Hits Telecom Holding Co.

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

Interim condensed consolidated
financial information
for the six months
ended June 30, 2012
(Unaudited)

Hits Telecom Holding Co.

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Interim condensed consolidated
financial information
for the six months
ended June 30, 2012
(Unaudited)

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The Board of Directors
Hits Telecom Holding Co.
K.S.C (Holding)
And its subsidiaries
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 (Holding) (the Parent Company) - and its subsidiaries (together referred the "group") - as of June 30, 2012 and the related interim condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the six months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard No (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Company".

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

Conclusion

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

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 Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the parent company have occurred during the six months period ended June 30, 2012 that might have had a material effect on the business of the parent company or on its consolidated financial position.

Emphasis of matter

Without qualified our conclusion, we draw attention to note (2) to the interim condensed consolidated financial information in regarding of going concern of certain subsidiaries.

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A member of H.L.B International

August 15, 2012
State of Kuwait

Hits Telecom Holding Co.

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

Interim condensed consolidated statement of financial position as of June 30, 2012

(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Note	June 30, 2012	December 31, 2011 (Audited)	June 30, 2011
Assets				
Non-current assets				
Property and equipment		**20,116,768**	20,839,521	21,507,878
Intangible assets	6	**92,741,393**	92,761,664	89,019,617
Finance and joint venture		**269,316**	222,955	223,565
Available for sale investments	7	**11,624,307**	11,624,307	-
		124,751,784	125,448,447	110,751,060
Current assets				
Inventory		**1,374,805**	1,306,471	1,409,835
Accounts receivable and other debit balances	8	**9,258,768**	7,643,531	6,856,952
Due from related parties	9	**505,546**	1,943,790	3,334,600
Advance payments for purchasing investments	10	**5,946,778**	5,946,778	5,946,778
Finance, joint ventures and mudaraba	11	**1,774,738**	1,340,127	13,243,644
Cash and cash equivalents		**245,876**	357,341	990,996
		19,106,511	18,538,038	31,782,805
Total assets		**143,858,295**	143,986,485	142,533,865
Equity and liabilities				
Equity				
Share capital		**72,091,686**	72,091,686	72,091,686
Share premium		**34,149,954**	34,149,954	34,149,954
Statutory reserve		**462,499**	462,499	462,499
General reserve		**462,499**	462,499	462,499
Other reserves		**147,896**	147,896	147,896
Treasury shares	12	**(6,837,335)**	(6,837,335)	(6,837,335)
Foreign currency translation reserve		**(1,555,556)**	(1,876,306)	(2,620,502)
Accumulated losses		**(2,564,943)**	(2,091,155)	(2,038,174)
Equity attributable to the shareholders of parent company		**96,356,700**	96,509,738	95,818,523
Non-controlling interests		**(7,668,658)**	(6,734,415)	(4,908,912)
		88,688,042	89,775,323	90,909,611
Non-current liabilities				
Provision for end of service indemnity		**348,675**	315,325	297,550
License obligations		**8,725,416**	9,038,304	6,046,920
Term loans		**726,994**	749,739	819,984
Loan from shareholders		**503,081**	481,900	454,604
Accounts payable and other credit balances		**1,498,795**	1,534,436	1,670,041
		11,802,961	12,119,704	9,289,099
Current liabilities				
Accounts payable and other credit balances		**19,740,884**	19,824,495	22,010,427
Due to related parties	9	**4,211,632**	3,422,252	2,877,900
License obligations		**3,810,019**	3,699,010	3,023,460
Term loans		**4,052,961**	3,939,956	3,594,586
Islamic debt instruments	13	**11,551,796**	11,205,745	10,828,782
		43,367,292	42,091,458	42,335,155
Total equity and liabilities		**143,858,295**	143,986,485	142,533,865

Khaled Y. Al Mutawa
Chairman

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

Hits Telecom Holding Co.

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

Interim condensed consolidated statement of income for the six months ended June 30, 2012
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	The three months ended June 30		The six months ended June 30	
		2012	2011	2012	2011
Revenue		**19,942,259**	17,245,933	**43,483,214**	33,688,127
Cost of sales		**(17,710,367)**	(15,336,481)	**(38,892,345)**	(30,343,789)
Gross profit		**2,231,892**	1,909,452	**4,590,869**	3,344,338
General and administrative expenses		**(2,500,262)**	(2,539,409)	**(5,094,074)**	(5,063,021)
Depreciation and amortization		**(417,157)**	(432,409)	**(833,407)**	(878,497)
Finance charges		**(229,399)**	(246,649)	**(374,418)**	(507,062)
Bad debts		**(6,064)**	-	**(26,087)**	-
Group's share from joint venture income		**78,549**	85,009	197,027	122,249
Mudaraba and joint venture income		**(229,320)**	8,500	-	21,279
Tax income		**43,044**	57,631	**94,168**	132,813
Other income		**10,143**	2,430	**25,698**	939,361
Loss for the period before calculating Contribution to Kuwait Foundation for the Advancement of Science, National Labor Support Tax and Zakat		**(1,018,574)**	(1,155,445)	**(1,420,224)**	(1,888,540)
Contribution to Kuwait Foundation for the Advancement of Science		-	-	-	-
National Labor Support Tax		**1,423**	2,725	-	(1,094)
Zakat		**694**	1,080	-	(313)
Loss for the period		**(1,016,457)**	(1,151,640)	**(1,420,224)**	(1,889,947)
Attributable to:					
Shareholders of the parent company		**(528,584)**	(105,205)	**(473,788)**	42,343
Non-controlling interests		**(487,873)**	(1,046,435)	**(946,436)**	(1,932,290)
		(1,016,457)	(1,151,640)	**(1,420,224)**	(1,889,947)
(Loss)/earnings per share/(Fils)	14	**(0.778)**	(0.155)	**(0.697)**	0.062

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

Hits Telecom Holding Co.

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

Interim condensed consolidated comprehensive income for the six months ended June 30, 2012
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	The three months ended June 30		The six months ended June 30	
	2012	2011	2012	2011
Net loss for the period	(1,016,457)	(1,151,640)	(1,420,224)	(1,889,947)
Other comprehensive income for the period:				
Foreign currency translation differences	324,540	(1,150,583)	320,750	(1,774,802)
Total other comprehensive income/(comprehensive loss) for the period	324,540	(1,150,583)	320,750	(1,774,802)
Total comprehensive loss for the period	(691,917)	(2,302,223)	(1,099,474)	(3,664,749)
Attributable to:				
Shareholders of the parent company	(204,044)	(1,255,788)	(153,038)	(1,732,459)
Non-controlling interests	(487,873)	(1,046,435)	(946,436)	(1,932,290)
	(691,917)	(2,302,223)	(1,099,474)	(3,664,749)

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

Hits Telecom Holding Co.

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

Interim condensed consolidated statement of cash flows for the six months ended June 30, 2012
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	The Six months ended June 30	
	2012	2011
Cash flows from operating activities		
Net loss for the period	(1,420,224)	(1,889,947)
Adjustments:		
Depreciation and amortization	833,407	878,497
Provision for end of service indemnity	33,350	38,405
Group's share from joint venture income	(197,027)	(122,249)
Mudaraba and joint venture income	-	(21,279)
Bad debts	26,087	-
Finance charges	374,418	507,062
Changes in working capital items:	(349,989)	(609,511)
Inventory	(68,334)	(422,224)
Accounts receivable and other debit balances	(1,641,324)	(763,390)
Related parties	963,786	(305,042)
Accounts payable and other credit balances	(194,530)	948,847
Net cash used in operating activities	(1,290,391)	(1,151,320)
Cash flows from investing activities		
Property and equipment	(143,616)	(701,224)
Intangible assets	(3,963)	(15,982)
Mudaraba and joint venture	1,047,212	(656,133)
Group's share from joint venture income receive	150,665	93,812
Net cash generated from/(used in) investing activities	1,050,298	(1,279,527)
Cash flows from financing activities		
License obligations	(201,879)	-
Term loans	90,260	762,780
Loan from shareholders	9,551	-
Islamic debt instruments	128,066	226,394
Finance charges paid	(299,140)	(216,613)
Change in non-controlling interests	12,193	299,928
Net cash (used in)/generated from financing activities	(260,949)	1,072,489
Foreign currency translation reserve	389,577	518,598
Net decrease in cash and cash equivalents	(111,465)	(839,760)
Cash and cash equivalents at the beginning of the period	357,341	1,830,756
Cash and cash equivalents at the end of the period	245,876	990,996

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

Exhibit - E

Hits Telecom Holding Co.

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

Interim condensed consolidated Statement of changes in equity for the six months ended June 30, 2012
(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	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at January 1, 2011	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	(845,700)	(2,080,517)	97,550,982	(3,276,550)	94,274,432
Net profit for the period	-	-	-	-	-	-	-	42,343	42,343	(1,932,290)	(1,889,947)
Total other comprehensive income for the period	-	-	-	-	-	-	(1,774,802)	-	(1,774,802)	-	(1,774,802)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,774,802)	42,343	(1,732,459)	(1,932,290)	(3,664,749)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	299,928	299,928
Balance as of June 30, 2011	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	(2,620,502)	(2,038,174)	95,818,523	(4,908,912)	90,909,611
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	-	-	-	-	-	-	-	(473,788)	(473,788)	(946,436)	(1,420,224)
Total other comprehensive loss for the period	-	-	-	-	-	-	320,750	-	320,750	-	320,750
Total comprehensive loss for the period	-	-	-	-	-	-	320,750	(473,788)	(153,038)	(946,436)	(1,099,474)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	12,193	12,193
Balance as of June 30, 2012	**72,091,686**	**34,149,954**	**462,499**	**462,499**	**147,896**	**(6,837,335)**	**(1,555,556)**	**(2,564,943)**	**(96,356,700)**	**(7,668,658)**	**88,688,042**

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

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

Notes to the interim condensed consolidated financial information for the six months ended June 30, 2012 (Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Company's brief

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

The parent company's main objectives are:

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

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

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

The Board of Directors approved these interim condensed consolidated financial statements for the six months ended June 30, 2012 for issue on August 15, 2012.

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, 2011.

4- Basis of presentation

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, 2011.
The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standard. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included. In addition results for the six months period ending June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. For further information, refer to the group's audited condensed financial statements for the year ended December 31, 2011.

5- Subsidiaries

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

		Shareholding %	
	Country of incorporation	June 30, 2012	December 31, 2011
Qanawat Telecom Company (W.L.L)	Saudi Arabia	**100%**	100%
Fawran Telecom Company (W.L.L)	Saudi Arabia	**100%**	100%
Hits Telecom Spain Company (S.A.)	Spain	**100%**	100%
Hits Africa Company (L.T.D)	Cayman Islands	**92.82%**	92.82%

The interim condensed financial information for all subsidiaries have been consolidated based on the financial statements prepared by the management for the period ended June 30, 2012. Total of these subsidiaries included in the interim consolidated financial statements position are KD 54,030,643 and their net losses included in the interim consolidated statement of income are KD 412,637.

6- Intangible assets

- The company has entered into sale and purchase agreements with the shareholders of certain companies who originally were awarded the license to establish, install and operate cellular public telephony network in their respective countries of operations amounted to KD 19,408,541 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 yet to commence operations and had no other assets at the time of the acquisition by the company, 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 represents goodwill amounted to KD 33,747,166 resulted from acquisition of a subsidiary - Hits Africa Company (Limited) located in Cayman Islands, and goodwill amounted to KD 14,015,057 resulted from acquisition of the subsidiary company - (Qanawat Telecoms Company (W.L.L) located in (Kingdom of Saudi Arabia). and goodwill amounted to KD 5,067,662 resulted from acquisition of the subsidiary company - (Atlantic Wireless Company – Liberia) as a subsidiary for Hits Africa -Limited and goodwill amounted to KD 693,330 resulted from Hits Telecom Spain (S.A).
- 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 depending on a study prepared by external party in the end of previously financial statements.

7- Available for sale investments

This item represents unquoted local investments available for sale and acquired in the previous year in accordance with a settlement contract with a related party against compromising the finance and Mudaraba contracts signed with the same party.

8- Accounts receivable and other debit balances

	June 30, 2012	December 31, 2011 (Audited)	June 30, 2011
Trade receivables	**2,849,198**	1,890,874	1,588,321
Accrued income	**2,414,024**	1,681,067	1,719,966
Deferred tax assets	**2,697,104**	2,649,782	2,136,601
Letters of guarantee	**598,726**	597,207	590,252
Prepaid expenses	**376,216**	468,731	674,431
Refundable deposits	**57,373**	86,154	38,347
Advance payments	**123,578**	124,248	20,802
Other receivables	**142,549**	145,468	88,232
	9,258,768	7,643,531	6,856,952

9- 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 (note - 11) and Islamic debts instruments (note - 13) and there is no specific date for repayment.

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

Interim condensed consolidated financial position	June 30, 2012	December 31, 2011 (Audited)	June 30, 2011
Mudaraba and joint venture (Note 11)	1,774,738	1,340,127	13,243,644
Islamic debt instruments (Note 13)	11,005,004	10,658,953	10,299,538
Loan from shareholders	503,081	481,900	454,604
Due from related parties	505,546	1,943,790	3,334,600
Due to related parties	4,211,632	3,422,252	2,877,900

	The three months ended June 30		The six months ended June 30	
Interim condensed consolidated statements of income	2012	2011	2012	2011
Mudaraba and joint venture income	(229,320)	8,500	-	21,279
Finance charges	-	133,815	68,360	270,561

10- Advance payments for purchasing investments

This item represents the amounts paid for acquiring out side Kuwait investments in previous years. As the ownership of these investments have not been transferred by the seller, the company proceeded to arbitration against this party and based on the arbitration decision, the company has the rights in all the amount paid plus the interests. Based on the external lawyer's opinion, the amount could be collectable in accordance with the final arbitration decision.

11- Finance, joint venture and Mudaraba

This item represents short-term financing contracts joint ventures and mudaraba with related parties. The average effective rate of return was 4% to 7% as of June 30, 2012. Matured within one year from the consolidated financial position date.

12- Treasury shares

	June 30, 2012	December 31, 2011 (Audited)	June 30, 2011
Number of shares	41,325,981	41,325,981	41,325,981
Ownership percentage (%)	%5.73	%5.73	%5.73
Market value (KD)	2,851,493	2,231,603	2,272,929

13- Islamic debt instruments

- This item represents Mudaraba and financing Murabaha contracts each contracts with related parties (Note- 9) due within one year and Islamic banks. The average cost is 4%: 7%. The fair value of Mudaraba and financing Murabaha contracts approximate their carrying value as of June 30, 2012 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).

Notes to the interim condensed consolidated financial information for the six months ended June 30, 2012 (Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

- At the date of the interim condensed consolidated financial information, the Islamic debts instruments represented in Mudaraba and financing Murabaha and amounting to KD 3,894,990 are matured but have not been paid or renewed. Some of these instruments are contracted with related parties with amount of KD 3,348,198.

14- (Loss)/earnings per share (Fils)

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

	The three months ended June 30		The six months ended June 30	
	2012	2011	2012	2011
Net (loss)/profit for the period	(528,584)	(105,205)	(473,788)	42,343
Weighted average numbers of outstanding shares during the period	720,916,860	720,916,860	720,916,860	720,916,860
Weighted average number 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)/earning per share (Fils)	(0.778)	(0.155)	(0.697)	0.062

15- Shareholders' General Assembly

On May 28, 2012 the Ordinary shareholders General Assembly approved the consolidated financial statements for the year ended December 31, 2011 and non-distribution of cash dividends for the year.

16- Segment information

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

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

Geographic information

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

	Six months ended June 30, 2012		Six months ended June 30, 2011	
Region	**Income**	**Non-current assets**	Income	Non-current assets
State of Kuwait	**15,555**	**60,080,317**	21,279	48,455,553
Outside Kuwait				
Kingdom of Saudi Arabia	**39,495,698**	**803,154**	30,605,647	925,775
Spain	**1,699,946**	**530,564**	2,042,473	974,962
Africa	**2,588,908**	**63,337,749**	2,234,430	60,394,770
	43,800,107	**124,751,784**	34,903,829	110,751,060

17- Comparative figures

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