Bahrain Telecommunications Company BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2013

Bahrain Telecommunications Company BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the nine months ended 30 September 2013

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FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the nine months ended 30 September 2013

Nine months ended 30 September	2013 BD million	2012 BD million	% Variation
Gross revenue	271.2	227.6	19
Expenses	224.6	181.0	(24)
Profit attributable to Batelco shareholders	36.7	42.6	(14)
Return on net worth - Annualised (%)	9.4	11.8	(20)
Weighted average number of shares outstanding during the period	1,584	1,440	10
Basic earnings per share (Fils)*	23.2	26.9	(14)

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

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

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

30 October 2013

Introduction

We have reviewed the accompanying 30 September 2013 condensed consolidated interim financial statements 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 September 2013;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2013;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2013;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 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 these condensed consolidated interim financial statements 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 September 2013 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2013

BD'000

	Note	30 September 2013 (reviewed)	31 December 2012 (audited)
ASSETS			
Non-current assets			
Property and equipment		266,993	185,865
Goodwill	14	191,396	124,377
Intangible assets		160,396	50,880
Investment in associate		78,071	77,417
Deferred tax assets		3,252	2,298
Other investments, including derivatives	3	34,964	31,640
Total non-current assets		**735,072**	472,477
Current assets			
Inventories		4,767	2,630
Other investments, including derivatives	3	37,700	3,770
Trade and other receivables		128,009	115,569
Cash and bank balances	4	156,099	94,922
Total current assets		**326,575**	216,891
Total assets		**1,061,647**	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		9,879	361
Investment fair value reserve		921	(2,403)
Retained earnings		238,860	256,099
Total equity attributable to equity holders of the Company		532,156	514,348
Non-controlling interest		51,401	5,833
Total equity		**583,557**	520,181
Non-current liabilities			
Trade and other payables		5,093	2,029
Loans and borrowings	5	254,831	14,388
Deferred tax liabilities		25,928	3,634
Total non-current liabilities		**285,852**	20,051
Current liabilities			
Trade and other payables		180,223	145,051
Loans and borrowings	5	12,015	4,085
Total current liabilities		**192,238**	149,136
Total liabilities		**478,090**	169,187
Total equity and liabilities		**1,061,647**	689,368

The condensed consolidated interim financial statements which consist of pages 3 to 18 were approved by the Board of Directors on 30 October 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 nine months ended 30 September 2013

BD'000

	Note	Nine months ended 30 September		Three months ended 30 September	
		2013 (reviewed)	2012 (reviewed)	**2013 (reviewed)**	2012 (reviewed)
REVENUE	6	**271,185**	227,554	**100,488**	72,296
EXPENSES					
Network operating expenses		(101,621)	(88,990)	(37,387)	(31,052)
Staff costs		(40,889)	(39,704)	(14,015)	(14,138)
Depreciation and amortisation		(41,571)	(26,830)	(15,871)	(9,540)
Other operating expenses		(40,562)	(25,480)	(17,548)	(9,496)
Total expenses		**(224,643)**	(181,004)	**(84,821)**	(64,226)
Results from operating activities		**46,542**	46,550	**15,667**	8,070
Finance and other income		1,935	1,918	820	560
Finance expenses		(8,101)	(439)	(2,959)	(225)
Share of profit of associate		4,718	227	1,776	1,126
Profit before taxation		**45,094**	48,256	**15,304**	9,531
Income tax expense		(2,863)	(2,671)	(1,192)	(372)
Profit for the period		**42,231**	45,585	**14,112**	**9,159**
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences		9,517	35	8,359	(683)
Investment fair value changes		3,324	2,537	(3,562)	(1,544)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		12,841	2,572	4,797	(2,227)
Total comprehensive income for the period		**55,072**	48,157	**18,909**	6,932
Profit for the period attributable to					
Equity holders of the Company		36,706	42,586	11,452	8,027
Non-controlling interest		5,525	2,999	2,660	1,132
		42,231	45,585	**14,112**	9,159
Total comprehensive income for the period attributable to					
Equity holders of the Company		49,548	45,268	16,230	5,864
Non-controlling interest		5,524	2,889	2,679	1,068
		55,072	48,157	**18,909**	6,932
Basic earnings per share (Fils)	7	**23.2**	26.9	**7.2**	5.1

The condensed consolidated interim financial statements which consist of pages 3 to 18 were approved by the Board of Directors on 30 October 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 nine months ended 30 September 2013

BD'000

	Nine months ended 30 September	
	2013 (reviewed)	2012 (reviewed)
OPERATING ACTIVITIES		
Cash receipts from customers	243,513	206,442
Net cash paid to suppliers	(108,986)	(92,495)
Cash paid to and on behalf of employees	(53,731)	(41,314)
Net cash from operating activities	**80,796**	72,633
INVESTING ACTIVITIES		
Acquisition of property, equipment and intangibles	(28,800)	(54,396)
Payments in respect of rights share issue	-	(17,713)
Acquisition of businesses, net of cash acquired (note 14)	(166,249)	-
Receipts from investee company	-	2,781
Receipts from associate	4,064	2,762
Net proceeds from sale/ (purchase) of investments	(33,930)	-
Interest and investment income received	1,455	1,984
Net cash used in investing activities	**(223,460)**	(64,582)
FINANCING ACTIVITIES		
Dividend paid	(39,315)	(55,732)
Interest paid	(3,760)	(253)
Borrowings (net)	247,477	26,937
Payments to charities	(789)	(448)
Net cash from/ (used) in financing activities	**203,613**	(29,496)
Increase/ (decrease) in cash and cash equivalents	**60,949**	(21,445)
Cash and cash equivalents at 1 January	92,167	105,095
Cash and cash equivalents at 30 September	**153,116**	83,650

The condensed consolidated interim financial statements consist of pages 3 to 18.

Bahrain Telecommunications Company BSC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2013

BD'000

	Equity attributable to equity holders of the Company								
2013 (reviewed)	**Share capital**	**Statutory reserve**	**General reserve**	**Foreign currency translation reserve**	**Investment fair value reserve**	**Retained earnings**	**Total**	**Non - controlling interest**	**Total equity**
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	-	-	-	-	-	36,706	36,706	5,525	42,231
Other comprehensive income									
Foreign currency translation differences	-	-	-	9,518	-	-	9,518	(1)	9,517
Investment fair value changes	-	-	-	-	3,324	-	3,324	-	3,324
Total other comprehensive income	-	-	-	9,518	3,324	-	12,842	(1)	12,841
Total comprehensive income for the period	**-**	**-**	**-**	**9,518**	**3,324**	**36,706**	**49,548**	**5,524**	**55,072**
Non-controlling interest recognised on acquisition (note 14)	-	-	-	-	-	-	-	46,169	46,169
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)	-	-	-
Interim dividends declared for 2013	-	-	-	-	-	(15,840)	(15,840)	-	(15,840)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(6,125)	(6,125)
	14,400	837	6,968	-	-	(53,945)	(31,740)	40,044	8,304
At 30 September 2013	**158,400**	**77,684**	**46,412**	**9,879**	**921**	**238,860**	**532,156**	**51,401**	**583,557**

The condensed consolidated interim financial statements consist of pages 3 to 18.

Bahrain Telecommunications Company BSC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2013

BD'000

	Equity attributable to equity holders of the Company								
2012 (reviewed)	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Retained earnings	Total	Non - controlling interest	Total equity
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	-	-	-	-	-	42,586	42,586	2,999	45,585
Other comprehensive income									
Foreign currency translation differences	-	-	-	145	-	-	145	(110)	35
Investment fair value changes	-	-	-	-	2,537	-	2,537	-	2,537
Total other comprehensive income	-	-	-	145	2,537	-	2,682	(110)	2,572
Total comprehensive income for the period	-	-	-	145	2,537	42,586	45,268	2,889	48,157
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)	-	-	-
Interim dividends declared for 2012	-	-	-	-	-	(21,600)	(21,600)	-	(21,600)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(4,771)	(4,771)
	-	128	9,444	-	-	(61,972)	(52,400)	(4,771)	(57,171)
At 30 September 2012	144,000	76,847	39,444	932	(860)	238,345	498,708	10,969	509,677

The condensed consolidated interim financial statements consist of pages 3 to 18.

1 REPORTING ENTITY

The condensed consolidated interim financial statements as at and for the three months and nine months period ended 30 September 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*. These 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 nine month period ended 30 September 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 (note 14) and has established preliminary valuation 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 September 2013 condensed consolidated interim financial statements.

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3 OTHER INVESTMENTS, INCLUDING DERIVATIVES

	30 September 2013 (reviewed)	31 December 2012 (audited)
Available-for-sale investments:		
- Quoted equity securities (at fair value)	33,715	30,391
- Unquoted equity securities (at cost)	682	682
- Debt securities (at fair value)	567	4,337
	34,964	35,410
Investment at fair value through profit or loss	37,700	-
	72,664	35,410

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

Available-for-sale investments include BD 33,715 (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 S.A.M. 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 of BD 156,099 (2012: BD 94,922) include BD 2,983 (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.

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6 REVENUE

	Nine months ended 30 September		Three months ended 30 September	
	2013 (reviewed)	2012 (reviewed)	**2013 (reviewed)**	2012 (reviewed)
Mobile telecommunications services	120,783	96,768	45,222	30,277
Fixed line telecommunications services	22,642	18,603	8,326	5,710
Internet	31,501	27,099	11,048	8,827
Data communication circuits	44,713	41,557	16,529	13,054
Wholesale	28,864	26,587	10,566	8,562
Others	22,682	16,940	8,797	5,866
	271,185	227,554	**100,488**	72,296

7 BASIC EARNINGS PER SHARE

	Nine months ended 30 September		Three months ended 30 September	
	2013 (reviewed)	2012 (reviewed)	**2013 (reviewed)**	2012 (reviewed)
Profit for the period attributable to equity holders of the Company	36,706	42,586	11,452	8,027
Weighted average number of shares outstanding during the period	1,584	1,584	1,584	1,584
Basic earnings per share (Fils)	**23.2**	26.9	**7.2**	5.1

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 September 2013, the Group's banks have issued guarantees, amounting to BD 6.6 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 September 2013 amounting to BD 14.8 million (2012: BD 3.2 million).

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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.

	Nine months ended 30 September	
	2013 (reviewed)	2012 (reviewed)
Short-term employee benefits	1,725	1,930
Post-employment benefits	121	64
Total key management personnel compensation	**1,846**	1,994
Directors remuneration (including sitting fees)	**430**	432

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 968.

The Board of Directors in their meeting held on 30 July 2013 approved interim cash dividend of 10 fils per share (2012: 15 fils per share) amounting to BD 15,840 (2012: BD 21,600).

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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 as at 30 September 2013, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	30 September 2013 (reviewed)	31 December 2012 (audited)
Available-for-sale investments (Level 1)	33,715	30,391
Available-for-sale investments (Level 3)	567	4,337
Investments at fair value through profit or loss (Level 3)	37,700	-

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13 SEGMENT INFORMATION

Operating segments

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

	Nine months ended 30 September 2013 (reviewed)						Nine months ended 30 September 2012 (reviewed)				
Segment revenue and profit	**Bahrain**	**Jordan**	**Maldives**	**Other countries**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Other countries	Inter-segment elimination	Total
Revenue (external customers)	126,624	69,105	25,154	50,302	-	271,185	134,804	67,400	25,350	-	227,554
Inter-segment revenues	3,217	17,960	-	1,374	(22,551)	-	5,402	15,936	972	(22,310)	-
Profit	26,721	6,220	6,276	3,014	-	42,231	33,352	7,211	5,022	-	45,585

	As at 30 September 2013 (reviewed)						As at 31 December 2012 (audited)				
Segment assets and liabilities	**Bahrain**	**Jordan**	**Maldives**	**Other countries**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Other countries	Inter-segment elimination	Total
Non-current assets	152,671	228,813	120,931	232,657	-	735,072	150,929	232,152	89,396	-	472,477
Current assets	174,829	20,274	19,265	121,472	(9,265)	326,575	149,907	16,535	71,243	(20,794)	216,891
Total assets	**327,500**	**249,087**	**140,196**	**354,129**	**(9,265)**	**1,061,647**	300,836	248,687	160,639	(20,794)	689,368
Current liabilities	88,368	47,512	10,724	57,796	(12,162)	192,238	96,142	40,272	31,164	(18,442)	149,136
Non-current liabilities	256,211	3,882	9,116	16,643	-	285,852	14,388	5,663	-	-	20,051
Total liabilities	**344,579**	**51,394**	**19,840**	**74,439**	**(12,162)**	**478,090**	110,530	45,935	31,164	(18,442)	169,187

NOTES TO THE 30 SEPTEMBER 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 S.A.M. (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 (together with BTC Islands Limited and BTC South Atlantic Limited referred as 'Island Companies') 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.	25
- Monaco Telecom S.A.M.	13.75

As part of the transaction completion, the Group has also agreed to acquire the Seychelles Companies of CWC for consideration (on a debt and cash free basis). The amount to be paid on completion of Seychelles acquisition is BD 41.5 million (US$ 110 million), subject to customary adjustments relating to the amounts of debt, cash and working capital 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 Island Companies acquisition and the Seychelles Acquisition but excluding the CMC acquisition and Monaco Option, is therefore BD 218.7 million (US$ 580 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).

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.

14 *ACQUISITION OF BUSINESSES (continued)*

b) Identifiable assets acquired and liabilities assumed

The following table summarizes the amounts recognised in respect of assets acquired and liabilities assumed at the acquisition date :

	As at 03 April 2013			
	Maldives	**Channel Islands & Isle of Man**	**South Atlantic and Diego Garcia**	**Total**
Assets				
Fixed assets	54,855	28,380	6,191	89,426
Intangible assets	43,187	44,124	24,052	111,363
Deferred tax assets	399	-	-	399
Inventories	704	674	309	1,687
Accounts receivable and prepayments	5,964	9,302	1,616	16,882
Bank and cash balances	15,608	3,290	1,301	20,199
Total assets	**120,717**	**85,770**	**33,469**	**239,956**
Liabilities				
Long term accounts payable	(2,895)	(1,221)	(29)	(4,145)
Deferred tax liability	(6,435)	(10,361)	(5,765)	(22,561)
Current accounts payable & accruals	(14,494)	(9,968)	(2,668)	(27,130)
Loans-repayable within a year	(711)	-	-	(711)
Total liabilities	**(24,535)**	**(21,550)**	**(8,462)**	**(54,547)**
Total identifiable net assets at fair value	**96,182**	**64,220**	**25,007**	**185,409**
Proportionate share of non-controlling interest	(46,169)	-	-	(46,169)
Goodwill arising on acquisition	27,865	25,604	10,215	63,684
Purchase consideration	**77,878**	**89,824**	**35,222**	**202,924**

In September 2013, the Group established preliminary valuation for net assets of the Island Companies at the acquisition date. Following table summarises the changes over the provisional value as reported in the Group's condensed consolidated interim financial statements for the six months period ended 30 June 2013:

	BD'000
Total identifiable net assets as reported in Q2 2013	90,835
Fair value adjustment on:	
Fixed assets	5,840
Identifiable intangible assets*	110,142
Deferred tax liability	(21,408)
Total identifiable net assets as at 30 September 2013	**185,409**

14 *ACQUISITION OF BUSINESSES (continued)*

*The identifiable intangible assets of BD 110,142 represent the value placed on customer contracts and relationships, trademark and licenses, valued at BD 30,654, BD 13,164 and BD 66,324, respectively.

The (decreased)/increased depreciation and amortization charge for the period 03 April 2013 to 30 September 2013 on the tangible and intangible assets was BD (204) and BD 5,516 respectively.

The amounts have been reported on a provisional basis as permitted by IFRS 3 Business Combinations. 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.

c) Consideration transferred

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

	US$'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
Contingent consideration	43,703	16,476
Net consideration for acquisition of businesses	**538,260**	**202,924**

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.

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. Accordingly, a contingent consideration of BD 16.5 million has been estimated at the acquisition date pertaining to the acquisition of the Island companies, which will be settled as part of the Seychelles Acquisition completion (refer a) above). This also represents an adjustment to the consideration as reported in the Group's condensed consolidated interim financial statements for the period ended 30 June 2013.

14 ACQUISITION OF BUSINESSES (continued)

d) Goodwill

The carrying amount of goodwill at the beginning and end of the three month period ended 30 September 2013 is as follows:

	BD'000
Goodwill at 1 July 2013	124,280
Net fair value adjustment on fixed assets, identifiable intangible assets and deferred tax liability	(94,574)
Fair value adjustment attributable to non-controlling interest	17,502
Contingent consideration	16,476
Foreign currency translation gain during the period	2,487
Goodwill at 30 September 2013	**66,171**

The goodwill of BD 66,171 represents the value of the trained and efficient workforce, future incremental revenue streams and related profits (due to new customers, regained customers and/or new services), the ability to effectively renew the licenses in each territory, the ability to maintain the market share, potential operational specific cost synergies arising from the deal, such as procurement savings and foreign currency translation gain. This also represents key movement in total goodwill reported as at 31 December 2012 and 30 September 2013.

The preliminary estimated Goodwill arising from acquisitions in the current year has been allocated to operating segments/ cash generating units (CGUs) as follows:

	BD'000
Maldives	27,865
CIIM (consisting of Channel Islands and Isle of Man operations)	27,455
SADG (consisting of South Atlantic and Diego Garcia operations)	10,851
As at 30 September 2013	**66,171**

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

	US$'000	BD'000
Net cash consideration paid	494,557	186,448
Net cash acquired with the subsidiary	(53,578)	(20,199)
Net cash flows from acquisition of businesses	**440,979**	**166,249**

f) Non-controlling interest

The Group has recognized non-controlling interest in Maldives of BD 46,169 on the acquisition date based on the proportionate share of non-controlling shareholders (i.e. 48 %) in the recognized amounts of the acquiree's identifiable net assets.

14 ACQUISITION OF BUSINESSES (continued)

g) Contribution of the acquired entities to the Group results

During the period from the date of acquisition to 30 September 2013, the acquired entities contributed revenue of BD 53 million and profit of BD 7 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 297 million and consolidated profit for the period would have been BD 44 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.