

**Bahrain Telecommunications  
Company BSC**

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS**

**30 June 2014**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the six months ended 30 June 2014**

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)  
for the six months ended 30 June 2014**

<b>Six months ended 30 June</b>	<b>2014 BD million</b>	<b>2013 BD million</b>	<b>Variation %</b>
Revenue	<b>194.6</b>	170.7	14%
Expenses	<b>155.5</b>	139.8	(11%)
Profit attributable to Batelco shareholders	<b>24.9</b>	25.3	(1%)
Return on net worth - Annualised (%)	<b>9.0</b>	8.3	8%
Weighted average number of shares outstanding during the period (Million)	<b>1,663</b>	1,584	5%
Basic earnings per share for the period (Fils)*	<b>15.0</b>	15.2	(1%)

*\*Basic earnings per share for 2013 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 information**

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

24 July 2014

### **Introduction**

We have reviewed the accompanying 30 June 2014 condensed consolidated interim financial information of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (together "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2014;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and six month periods ended 30 June 2014;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2014;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2014; 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 this condensed consolidated interim financial information 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2014 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**

BD'000

	Note	30 June 2014 (reviewed)	31 December 2013 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		252,350	267,150
Goodwill		176,013	175,323
Intangible assets		155,172	162,162
Investment in associate		76,191	76,043
Deferred tax assets		3,307	3,172
Retirement benefit scheme asset		562	-
Other investments	3	50,572	35,439
<b>Total non-current assets</b>		<b>714,167</b>	<b>719,289</b>
<b>Current assets</b>			
Inventories		5,690	4,592
Trade and other receivables		120,238	119,697
Cash and bank balances		121,920	198,586
<b>Total current assets</b>		<b>247,848</b>	<b>322,875</b>
<b>Total assets</b>		<b>962,015</b>	<b>1,042,164</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		166,320	158,400
Statutory reserve		79,200	77,684
General reserve		46,466	46,412
Foreign currency translation reserve		13,554	11,185
Investment fair value reserve		(226)	1,396
Actuarial reserve		(261)	(1,423)
Retained earnings		232,093	245,759
Total equity attributable to equity holders of the Company		<b>537,146</b>	539,413
Non-controlling interest		47,634	53,732
<b>Total equity (Page 6 - 7)</b>		<b>584,780</b>	<b>593,145</b>
<b>Non-current liabilities</b>			
Trade and other payables		4,668	7,251
Loans and borrowings	5	176,377	239,574
Deferred tax liabilities		25,035	25,875
<b>Total non-current liabilities</b>		<b>206,080</b>	<b>272,700</b>
<b>Current liabilities</b>			
Trade and other payables		165,893	173,352
Loans and borrowings		5,262	2,967
<b>Total current liabilities</b>		<b>171,155</b>	<b>176,319</b>
<b>Total liabilities</b>		<b>377,235</b>	<b>449,019</b>
<b>Total equity and liabilities</b>		<b>962,015</b>	<b>1,042,164</b>

The condensed consolidated interim financial statements which consist of pages 3 to 14 were approved by the Board of Directors on 24 July 2014 and signed on its behalf by:

Sh. Hamad Bin Abdulla Al Khalifa  
Chairman

Mr. Abdul Razak Abdulla Al Qassim  
Deputy Chairman

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

BD'000

	Note	Six months ended 30 June		Three months ended 30 June	
		2014 (reviewed)	2013 (restated)	2014 (reviewed)	2013 (restated)
<b>REVENUE</b>	6	<b>194,550</b>	170,697	<b>96,967</b>	99,706
<b>EXPENSES</b>					
Network operating expenses		(68,766)	(64,234)	(34,186)	(36,762)
Staff costs		(29,158)	(26,874)	(14,702)	(14,863)
Depreciation and amortisation		(32,801)	(25,700)	(16,392)	(16,059)
Other operating expenses		(24,762)	(23,014)	(14,274)	(13,444)
<b>Total expenses</b>		<b>(155,487)</b>	(139,822)	<b>(79,554)</b>	(81,128)
<b>Results from operating activities</b>		<b>39,063</b>	30,875	<b>17,413</b>	18,578
Finance and other income		1,034	1,115	276	753
Finance and other expenses		(9,092)	(5,142)	(3,529)	(4,880)
Impairment on available-for-sale investments		(2,070)	-	(2,070)	-
Share of profit of associate (net)		2,180	2,942	1,053	685
<b>Profit before taxation</b>		<b>31,115</b>	29,790	<b>13,143</b>	15,136
Income tax expense		(2,157)	(1,671)	(1,016)	(1,085)
<b>Profit for the period</b>		<b>28,958</b>	28,119	<b>12,127</b>	14,051
<b>Other comprehensive income</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation differences		3,375	1,158	3,649	(393)
Investment fair value changes		(3,692)	6,886	(9,984)	7,717
Net fair value change transferred to profit or loss on impairment		2,070	-	2,070	-
		<b>1,753</b>	8,044	<b>(4,265)</b>	7,324
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Remeasurement of defined benefit liability (including related tax)		1,162	-	1,193	-
		<b>1,162</b>	-	<b>1,193</b>	-
<b>Total comprehensive income for the period</b>		<b>31,873</b>	36,163	<b>9,055</b>	21,375
<b>Profit for the period attributable to:</b>					
Equity holders of the Company		24,898	25,254	10,437	11,855
Non-controlling interest		4,060	2,865	1,690	2,196
		<b>28,958</b>	28,119	<b>12,127</b>	14,051
<b>Total comprehensive income for the period attributable to:</b>					
Equity holders of the Company		27,792	33,318	7,344	19,169
Non-controlling interest		4,081	2,845	1,711	2,206
		<b>31,873</b>	36,163	<b>9,055</b>	21,375
<b>Basic earnings per share (Fils)</b>	7	<b>15.0</b>	15.2	<b>6.3</b>	7.1

The condensed consolidated interim financial statements which consist of pages 3 to 14 were approved by the Board of Directors on 24 July 2014 and signed on its behalf by:

Sh. Hamad Bin Abdulla Al Khalifa  
Chairman

Mr. Abdul Razak Abdulla Al Qassim  
Deputy Chairman

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

BD'000

	Note	Six months ended 30 June	
		2014 (reviewed)	2013 (reviewed)
<b>OPERATING ACTIVITIES</b>			
Cash receipts from customers		176,191	152,477
Net cash paid to suppliers		(84,169)	(70,152)
Cash paid to and on behalf of employees		(34,604)	(35,453)
<b>Net cash from operating activities</b>		<b>57,418</b>	46,872
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, equipment and intangibles		(15,050)	(18,528)
Acquisition of businesses, net of cash acquired		-	(166,445)
Receipts from associate		2,032	3,047
Acquisition of non-controlling interest		(14,966)	-
Net cash for purchase of investments		(37,534)	(33,930)
Interest and investment income received		1,902	791
<b>Net cash used in investing activities</b>		<b>(63,616)</b>	(215,065)
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(20,988)	(17,602)
Interest paid		(5,858)	(3,543)
Borrowings (net)		(61,602)	248,212
Payments to charities		(304)	(393)
<b>Net cash (used in) / from financing activities</b>		<b>(88,752)</b>	226,674
<b>(Decrease)/ increase in cash and cash equivalents</b>		<b>(94,950)</b>	58,481
Cash and cash equivalents at 1 January		195,070	92,167
<b>Cash and cash equivalents at 30 June</b>	4	<b>100,120</b>	150,648

The condensed consolidated interim financial statements consist of pages 3 to 14.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 30 June 2014

BD'000

2014	Equity attributable to equity holders of the Company										
	Note	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Actuarial reserve	Retained earnings	Total	Non - controlling interest	Total equity
At 1 January 2014		158,400	77,684	46,412	11,185	1,396	(1,423)	245,759	539,413	53,732	593,145
<b>Profit for the period</b>		-	-	-	-	-	-	<b>24,898</b>	<b>24,898</b>	<b>4,060</b>	<b>28,958</b>
<b>Other comprehensive income</b>											
Foreign currency translation differences		-	-	-	3,354	-	-	-	3,354	21	3,375
Investment fair value changes		-	-	-	-	(3,692)	-	-	(3,692)	-	(3,692)
Net fair value change transferred to profit or loss on impairment		-	-	-	-	2,070	-	-	2,070	-	2,070
Remeasurement of defined benefit liability including related tax		-	-	-	-	-	1,162	-	1,162	-	1,162
<b>Total other comprehensive income</b>		-	-	-	<b>3,354</b>	<b>(1,622)</b>	<b>1,162</b>	-	<b>2,894</b>	<b>21</b>	<b>2,915</b>
<b>Total comprehensive income for the period</b>		-	-	-	<b>3,354</b>	<b>(1,622)</b>	<b>1,162</b>	<b>24,898</b>	<b>27,792</b>	<b>4,081</b>	<b>31,873</b>
<b>Contributions and distributions</b>											
Bonus shares issued	10	7,920	-	-	-	-	-	(7,920)	-	-	-
Dividends declared for 2013	10	-	-	-	-	-	-	(15,840)	(15,840)	(5,319)	(21,159)
Donations declared for 2013	10	-	-	-	-	-	-	(1,090)	(1,090)	-	(1,090)
Transfer to statutory reserve (net)	10	-	1,516	-	-	-	-	(1,516)	-	-	-
Transfer to general reserve		-	-	54	-	-	-	(54)	-	-	-
<b>Total contributions and distributions</b>		<b>7,920</b>	<b>1,516</b>	<b>54</b>	-	-	-	<b>(26,420)</b>	<b>(16,930)</b>	<b>(5,319)</b>	<b>(22,249)</b>
<b>Changes in ownership interests</b>											
Acquisition of non-controlling interest without a change in control	13	-	-	-	(985)	-	-	(12,144)	(13,129)	(4,860)	(17,989)
<b>Total changes in ownership interests</b>		-	-	-	<b>(985)</b>	-	-	<b>(12,144)</b>	<b>(13,129)</b>	<b>(4,860)</b>	<b>(17,989)</b>
<b>At 30 June 2014</b>		<b>166,320</b>	<b>79,200</b>	<b>46,466</b>	<b>13,554</b>	<b>(226)</b>	<b>(261)</b>	<b>232,093</b>	<b>537,146</b>	<b>47,634</b>	<b>584,780</b>

The condensed consolidated interim financial statements consist of pages 3 to 14.



**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							Total equity	
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Retained earnings	Total		Non - controlling interest
2013 (restated)									
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	-	-	-	-	-	25,254	25,254	2,865	28,119
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	25,254	33,318	2,845	36,163
Non-controlling interest recognised on acquisition	-	-	-	-	-	-	-	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)	-	-	-
Dividends to non-controlling interest	-	-	-	-	-	-	-	(243)	(243)
At 30 June 2013	158,400	77,684	46,412	1,539	4,483	243,248	531,766	45,926	586,370

The condensed consolidated interim financial statements consist of pages 3 to 14.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the six months ended 30 June 2014**

BD'000

**1 REPORTING ENTITY**

The condensed consolidated interim financial statements as at and for the three month and six month periods ended 30 June 2014 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 an associate entity. 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 2013. 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 2013.

**(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 2013, except for the adoption of relevant new IFRSs, amendments and interpretations issued by IASB that are effective for annual periods beginning on or after 1 January 2014. The adoption of these new standards / amendments did not have a significant impact on the condensed consolidated interim financial statements.

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 2013 and comparative for the condensed consolidated statement of cash flows has been extracted from the reviewed condensed consolidated interim financial statements for the six month period ended 30 June 2013.

*Restatement*

The comparatives for the condensed consolidated statements of profit or loss and other comprehensive income and changes in equity for the three month and six month periods ended 30 June 2013 have been revised to reflect adjustments made as a result of information obtained about facts and circumstances during the measurement period in relation to the acquisition of certain businesses from Cable and Wireless Communication Plc in 2013 (please refer to note 27 of the consolidated financial statements of the Group for the year ended 31 December 2013). These adjustments are related to depreciation and amortization of assets (BD 2,656) acquired in business combination and corresponding effects on tax (BD 507) and non-controlling interest ( BD 373). This led to change in reported profit for six month period ended 30 June 2013 from BD 30,268 to BD 28,119.

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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the six months ended 30 June 2014**

BD'000

**(c) Judgements and estimates**

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. 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 2013.

**3 OTHER INVESTMENTS**

	2014 (reviewed)	2013 (audited)
Available-for-sale investments:		
- Quoted equity securities (at fair value)	30,724	34,190
- Unquoted equity securities (at cost)	682	682
- Quoted debt securities (at fair value)	18,599	-
- Unquoted debt securities (at fair value)	567	567
	<b>50,572</b>	<b>35,439</b>

Quoted equity securities represent market value of an equity investment in Etihad Atheeb Telecommunications Company.

In June 2014, the Group invested BD 18.8 million (including commission costs) in Bahrain Sovereign Wealth Bonds. These bonds have varying maturing ranging from 2018 to 2023 and carry a fixed semi-annual coupon interest ranging from 5.5% per annum to 6.125% per annum on the face value.

**4 CASH AND BANK BALANCES**

Cash and bank balances include BD 21,800 (30 June 2013: BD 2,490) 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**

Loans and borrowings include bonds with a face value of BD 178.3 million issued by the Group. The bonds are listed for trading in the Irish Stock Exchange. The bonds have a tenor of 7 years maturing in 2020, are unsecured and were priced at 325 points over 7 years US Treasuries, for a yield of 4.342% and coupon of 4.250% payable semi-annually. At the time of the issue, the bonds were rated BBB- by both S&P and Fitch. On 19 December 2013, S&P lowered its issue ratings on the bonds from BBB- to BB+.

On 24 March 2014, the Group launched an invitation to holders of the bonds to submit offers to sell their bonds to the Group for cash. On 2 April 2014, the Group accepted for purchase an aggregate principal amount of BD 49.5 million (USD131.4 million) of the bonds at a purchase price of USD1,000 per USD1,000 principal amount, which was settled on 4 April 2014 along with the accrued interest thereon.

During the quarter ended 30 June 2014, the Group also repaid a banking facility of BD 14.4 million in full.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the six months ended 30 June 2014**

BD'000

**6 REVENUE**

	Six months ended 30 June		Three months ended 30 June	
	2014 (reviewed)	2013 (reviewed)	2014 (reviewed)	2013 (reviewed)
Mobile telecommunications services	87,203	75,561	43,737	45,305
Fixed line telecommunication services	15,040	14,316	7,064	8,821
Internet	21,884	20,453	11,007	11,660
Data communication circuits	30,682	28,184	15,324	15,850
Wholesale	19,222	18,298	9,783	10,575
Others	20,519	13,885	10,052	7,495
	<b>194,550</b>	<b>170,697</b>	<b>96,967</b>	<b>99,706</b>

**7 EARNINGS PER SHARE**

	Six months ended 30 June		Three months ended 30 June	
	2014 (reviewed)	2013 (restated)	2014 (reviewed)	2013 (restated)
Profit for the period attributable to equity holders of the Company	24,898	25,254	10,437	11,855
Weighted average number of shares outstanding during the period	1,663	1,663	1,663	1,663
<b>Basic earnings per share (Fils)</b>	<b>15.0</b>	<b>15.2</b>	<b>6.3</b>	<b>7.1</b>

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 Company has furnished guarantees amounting to BD 1.6 million (2013: BD 1.6 million) to suppliers on behalf of an investee company in Kingdom of Saudi Arabia relating to the equipment supply contracts.
- (ii) As at 30 June 2014, the Group's banks have issued guarantees, amounting to BD 8.0 million (2013: BD 6.8 million).
- (iii) The Group has furnished a comfort letter for BD 1.9 million (2013: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the six months ended 30 June 2014**

BD'000

**b) Commitments**

The Group has capital commitments at 30 June 2014 amounting to BD 19.1 million (2013: BD 4.6 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 6.2 million (2013: BD 5.7 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.

**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.

	<b>Six months ended 30 June</b>	
	<b>2014 (reviewed)</b>	<b>2013 (reviewed)</b>
Short-term employee benefits	970	1,361
Post-employment benefits	110	121
<b>Total key management personnel compensation</b>	<b>1,080</b>	<b>1,482</b>
<b>Directors remuneration (including sitting fees)</b>	<b>263</b>	<b>280</b>

**10 APPROPRIATIONS**

The shareholders of the Company in their meeting held on 4 March 2014 approved bonus shares of BD 7.92 million in the ratio of one bonus share for every 20 shares held of the paid-up capital by capitalising reserves, cash dividend of BD 15.84 million, donations of BD 1.09 million and transfer to statutory reserve of BD 1.516 million.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the six months ended 30 June 2014**

BD'000

**11 COMPARATIVES**

In addition to the restatement highlighted in note 2, 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.

**12 FAIR VALUE**

The Group's financial assets and financial liabilities are measured at amortised cost except for certain available-for-sale investments, which are carried at fair value. Fair values measurement assumes that 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 following table shows the carrying amounts and fair values of financial instruments measured as at 30 June 2014, including their levels in the fair value hierarchy categories:

30 June 2014	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total fair value	
<b>Financial assets measured at fair value</b>					
Other investments	49,323	-	567	49,890	49,890
<b>Financial assets not measured at fair value</b>					
Other investments	-	-	682	682	682
<b>Financial liabilities measured at fair value</b>					
Contingent consideration			3,031	3,031	3,031
<b>Financial liabilities not measured at fair value</b>					
Loans and borrowings – Bonds	178,300	-	-	178,300	176,377
Other loans and borrowings	-	5,262	-	5,262	5,262
	<b>227,623</b>	<b>5,262</b>	<b>4,280</b>	<b>237,165</b>	<b>235,242</b>

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12 FAIR VALUE (continued)

31 December 2013	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total fair value	
Financial assets measured at fair value					
Other investments	34,190	-	567	34,757	34,757
Financial assets not measured at fair value					
Other investments	-	-	682	682	682
Financial liabilities not measured at fair value					
Loans and borrowings – Bonds	214,115	-	-	214,115	227,400
Other loans and borrowings	-	15,141	-	15,141	15,141
	248,305	15,141	1,249	264,695	277,980

There were no transfers between any of the categories during the period. The Bonds have been fair valued using its quoted prices. Other loans and borrowings are repriced at frequent intervals and hence the carrying value is a reasonable approximation of its fair value. The contingent consideration payable is linked to proceeds received on sale of a property and the fair value has been determined based on valuation of the underlying asset. The Group has not disclosed the fair value for financial instruments such as short term trade and other receivables, trade and other payables except contingent consideration and cash and bank balances, because their carrying amounts are a reasonable approximation of fair values.

**13 ACQUISITION OF NON-CONTROLLING INTEREST (NCI)**

On 8 April 2014, the Group acquired an additional 46% interest in Quality Net increasing its controlling stake from 44% to 90%. The total consideration for the additional interest amounted to BD 17.99 million, (including a contingent consideration of BD 3.03 million, see note 12). Consequently, the Group recognised:

- a decrease in non-controlling interest of BD 4.86 million;
- a decrease in retained earnings by BD 12.14 million due to amount paid over the carrying value of NCI; and
- a decrease in the translation reserve of BD 0.99 million.

The carrying value of Quality Net's asset in Group financial statements on the date of acquisition was BD 10.57 million.

The following summarises the changes in Group's ownership interest in Quality Net:

	BD'000
Group's ownership interest at 1 January 2014	4,159
Acquisition of NCI	4,860
Share of total comprehensive income	1,448
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Group's ownership interest at 30 June 2014	<b>10,467</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
for the six months ended 30 June 2014

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**14 SEGMENT INFORMATION***Operating segments*

The Group's operations are segregated between Bahrain, Jordan, Maldives and other countries. Other countries include Guernsey, Jersey, Isle of Man, South Atlantic, Diego Garcia, Kuwait, Yemen, and Egypt. Segment information disclosed for the six months ended 30 June 2014 is as follows:

Segment revenue and profit	Six months ended 30 June 2014 (reviewed)					
	Bahrain	Jordan	Maldives	Other countries	Inter - segment elimination	Total
Revenue (external customers)	82,404	43,394	26,101	42,651	-	194,550
Inter-segment revenues	2,234	819	-	1,347	(4,400)	-
Profit	17,916	2,549	6,836	1,722	(65)	28,958

	Six months ended 30 June 2013 (restated)					
	Bahrain	Jordan	Maldives	Other countries	Inter - segment elimination	Total
	84,062	45,924	12,221	28,490	-	170,697
	2,122	10,921	-	781	(13,824)	-
	16,327	4,273	2,580	4,939	-	28,119

Segment assets and liabilities	As at 30 June 2014 (reviewed)					
	Bahrain	Jordan	Maldives	Other countries	Inter - segment elimination	Total
Non-current assets	162,192	223,295	110,011	222,143	(3,474)	714,167
Current assets	156,338	20,581	27,612	133,364	(90,047)	247,848
<b>Total assets</b>	<b>318,530</b>	<b>243,876</b>	<b>137,623</b>	<b>355,507</b>	<b>(93,521)</b>	<b>962,015</b>
Current liabilities	93,434	57,291	14,275	38,782	(32,627)	171,155
Non-current liabilities	176,377	13,613	8,699	55,927	(48,536)	206,080
<b>Total liabilities</b>	<b>269,811</b>	<b>70,904</b>	<b>22,974</b>	<b>94,709</b>	<b>(81,163)</b>	<b>377,235</b>

	As at 31 December 2013 (Audited)					
	Bahrain	Jordan	Maldives	Other countries	Inter - segment elimination	Total
	154,187	230,463	113,473	221,166	-	719,289
	210,659	17,470	25,060	127,182	(57,496)	322,875
	364,846	247,933	138,533	348,348	(57,496)	1,042,164
	95,472	57,110	12,052	41,712	(30,027)	176,319
	242,690	3,738	8,851	54,665	(37,244)	272,700
	338,162	60,848	20,903	96,377	(67,271)	449,019