenues	2,122	10,921	-	781	(13,824)	-	4,044	10,551	651	(15,246)	-
Profit	16,383	4,217	4,407	5,261	-	30,268	28,959	5,466	2,001	-	36,426

Segment assets and liabilities	As at 30 June 2013 (reviewed)						As at 31 December 2012 (audited)				
	Bahrain	Jordan	Islands Group	Other countries	Inter-segment elimination	Total	Bahrain	Jordan	Other countries	Inter-segment elimination	Total
Non-current assets	154,319	229,642	207,314	88,489	-	679,764	150,929	232,152	89,396	-	472,477
Current assets	171,200	19,020	45,428	107,623	(9,034)	334,237	149,907	16,535	71,243	(20,794)	216,891
Total assets	325,519	248,662	252,742	196,112	(9,034)	1,014,001	300,836	248,687	160,639	(20,794)	689,368
Current liabilities	88,852	44,673	27,628	26,792	(10,390)	177,555	96,142	40,272	31,164	(18,442)	149,136
Non-current liabilities	255,281	4,706	5,442	-	-	265,429	14,388	5,663	-	-	20,051
Total liabilities	344,133	49,379	33,070	26,792	(10,390)	442,984	110,530	45,935	31,164	(18,442)	169,187

NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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14 ACQUISITION OF BUSINESSES

a) Summary of the acquisition

On 3rd April 2013, the Group acquired from CWC the entire issued share capital of CWC Islands Limited (now BTC Islands Limited) and CWC Holdco Limited (now BTC South Atlantic Limited), and 25 % of the issued share capital of CMC, the company which holds CWC's 55 % interest in Monaco Telecom (together, the M&I Acquisition). Subsequent to completion, the Group acquired controlling stake for CWC's businesses in the Maldives, Channel Islands, Isle of Man, South Atlantic and Diego Garcia for a consideration (on a debt and cash free basis) of BD 214.9 million (US\$ 570 million), subject to customary adjustments relating to the amounts of debt, cash and working capital as at completion. BD 177.2 million (US\$ 470 million) of such initial consideration was allocated to the shares in the capital of CWC Islands Limited and CWC Holdco Limited, and the remaining BD 37.7 million (US\$ 100 million) was allocated to the acquisition of 25 % in CMC. Following are the investee companies along with the effective percentage shareholdings of the Group.

Company	Shareholding (%)
BTC Islands Limited (formerly CWC Islands Limited)	100
- Dhivehi Raajjeyge Gulhun Plc (Dhiraagu), Maldives	52
- Sure (Guernsey) Limited (formerly Cable & Wireless Guernsey Ltd)	100
- Sure (Jersey) Limited (formerly Cable & Wireless Jersey Ltd)	100
- Sure (Isle of Man) Limited (formerly Cable & Wireless Isle of Man Ltd)	100
BTC South Atlantic Limited (formerly CWC Holdco Limited)	100
- Sure (Diego Garcia) Limited (formerly Cable & Wireless (Diego Garcia) Ltd)	100
- Sure South Atlantic Limited (formerly Cable & Wireless South Atlantic Ltd)	100
Compagnie Monegasque de Communication S.A.M. (CMC)	25
- Monaco Telecom S.A.M.	13.75

As part of the transaction, the Group has also agreed to acquire the Seychelles Companies of CWC for consideration (on a debt and cash free basis) of BD 41.5 million (US\$ 110 million), subject to customary adjustments relating to the net cash as at the relevant completion date. However, in accordance with the terms of the share purchase agreement, completion of the transfer of CWIG Limited (the holding company of the Seychelles Companies) (the Seychelles Acquisition) has been delayed pending the receipt of relevant regulatory approvals.

As a part of purchase agreement with the previous owner of these companies, the Group has an option of acquiring the remaining 75 % of the share capital of CMC for additional consideration (on a debt and cash free basis) of BD 130.1 million (US\$ 345 million) (refer note 3 for further details).

The total consideration payable by the Group for the transaction, including completion of the M&I Acquisition, the Seychelles Acquisition and the Monaco Option, is therefore BD 386.5 million (US\$ 1,025 million) (on a debt and cash free basis and subject to customary adjustments relating to the amounts of debt, cash and working capital in the relevant companies at the relevant completion dates).

**NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

BD'000

14 ACQUISITION OF BUSINESSES (Continued)
b) Purpose of acquisition

The acquisition is a key component of the Group's strategy of expanding the scale and scope of the Group's operations whilst maintaining its financial position. The enlarged Group will have increased scale and greater geographic diversification with exposure to mature and stable markets.

During the period from the date of acquisition to 30 June 2013, the acquired entities contributed revenue of BD 25 million and profit of BD 4 million (excluding non-controlling interest) to the Group's results. Management estimates that if the acquisition had occurred on 1 January 2013, then consolidated revenue of the Group would have been BD 197 million and consolidated profit for the period would have been BD 32 million (excluding non-controlling interest). In determining these amounts, management has assumed that provisional fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2013.

c) Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date in respect of Maldives, Guernsey, Jersey, Isle of Man, South Atlantic and Diego Garcia:

	03 April 2013
Non-current assets	
Fixed assets	83,586
Intangible assets	1,221
Deferred tax assets	399
	85,206
Current Assets	
Inventories	1,687
Accounts receivable and prepayments	16,882
Bank and cash balances	20,199
	38,768
Total assets	123,974
Non-current liabilities	
Long term accounts payable	4,145
Deferred tax liability	1,153
	5,298
Current liabilities	
Accounts payable & accruals	27,130
Loans-repayable within a year	711
	27,841
Total liabilities	33,139
Total net identifiable assets	90,835

NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BD'000

14 ACQUISITION OF BUSINESSES (Continued)

The above reported amounts represent the carrying values as reported by the acquired entities as at 31 March 2013 (and are reflective of acquisition date, 3 April 2013, carrying values) and have been reported on a provisional basis as permitted by IFRS 3 *Business Combinations*. The results of acquired companies have also been included in Group's consolidated financial statements from the date of acquisition on a provisional basis.

Given the size, geographic dispersion and inherent complexity involved in the acquisition, the Group, as on date of issue of these condensed consolidated interim financial statements, has not concluded on the determination of fair value of tangible and intangible assets acquired, liabilities assumed, contingent consideration and residual goodwill arising from the M & I acquisition. The independent valuation exercise to determine fair value of certain tangible and intangible assets is currently underway and pending completion as at the reporting date. The estimates of fair values for tangible and intangible assets acquired and liabilities assumed is subject to significant judgement and shall be determined by management based on various market and income analyses and asset appraisals at the date of acquisition. Accordingly, BD124 million goodwill has been provisionally recognized.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting are required to be done on a retrospective basis.

d) Consideration transferred

The following table summarizes the acquisition-date fair value of each major class of consideration transferred.

	USD'000	BD'000
Total cash consideration	570,000	214,890
Less: component related to investment classified as FVTPL (refer note 3)	(100,000)	(37,700)
Add: Payments for net debt, working capital and other adjustments*	24,557	9,258
Net consideration for acquisition of businesses	494,557	186,448

*The total consideration includes a component for post acquisition services and support during the integration phase. This component has been recognized as a pre-payment under "trade and other receivables" and does not form part of the consideration for the acquisition of net assets of the businesses.

e) Allocation of consideration and goodwill

The wider M&I Acquisition and consideration were effectively negotiated at the level of a portfolio of Islands Group businesses, although the transfer of businesses and consideration were based on completion of contractual milestones. Further, at the reporting date, the Seychelles Acquisition has not been concluded. Accordingly, the allocation of consideration to individual entities and determination of goodwill by cash generating units has not been concluded at the reporting date and is subject to completion of the purchase price allocation exercise, including the determination of fair values of identifiable assets and liabilities. At the reporting date, Monaco option has not been exercised (refer note 3).

NOTES TO THE 30 JUNE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BD'000

14 ACQUISITION OF BUSINESSES (Continued)

f) Analysis of cash flows on acquisition (included in cash flows from investing activities)

	USD'000	BD'000
Net cash consideration paid	494,557	186,448
Net cash acquired with the subsidiary	(53,578)	(20,199)
Adjustment for restricted cash balance in subsidiaries	520	196
Net cash flows from acquisition of businesses	441,499	166,445

g) Non-controlling interest

The Group has recognized non-controlling interest in Maldives of BD 28,667 on the acquisition date based on the proportionate share of non-controlling shareholders' (i.e. 48%) in the recognized amounts of the acquiree's net assets.