Hits Telecom Holding Company

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

Interim condensed consolidated
Financial information
for the nine months
ended September 30, 2014
(Unaudited)

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K.S.C (Public)
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The Board of Directors
Hits Telecom Holding Co.
K.S.C. (Public)
and its subsidiaries
State of Kuwait

Review Report on the Interim Condensed Consolidated Financial Information

We have reviewed the accompanying interim condensed consolidated statement of financial position of Hits Telecom Holding Co. K.S.C. (Public) - (the Parent Company) and its subsidiaries (together referred to as "the Group") as of September 30, 2014 and the related interim condensed consolidated statements of 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 (7) to the interim condensed consolidated financial information regarding the financial statements of associate company.
- Note (10) 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 is in agreement with the accounting records of the Parent Company. We further report that, to the best of our knowledge and belief, no violations have occurred during the nine months period ended September 30, 2014 of the Companies Law No. 25 of 2012, as amended and related Executive Regulations, or law No. 7 of 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulation, or of the articles and memorandum of association of the Parent Company, that might have had a material effect on the business of the Group or on its interim condensed consolidated financial position.

Ali Abdul Rahman Al Hasawi
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A member of H.L.B International

November 13, 2014
State of Kuwait

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

Interim condensed consolidated statement of financial position as of September 30, 2014
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Assets				
Non-current assets				
Property and equipment		**196,374**	299,659	8,550,008
Intangible assets	6	**14,015,057**	14,733,506	68,172,505
Investment in joint venture		**–**	–	430,098
Investment in an associate	7	**15,537,671**	15,618,963	–
Available for sale investments		**16,932,230**	16,932,230	10,724,736
		46,681,332	47,584,358	87,877,347
Current assets				
Inventory		**3,850,613**	9,131,061	5,755,591
Accounts receivable and other debit balances	8	**6,426,232**	7,092,023	9,370,488
Due from related parties	9	**3,130,954**	5,265,316	18,048,565
Advance payments for purchasing investments	10	**1,346,778**	2,946,778	5,946,778
Loan to associate		**21,353,283**	21,446,476	–
Finance, joint ventures and mudaraba		**911,209**	911,209	911,209
Cash and cash equivalents		**697,442**	1,815,444	1,434,804
		37,716,511	48,608,307	41,467,435
Total assets		**84,397,843**	96,192,665	129,344,782
Equity and liabilities				
Equity				
Share capital		**72,091,686**	72,091,686	72,091,686
Share premium		**6,846,580**	6,846,580	6,846,580
Other reserves		**–**	147,896	147,896
Treasury shares	12	**(6,837,335)**	(6,837,335)	(6,837,335)
Cumulative changes in fair value		**(5,644,077)**	(5,644,077)	(921,706)
Foreign currency translation reserve		**94,298**	(178,996)	(477,069)
Accumulated losses		**(6,375,230)**	(5,688,012)	(166,664)
Equity attributable to the shareholders of parent company		**60,175,922**	60,737,742	70,683,388
Non-controlling interests		**–**	–	3,767,528
		60,175,922	60,737,742	74,450,916
Non-current liabilities				
Provision for end of service indemnity		**343,206**	258,974	316,968
License obligations		**–**	–	8,805,965
Term loans		**–**	666,344	653,389
Loan from shareholders		**–**	–	507,726
Accounts payable and other credit balances	11	**5,133**	–	2,739,502
		348,339	925,318	13,023,550
Current liabilities				
Accounts payable and other credit balances	11	**7,343,488**	19,025,421	21,080,497
Due to related parties	9	**12,833,302**	4,150,586	4,853,234
License obligations		**–**	–	3,845,191
Term loans		**–**	–	737,796
Islamic debt instruments	13	**3,696,792**	11,353,598	11,353,598
		23,873,582	34,529,605	41,870,316
Total equity and liabilities		**84,397,843**	96,192,665	129,344,782

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)
and its subsidiaries
Kuwait

Interim condensed consolidated statement of profit or loss for the nine months ended September 30, 2014
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	The three months ended September 30		The nine months ended September 30	
		2014	2013	**2014**	2013
Revenue	15	**41,469,357**	16,451,588	**127,147,788**	44,754,701
Cost of sales		**(40,069,021)**	(14,995,967)	**(122,463,575)**	(40,492,342)
Gross profit		**1,400,336**	1,455,621	**4,684,213**	4,262,359
General and administrative expenses		**(1,214,790)**	(1,171,458)	**(3,816,786)**	(4,214,632)
Depreciation and amortization		**(28,762)**	(343,929)	**(102,157)**	(682,756)
Finance charges		**(25,413)**	(113,119)	**(36,121)**	(171,829)
Provision against advance payments for purchasing investments		–	–	**(1,600,000)**	–
Write off of property and equipment		–	–	–	(1,824,485)
Gain from losing control on subsidiary		–	–	–	26,628
Group' share in an associate company's results	7	**152,990**	–	**(81,292)**	–
Write off granted loan to subsidiary	17	**(901,591)**	–	**(901,591)**	–
Gain from sale of subsidiary	19	**174,895**	–	**174,895**	–
Finance, joint ventures and mudaraba income		–	324,551	–	961,334
Tax income		–	27,439	–	105,359
Other income	16	**(629,148)**	(160,072)	**1,001,692**	9,638
Loss of the period before calculating Contribution to Kuwait Foundation for the Advancement of Science, National Labor Support Tax and Zakat		**(1,071,482)**	19,033	**(677,147)**	(1,528,384)
Zakat		**40,377**	–	**(10,071)**	–
Net loss for the period		**(1,031,105)**	19,033	**(687,218)**	(1,528,384)
Attributable to:					
Shareholders of the parent company		**(1,031,105)**	82,724	**(687,218)**	(166,664)
Non-controlling interests		–	(63,691)	–	(1,361,720)
		(1,031,105)	19,033	**(687,218)**	(1,528,384)
Loss per share/(Fils)	14	**(1.517)**	0.122	**(1.011)**	(0.245)

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

Exhibit – C

Hits Telecom Holding Company

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

Interim condensed consolidated profit or loss and other comprehensive income for the nine months ended September 30, 2014
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	The three months ended September 30		The nine months ended September 30	
	2014	2013	**2014**	2013
Net loss for the period	**(1,031,105)**	19,033	**(687,218)**	(1,528,384)
Other comprehensive income for the period:				
Foreign currency translation differences	**36,706**	(336,271)	**(234,940)**	470,769
Disposal of foreign currency translation as sale of a subsidiary (Note-19)	**508,234**	–	**508,234**	–
Total other comprehensive income for the period	**544,940**	(336,271)	**273,294**	470,769
Total comprehensive loss for the period	**(486,165)**	(317,238)	**(413,924)**	(1,057,615)
Attributable to:				
Shareholders of the parent company	**(486,165)**	(253,547)	**(413,924)**	304,105
Non-controlling interests	–	(63,691)	–	(1,361,720)
	(486,165)	(317,238)	**(413,924)**	(1,057,615)

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

Exhibit - D

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

Interim condensed consolidated statement of cash flows for the nine months ended September 30, 2014
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	The nine months ended September 30	
	2014	2013
Cash flows from operating activities		
Net loss for the period	**(687,218)**	(1,528,384)
Adjustments:		
Depreciation and amortization	**102,157**	682,756
Provision for end of service indemnity	**84,232**	(56,717)
Group' share from joint venture income	**-**	(961,334)
Gain from of sale of property and equipment	**(3,081)**	-
Write off of property and equipment	**-**	1,824,485
Write off granted loan to subsidiary	**901,561**	-
Group' share in an associate company's results	**81,292**	-
Gain from losing control of subsidiary	**-**	(26,628)
Gain from sale of subsidiary	**(174,895)**	-
Provision against advance payments for the purchase of investments	**1,600,000**	-
Finance charges	**36,121**	171,829
	1,940,169	106,007
Changes in working capital items:		
Inventory	**5,280,448**	402,963
Accounts receivable and other debit balances	**665,793**	2,626,528
Related parties	**3,160,272**	(13,601,552)
Accounts payable and other credit balances	**(11,676,801)**	(5,567,835)
Net cash used in operating activities	**(630,119)**	(16,033,889)
Cash flows from investing activities		
Property and equipment	**(8,199)**	9,297,491
Intangible assets	**-**	4,407,301
Available for sale investments	**-**	(22,135)
Proceed from sale of property and equipment	**14,720**	-
Joint venture investment	**-**	876,996
Net cash generated from investing activities	**6,521**	14,559,653
Cash flows from financing activities		
License obligations	**-**	64,233
Term loans	**(666,344)**	(3,474,135)
Loan from shareholders	**-**	2,654
Islamic debt instruments	**-**	(375,500)
Finance charges paid	**(36,121)**	(171,829)
Change in non-controlling interests	**-**	3,981,185
Net cash (used in)/generated from financing activities	**(702,465)**	26,608
Foreign currency translation reserve	**208,061**	470,769
Cash of disposed subsidiary	**-**	(367,577)
Net decrease in cash and cash equivalents	**(1,118,002)**	(1,344,436)
Cash and cash equivalents at the beginning of the period	**1,815,444**	2,779,240
Cash and cash equivalents at the end of the period	**697,442**	1,434,804

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

Exhibit – E

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

Interim condensed consolidated statement of changes in equity for the nine months ended September 30, 2014 (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, 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
Net loss for the period	–	–	–	–	–	–	–	–	(166,664)	(166,664)	(1,361,720)	(1,528,384)
Amortization of accumulated losses	–	(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
Balance at January 1, 2014	72,091,686	6,846,580	–	–	147,896	(6,837,335)	(5,644,077)	(178,996)	(5,688,012)	60,737,742	–	60,737,742
Net loss for the period	–	–	–	–	–	–	–	–	(687,218)	(687,218)	–	(687,218)
Total other comprehensive loss for the period	–	–	–	–	–	–	–	273,294	–	273,294	–	273,294
Total comprehensive loss for the period	–	–	–	–	–	–	–	273,294	(687,218)	(413,924)	–	(413,924)
Disposal of reserves as of subsidiary sale (Note-19)	–	–	–	–	(147,896)	–	–	–	–	(147,896)	–	(147,896)
Balance as of September 30, 2014	**72,091,686**	**6,846,580**	–	–	–	**(6,837,335)**	**(5,644,077)**	**94,298**	**(6,375,230)**	**60,175,922**	–	**60,175,922**

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

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

Notes to the interim condensed consolidated financial information for the nine months ended September 30, 2014
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Company's brief

Hits Telecom Holding Company – K.S.C (Public) - 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' 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 no. 25 of year 2012 has been issued on November 26, 2012 and published in the newspaper on November 29, 2012 which leads to cancellation of companies' law no. 15 of year 1960. On March 27, 2013 the Companies' Law has been amended in accordance with the Law no. 97 of year 2013. As for article no (2) and (3) from the pattern, the executive regulations which will be issued by the Minister of Trading and Industry on September 26, 2013 will determine the rules and regulations which the company apply to be in conform with Companies' Law and its subsequent amendments.

The Board of Directors approved these interim condensed consolidated financial statements for the nine months ended September 30, 2014 for issue on November 13, 2014.

2- Going concern basis

The interim condensed consolidated financial information of some subsidiaries have been prepared based on going concern basis even with the accumulated losses of these companies exceeded their full share capital, due to the financial support submitted by the parent company for those subsidiaries companies as follows:-

- Fawran Telecommunication company W.L.L. (a subsidiary – in Kingdom of Saudi Arabia) achieved accumulated losses, which amounted to KD 1,219,866 as of September 30, 2014 that exceeding the company' share capital.

- Qanawat Telecom for General Trading and Contracting Company -(W.L.L.) (Previously: Elite Telecommunication Services for General Trading and Contracting Company (Subsidiary – Kuwait) achieved accumulated losses, which amounted to KD 5,213,510 as of September 30, 2014 that exceeding the Company' share capital.

3- Basis of preparation

The interim condensed consolidated financial information has been prepared in compliance with the International Accounting Standard No. 34 "Interim Financial Reporting" and the guidelines issued by the Kuwait Stock Exchange Market. 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, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information, refer to the Group's audited consolidated financial statements for the year ended December 31, 2013.

4- Changes in accounting policies

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2013, except for the following:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:

- Provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
- Require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries;

- Require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

IAS 32: Offsetting Financial Assets and Financial Liabilities
The amendment to IAS 32 Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focusing on the following aspects:

- The meaning of 'currently has a legally enforceable right of set-off';
- The application of simultaneous realisation and settlement;
- The offsetting of collateral amounts;
- The unit of account for applying the offsetting requirements.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
The amendment to IAS 36 Impairment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
The amendment to IAS 39 Financial Instruments: Recognition and Measurement makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

5- Subsidiaries

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

	Country of incorporation	Shareholding percentage	
		September 30, 2014	December 31, 2013
Qanawat Telecom Company (W.L.L)	Saudi Arabia	%99	%99
Fawran Telecom Company (W.L.L)	Saudi Arabia	%99	%99
Qanawat Telecom for General Trading and Contracting Company - (W.L.L) (Previously: Elite Telecommunication Service for General Trading and Contracting Company	Kuwait	%99	%99

- The interim condensed financial information for all subsidiaries has been consolidated based on financial reports prepared by the management for the nine months period ended September 30, 2014. Where total assets of these subsidiaries included in the interim condensed consolidated statements of financial position are KD 39,766,350 and their net profit included in the interim condensed consolidated statement of profit or loss is KD 1,160,409.

- During the period, the Group has sold through by its subsidiary Qanawat Telecom for General Trading and Contracting Company –W.L.L) (Previously: Elite Telecommunication Services for General Trading and Contracting Company) its full share in one of its subsidiaries Hits Spain Telecom (SA), which reach 100% to an external party, as a result of this sale transaction, a net profit amounted to KD 174, 895 are resulted as of September 30, 2014. According to the financial information prepared by the management, and after this sale transaction mentioned above the Group has lost the control on the financial and operating policies of this company. The effect of this transaction has been eliminated from the Group's interim condensed consolidated financial information (Note -19).

6- Intangible assets

- This item represents goodwill amounted to KD 14,015,057 resulted from acquisition of a subsidiary company - (Qanawat Telecom Company (W.L.L).
- During the period, a goodwill amounted to KD 693,329 were disposed as a result from sale one of the subsidiaries to Qanawat Telecom Company (W.L.L) (Previously: Elite Telecommunication Services for General Trading and Contracting Company) (Hits Spain Telecom –Kingdom of Spain) (Note-19).
- Annually, the management makes an impairment test to determine if there is any indicator on goodwill impairment.

7- Investment in an associate

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Balance at beginning of the period/year/period	**15,618,963**	–	–
Additions during the period/year/period	–	16,189,296	–
Impairment in value during the period/year/period	–	(570,333)	–
The Group' share in the business results	**(81,292)**	–	–
Balance at ending of the period/year/period	**15,537,671**	15,618,963	–

- The Group' share in associate company results as of September 30, 2014 has been recorded based on financial reports prepared by the associate's management where the parent company believes that there will not be significant variance between what is prepared by the management and the achieved results at the year end, the investment amount mentioned above includes a goodwill amounted to KD 8,075,325. Annually, the management makes an impairment test to determine if there is any indicator on goodwill impairment.

8- Accounts receivable and other debit balances

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Trade receivables	**863,981**	635,376	4,243,792
Accrued income	**4,392,894**	2,830,093	1,789,352
Deferred tax assets	–	2,311,903	2,274,898
Letters of guarantee	**557,454**	561,216	547,448
Prepaid expenses	**289,589**	389,470	442,208
Staff receivable	**104,638**	163,175	–
Refundable deposits	**2,720**	15,566	11,526
Advance payments	**214,156**	–	–
Other	**800**	185,224	61,264
	6,426,232	7,092,023	9,370,488

9- Transactions with related parties

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 a loan granted to a related party.

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, 2014**	December 31, 2013 (Audited)	September 30, 2013
Finance, joint ventures and mudaraba	**911,209**	911,209	911,209
Due from related parties*	**3,130,954**	5,265,316	18,048,565
Due to related parties	**12,833,302**	4,150,586	4,853,234
Available for sale investments	**16,932,230**	16,932,230	10,724,736
Islamic debt instruments (Note-13)*	**3,696,792**	11,353,598	11,353,598
Loan from shareholders	–	–	507,726

*Due to related parties includes an amount of KD 7,656,806 resulted from right transfer to some of financing Mudaraba and Morabha contracts (Note-13), and the effect of this transaction has been eliminated from the interim condensed consolidated cash flow statement as it is a non cash transaction.

	The three months ended September 30		**The nine months ended September 30**	
Interim condensed consolidated statement of profit or loss	**2014**	2013	**2014**	2013
Mudaraba and joint venture income	–	324,551	–	961,334
Finance charges	**25,413**	113,119	**36,121**	171,829

10- Advance payments for purchasing investments

This item represents the amounts paid in prior years for acquiring investments outside Kuwait. As the ownership of these investments has not been transferred to the parent Company, the company has filed a request of arbitration against this party and based on the arbitration decision, the company has the right in the full paid amount and the interests. The internal lawyer of the parent company thinks that the amount can be collected through the upcoming years based on the final arbitration decision; arbitration is unenforceable after taking the executive version of the Brazilian court which is expected to occur during next year. During the period, the management has increased the provision with an amount of KD 1,600,000.

The following is a movement which has on this investment:

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Balance at beginning of the period/year/period	**5,946,778**	5,946,778	5,946,778
Provision against advance payments for purchasing investments	**(4,600,000)**	(3,000,000)	–
Balance at ending of the period/year/period	**1,346,778**	2,946,778	5,946,778

11- Accounts payable and other credit balances

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Trade payables	**5,789,530**	15,928,188	21,394,291
Accrued expenses	**1,198,400**	1,242,060	1,474,435
Advances from customer	**-**	996,462	-
Deferred income	**-**	458,567	205,358
Staff leave provision	**19,206**	12,772	9,339
Other	**341,485**	387,372	736,576
	7,348,621	19,025,421	23,819,999

12- Treasury shares

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Number of shares	**41,325,981**	41,325,981	41,325,981
Ownership percentage (%)	**%5.73**	%5.73	%5.73
Market value (KD)	**2,066,299**	2,686,189	2,520,884

13- Islamic debt instruments

- This item represents financing Mudaraba and Morabha contracts, some of them are engaged with related party amounting to KD 3,149,000. The Group does not compute fixed interest rates on these Mudaraba contracts and profits according to permission from shari'a Control Authority until the settlement of these contracts.

- A portion of Islamic debts instruments with an amount of KD 547,792 are secured by a pledge on some of treasury shares (Note-12).

- During the current period, there was a right transfer on some of financing Mudaraba and Morabha contracts concluded with related parties amounted to KD 7,656,806 and as a result those contracts have been transferred to credit accounts for related parties due within a year and the effect of this transaction has been eliminated from the interim condensed consolidated cash flow statement as it is a non cash transaction.

- Subsequently, to the financial position date the parent company makes a settlement for financing Mudaraba and Morabha contracts mentioned above as a result those contracts have been converted to accounts payable, some of them to related parties due within a year.

14- Loss per share (Fils)

Loss per share computed by dividing the net loss 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	
	2014	2013	**2014**	2013
Net loss for the period	**(1,031,105)**	82,724	**(687,218)**	(166,664)
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
Loss per share (Fils)	**(1.517)**	0.122	**(1.011)**	(0.245)

15- Revenues

Revenue increased during the third quarter, which equivalent to 2.5 more than the comparative period ended September 30, 2013 as a result of temporary unusual circumstances which leads to make the subsidiary Qanawat Telecom Company (W.L.L) - Saudi Arabia. Control over a larger share of the telecommunications market in Saudi Arabia for exceptional circumstances suffered by competitors and caused their exit from the market competition on a temporary basis.

16- Other income

Other income has been increased obviously for the comparative period ended September 30, 2013, as the interim condensed consolidated statement of income include finance income calculated for the parent company on the associate, which had been re-classified from a subsidiary to an associate, As this item has been eliminated previously from the interim condensed consolidated statement of income as a result of previously classified as a subsidiary.

17- Write off granted loan to subsidiary

During the third quarter, the parent company has written off a loan granted to a subsidiary of Hits Spain Telecom (SA), a subsidiary of Qanawat Telecom for General Trading and Contracting - (W.L.L) (Previously: Elite Telecommunication Services for General Trading and Contracting) as a result of its financial distress and inability to settle it.

18- Shareholders' General Assembly

- On June 26, 2014 the Shareholders Ordinary General Assembly approved the consolidated financial statements for the year ended December 31, 2013 and decided to not distributes dividends for this year.

- On July 3, 2014, the extraordinary General Assembly of Shareholders was held and approved to increase the share capital from KD 72,091,686 (Seventy Two Million Ninety One Thousand Six Hundred and Eighty Six Kuwaiti Dinar) to KD 87,234,161(Eighty Seven Million Two Hundred Thirty Four Thousand and One Hundred Sixty One Kuwaiti Dinar) increased by allocating shares to creditors amounting to KD 15,142,475 (Fifteen Million One Hundred Forty Two Thousand and Four Hundred Seventy Five Kuwaiti Dinar) with a nominal value of Fils 100 per share, with a waiver of some existing shareholders for their right to subscribe, nor less than one subscription for the duration of legal and authorized the Board management to control and set the conditions and rules for the recall of capital and disposal of fractional shares, if any, and the allocation of shares to creditors. Subsequently, to the interim condensed consolidated financial position the necessary procedures were finalized to achieve the General Assembly decision.

19- Disposal of a subsidiary

During the period, the Group has sold through by its subsidiary Qanawat Telecom for General Trading and Contracting Company –W.L.L) (Previously: Elite Telecommunication Services for General Trading and Contracting Company) its full share in one of its subsidiaries Hits Spain Telecom (SA), which reach 100% to an external party, as a result of this sale transaction, a net profit amounted to KD 174, 895. According to the financial information prepared by the management, and after this sale transaction mentioned above the Group has lost the control on the financial and operating policies of this company. The effect of this transaction has been eliminated from the interim condensed consolidated statement of cash flows as it is a non cash transaction.

Following statement with the assets and liabilities of the subsidiary Hits Spain Telecom (S.A) on the sale date:

	KD
Assets	
Cash and cash equivalents	**6,944**
Accounts receivable and other debit balances	**2,620,921**
Inventory	**21,993**
Investments available for sale	**821**
Intangible assets	**20,998**
Property and equipment	**5,676**
Total assets	**2,677,353**
Liabilities	
Term loans	**(1,230,721)**
Accounts payable and other credit balances	**(2,629,021)**
Provision for end of service indemnity	**(36,173)**
Total Liabilities	**(3,895,915)**
Net eliminated assets	**(1,218,562)**
Deduct:	
Goodwill at the Parent' books (Note -6)	**693,329**
Eliminate reserves at the Parent' books	**360,338**
	1,053,667
Sale price	**(10,000)**
Gain from sale - interim condensed consolidated statement of profit or loss	**174,895**

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

Notes to the interim condensed consolidated financial information for the nine months ended September 30, 2014
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

20- 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, 2014		Nine months ended September 30, 2013	
Region	**Income**	**Non-current assets**	Income	Non-current assets
State of Kuwait	**1,172,432**	**46,488,610**	1,000	39,331,763
Outside Kuwait				
Kingdom of Saudi Arabia	**126,346,203**	**192,722**	43,260,437	737,814
Spain	**805,740**	**–**	1,991,674	137,657
Africa	**–**	**–**	961,334	47,670,113
	128,324,375	**46,681,332**	46,214,445	87,877,347

21- Lawsuits

The Group has some potential lawsuits represented in cases pending at various levels of judgment with other parties and it could not determine their outcome until to the date of interim condensed consolidated statement of financial position. Therefore the Group's management believes that there is no need to make provision for these amounts until determining the outcome of these claims and issues.