

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

Interim condensed consolidated
Financial information
for the nine months
ended September 30, 2015
(Unaudited)

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

Interim condensed consolidated
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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, 2015 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows 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 Entity".

A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

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 books of the Parent Company and to the best of our knowledge and belief, no violations of the Companies' Law no. 25 of year 2012, as amended and related Executive Regulations, law no. 7 of 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulations or of the Parent Company's Memorandum and Articles of Association during the nine months period ended September 30, 2015 that might have had a material effect on the Parent Company's business or its interim condensed consolidated financial position.



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




Adel M. Al-Sanea
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Hits Telecom Holding Company
K.S.C (Public)
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Kuwait

Interim condensed consolidated statement of financial position as of September 30, 2015
(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Note	September 30, 2015	December 31, 2014 (Audited)	September 30, 2014
Assets				
Non-current assets				
Property and equipment		149,080	292,048	196,374
Intangible assets		14,252,459	14,222,157	14,015,057
Investment in joint venture		2,346,426	314,476	–
Investment in an associate		–	–	15,537,671
Available for sale investments	6	23,078,887	20,610,334	16,932,230
Loan to a related party	7	22,891,870	22,186,527	–
		<u>62,718,722</u>	<u>57,625,542</u>	<u>46,681,332</u>
Current assets				
Inventory		8,454,830	8,176,985	3,850,613
Accounts receivable and other debit balances	8	10,765,068	8,633,805	6,426,232
Due from related parties	9	1,122,340	3,611,602	3,130,954
Advance payments for purchasing investments		–	–	1,346,778
Loan to associate		–	–	21,353,283
Finance, joint ventures and mudaraba		911,209	911,209	911,209
Cash and cash equivalents		1,232,839	775,686	697,442
		<u>22,486,286</u>	<u>22,109,287</u>	<u>37,716,511</u>
Total assets		<u>85,205,008</u>	<u>79,734,829</u>	<u>84,397,843</u>
Equity and liabilities				
Equity				
Share capital		87,234,161	87,234,161	72,091,686
Share premium		6,846,580	6,846,580	6,846,580
Treasury shares		(640,233)	(2,740,011)	(6,837,335)
Profit from sale of treasury shares		260,411	–	–
Cumulative changes in fair value		(2,906,077)	(2,906,077)	(5,644,077)
Foreign currency translation reserve		1,431,483	1,081,310	94,298
Accumulated losses		(22,835,418)	(23,508,763)	(6,375,230)
Total equity		<u>69,390,907</u>	<u>66,007,200</u>	<u>60,175,922</u>
Non-current liabilities				
Provision for end of service indemnity		444,880	376,416	343,206
Accounts payable and other credit balances		–	568,075	5,133
		<u>444,880</u>	<u>944,491</u>	<u>348,339</u>
Current liabilities				
Accounts payable and other credit balances		14,871,030	10,691,123	7,343,488
Due to related parties	9	498,191	2,092,015	12,833,302
Islamic debt instruments		–	–	3,696,792
		<u>15,369,221</u>	<u>12,783,138</u>	<u>23,873,582</u>
Total equity and liabilities		<u>85,205,008</u>	<u>79,734,829</u>	<u>84,397,843</u>


Bader Hassan Yousef
Vice 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 income for the nine months ended September 30, 2015
(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Note	The three months ended		The nine months ended	
		September 30		September 30	
		2015	2014	2015	2014
Revenue		37,068,002	41,469,357	70,877,654	127,147,788
Cost of sales		(35,566,984)	(40,069,021)	(66,852,923)	(122,463,575)
Gross profit		1,501,018	1,400,336	4,024,731	4,684,213
General and administrative expenses		(1,600,979)	(1,214,790)	(4,470,005)	(3,816,786)
Depreciation and amortization		(48,190)	(28,762)	(136,646)	(102,157)
Finance charges		(10,693)	(25,413)	(22,564)	(36,121)
Provision against advance payments for purchasing investments		–	–	–	(1,600,000)
Group's share in an associate company's results		–	152,990	–	(81,292)
Write off granted loan to subsidiary		–	(901,591)	–	(901,591)
Gain from sale of subsidiary		–	174,895	–	174,895
Profit from investment in joint venture		330,959	–	1,229,004	–
Other income		36,264	(629,147)	75,730	1,001,692
Profit/(loss) of the period before calculating Contribution to Kuwait Foundation for the Advancement of Science, National Labor Support Tax and Zakat		208,379	(1,071,482)	700,250	(677,147)
Zakat		(2,306)	40,377	(7,687)	(10,071)
National Labor Support Tax		(5,766)	–	(19,218)	–
Net profit/(loss) for the period		200,307	(1,031,105)	673,345	(687,218)
Profit/(loss) per share/(Fils)	11	0.232	(1.517)	0.784	(1.011)

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

Hits Telecom Holding Company
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Interim condensed consolidated statement of comprehensive income for the nine months ended
 September 30, 2015
 (Unaudited)

"All amounts are in Kuwaiti Dinar"

	The three months ended		The nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Net profit/(loss) for the period	200,307	(1,031,105)	673,345	(687,218)
Other comprehensive income for the period:				
Foreign currency translation differences	(269,339)	36,706	350,173	(234,940)
Disposal of foreign currency translation reserve as sale of a subsidiary	–	508,234	–	508,234
Total other comprehensive income for the period	(269,339)	544,940	350,173	273,294
Total comprehensive income/(loss) for the period	(69,032)	(486,165)	1,023,518	(413,924)

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

Hits Telecom Holding Company
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Interim condensed consolidated statement of changes in equity for the nine months ended September 30, 2015
(unaudited)

"All amounts are in Kuwaiti Dinar"

	Share capital	Share premium	Other reserves	Treasury shares	Profit from sale of treasury shares	Cumulative changes in fair value	Foreign currency translation reserve	Accumulated losses	Total equity
Balance at January 1, 2014	72,091,686	6,846,580	147,896	(6,837,335)	--	(5,644,077)	(178,996)	(5,688,012)	60,757,742
Net loss for the period	--	--	--	--	--	--	--	(687,218)	(687,218)
Other comprehensive income for the period	--	--	--	--	--	--	273,294	--	273,294
Total comprehensive loss for the period	--	--	--	--	--	--	273,294	(687,218)	(413,924)
Disposal of reserves resulted from a subsidiary sale	--	--	(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
Balance at January 1, 2015	87,234,161	6,846,580	--	(2,740,011)	--	(2,906,077)	1,081,310	(23,508,763)	66,007,200
Net profit for the period	--	--	--	--	--	--	--	673,345	673,345
Other comprehensive income for the period	--	--	--	--	--	--	350,173	--	350,173
Total comprehensive income for the period	--	--	--	--	260,411	--	350,173	673,345	1,023,518
Sale of treasury shares	--	--	--	2,099,778	--	--	--	--	2,360,189
Balance as of September 30, 2015	87,234,161	6,846,580	--	(640,233)	260,411	(2,906,077)	1,431,483	(22,835,418)	69,390,907

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

Hits Telecom Holding Company
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Interim condensed consolidated statement of cash flows for the nine months ended September 30, 2015
(Unaudited)

"All amounts are in Kuwaiti Dinar"

	The nine months ended	
	September 30	
	2015	2014
Cash flows from operating activities		
Net profit/(loss) for the period	673,345	(687,218)
Adjustments:		
Depreciation and amortization	136,646	102,157
Provision for end of service indemnity	68,464	84,232
Gain from investments in joint venture	(1,229,004)	-
Gain from sale of property and equipment	-	(3,081)
Write off granted loan to subsidiary	-	901,561
Group' share in an associate company's results	-	81,292
Gain from sale of subsidiary	-	(174,895)
Provision against advance payments for the purchase of investments	-	1,600,000
Finance charges	22,564	36,121
Adjusted (loss)/profit before calculating the effect of changes in working capital items:	(327,985)	1,940,169
Inventory	(277,845)	5,280,448
Accounts receivable and other debit balances	(2,131,262)	665,793
Related parties	(1,573,115)	3,160,272
Accounts payable and other credit balances	3,611,831	(11,676,801)
Net cash used in operating activities	(698,376)	(630,119)
Cash flows from investing activities		
Property and equipment	-	(8,199)
Intangible assets	(39,642)	-
Proceed from sale of property and equipment	-	14,720
Investment in joint venture	(802,946)	-
Net cash (used in)/generated from investing activities	(842,588)	6,521
Cash flows from financing activities		
Term loans	-	(666,344)
Finance charges paid	(22,564)	(36,121)
Change in treasury shares	2,327,264	-
Net cash generated from/(used in) financing activities	2,304,700	(702,465)
Foreign currency translation reserve	(306,583)	208,061
Net increase/(decrease) in cash and cash equivalents	457,153	(1,118,002)
Cash and cash equivalents at the beginning of the period	775,686	1,815,444
Cash and cash equivalents at the end of the period	1,232,839	697,442

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

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(Unaudited)

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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 Board of Directors approved these interim condensed consolidated financial statements for the nine months ended September 30, 2015 for issue on November 11, 2015.

2- Basis of presentation

The interim condensed consolidated financial information has been prepared in compliance with the International Accounting Standard No. 34 and the guidelines issued by the Kuwait Stock Exchange Market. The interim condensed consolidated financial information does not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The operating results for the interim period ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. For further information, refer to the consolidated financial statements and its notes for the year ended December 31, 2014.

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3- Significant accounting policies

This interim condensed consolidated financial information has been prepared in accordance with the accounting policies and methods of computation adopted in the last annual consolidated financial statements for the year ended December 31, 2014 except for the adoption of the following new standards and amendments as follows:

New and amended standards effective as of January 1, 2015:

- **Amendments to IAS 19 "Defined Benefit Plans - Employee Contributions"**
(Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted).

New and amended standards not yet effective:

- **IFRS 9 "Financial Instruments"**
(Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).
- **IFRS 14 "Regulatory Deferral Accounts"**
(Effective for annual periods beginning on or after July 1, 2016 with earlier application permitted).
- **IFRS 15 "Revenue from Contracts with Customers"**
(Effective for annual periods beginning on or after January 1, 2017 with earlier application permitted).
- **Amendments to IFRS 11 "Accounting for Acquisitions of Interest in Joint Operations"**
(Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
- **Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"**
(Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
- **Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"**
(Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).

The adoption of above standards did not have material impact on the accounting policies, interim condensed consolidated financial position or performance of the Group.

4- Critical accounting estimates and judgments

The preparation of interim condensed consolidated financial information in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial information and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of current events, actual results may differ from those estimates

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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, 2015	December 31, 2014
Qanawat Holding Company B.S.C - closed (Previously : Rehab Al Madina Real Estate Company - B.S.C - closed)	Bahrain	99%	-
Elite Telecommunications Services for General Trading company (W.L.L)	Kuwait	99%	99%
Fawran Telecom Company (W.L.L)	Saudi Arabia	10%	99%
Qanawat for general trading and contracting company (W.L.L)	Kuwait	10%	99%

- The interim condensed financial information for the above subsidiaries has been consolidated based on the financial statements prepared by the management for the nine months period ended September 30, 2015, as total assets of those subsidiaries included in the interim condensed consolidated statement of financial position are KD 29,696,985 and their net profit included in the interim condensed consolidated statement of income is KD 1,194,057.
- During the period ended September 30, 2015, "the Group" has acquired Qanawat Holding Company – B.S.C. Closed – Bahrain Kingdom - (Previously: Rehab Al Madina Real Estate Company - B.S.C - Closed) by 99%, for KD 5,000 the acquisition process resulted in loss amounted to KD 2,408 and the effect of this transaction has been eliminated from the interim condensed consolidated statement of cash flows as it is a non-cash transaction. As "the Group" has control over the financial and operating policies of this company, accordingly this company has been classified as a subsidiary company and its statements have been consolidated from the acquisition date.

During the period, the parent company restructured its ownership in the shares of its subsidiaries as follows:

- Increasing the capital of the subsidiary Company (Fawran Telecom Company W.L.L - Kingdom of Saudi Arabia) through the subscription of a subsidiary (Qanawat Telecom Company - W.L.L - Kingdom of Saudi Arabia) in the increase which resulted in the decrease of the parent company's ownership to 10%. The parent company continues to exercise control on the financial and operating policies of this company through indirect ownership of one subsidiary.
- The parent company transferred 90% of its ownership in shares of Qanawat General Trading and Contracting – W.L.L - Kuwait – to Qanawat Telecom Company – Kingdom of Saudi Arabia at the book value, and the parent company continues to exercise control over the financial and operating policies of this company through indirect ownership of one subsidiary.
- Transferring full ownership of its shares in Qanawat Telecom Company - W.L.L - Saudi Arabia - to the subsidiary- Qanawat Holding company - B.S.C - Closed Kingdom of Bahrain - (Previously: Rehab Al Madina Real Estate Company - B.S.C - closed) at the book value.

The restructuring resulted in no impact on the interim condensed consolidated statement of income or the interim condensed consolidated statement of cash flows.

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6- Available for sale investments

This available for sale investments represent unquoted local and foreign investments. The following movement occurred during the period:

	September 30, 2015	December 31, 2014 (Audited)	September 30, 2014
Balance at January 1,	20,610,334	16,932,230	16,932,230
Additions	2,468,553	3,678,104	-
Balance at September 30,	23,078,887	20,610,334	16,932,230

Investments have been recorded at cost less impairment at value due to the unavailability of a reliable method to measure the fair value at the date of the interim condensed consolidated financial statements.

7- Loan to a related party

This item represents a loan to a related party (HITS Africa Ltd. - Cayman Island) of \$ 75,680,606 at annual interest rate of 6%, during the period the loan has been renewed to be matured on March 31, 2017 in previous years it was given to (Hits Africa Company Limited-Cayman Island) under the name of joint profit contract when Hits Africa Company was a subsidiary of Qanawat for General Trading and Contracting (W.L.L) - (previously: Elite Telecommunications Services), the loan amount has not papered in the consolidated financial statements of the transactions of the Parent Company were eliminated from those transaction of its subsidiaries.

The loan is secured against the assignment of right to a loan contract between HITS Africa Ltd. - Cayman Island and one of its subsidiaries, as well as mortgage of the shares of hits Africa Company in one of its subsidiaries and associated rights in favor of Hits Telecom Company.

No interest has been calculated on the loan based on the legitimate opinion which stipulates non calculation of interest until the contract is settled.

8- Accounts receivable and other debit balances

	September 30, 2015	December 31, 2014 (Audited)	September 30, 2014
Trade receivables	4,740,634	3,608,050	863,981
Accrued income	3,130,542	3,020,911	4,392,894
Letters of guarantee	943,708	1,347,966	557,454
Advance payments for purchase fixture, property and equipment	544,226	-	-
Prepaid expenses	411,888	416,962	289,589
Staff receivable	116,362	184,331	104,638
Refundable deposits	809,141	12,010	2,720
Advance payments for suppliers	-	42,535	214,156
Other	68,567	1,040	800
	<u>10,765,068</u>	<u>8,633,805</u>	<u>6,426,232</u>

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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.

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

Interim condensed consolidated financial position	September	December	September
	30, 2015	31, 2014 (Audited)	30, 2014
Finance, joint ventures and mudaraba	911,209	911,209	911,209
Islamic debt instruments	-	-	3,696,792
Due from related parties	1,122,340	3,611,602	3,130,954
Due to related parties	498,191	2,092,015	12,833,302
Available for sale investments	23,078,887	20,610,334	16,932,230
	The three months ended	The nine months	
	September 30	ended September 30	
Interim condensed consolidated statement of income	2015	2014	2015
Finance charges	10,693	25,413	22,564
			36,121

10- **Treasury shares**

	September	December	September
	30, 2015	31, 2014 (Audited)	30, 2014
Number of shares	7,319,654	31,325,981	41,325,981
Ownership percentage (%)	0.84%	3.59%	5.73%
Market value (KD)	201,290	939,779	2,066,299

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11- Profit/(loss) per share (Fils)

Profit/(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	
	2015	2014	2015	2014
Net profit/(loss) for the period	200,307	(1,031,105)	673,345	(687,218)
Weighted average numbers of outstanding shares during the period	872,341,610	720,916,860	872,341,610	720,916,860
Weighted average of the treasury shares	(7,319,654)	(41,325,981)	(13,211,317)	(41,325,981)
Weighted average number of shares, less treasury shares	865,021,956	679,590,879	859,130,293	679,590,879
Profit/(loss) per share (Fils)	0.232	(1.517)	0.784	(1.011)

12- Shareholders' General Assembly

On May 19, 2015, the annual general assembly of the Shareholders held and approved the consolidated financial statements for the financial year ended December 31, 2014 and approved the Board of Directors' proposals to not distribute dividends for the financial year ended December 31, 2014 and also not to distribute board of directors rewards for the financial year ended December 31, 2014

13- 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

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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:

<i>Region</i>	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
	Income	Non-current assets	Income	Non-current assets
State of Kuwait	13,500,116	26,471,421	1,172,432	46,488,610
Outside Kuwait				
Kingdom of Saudi Arabia	57,377,538	16,351,630	126,346,203	192,722
Bahrain	–	19,895,671	–	–
Spain	–	–	805,740	–
	<u>70,877,654</u>	<u>62,718,722</u>	<u>128,324,375</u>	<u>46,681,332</u>

14- 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.

15- Comparative figure

Certain comparative figures for the financial previous period /year/ period have been reclassified to conform with the financial current period