Hits Telecom Holding Co.

K.S.C (Holding)
and its Subsidiaries
Kuwait

Interim condensed consolidated
financial information
for the six months
ended June 30, 2013
(Unaudited)

Hits Telecom Holding Co.

K.S.C(Holding)
and its Subsidiaries
Kuwait

Interim condensed consolidated financial information for the six months ended June 30, 2013 (Unaudited)

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The Board of Directors
Hits Telecom Holding Co.
K.P.S.C.
And its subsidiaries
State of Kuwait

Review report on the interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Hits Telecom Holding Co. K.P.S.C. - (the parent company) and its subsidiaries (together referred to as the group) as of June 30, 2013 and the related interim condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the six months period then ended. Management of the parent company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard No (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated 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 Auditors of the company". A review of interim condensed consolidated financial information consists of making inquires, 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 interim condensed consolidated financial information is not prepared, in all material respect in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

Emphasis of matters

Without qualifying our report, we draw attention to the following:

- Note (2) to the interim condensed consolidated financial information regarding the going-concern of some subsidiaries.
- Note (6) to the interim condensed consolidated financial information regarding the preparation of subsidiaries' financial statements.
- Note (11) to the interim condensed consolidated financial information regarding the advance payments for purchasing investments.

Report on review of other legal and regulatory matters

Furthermore, based on our review, the interim condensed consolidated financial information are in agreement with the books of the parent company. Also, to the best of our knowledge and belief, no violations of the Companies Law no. 25 of year 2012, nor of the Articles of Association and Memorandum of Association of the parent company have occurred during the six months ended June 30, 2013 that might have had a material effect on the business of the parent company or on its consolidated financial position.

Ali Abdul Rahman Al Hasawi
Licence No. 30 (A)
Rödl Middle East
Burgan - International Accountants

August 7, 2013
State of Kuwait

Adel Al- Sanea
Auditors Registry No. 86 Category (A)
Kuwaiti Accounting Auditing
A member of H.L.B International

Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Interim condensed consolidated statement of financial position as of June 30, 2013

(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Assets				
Non-current assets				
Property and equipment		**8,706,184**	20,354,740	20,116,768
Intangible assets	7	**68,727,951**	72,579,806	92,741,393
Finance and joint venture		**361,557**	345,760	269,316
Available for sale investments	8	**10,724,666**	10,702,601	11,624,307
		88,520,358	103,982,907	124,751,784
Current assets				
Inventory		**5,751,844**	6,158,554	1,374,805
Accounts receivable and other debit balances	9	**9,465,451**	11,997,016	9,258,768
Due from related parties	10	**18,000,714**	4,016,683	505,546
Advance payments for purchasing investments	11	**5,946,778**	5,946,778	5,946,778
Finance, joint ventures and mudaraba		**911,209**	911,209	1,774,738
Cash and cash equivalents		**1,142,379**	2,779,240	245,876
		41,218,375	31,809,480	19,106,511
Total assets		**129,738,733**	135,792,387	143,858,295
Equity and liabilities				
Equity				
Share capital		**72,091,686**	72,091,686	72,091,686
Share premium		**6,846,580**	34,149,954	34,149,954
Statutory reserve		**-**	462,499	462,499
General reserve		**-**	462,499	462,499
Other reserves		**147,896**	147,896	147,896
Treasury shares	12	**(6,837,335)**	(6,837,335)	(6,837,335)
Cumulative changes in fair value		**(921,706)**	(921,706)	-
Foreign currency translation reserve		**(140,798)**	(947,838)	(1,555,556)
Accumulated losses		**(249,388)**	(28,228,372)	(2,564,943)
Equity attributable to the shareholders of parent company		**70,936,935**	70,379,283	96,356,700
Non-controlling interests		**3,869,606**	1,148,063	(7,668,658)
		74,806,541	71,527,346	88,688,042
Non-current liabilities				
Provision for end of service indemnity		**323,204**	373,685	348,675
License obligations		**9,817,491**	8,759,937	8,725,416
Term loans		**635,814**	658,644	726,994
Loan from shareholders		**512,495**	505,072	503,081
Accounts payable and other credit balances		**2,682,991**	2,203,754	1,498,795
		13,971,995	12,501,092	11,802,961
Current liabilities				
Accounts payable and other credit balances		**21,072,149**	27,184,080	19,740,884
Due to related parties		**4,028,805**	4,817,109	4,211,632
License obligations		**3,881,314**	3,826,986	3,810,019
Term loans		**624,331**	4,206,676	4,052,961
Islamic debt instruments	13	**11,353,598**	11,729,098	11,551,796
		40,960,197	51,763,949	43,367,292
Total equity and liabilities		**129,738,733**	135,792,387	143,858,295

Badr Hassan Youssef
Vice Chairman

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Interim condensed consolidated statement of income for the six months ended June 30, 2013
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	The three months ended June 30		The six months ended June 30	
		2013	2012	2013	2012
Revenue		**10,841,302**	19,942,259	**28,303,113**	43,483,214
Cost of sales		**(9,416,755)**	(17,710,367)	**(25,496,375)**	(38,892,345)
Gross profit		**1,424,547**	2,231,892	**2,806,738**	4,590,869
General and administrative expenses		**(454,049)**	(2,500,262)	**(1,738,667)**	(5,094,074)
Depreciation and amortization		**(59,021)**	(417,157)	**(338,827)**	(833,407)
Finance charges		**(1,314,248)**	(229,399)	**(1,363,217)**	(374,418)
Bad debts		**-**	(6,064)	**-**	(26,087)
Written-off of property and equipment		**-**	-	**(1,824,485)**	-
Gain of losing control of subsidiary		**-**	-	**26,628**	-
Group's share from joint venture income		**-**	78,549	**-**	197,027
Mudaraba and joint venture income		**322,804**	(229,320)	**636,783**	-
Tax income		**45,291**	43,044	**77,920**	94,168
Other income		**(162,943)**	10,143	**169,710**	25,698
Loss for the period before calculating Contribution to Kuwait Foundation for the Advancement of Science, National Labor Support Tax and Zakat		**(197,619)**	(1,018,574)	**(1,547,417)**	(1,420,224)
Contribution to Kuwait Foundation for the Advancement of Science		**-**	-	**-**	-
National Labor Support Tax		**-**	1,423	**-**	-
Zakat		**-**	694	**-**	-
Loss for the period		**(197,619)**	(1,016,457)	**(1,547,417)**	(1,420,224)
Attributable to:					
Shareholders of the parent company		**14,902**	(528,584)	**(249,388)**	(473,788)
Non-controlling interests		**(212,499)**	(487,873)	**(1,298,029)**	(946,436)
		(197,597)	(1,016,457)	**(1,547,417)**	(1,420,224)
Earnings/(loss)/ per share/(Fils)	14	**0.022**	(0.778)	**(0.367)**	(0.697)

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Exhibit - C

Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Interim condensed consolidated comprehensive income for the six months ended June 30, 2013
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	The three months ended June 30		The six months ended June 30	
	2013	2012	2013	2012
Net loss for the period	**(197,619)**	(1,016,457)	**(1,547,417)**	(1,420,224)
Other comprehensive income for the period:				
Foreign currency translation differences	**61,203**	324,540	**807,040**	320,750
Total other comprehensive income for the period	**61,203**	324,540	**807,040**	320,750
Total comprehensive loss for the period	**(136,416)**	(691,917)	**(740,377)**	(1,099,474)
Attributable to:				
Shareholders of the parent company	**76,083**	(204,044)	**557,652**	(153,038)
Non-controlling interests	**(212,499)**	(487,873)	**(1,298,029)**	(946,436)
	(136,416)	(691,917)	**(740,377)**	(1,099,474)

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Exhibit - D

Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Interim condensed consolidated statement of cash flows for the six months ended June 30, 2013
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	The Six months ended June 30	
	2013	2012
Cash flows from operating activities		
Net loss for the period	**(1,547,417)**	(1,420,224)
Adjustments:		
Depreciation and amortization	**338,827**	833,407
Provision for end of service indemnity	**(50,481)**	33,350
Group's share from joint venture income	**(636,783)**	(197,027)
Gain of losing control of subsidiary	**(26,628)**	-
Written-off of property and equipment	**1,824,485**	-
Bad debts	**-**	26,087
Finance charges	**1,363,217**	374,418
Adjusted profit/(loss) before the effect of changes in working capital items:	**1,265,220**	(349,989)
Inventory	**406,710**	(68,334)
Accounts receivable and other debit balances	**2,531,565**	(1,641,324)
Related parties	**(14,378,130)**	963,786
Accounts payable and other credit balances	**(5,632,694)**	(194,530)
Net cash used in operating activities	**(15,807,329)**	(1,290,391)
Cash flows from investing activities		
Property and equipment	**9,485,244**	(143,616)
Intangible assets	**3,851,855**	(3,963)
Available for sale investments	**(22,065)**	1,047,212
Group's share from joint venture income receive	**620,986**	150,665
Net cash generated from investing activities	**13,936,020**	1,050,298
Cash flows from financing activities		
License obligations	**1,111,882**	(201,879)
Term loans	**(3,605,175)**	90,260
Loan from shareholders	**7,423**	9,551
Islamic debt instruments	**(375,500)**	128,066
Finance charges paid	**(1,363,217)**	(299,140)
Change in non-controlling interests	**4,019,572**	12,193
Net cash generated from/(used in) financing activities	**(205,015)**	(260,949)
Foreign currency translation reserve	**807,040**	389,577
Cash of disposed subsidiary	**(367,577)**	-
Net decrease in cash and cash equivalents	**(1,636,861)**	(111,465)
Cash and cash equivalents at the beginning of the period	**2,779,240**	357,341
Cash and cash equivalents at the end of the period	**1,142,379**	245,876

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Exhibit - E

Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Interim condensed consolidated Statement of changes in equity for the six months ended June 30, 2013

(unaudited)

"All amounts are in Kuwaiti Dinar"

	Equity attributable to the parent company shareholders											
	Share capital	Share premium	Statutory reserve	General reserve	Other reserves	Treasury shares	Cumulative changes in fair value	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at January 1, 2012	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	-	(1,876,306)	(2,091,155)	96,509,738	(6,734,415)	89,775,323
Net profit for the period	-	-	-	-	-	-	-	-	(473,788)	(473,788)	(946,436)	(1,420,224)
Total other comprehensive income for the period	-	-	-	-	-	-	-	320,750	-	320,750	-	320,750
Total comprehensive loss for the period	-	-	-	-	-	-	-	320,750	(473,788)	(153,038)	(946,436)	(1,099,474)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	12,193	12,193
Balance as of June 30, 2012	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	-	(1,555,556)	(2,564,943)	(96,356,700)	(7,668,658)	88,688,042
Balance at January 1, 2013	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	(921,706)	(947,838)	(28,228,372)	70,379,283	1,148,063	71,527,346
	-	-	-	-	-	-	-	-	(249,388)	(249,388)	(1,298,029)	1,547,417)
Amortization losses	-	(27,303,374)	(462,499)	(462,499)	-	-	-	-	28,228,372	-	-	-
Net loss for the period												
Total other comprehensive loss for the period	-	-	-	-	-	-	-	807,040	-	807,040	-	807,040
Total comprehensive loss for the period	-	(27,303,374)	(462,499)	(462,499)	-	-	-	807,040	27,978,984	557,652	(1,298,029)	(740,377)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	4,019,572	4,019,572
Balance as of June 30, 2013	**72,091,686**	**6,846,580**	-	-	**147,896**	**(6,837,335)**	**(921,706)**	**(140,798)**	**(249,388)**	**70,936,935**	**3,869,606**	**74,806,541**

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Notes to the interim condensed consolidated financial information for the six months ended June 30, 2013
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Company's brief

Hits Telecom Holding Company – K.S.C (Holding) - was incorporated on May 22, 1999 in accordance with the Commercial Companies' Law of 1960 article No. 15, and its subsequent amendments. The parent company's shares are listed on Kuwaiti Stock Exchange Market.

The parent company's main objectives are:

- Owning shares in Kuwaiti and Non-Kuwaiti shareholding companies and owning shares or quotas in Kuwaiti and Non-Kuwaiti limited liability companies or participating in establishing, managing and sponsoring both kinds of companies to others related to communications segment only.
- Lending companies in which it holds shares and guaranteeing them to others, providing that the holding company's ownership percentage in the share capital of the borrowing company must be at least 20%.
- Owning industrial property rights of patents or industrial trademarks, or industrial charges or any other rights relating thereto, and leasing to other companies for utilization inside or outside the State of Kuwait related to communications segment only.
- Holding movables and real estates necessary to initiate its activity in accordance with the Law.
- Utilizing the surplus funds by investing them in investment portfolios managed by specialized companies and institutions.

The parent company has the right to participate and subscribe in any way, in other firms or institutions which operate in the same field or those which would assist in achieving its objectives in Kuwait or abroad and to establish, participate or purchase these firms or institutions or join them.

The registered main office of the parent company is: Jasem El-Asfour Tower – Soor Street – Kuwait City.

The Board of Directors approved these interim condensed consolidated financial statements for the six months ended June 30, 2013 for issue on August 7, 2013.

2- Going concern basis

The interim condensed consolidated financial information of some subsidiaries have been prepared in accordance with on going concern basis despite the accumulated losses of these companies exceeded their half or full share capital, due to the financial support submitted by the parent company for those companies.
The management of group has provided financial support for these companies by increasing the share capital of some companies and providing a loan from the shareholders during the previous years disclosed in the subsidiaries' records. The management intends also to continue in its financial support for these companies during the next period to improve their ability to continue in practicing their business.

3- Judgments and estimates

The preparation of interim condensed financial information requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results my differ from these estimates.

In preparing this interim condensed financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements for the year ended December 31, 2012.

4- Basis of preparation

The interim condensed consolidated financial information has been prepared in compliance with the International Accounting Standard No. 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent, with those used in the preparation of the consolidated financial statements for the year ended December 31, 2012.
The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standard. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included. In addition results for the six months period ending June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. For further information, refer to the group's audited condensed financial statements for the year ended December 31, 2012.

5- Changes to accounting policies

Adoption of new IASB Standards and amendments during the period
The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and amendments effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements nor the interim condensed consolidated financial information of the Group.
The nature and the impact of each new standard/amendment is described below:

Standard or interpretation	*Effective for annual periods beginning*
IFRS 13 Fair Value Measurement	January 1, 2013
IFRS 7 Financial Instruments: Disclosures – amendments	January 1, 2013
Annual Improvements 2009-2011	January 1, 2013

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34, thereby affecting the interim condensed consolidated financial information period. The Group provides these disclosures in Note 12. The requirements of IAS 34 and transition provisions of IFRS 13 do not require comparative information for periods before initial application of IFRS 13. Consequentially, the Group does not provide the comparative information.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the consolidated statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the consolidated statement of financial position. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

Annual Improvements 2009-2011 (the Annual Improvements)

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarised below:

Clarification of the requirements for opening consolidated statement of financial position (amendments to IAS 1):

- Clarifies that the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)

- Addresses comparative requirements for the opening consolidated statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

- Under IAS 34, the minimum items required for the interim condensed consolidated financial information do not include a third balance sheet.

Clarification of the requirements for comparative information provided beyond minimum requirements (amendments to IAS 1):

- Clarifies that additional financial statement information need not be presented in the form of a complete set of consolidated financial statements for periods beyond the minimum requirements
- Requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

IASB Standards issued but not yet effective
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	January 1, 2015
IAS 32 Financial Instruments: Presentation – amendments	January 1, 2014

IFRS 9 Financial Instruments
The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues.
Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on December 2009, to postpone this early application till further notice
Management has not yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- The meaning of 'currently has a legally enforceable right of set-off'
- That some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

6- Subsidiaries

The interim condensed consolidated financial information includes the interim condensed financial information of the parent company and its subsidiaries as following:

		Shareholding %	
	Country of incorporation	June 30, 2013	December 31, 2012
Qanawat Telecom Company (W.L.L)	Saudi Arabia	**100%**	100%
Fawran Telecom Company (W.L.L)	Saudi Arabia	**100%**	100%
Elite Telecommunications Services for General Trading and Contracting Company	Kuwait	**100%**	100%

The interim condensed financial information for all subsidiaries has been consolidated based on the financial statements prepared by the management for the six months period ended June 30, 2013. Total assets of these subsidiaries included in the interim consolidated financial statements position are KD 68,337,771 and their net profit included in the interim consolidated statement of income are KD 1,495,264 .

During the period, a subsidiary of the subsidiary "Hits Africa" subsidiary of Elite Telecommunications Services for General Trading and Contracting Company WLL increased its share capital from USD 1 million to USD 30 million, the subsidiary Hits Africa did not subscribe in the share capital increase, and the share capital increase was covered by the other shareholders. So, the owning percentage of Hits Africa decreased from 51% to 3%, based on that Hits Africa losing the control on the subsidiary. The investment in subsidiary was reclassified to available for sale investments, and resulted from this transaction gains amounted to KD 26,628 recorded in the statement of income directly as a result of losing the control.

7- Intangible assets

- The company has entered into sale and purchase agreements with the shareholders of certain companies who originally were awarded the license to establish, install and operate cellular public telephony network in their respective countries of operations amounted to KD 19,283,296 in accordance with IFRS 3, "Business Combinations" the above acquisitions have been accounted for by applying the purchase method. As these companies which own these licenses, had commenced its business and had no other assets at the time of acquisition, the purchase consideration and acquisition cost paid to acquire these companies is treated as goodwill. The goodwill is attributable to the growth prospects of the acquired businesses and the significant synergies that are expected to arise for the Group after the acquisition of subsidiaries.

- This item include goodwill amounted to KD 13,914,188 recorded in a subsidiary and goodwill amounted to KD 14,015,057 resulted from acquisition of the subsidiary company - (Qanawat Telecom Company (W.L.L) located in (Kingdom of Saudi Arabia).

- The management tests impairment of goodwill annually if there are any indications that impairment may have arisen. The recoverable amount of Cash Generating Unit "CGU" is determined based on its value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates and the long term growth rates. The discount rate is based on the weighted average cost of capital, while growth rates are based on management's experience and expectations and do not exceed the long term average growth rate for the region in which the "CGU" operates. These calculations use cash flow projections based on financial budgets approved by the Board of Directors, covering the period of the validity of the telecom license. Cash flows are extrapolated using the estimated growth rates. The weighted average growth rates are consistent with forecasts, and the parent company's management believes that there are no indications for impairment in value of goodwill based on a study prepared on 31 December 2012.

8- Available for sale investments

	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Balance at beginning period/year	**10,702,601**	11,624,307	11,624,307
Transferred as a result of losing control of subsidiary	**22,065**	-	-
Change in fair value	**-**	(921,706)	-
Balance at ending period/year	**10,724,666**	10,702,601	11,624,307

Available for sale investments represent financial portfolio managed by specialized authority (a related party).

9- Accounts receivable and other debit balances

	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Trade receivables	**4,446,950**	6,817,312	2,849,198
Accrued income	**1,686,315**	1,115,061	2,414,024
Deferred tax assets	**2,178,447**	2,831,434	2,697,104
Letters of guarantee	**552,595**	-	598,726
Prepaid expenses	**350,343**	1,108,043	376,216
Refundable deposits	**8,410**	2,870	57,373
Advance payments	**241,190**	121,496	123,578
Other receivables	**1,201**	800	142,549
	9,465,451	11,997,016	9,258,768

10- Related parties' transactions

Related parties comprise of associates, major shareholders, directors and key management personnel of the Group, entities controlled, jointly controlled or significantly by such parties. The Group's management decides on terms and conditions of these transactions. The amounts and balances due from/to related parties are interests free and have no fixed maturity, except financing and musharka and Islamic debts instruments (note - 13) and there is no specific date for repayment.

The balances and transactions with related parties included in the interim condensed consolidated financial statements are as follows:

Interim condensed consolidated financial position	**June 30, 2013**	December 31, 2012 (Audited)	June 30, 2012
Mudaraba and joint venture	**911,209**	911,209	1,774,738
Islamic debt instruments (Note 13)	**11,353,598**	11,729,098	11,551,796
Loan from shareholders	**512,945**	505,072	503,081
Due from related parties	**18,000,714**	4,016,683	505,546
Due to related parties	**4,028,805**	4,817,109	4,211,632

	The three months ended June 30		**The six months ended June 30**	
Interim condensed consolidated statements of income	**2013**	2012	**2013**	2012
Mudaraba and joint venture income	**322,804**	(229,320)	**636,783**	-
Finance charges	**1,314,248**	-	**1,363,217**	68,360

11- Advance payments for purchasing investments

This item represents the amounts paid in prior years for acquiring investments outside of Kuwait. As the ownership of these investments has not been transferred by the seller, the company has filed a request of arbitration against this party and based on the arbitration decision, the company has the right in all the amount paid plus the interests. As per the external lawyer's opinion, the amount could be collected in full based on the final arbitration decision.

During the previous financial year, there were negotiations between the Group and an external party to acquire the investments instead of the group against a debt settlement with the investee company by paying KD 1,000,000 in cash during 2013 and the remaining amounts will be settled in the form of deduction from the value of services rendered to the group over five years. Up to the date of issuance of these interim condensed consolidated financial information, the contracts of this settlement have not yet been signed.

The Group's management - based on the above - anticipates that the advance payments for purchasing investments are recoverable without the need to making a provision for doubtful debts or impairment.

12- Treasury shares

	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Number of shares	**41,325,981**	41,325,981	41,325,981
Ownership percentage (%)	**%5.73**	%5.73	%5.73
Market value (KD)	**2,562,211**	2,396,907	2,851,493

13- Islamic debt instruments

- This item represents Mudaraba and financing Murabaha contracts with related parties due within one year. The average cost is 4%: 7%. The fair value of Mudaraba and financing Murabaha contracts approximate their carrying value as of June 30, 2013 as they are bearing cost rates equal to the markets' prevailing rates. Part of Islamic debt instruments amounting KD 546,792 are secured by pledging of treasury shares Note (12).
- At the date of the interim condensed consolidated financial information, the Islamic debts instruments represented in Mudaraba and financing Murabaha and amounting to KD 3,894,990 are matured but have not been paid or renewed. Some of these instruments are contracted with related parties with amount of KD 3,348,198.

14- Earnings/(loss)/ per share (Fils)

(Loss)/earnings per share are computed by dividing the net (loss)/profit for the period by the weighted average number of shares outstanding during the period as follow:

	The three months ended June 30		The six months ended June 30	
	2013	2012	**2013**	2012
Net profit/(loss) for the period	**14,902**	(528,584)	**(249,388)**	(473,788)
Weighted average numbers of outstanding shares during the period	**720,916,860**	720,916,860	**720,916,860**	720,916,860
Weighted average of the treasury shares	**(41,325,981)**	(41,325,981)	**(41,325,981)**	(41,325,981)
Weighted average number of shares, less treasury shares	**679,590,879**	679,590,879	**679,590,879**	679,590,879
Earning/(loss) per share (Fils)	**0.022**	(0.778)	**(0.367)**	(0.697)

15- Shareholders' General Assembly

On June 25, 2013 the Shareholders General Assembly approved consolidated financial statements for the year ended December 31, 2012 and decide to not distribute any dividends for this year.

On June 25, 2013 the Shareholders General Assembly approved to amortize the accumulated losses as of December 31, 2013 amounted to KD 28,228,372 as amortize a part of these accumulated losses amounted to KD 924,998 through statutory and general reserves and the remaining amount of KD 27,303,374 have been reduce from share premium amounted to KD 3,414,954 as of December 31, 2012 to be KD 6,846,580 after ammonization of accumulated losses.

16- Segment information

The Group monitors the operating results of its segments separately for the purpose of making decisions about resource allocations performance assessment.

Operating segment
The group primarily operates on one area of the business activity represented in communication field, accordingly information reported to the group's decision makers for the purpose of resource allocation and performance assessment is more specifically focused on the types of communication activities

Geographic information

The Group operates in various geographic regions and the following table shows the distribution of the Group's income and non-current assets by region:

	Six months ended June 30, 2013		Six months ended June 30, 2012	
Region	**Income**	**Non-current assets**	Income	Non-current assets
State of Kuwait	**98,625**	**39,330,733**	15,555	60,080,317
Outside Kuwait				
Kingdom of Saudi Arabia	**26,962,158**	**687,001**	39,495,698	803,154
Spain	**2,126,743**	**2,369,869**	1,699,946	530,564
Africa	**-**	**46,132,755**	2,588,908	63,337,749
	29,187,526	**88,520,358**	43,800,107	124,751,784

17- Comparative figures

Certain comparative figures for the previous period have been reclassified to conform with the current period presentation.