Hits Telecom Holding Company

K.S.C. (Public)
and its subsidiaries
Kuwait
Interim condensed consolidated
financial information
for the three months
ended March 31, 2015
(Unaudited)

Hits Telecom Holding Company

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

Interim condensed consolidated financial information for the three months ended March 31, 2015 (Unaudited)

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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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Hits Telecom Holding Co. K.S.C. (Public) - (The Parent) and its subsidiaries together referred to as (The Group) as of March 31, 2015 and the related interim condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the three 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 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 accounting records of the Parent Company. We further report that, to the best of our knowledge and belief, no violations have occurred during the three months period ended March 31, 2015 of the Companies Law No. 25 of 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 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.

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Kuwaiti Accountant Auditing
A member of H.L.B International

May 14, 2015
State of Kuwait

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

Interim condensed consolidated statement of financial position as of March 31, 2015
(Unaudited)
"All amounts are in Kuwaiti Dinar"

Assets	Note	March 31, 2015	December 31, 2014 (audited)	March 31, 2014
Non-current assets				
Property and equipment		**181,601**	292,048	271,293
Intangible assets		**14,219,432**	14,222,157	14,736,169
Investment in joint venture		**1,191,289**	314,476	-
Investment in an associate		**-**	-	15,391,186
Available for sale investments	6	**23,078,887**	20,610,334	16,932,230
		38,671,209	35,439,015	47,330,878
Current assets				
Inventory		**6,695,854**	8,176,985	6,994,465
Accounts receivable and other debit balances	7	**8,177,921**	8,633,805	7,954,846
Due from related parties	8	**2,148,252**	3,611,602	4,685,748
Advance payments for purchasing investments		**-**	-	2,346,778
Loan to a related party	9	**22,749,969**	22,186,527	21,446,476
Finance, joint ventures and mudaraba		**911,209**	911,209	911,209
Cash and cash equivalents		**787,572**	775,686	3,207,715
		41,470,777	44,295,814	47,547,237
Total assets		**80,141,986**	79,734,829	94,878,115
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
Other reserves		**-**	-	147,896
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		**1,766,328**	1,081,310	(559,277)
Accumulated losses		**(23,091,533)**	(23,508,763)	(5,730,832)
Equity attributable to the shareholders of the parent company		**69,469,637**	66,007,200	60,314,641
Non-current liabilities				
Provision for end of service indemnity		**381,632**	376,416	287,185
Term loans		**-**	-	800,177
Accounts payable and other credit balances		**-**	568,075	-
		381,632	944,491	1,087,362
Current liabilities				
Credit bank		**187,825**	-	-
Accounts payable and other credit balances		**7,920,956**	10,691,123	16,057,199
Due to related parties	8	**2,181,936**	2,092,015	11,504,561
Islamic debt instruments		**-**	-	5,914,352
		10,290,717	12,783,138	33,476,112
Total equity and liabilities		**80,141,986**	79,734,829	94,878,115

Dr. Khaled y. 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 income for the three months ended March 31, 2015
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	Three months ended March 31, 2015	2014
Revenue of activity		**17,921,746**	34,598,845
Cost of activity		**(16,322,249)**	(32,623,180)
Gross profit of activity		**1,599,497**	1,975,665
General and administrative expenses		**(1,437,201)**	(1,490,949)
Depreciation and amortization		**(23,992)**	(38,246)
Provision for advance payments for purchasing investments		**-**	(600,000)
Finance charges		**(3,017)**	(8,507)
Profit from investment in joint venture		**288,000**	-
Group's share from an associate results		**-**	(227,777)
Other income		**9,265**	346,994
Net profit/(loss) for the period before calculating Zakat and National Labor Support Tax		**432,552**	(42,820)
zakat		**(4,378)**	-
National Labor Support Tax		**(10,944)**	-
Net profit/(loss) for the period		**417,230**	(42,820)
Profit/(loss) per share/(Fils)	11	**0.49**	(0.063)

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 comprehensive income for the three months ended March 31, 2015
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Three months ended March 31,	
	2015	2014
Net profit/(loss) for the period	**417,230**	(42,820)
Other comprehensive income		
Foreign currency translation differences	**685,018**	(380,281)
Other comprehensive income/(Other comprehensive loss) for the period	**685,018**	(380,281)
Total comprehensive income/(comprehensive loss) for the period	**1,102,248**	(423,101)

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 three months ended March 31, 2015
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Three months ended March 31	
	2015	2014
Cash flows from operating activities		
Net profit/(loss) for the period	**417,230**	(42,820)
Adjustments:		
Depreciation and amortization	**23,992**	38,246
Provision for end of service indemnity	**5,216**	28,211
Provision for advance payments for purchasing investments	**-**	600,000
Group's share from an associate results	**-**	227,777
Finance charges	**3,017**	8,507
The effect of changes in working capital items	**449,455**	859,921
Inventory	**1,481,131**	2,136,596
Accounts receivable and other debit balances	**455,884**	(862,823)
Related parties	**1,675,376**	2,494,297
Accounts payable and other credit balances	**(3,338,243)**	(2,968,222)
Net cash generated from operating activities	**723,603**	1,659,769
Cash flows from investing activities		
Property and equipment	**-**	(5,867)
Intangible assets	**-**	(6,676)
Available for sale investments	**(2,468,553)**	-
Investment in joint venture	**(876,813)**	-
Net cash used in investing activities	**(3,345,366)**	(12,543)
Cash flows from financing activities		
Bank overdraft	**187,825**	-
Term loans	**-**	133,833
Finance charges paid	**(3,017)**	(8,507)
Change in treasury shares	**2,327,264**	-
Net cash generated from financing activities	**2,512,072**	125,326
Effects of exchange rate changes on cash and cash equivalents	**121,577**	(380,281)
Net increase in cash and cash equivalents	**11,886**	1,392,271
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	**787,572**	3,207,715

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 three months ended March 31, 2015
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Share capital	Share premium	Other reserves	Treasury shares	sale of treasury shares reserves	Cumulative changes in fair value	Foreign currency translation reserve	Accumulated losses	Total equity attributable to parent company's shareholders
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
Net loss for the period	–	–	–	–	–	–	–	(42,820)	(42,820)
Other comprehensive loss for the period	–	–	–	–	–	–	(380,281)	–	(380,281)
Total comprehensive loss for the period	–	–	–	–	–	–	(380,281)	(42,820)	(423,101)
Balance as of March 31, 2014	72,091,686	6,846,580	147,896	(6,837,335)	–	(5,644,077)	(559,277)	(5,730,832)	60,314,641
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	–	–	–	–		–	–	417,230	417,230
Total other comprehensive income for the period	–	–	–	–	–	–	685,018	–	685,018
Total comprehensive income for the period	–	–	–	–	–	–	685,018	417,230	1,102,248
sale of treasury shares	–	–	–	2,099,778	260,411	–	–	–	2,360,189
Balance as of March 31, 2015	**87,234,161**	**6,846,580**	–	**(640,233)**	**260,411**	**(2,906,077)**	**1,766,328**	**(23,091,533)**	69,469,637

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 three months ended March 31, 2015
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Company's brief

Hits Telecom Holding Company – K.P.S.C. - 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 objectives for which the parent company's was incorporated 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 communication 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 communication 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 and real estate 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 head office of the parent company is: Jasem El–Asfour Tower – Sour Street – Kuwait City.

The interim condensed consolidated financial information for the three months ended March 31, 2015 were authorized for issue from the Board of Directors on May 14, 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 March 31, 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.

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

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	Ownership percentage March 31, 2015	Ownership percentage March 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%
Elite Telecommunication for general trading and contracting company (W.L.L)	Kuwait	**10%**	99%

- The interim condensed financial information for all subsidiaries has been consolidated based on the financial statements prepared by the management for the three months period ended March 31, 2015, total assets of these subsidiaries included in the interim condensed consolidated statement of financial position are KD 35,855,427 and their net profit included in the interim condensed consolidated statement of income is KD 518,375.
- During the period ended March 31, 2015 "the Group" has acquired Qanawat Holding Company – B.S.C. Closed - Bahrain - (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 though 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 though 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.

6- Available for sale investments

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

	March 31, 2015	December 31, 2014 (audited)	March 31, 2014
Balance at January 1,	**20,610,334**	16,932,230	16,932,230
Additions	**2,468,553**	3,678,104	-
Balance at December 31,	**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- Accounts receivable and other debit balances

	March 31, 2015	December 31, 2014 (audited)	March 31, 2014
Trade receivables	**4,582,820**	3,608,050	685,697
Accrued income	**1,726,220**	3,020,911	3,352,009
Deferred tax assets	**-**	-	2,862,551
Letters of guarantees	**566,536**	1,347,966	545,454
Prepaid expenses	**483,344**	416,962	237,144
Staff receivable	**1,013**	184,331	1,400
Refundable deposits	**784,379**	12,010	2,720
Advance payments to suppliers	**-**	42,535	198,728
Other	**33,609**	1,040	69,143
	8,177,921	8,633,805	7,954,846

8- Transactions with related parties

Related parties comprise of associates, major shareholders, directors and key management personnel of the Group's entities controlled, jointly controlled or significantly controlled 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 information are as follows:

Interim condensed consolidated Statement of financial position	**March 31, 2015**	December 31, 2014 (audited)	March 31, 2014
Finance, joint ventures and mudaraba	**911,209**	911,209	911,209
Islamic debt instruments	**-**	-	5,914,352
Due from related parties	**2,148,252**	3,611,602	4,685,748
Due to related parties	**2,181,936**	2,092,015	11,504,561
Available for sale investments	**23,078,887**	20,610,334	16,932,230

Interim condensed consolidated Statement of income	**Three months ended March 31**	
	2015	2014
Interest income from loan to a related party	**-**	344,565

All transactions with related parties are subject to the approval of the General Assembly of Shareholders.

9- Loan to a related party

This item represents a loan to an associate (HITS Africa Ltd. - Cayman Island) of $ 75,680,606 at an 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 an associate (Hits Africa Company Limited-Cayman Island) under the name of profit joint 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.

10- Treasury shares

	March 31, 2015	December 31, 2014 (audited)	March 31, 2014
Number of shares	**7,319,654**	31,325,981	41,325,981
Ownership percentage (%)	**%0.84**	%3.59	%5.73
Market value (KD)	**204,950**	939,779	2,727,515

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

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

	Three months ended March 31	
	2015	2014
Net profit/(loss) for the period	**417,230**	(42,820)
Weighted average number of shares outstanding during the period	**872,341,610**	720,916,860
Weighted average of the treasury shares	**(25,191,031)**	(41,325,981)
Weighted average number of shares, less treasury shares	**847,150,579**	679,590,879
Profit/(loss) per share/(Fils)	**0.49**	(0.063)

12- Shareholders' General Assembly

The annual General Assembly for the year ended December 31, 2014 has not been held until the date of the approved interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended December 31, 2014 have not yet been approved by the General Assembly.

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

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:

	Three months ended March 31, 2015		Three months ended March 31, 2014	
Region	**Revenues**	**Non-current assets**	Revenues	Non-current assets
State of Kuwait	**3,610,392**	**21,677,815**	-	28,798,085
Outside Kuwait				
Kingdom of Saudi Arabia	**14,311,354**	**16,993,394**	33,985,751	257,546
Spain	**-**	**-**	613,094	2,884,060
Africa	**-**	**-**	-	15,391,187
	17,921,746	**38,671,209**	34,598,845	47,330,878

14- Financial instruments

Categories of financial instruments

The Group's financial assets and liabilities are classified in the interim condensed consolidated statement of financial position as follows:

Financial assets	**March 31, 2015**	March 31, 2014
Available for sale investments	**23,078,887**	16,932,230
Investment in joint venture	**1,191,289**	-
Accounts receivable and other debit balances	**8,177,921**	7,954,846
Due from related parties	**2,148,252**	4,685,748
Loan to a related party	**22,749,969**	21,446,476
Financing, joint ventures and mudaraba	**911,209**	911,209
Cash and cash equivalents	**787,572**	3,207,715
	59,045,099	55,138,224

Financial liabilities	**March 31, 2015**	March 31, 2014
Credit bank	**187,825**	-
Accounts payable and other credit balances	**7,920,956**	16,057,199
Due to related parties	**2,181,936**	11,504,561
Islamic debt instruments	**-**	5,914,352
	10,290,717	33,476,112

Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group has used the assumptions and accepted methods in the assessment of fair values of financial instruments. The fair values of the Group's financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on future discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Fair value of the non-derivative financial instruments is not materially different from its respective carrying value.