Hits Telecom Holding Company

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

Interim condensed consolidated
financial information
for the nine months
ended September 30, 2013
(Unaudited)

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The Board of Directors
Hits Telecom Holding Company
K.S.C Public (Holding)
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 Company K.S.C Public (Holding) - (the parent company) and its subsidiaries (together referred to as the group) as of September 30, 2013 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, cash flows and changes in equity for the nine 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 nine months ended September 30, 2013 that might have had a material effect on the business of the parent company or on its consolidated financial position.

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

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

November 13, 2013
State of Kuwait

Exhibit – A

Hits Telecom Holding Company

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

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

(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	September 30, 2013	December 31, 2012 (Audited)	September 30, 2012
Assets				
Non-current assets				
Property and equipment		8,550,008	20,354,740	20,182,952
Intangible assets	7	68,172,505	72,579,806	92,844,141
Finance and joint venture		430,098	345,760	230,840
Available for sale investments	8	10,724,736	10,702,601	11,624,307
		87,877,347	103,982,907	124,882,240
Current assets				
Inventory		5,755,591	6,158,554	3,207,684
Accounts receivable and other debit balances	9	9,370,488	11,997,016	7,440,759
Due from related parties	10	18,048,565	4,016,683	543,485
Advance payments for purchasing investments	11	5,946,778	5,946,778	5,946,778
Finance, joint ventures and mudaraba		911,209	911,209	911,209
Cash and cash equivalents		1,434,804	2,779,240	815,801
		41,467,435	31,809,480	18,865,716
Total assets		129,344,782	135,792,387	143,747,956
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		(477,069)	(947,838)	(1,455,228)
Accumulated losses		(166,664)	(28,228,372)	(2,945,729)
Equity attributable to the shareholders of parent company		70,683,388	70,379,283	96,076,242
Non-controlling interests		3,767,528	1,148,063	(7,900,603)
		74,450,916	71,527,346	88,175,639
Non-current liabilities				
Provision for end of service indemnity		316,968	373,685	357,423
License obligations		8,805,965	8,759,937	8,755,583
Term loans		653,389	658,644	749,312
Loan from shareholders	10	507,726	505,072	504,821
Accounts payable and other credit balances		2,739,502	2,203,754	1,541,724
		13,023,550	12,501,092	11,908,863
Current liabilities				
Accounts payable and other credit balances		21,080,497	27,184,080	19,382,669
Due to related parties	10	4,853,234	4,817,109	4,617,124
License obligations		3,845,191	3,826,986	3,823,191
Term loans		737,796	4,206,676	4,111,522
Islamic debt instruments	13	11,353,598	11,729,098	11,728,948
		41,870,316	51,763,949	43,663,454
Total equity and liabilities		129,344,782	135,792,387	143,747,956

Dr./ Khalid Yacoub Al-Mutawa
Chairman

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

Hits Telecom Holding Company

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

Interim condensed consolidated statement of profit or loss for the nine months ended September 30, 2013
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	The three months ended September 30		The nine months ended September 30	
		2013	2012	2013	2012
Revenue		16,451,588	22,253,447	44,754,701	65,736,661
Cost of sales		(14,995,967)	(19,605,420)	(40,492,342)	(58,497,765)
Gross profit		1,455,621	2,648,027	4,262,359	7,238,896
General and administrative expenses		(1,171,458)	(2,402,319)	(4,214,632)	(7,496,393)
Depreciation and amortization		(343,929)	(303,143)	(682,756)	(1,136,550)
Provision for impairment of value for finance, Mudaraba and joint venture		-	(533,436)	-	(533,436)
Finance charges		(113,119)	(116,346)	(171,829)	(490,764)
Bad debts			(55)		(26,142)
Written-off of property and equipment		-	-	(1,824,485)	-
Gain of losing control of subsidiary		-	-	26,628	-
Group's share from joint venture income		-	146,600	-	343,627
Mudaraba and joint venture income		324,551	-	961,334	-
Tax income		27,439	3,278	105,359	97,446
Other income		(160,072)	4,613	9,638	30,311
Profit/(loss) for the period before calculating Contribution to Kuwait Foundation for the Advancement of Science, National Labor Support Tax and Zakat		19,033	(552,781)	(1,528,384)	(1,973,005)
National Labor Support Tax		-	-	-	-
Zakat		-	-	-	-
Net profit/(loss) for the period		19,033	(552,781)	(1,528,384)	(1,973,005)
Attributable to:					
Shareholders of the parent company		82,724	(380,786)	(166,664)	(854,574)
Non-controlling interests		(63,691)	(171,995)	(1,361,720)	(1,118,431)
		19,033	(552,781)	(1,528,384)	(1,973,005)
Earnings/(loss) per share/(Fils)	14	0.122	(0.560)	(0.245)	(1.257)

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

Hits Telecom Holding Company

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

Interim condensed consolidated profit or loss and other comprehensive income for the nine months ended September 30, 2013
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	The three months ended September 30		The nine months ended September 30	
	2013	2012	**2013**	2012
Net profit/(loss) for the period	**19,033**	(552,781)	**(1,528,384)**	(1,973,005)
Other comprehensive income for the period:				
Foreign currency translation differences	**(336,271)**	100,328	**470,769**	421,078
Total other (comprehensive loss)/ comprehensive income for the period	**(336,271)**	100,328	**470,769**	421,078
Total comprehensive loss for the period	**(317,238)**	(452,453)	**(1,057,615)**	(1,551,927)
Attributable to:				
Shareholders of the parent company	**(253,547)**	(280,458)	**304,105**	(433,496)
Non-controlling interests	**(63,691)**	(171,995)	**(1,361,720)**	(1,118,431)
	(317,238)	(452,453)	**(1,057,615)**	(1,551,927)

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

Exhibit - D

Hits Telecom Holding Company

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

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

	The Nine months ended September 30	
	2013	2012
Cash flows from operating activities		
Net loss for the period	(1,528,384)	(1,973,005)
Adjustments:		
Depreciation and amortization	682,756	1,136,550
Provision for end of service indemnity	(56,717)	42,098
Group's share from joint venture income	(961,334)	(343,627)
Written-off of property and equipment	1,824,485	-
Gain of losing control of subsidiary	(26,628)	-
Provision for impairment of value for finance, Mudaraba and joint venture	-	533,436
Bad debts	-	26,142
Finance charges	171,829	490,764
	106,007	(87,642)
Changes in working capital items:		
Inventory	402,963	(1,901,213)
Accounts receivable and other debit balances	2,626,528	29,723
Related parties	(13,601,552)	1,331,339
Accounts payable and other credit balances	(5,567,835)	(434,538)
Net cash used in operating activities	(16,033,889)	(1,062,331)
Cash flows from investing activities		
Property and equipment	9,297,491	(143,140)
Intangible assets	4,407,301	(17,330)
Available for sale investments	(22,135)	-
Finance Mudaraba and joint venture	-	1,524,212
Joint venture investment	876,996	-
Group's share from joint venture income received	-	339,897
Net cash generated from investing activities	14,559,653	1,703,639
Cash flows from financing activities		
License obligations	64,233	(201,879)
Term loans	(3,474,135)	171,139
Loan from shareholders	2,654	(10,975)
Islamic debt instruments	(375,500)	301,626
Finance charges paid	(171,829)	(466,646)
Change in non-controlling interests	3,981,185	(47,757)
Net cash generated from/(used in) financing activities	26,608	(254,492)
Foreign currency translation reserve	470,769	71,644
Cash of disposed subsidiary	367,577	-
Net (decrease)/increase in cash and cash equivalents	(1,344,436)	458,460
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	1,434,804	815,801

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

Exhibit - E

Hits Telecom Holding Company

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

Interim condensed consolidated statement of changes in equity for the nine months ended September 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 loss for the period	-	-	-	-	-	-	-	-	(854,574)	(854,574)	(1,118,431)	(1,973,005)
Total other comprehensive income for the period	-	-	-	-	-	-	-	421,078	-	421,078	-	421,078
Total comprehensive loss for the period	-	-	-	-	-	-	-	421,078	(854,574)	(433,496)	(1,118,431)	(1,551,927)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(47,757)	(47,757)
Balance as of September 30, 2012	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	-	(1,455,228)	(2,945,729)	96,076,242	(7,900,603)	88,175,639
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
Amortization losses	-	-	-	-	-	-	-	-	(166,664)	(166,664)	(1,361,720)	(1,528,384)
Net loss for the period	-	(27,303,374)	(462,499)	(462,499)	-	-	-	-	28,228,372	-	-	-
Total other comprehensive loss for the period	-	-	-	-	-	-	-	470,769	-	470,769	-	470,769
Total comprehensive loss for the period	-	(27,303,374)	(462,499)	(462,499)	-	-	-	470,769	28,061,708	304,105	(1,361,720)	(1,057,615)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	3,981,185	3,981,185
Balance as of September 30, 2013	**72,091,686**	**6,846,580**	**-**	**-**	**147,896**	**(6,837,335)**	**(921,706)**	**(477,069)**	**(166,664)**	**70,683,388**	**3,767,528**	**74,450,916**

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

Hits Telecom Holding Company

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

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

1- Company's brief

Hits Telecom Holding Company – K.S.C Public (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 Companies Law issued on November 26, 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on November 29, 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on March 27, 2013 by Decree Law no 97 of 2013 (the Decree).

According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Industry and Commerce will determine the basis and rules which the Company shall adopt to regularise its affairs with the Companies Law as amended.

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 nine months period ending September 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	September 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 nine months period ended September 30, 2013. Total assets of these subsidiaries included in the interim condensed consolidated statements of financial position are KD 42,784,465 and their net losses included in the interim condensed consolidated statement of profit or loss are KD 217,791 .

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 and also as a result of reclassifying the investment, the due from related parties item increased with amount of KD 13,645,875 which represents the value of a loan granted from the reclassified subsidiary for the reasons mentioned above to one of its subsidiary, as the inter-company transactions are eliminated so this balance were not disclosed in the consolidated financial statements of the parent company (note 10).

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 18,743,642 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 14,607,517 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

	September 30, 2013	December 31, 2012 (Audited)	September 30, 2012
Balance at beginning of the period/year	**10,702,601**	11,624,307	11,624,307
Transferred as a result of losing control of subsidiary	**22,135**	-	-
Change in fair value	-	(921,706)	-
Balance at ending of the period/year	**10,724,736**	10,702,601	11,624,307

9- Accounts receivable and other debit balances

	September 30, 2013	December 31, 2012 (Audited)	September 30, 2012
Trade receivables	**4,243,792**	6,817,312	2,224,451
Accrued income	**1,789,352**	1,115,061	1,027,222
Deferred tax assets	**2,274,898**	2,831,434	2,802,429
Letters of guarantee	**547,448**	-	605,962
Prepaid expenses	**442,208**	1,108,043	399,573
Refundable deposits	**11,526**	2,870	67,925
Advance payments	**-**	121,496	124,006
Other receivables	**61,264**	800	189,191
	9,370,488	11,997,016	7,440,759

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	September 30, 2013	December 31, 2012 (Audited)	September 30, 2012
Mudaraba and joint venture	**911,209**	911,209	911,209
Islamic debt instruments (Note 13)	**11,353,598**	11,729,098	11,182,156
Loan from shareholders	**507,726**	505,072	504,321
Due from related parties *	**18,048,565**	4,016,683	543,485
Due to related parties	**4,853,354**	4,817,109	4,617,124

* In the year 2010 one of the subsidiaries granted a loan to its subsidiary (previously) amounted to KD 13,446,796 included the interests at the date of this interim condensed consolidated financial information – and in accordance with the loan's agreement the loan was due on December 31, 2012 with the possibility of renew for other similar financial periods after the approval of the lender party, and in accordance with the operational circumstances of the subsidiary the lender company haven't any doubt about recovering the loan and the accrued interests (note 6).

	The three months ended September 30		**The nine months ended September 30**	
Interim condensed consolidated statement of profit or loss	**2013**	2012	**2013**	2012
Mudaraba and joint venture income	**324,551**	-	**961,334**	-
Finance charges	**107,680**	24,749	**279,508**	93,109

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

	September 30, 2013	December 31, 2012 (Audited)	September 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)	**2,520,884**	2,396,907	2,727,515

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 September 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).

Hits Telecom Holding Company
K.S.C Public (Holding)
and its subsidiaries
Kuwait

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

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 September 30		The nine months ended September 30	
	2013	2012	2013	2012
Net profit/(loss) for the period	82,724	(380,786)	(166,664)	(854,574)
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)	0.122	(0.560)	(0.245)	(1.257)

15- Shareholders' General Assembly

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

On June 25, 2013 the Shareholders General Assembly approved to amortize the accumulated losses as of December 31, 2012 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 34,149,954 as of December 31, 2012 to be KD 6,846,580 after amortization 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:

	Nine months ended September 30, 2013		Nine months ended September 30, 2012	
Region	Income	Non-current assets	Income	Non-current assets
State of Kuwait	1,000	39,331,763	16,304	60,080,317
Outside Kuwait				
Kingdom of Saudi Arabia	43,260,437	737,814	59,282,691	746,385
Spain	1,991,674	137,657	2,551,616	464,687
Africa	961,334	47,670,113	4,357,434	63,590,851
	46,214,445	87,877,347	66,208,045	124,882,240

17- Comparative figures

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

18- Financial statements approval

This interim condensed consolidated financial information was approved for issuance by the Board of Directors on November 13, 2013.