Hits Telecom Holding Company

K.S.C. (Public)
and its subsidiaries
Kuwait
The consolidated financial statements
for the financial year ended December 31, 2016
with
Independent auditors' report

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Independent auditors' report

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hits Telecom Holding Company - K.S.C. - (Public) –"the Parent Company" - and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of "the Group" as at December 31, 2016, and its financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

Without qualifying our opinion, we draw attention to Note (11) to the consolidated financial statements regarding the loan to a related party and the provision for doubtful debts made to the debt for reasons mentioned in the note.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matter:

A- Impairment of goodwill

As shown in Note (7) to the consolidated financial statements, "the Group" has a goodwill of KD 14,202,148 (2015: KD 14,103,973) distributed on cash-generating units. An annual test is required to determine whether goodwill is impaired. Due to the importance of goodwill for the Group's consolidated statement of financial position as well as the judgments made by the Group's management relating to the valuation of cash-generating units based on the use method, we have considered impairment to be a key audit. The Group's policy regarding impairment assessment of these items is disclosed in Note (3/6) to the consolidated financial statements.

B- Impairment of available for sale investments

"The Group's" management has recorded impairment losses on available for sale investments included in Note (10) to the consolidated financial statements with an amount of KD 5,030,443 based on an evaluation by a specialized entity. In opinion of the assumptions underlying the evaluation and the estimates made by management in this regard, this item is considered one of the critical audit matters.

As part of our audit procedures, we have included, among other procedures, regarding the estimate of impairment of both goodwill and available for sale investments through the assessment of assumptions and provisions upon which the Group has relied in the estimation of the value impairment. We obtained impairment assessment reports made by an independent valuer and tested the reasonableness of the key assumptions that were built On the basis of which including cash flow projections. The assumptions of future cash flows were also evaluated by comparing current performance against management expectations. In addition, the adequacy of the Group's disclosures included in the consolidated financial statements on management's assessment and the available indicators on impairment of goodwill and available-for-sale investments have been evaluated.

Other information

Other information consists of the information included in the Board of Directors Report, other than the consolidated financial statements and the auditors' report thereon. Management is responsible for the other information. We expected the annual report will be available after the date of the auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and when it becomes available and , in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by "The Parent" company, physical counting was carried out in accordance with recognized practices, the consolidated financial statements together with the financial contents of the report of the Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate the information that is required by the Companies' Law no. 1 of year 2016 and related Executive Regulations, law no. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its regulation and "The Parent" company's memorandum and articles of association. According to the information available to us, there were no violations have occurred of either the Companies' Law no. 1 of year 2016 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 Parent" company's memorandum and articles of association during the financial year ended December 31, 2016 that might have had a material effect on "The Parent" company's business or its consolidated financial position.

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A member of H.L.B International

March 30, 2017
State of Kuwait

Exhibit – A

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

Consolidated statement of financial position as of December 31, 2016
"All amounts are in Kuwaiti Dinar"

	Note	2016	2015
Assets			
Non-current assets			
Property and equipment	6	**253,323**	255,719
Intangible assets	7	**14,329,297**	14,273,478
Investment in joint venture	8	**268,552**	2,513,060
Investment in an unconsolidated subsidiary	9	**-**	414,764
Available for sale investments	10	**17,139,065**	22,169,508
Loan to a related party	11	**18,686,527**	18,686,527
		50,676,764	58,313,056
Current assets			
Inventory		**6,142,832**	5,213,858
Accounts receivable and other debit balances	12	**6,113,439**	6,949,120
Due from related parties	13	**1,046,462**	3,174,303
Finance, joint ventures and mudaraba	14	**911,209**	911,209
Investment at fair value – statement of profit or loss	15	**42**	-
Cash and cash equivalents		**673,368**	1,968,449
		14,887,352	18,216,939
Total assets		**65,564,116**	76,529,995
Equity and liabilities			
Equity			
Share capital	16	**87,234,161**	87,234,161
Share premium		**6,846,580**	6,846,580
Treasury shares		**(640,233)**	(640,233)
Treasury shares reserve		**260,411**	260,411
Cumulative changes in fair value		**(2,906,077)**	(2,906,077)
Foreign currency translation reserve		**1,709,743**	1,649,089
Accumulated losses		**(34,568,578)**	(29,191,130)
Total equity		**57,936,007**	63,252,801
Non-current liabilities			
Accounts payable and other credit balances	18	**-**	489,276
Provision for end of service indemnity		**626,446**	578,358
		626,446	1,067,634
Current liabilities			
Accounts payable and other credit balances	18	**6,867,791**	12,038,901
Due to related parties	13	**133,872**	170,659
		7,001,663	12,209,560
Total equity and liabilities		**65,564,116**	76,529,995

Abdel-Mohsen Sharyan
Vice Chairman

The accompanying notes form an integral part of these consolidated financial statements.

Exhibit – B

Hits Telecom Holding Company

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

Consolidated statement of profits or losses for the financial year ended December 31, 2016

"All amounts are in Kuwaiti Dinar"

	Note	2016	2015
Revenue of activity		**110,373,549**	90,473,748
Cost of activity		**(103,230,652)**	(84,246,426)
Gross profit of activity		**7,142,897**	6,227,322
(Loss)/gain from investment in joint venture		**(26,275)**	1,817,338
Realized gain on sale of investments at fair value – statement of profit or loss		**25,682**	-
Impairment loss on available for sale investments	10	**(5,030,443)**	(3,678,104)
Loss from disposal of intangible assets at cost		**-**	(21,701)
Loss from disposal of property and equipment at cost		**-**	(6,899)
Provision for loan to a related party		**-**	(3,500,000)
General and administrative expenses	19	**(2,445,288)**	(2,486,789)
Marketing and selling expenses	20	**(4,781,986)**	(3,768,946)
Depreciation and amortization		**(206,780)**	(164,801)
Finance charges		**(72,980)**	(99,787)
Other income		**17,725**	-
Net loss for the year		**(5,377,448)**	(5,682,367)
Loss per share/(Fils)	21	**(6.22)**	(6.60)

The accompanying notes form an integral part of these consolidated financial statements.

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

Consolidated statement of profits or losses and other comprehensive income for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar"

	2016	2015
Net loss for the year	**(5,377,448)**	(5,682,367)
Other comprehensive income for the year:		
Exchange differences on translating foreign currency	**60,654**	567,779
Total other comprehensive income for the year	**60,654**	567,779
Total comprehensive loss for the year	**(5,316,794)**	(5,114,588)

The accompanying notes form an integral part of these consolidated financial statements.

Exhibit – D

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

Consolidated statement of changes in equity for the financial year ended December 31, 2016

"All amounts are in Kuwaiti Dinar"

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Cumulative changes in fair value	Foreign currency translation reserve	Accumulated losses	Total
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 loss for the year	-	-	-	-	-	-	(5,682,367)	(5,682,367)
Other comprehensive income for the year	-	-	-	-	-	567,779	-	567,779
Total comprehensive loss for the year	-	-	-	-	-	567,779	(5,682,367)	(5,114,588)
Treasury shares sale	-	-	2,099,778	260,411	-	-	-	2,360,189
Balance as of December 31, 2015	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,649,089	(29,191,130)	63,252,801
Balance at January 1, 2016	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,649,089	(29,191,130)	63,252,801
Net loss for the year	-	-	-	-	-	-	(5,377,448)	(5,377,448)
Other comprehensive income for the year	-	-	-	-	-	60,654	-	60,654
Total comprehensive loss for the year	-	-	-	-	-	60,654	(5,377,448)	(5,316,794)
Balance as of December 31, 2016	**87,234,161**	**6,846,580**	**(640,233)**	**260,411**	**(2,906,077)**	**1,709,743**	**(34,568,578)**	57,936,007

The accompanying notes form an integral part of these consolidated financial statements.

Exhibit – E

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

Consolidated statement of cash flows for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar"

	2016	2015
Cash flows from operating activities		
Net loss for the year	**(5,377,448)**	(5,682,367)
Adjustments:		
Depreciation and amortization	**206,780**	164,801
Disposal of property and equipment at cost	**-**	6,899
Disposal of intangible assets at cost	**-**	21,701
Gain from investment in joint venture	**-**	(1,817,338)
Impairment loss on available for sale investments	**5,030,443**	3,678,104
Provision for loan to a related party	**-**	3,500,000
Provision for doubtful debts	**23,427**	152,132
Provision for end of service indemnity	**48,088**	201,942
Finance charges	**72,980**	99,787
Adjusted gain before calculating the effect of changes in working capital items	**4,270**	325,661
Inventory	**1,338,554**	2,963,127
Accounts receivable and other debit balances	**812,253**	1,532,551
Related parties	**2,505,776**	(4,230,318)
Accounts payable and other credit balances	**(5,660,385)**	1,268,979
Net cash (used in)/generated from operating activities	**(999,532)**	1,860,000
Cash flows from investing activities		
Property and equipment	**(154,782)**	(85,386)
Intangible assets	**(13,236)**	(21,218)
Investment in an unconsolidated subsidiary	**-**	(414,764)
Available for sale investments	**-**	(2,491,016)
Investment in joint venture	**(23,020)**	(585,210)
Net cash used in investing activities	**(191,038)**	(3,597,594)
Cash flows from financing activities		
Finance charges paid	**(72,980)**	(99,787)
Change in treasury shares	**-**	2,360,189
Net cash (used in)/generated from financing activities	**(72,980)**	2,260,402
Foreign currency translation reserve	**(31,531)**	669,955
Net (decrease)/increase in cash and cash equivalents	**(1,295,081)**	1,192,763
Cash and cash equivalents at beginning of the year	**1,968,449**	775,686
Cash and cash equivalents at end of the year	**673,368**	1,968,449

The accompanying notes form an integral part of these consolidated financial statements.

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

Notes to the consolidated financial statements for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Brief on "the Parent Company"

Hits Telecom Holding Company K.S.C (Public) was incorporated on May 22, 1999 in accordance with the Companies' Law of 1960 article No. 15, and its subsequent amendments.

The objectives for which "The Parent" was established are:

- Owning shares in Kuwaiti and Non-Kuwaiti shareholding companies and also owning shares or quotas in Kuwaiti and Non-Kuwaiti limited liability companies or participating in establishing, managing and guaranteeing 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 commercial or industrial trademarks, or industrial charges or any other rights relating there to, and leasing to other companies for utilization inside or outside the State of Kuwait related to communication segment only.
- Holding movables and real estate that are necessary to initiate its activity in accordance with the Law.
- Utilizing the surplus funds by investing them in financial and real estate portfolios managed by specialized companies.

"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 Parent" company practices its operation in accordance with Islamic Sharia.

The registered Head Office of "The Parent" is: Jasem El-Asfour Tower – Sour Street – Kuwait City.

The consolidated financial statements for the financial year ended December 31, 2016 were authorized for issue from the Board of Directors on March 30, 2017.

The Shareholders' General Assembly has the authority to amend these consolidated financial statements after their issuance.

2- Application of new and revised International Financial Reporting Standards (IFRSs)

2/1) Amendments to IFRSs those are mandatorily effective for the current year:

In the current year, the following effective amendments to IFRSs issued by the International Accounting Standards Board (IASB) are mandatorily for the accounting period beginning on or after January 1, 2016 as follows:

- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**
  (Effective for annual periods beginning on or after January 1, 2016)
  The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.

- **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).
  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations". A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

- **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).
  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.

- **Amendments to IAS 27 "Separate Financial Statements"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments allowed an entity to account for its investment in subsidiaries, joint ventures and associates in its separate consolidated financial statements:
  - At cost; or
  - In accordance with IFRS 9; or
  - Using the equity method

  Also, clarified that when the parent entity ceases or becomes an investment entity, it should account for the change from the date when the change in status occurs.

2/2) New and revised IFRSs in issue but not yet effective:

The Group has not applied the following new and revised IFRSs that have been issued but are not yet mandatorily effective:

- **Amendments to IFRS 2 "Classification and Measurement of Share-based payment Transactions"**
  (Effective for annual periods beginning on or after January 1, 2018).

- **IFRS 9 "Financial Instruments"**
  (Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).
  IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting.
  The final version of IFRS 9 was issued in July 2014, which adds a new expected loss impairment model and limited amendments to the classification and measurement requirements by introducing the "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test. The final version supersedes all previous versions of IFRS 9 and replaces IAS 39. The Group is in the process to quantify the effect on the consolidated financial statements.

- **IFRS 14 "Regulatory Deferral Accounts"**
  (Effective for annual periods beginning on or after July 1, 2016)
  This standard is applied by first-time adaptors of IFRS. The standard is designed as a limited scope standard to provide short-term solution for rate-regulated entities that have not yet adopted IFRS.

- **IFRS 15 "Revenue from Contracts with Customers"**
  (Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).
  In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and related Interpretations when it becomes effective. The standard introduces a five-step approach for revenue recognition to be applied to all contracts with customers.

- **IFRS 16 "leases"**
  (Effective for annual periods beginning on or after January 1, 2019).
  IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the consolidated financial statements of both leasees and lessors.

- **Amendments to IAS 7 "Disclosure Initiative"**
  (Effective for annual periods beginning on or after January 1, 2017)
  The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
  The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The management anticipates that the new or revised standards will be adopted in the Group's accounting policies for the period beginning on or after the effective date of the pronouncement, and those new and revised standards that have been issued but are not relevant to the Group's operations are expected not to have a material impact on the Group's consolidated financial statements.

3- Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated consulted financial statements are as follows:

3/1) Basis of the consolidated financial statements preparation

- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies' Law requirements and amendments.
- The accounting policies used in preparation of these consolidated financial statements are consistent with those used in preparation of the financial statements of previous year.

3/2) Accounting convention

- The consolidated financial statements are prepared under the historical cost following the revised accrual basis of return of financial assets valued at fair value as described in the detailed policies and other explanatory notes.
- The consolidated financial statements have been presented in Kuwaiti Dinar.

3/3) Basis of financial statements consolidation

The consolidated financial statements include the financial statements of Hits Telecom Holding Company K.S.C (Public) ("the Parent Company") and its subsidiaries (together referred to as "the Group") disclosed under Note 5.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The control is maintained by the Parent Company when:

- Exercise power over the investee;
- Exposure to variable returns or obtains rights from involvement with the investee,
- Ability to use its power to affect the investee returns.

When "the Parent Company" does not has majority voting rights in the investee, the Parent Company takes into consideration facts and other factors in assessing the control, which include:

- Contractual arrangement between "the Parent Company" and other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Parent Company's voting rights;
- Other potential voting rights.

The financial statements of subsidiaries acquired or disposed are included in the consolidated financial statements from the date the control effectively commences until the date that control effectively end.

The financial statements of the subsidiaries are consolidated on a line–by–line basis by adding together alike items of assets, liabilities, revenues and expenses. All inter–company balances and transactions, including unrealized profits or losses arising from inter–company transactions, are fully eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events which accrue in similar conditions.

The financial statements of the subsidiaries are prepared for the same date or within three months of the reporting period of the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist between the subsidiaries' financial year date and the Parent Company's financial year date.

Non–controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non–controlling interests consist of the interest at the date of the original business combination and the non–controlling interest share of changes in equity since the date of the combination. Profits and losses attributed to the owners of the Parent Company and to the non–controlling interests in the ratio of their respective shareholdings even if that resulted in the non–controlling interests having a deficit balance.

When ownership of subsidiaries changes without loss of control, the transaction is accounted for within equity. However, when control is lost as a result of change in ownership, then:

- Derecognize the assets and liabilities of the subsidiaries reported in statement of financial position (including goodwill);
- Recognize any remaining investment of the subsidiaries at fair value at date of loss of control;
- Derecognize non–controlling interests.
- Recognize the profit or loss resulting from the loss of control in the statement of profit or loss.

3/4) **Non-current assets held for sale**

The assets are classified as non-current assets held for sale when the criteria to be classified as held for sale has been met or it has been disposed. An item is classified as held for sale if its book value will be recovered principally through a sale transaction rather than through continuing use. The assets held for sale are measured at the lower of their book value or fair value less costs of sale.
Non-current assets (or disposal Group) classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

3/5) **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. The recoverable value of property and equipment are reviewed at the consolidated financial position date. If the recoverable value for property and equipment decreased from the book value in which case the book value is written down to the recoverable value. If the useful lives are different from its estimated lives then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactive periods.

Gains or losses on disposal of property and equipment in the statement of consolidated income statements by the difference between the net realizable value and net book value.

Property and equipment are depreciated on straight line basis to reduce its value to the residual value over their estimated useful lives.

The useful lives of the property and equipments are as follow:

Improvements on buildings	5 – 10	years
Furniture and fixtures	5 – 10	years
Office equipment and computers	3 – 4	years
Motor vehicles	5	years
Machines and equipment	3 – 10	Years
M- pay machines	5	Years

3/6) **Intangible assets and goodwill**

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets with indefinite useful lives are not subject to amortization and are tested at least annually for impairment.

Intangible assets which have a finite life are amortized over their useful lives. For acquired network license whose operations are governed by fixed term license, the amortization period is determined primarily by reference to the terms of the licenses and the conditions for license renewal. License fees are amortized on a straight-line basis over the life of the license.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable net assets acquired in a business combination or the associates at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is allocated to each cash generating unit for the purpose of impairment testing. Goodwill is testing at least annually for impairment and carried at cost less accumulated impairment losses. Gain or losses on disposal of the subsidiary or a part of the subsidiary include the carrying amount of goodwill relating to the subsidiary or the portion sold.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible assets is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the consolidated statement of income and that relating to goodwill cannot be reversed in the subsequent periods.

3/7) **Investment in joint venture**

The joint venture is a contractual arrangement whereby the company and other parties undertake an economic activity that is subject to joint control. The costs of joint ventures are initially recorded at cost and adjusted thereafter for the past acquisition the change in the venture's share of net assets of the jointly controlled entity. The ventures recognizes in its separated financial statements and subsequently in the consolidated: the assets and liabilities that it controls and the expenses that it incurs – its share of the income that it earns from the sale of goods or services by the joint venture.

3/8) **Inventory**

Inventory which are principally pre-paid Sim Cards and Vouchers are Valued at the lower of cost and net realizable value. Post Paid Sim Cards are Valued at Zero until activated by concerned telecommunications company. Telecommunications devices are stated at the lower of cost and market value, cost is determined on a weighted average basis.

Notes to the consolidated financial statements for the financial year ended December 31, 2016
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3/9) **Financial instruments**

Classification

The classification of the investments depends on the purpose for which the investments were acquired. Management determines this classification at initial recognition of the financial instrument and reviews this classification when preparing the consolidated financial statements. The group has classified its financial instruments as receivables and financial assets available for sale:

Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides goods or services directly to clients with no intention of trading these debts.

Financial assets available for sale

These are non-derivative financial assets that are not included in any of the above categories and are principally, acquired to be held, for an indefinite period of time which could be sold when liquidity is needed or upon changes in rates of profit.

Recognition and de-recognition

Regular purchase and sale of financial asset are recognized on settlement date - the date on which the group receives or delivers the asset. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership to another party.

Measurement

Financial assets are initially recognized at fair value plus transaction cost. Except the investments at fair value through statement of profit or loss.

Subsequently, assets available for sale are carried at fair value and receivables are carried at amortized cost using the effective yield method.

Changes in the fair value of available for sale investments are recognized directly in consolidated statement of changes in equity. When available for sale investments are sold or impaired, the amounts recognized in consolidated statement of changes in equity are transferred to the consolidated statement of profit or loss.

Fair value

The fair value of financial instruments in regular financial market is determined according to the last bid prices.
For the unquoted investments, the group establishes fair value by reference to other investments that are substantially the same, or by using the expected discounted cash flow after adjustment to reflect the same circumstances of the issuing company. Available for sale investments, which its fair value could not be determined are carried at cost less impairment losses.

Impairment in value
The group assesses at each consolidated financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale investments, a significant or prolonged decline in the fair value of these investments below its cost is considered as an indicator that these investments are impaired.

If any evidence for impairment exists for available for sale financial assets, the cumulative losses measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognized in prior years are transferred from equity to the consolidated statement of comprehensive income.
Impairment losses recognized on equity instruments are not reversed through the consolidated statement of comprehensive income.

3/10) **Cash and cash equivalents**
Cash and cash equivalents comprise of cash on hand and at banks and short-term bank deposits with a maturity date not exceeding three months from the date of deposit.

3/11) **Impairment of non-financial assets**
At each consolidated financial position date, "The Group" reviews the carrying amounts of its non-financial assets to determine whether there is objective evidence that those assets have suffered from impairment in value. If any such evidence exists, the recoverable amount of the assets is estimated. The impairment losses are recognized in the consolidated statement of income when the carrying amount of assets exceeds its recoverable value.
Reversal of impairment losses in value that were recognized in prior years are recognized as revenue in the consolidated statement of income when there is an indication that the impairment losses, recognized for the asset no longer exist or has decreased.

3/12) **Accounts payable**
Accounts payable are stated at their nominal value.

3/13) **Recognition and de-recognition of financial assets and liabilities**
A financial asset or a financial liability is recognized when "The Group" becomes a party to the contractual provision of the instrument. A financial asset is de-recognized either when the contractual rights to cash flow from the financial asset expires or when "The Group" transferred all the risks and rewards of ownership or if "The Group" does not transferred all the risks and rewards of ownership and no longer has control over the asset or a proportion of the asset. The financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

3/14) **Trading and settlement date accounting**
All regular way purchases and sales of financial assets are recognized using settlement date accounting. That the date which "The Group" be supposed to purchase or sell the assets, regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Notes to the consolidated financial statements for the financial year ended December 31, 2016
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3/15) Murabaha investments

Murabaha is an Islamic instrument includes purchase asset and sell immediately at cost plus profit. The due amount settled on payable basis. When credit risks related to financial institute, the due amount classified as Murabaha investments. When credit risks related to individuals, the due amount classified as Murabaha receivables. Murabaha investments will be recognized less provision impairment in value if any.

3/16) Treasury shares

Treasury shares consist of "The Parent" company owned shares that have been issued, subsequently repurchased by "The Group" and not yet re-issued or cancelled until the consolidated financial position date. The treasury shares are treated using the cost method; under the cost method cost of the treasury shares is charged to an account in equity. When re-issued the profit recognized in equity separately "Gain on sale of treasury shares" which is not distributable, any realized losses are charged the extent of the credit balance on the same account. Any excess losses are charged to retained earnings then reserves. Realized gains subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and gain on sale of treasury shares.

3/17) Provision for end of service indemnity

Provision for staff end of service indemnity is calculated as per the Labor Law in the private sector in state of Kuwait and the respective labor laws of countries of these subsidiaries or the signed contracts on the assumption of ending the services of all staff at the consolidated financial position date. This obligation is not funded. The management expects that based on this method of calculation a reasonable estimate is made of the obligation of "The Group" towards employees indemnity for past and current periods.

3/18) Provisions

Provision is recognized when "The Group" has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each consolidated financial position date and adjusted to reflect the current best estimate.

3/19) Revenue recognition

- Airtime revenue is recognized based on actual usage. Subscription income is recognized on a time proportion basis. Other revenues primarily comprising of handset equipment, Sim Card starter pack sales and other telecommunication product is accounted for in the year when that sales are sold on and are recognized upon delivery to customers.
- Revenue of sales is recognized when the significant risks and rewards are transferred to the buyer, and no significant uncertainties remain regarding the derivation of consideration associated with the selling goods and the costs that may be incurred from the possibility of returned goods existence.
- Income from Murabaha Finance and joint ventures is recognized on periodic basis distribution.
- Dividend income from shares is recognized when the right to receive it is established.
- Other categories of income are recognized when earned, at the time the related services are rendered and / or based on the terms of the contractual agreement of each activity.

3/20) Borrowing costs

- Interest on loans and facilities is calculated on the accrual basis and is recognized in the consolidated statement of income in the period in which it is incurred.
- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. The capitalized borrowing costs should commence when expenditures for the asset have been incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
- Borrowing costs that are not directly attributable to a qualifying asset are recognized as an expense in the period in which they are incurred.

3/21) Foreign currencies

The functional currency of "The Parent" is the Kuwaiti Dinar "KD" and accordingly, the consolidated financial statements are presented in KD. Transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in the consolidated equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in the consolidated equity.

The assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the consolidated financial position date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising (If any), are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognized in the consolidated statement of income in the period in which the foreign operation disposed of.

3/22) Kuwait Foundation for the Advancement of Science

The share of contribution to Kuwait foundation for the advancement of science was calculated from the net annual profit after eliminating the profit of subsidiaries and associates of shareholding companies, of which the tax is separately computed as well as the amounts transferred to statutory reserve.

3/23) National Labour Support Tax

This item represents the tax payable to Kuwait Ministry of Finance under National Labor Support Law no. 19 of 2000.

3/24) Zakat

This item represents Zakat provision calculated in accordance with law No 46/2006 regarding Zakat imposing on the Public and closed shareholding companies. This Zakat has been computed at 1 % of net profit before deducting "The Parent" company's provisions and reserves.
The other items of Zakat paid by some subsidiaries are calculated in accordance with related local laws of the countries in which these subsidiaries are located. The provision made in these subsidiaries is charged directly for the consolidated statement of income.

3/25) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote, contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

4- Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note (3), management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumption are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and previous periods.

Critical judgments in applying the Group's policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect in the amounts recognized in the consolidated financial statements:

Classification of investments

"The Parent" company's management decides on the acquisition of an investment whether it should be classified as available for sale or FVTPL.
"The Group" classifies investments as at FVTPL if the investment has been acquired principally for the purpose of selling it in the near term and its fair value can be reliable determined. All other investments are classified as available for sale.

Impairment of investments

"The Group" treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, "The Group" also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

The productive life of property and equipment and intangible assets
The group's management makes determination of productive lives and depreciations of property and equipment and amortization of intangible assets. The management increases the depreciation or amortization expenses when the estimated productive lives are lower than the estimated lives before or eliminating or decreasing the value of obsolete or non-strategic assets which are cancelled or sold.

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- Other valuation models.

5- The subsidiaries

The consolidated financial statements include the financial statements of "The Parent" and its subsidiaries as following:

	Country of incorporation	Shareholding percentage 2016	2015
Qanawat Holding Company B.S.C – closed	Bahrain	%99	%99
Elite Telecommunications Services for General Trading company (W.L.L)	Kuwait	%99	%99
Fawran Telecom Company (W.L.L)	Saudi Arabia	%10	%10
Qanawat for General Trading and contracting company (W.L.L)	Kuwait	%10	%10
Qanawat	UAE	%10	-

- The consolidated financial statements for the above subsidiaries have been consolidated based on audited financial statements as of December 31, 2016, as total assets of these subsidiaries included in the consolidated statement of financial position are KD 34,949,179 and their net loss included in the consolidated statement of profit or loss is KD 3,441,234.

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

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6- Property and equipment

	Improvements on buildings	Furniture and fixtures	Office equipment and computers	Machines and equipment	Motor vehicles	M-Pay Machine	Total
Cost							
Balance at January1, 2016	653,275	222,274	593,430	141,578	147,125	191,312	1,948,994
Additions	19,536	51,155	24,006	25,520	18,205	16,360	154,782
Foregin currency translation	3,281	2,198	3,133	1,229	1,075	1,220	12,136
Balance at December 31, 2016	676,092	275,627	620,569	168,327	166,405	208,892	2,115,912
Accumulated depreciation							
Balance at January 1, 2016	578,464	130,845	559,585	115,582	117,833	190,966	1,693,275
Charged for the year	73,927	30,948	19,826	15,317	13,067	5,109	158,194
Foregin currency translation	4,281	1,313	2,885	869	824	948	11,120
Balance at December 31, 2016	656,672	163,106	582,296	131,768	131,724	197,023	1,862,589
Net book value							
At December 31, 2016	**19,420**	**112,521**	**38,273**	**36,559**	**34,681**	**11,869**	**253,323**
At December 31, 2015	74,811	91,429	33,845	25,996	29,292	346	255,719

7- Intangible assets

	Key money	Goodwill*	Total
Cost			
Balance at January 1, 2016	218,531	14,103,973	14,322,504
Additions	13,236	-	13,236
Foregin currency translation	(7,092)	98,175	91,083
Balance at December 31, 2016	224,675	14,202,148	14,426,823
Accumulted amortization			
Balance at January 1, 2016	49,026	-	49,026
Charged for the year	48,586	-	48,586
Foregin currency translation	(86)	-	(86)
Balance at December 31, 2016	97,526	-	97,526
Net book value			
At December 31, 2016	**127,149**	**14,202,148**	**14,329,297**
At December 31, 2015	169,505	14,103,973	14,273,478

* This item represents a Goodwill amounting to KD 14,202,148 resulted from acquisition of a subsidiary company – Qanawat Telecom Company (W.L.L) – Kingdom of Saudi Arabia – the management makes Goodwill impairment test annually, and "The Parent" management believes that there is no indication for an impairment in value of Goodwill based on an external party study as of December 31, 2016.

8- Investment in joint venture

	2016	2015
Invested amount	**816,282**	227,582
Additions	**23,020**	585,210
Collect from the investment	**(570,750)**	-
Balance at December 31	**268,552**	812,792

Accrued income

	2016	2015
Balance at January 1	**1,700,268**	99,515
Accrued income during the year	**(1,700,268)**	1,600,753
Balance at December 31	**-**	1,700,268
Net book value	**268,552**	2,513,060

On March 17, 2009 one of the subsidiaries (Qanawat Telecom Company W.L.L. – Kingdom of Saudi Arabia) entered into joint venture agreement for the purchase and distribution of prepaid cell phone and sim cards with some of the other companies under the management of a joint committee and the profits are distributed equally between the parties of the joint venture.

During the current year, the subsidiary company has partially withdrawn from the joint venture investment against receiving some of the joint venture stock amounted to KD 2,134,588. This transaction was eliminated from the consolidated cash flows as it's a non cash transaction.

9- Investment in an unconsolidated subsidiary

During the previous year "the Group" has invested in the establishment of Qanwat Telecom Company (W.L.L) – Untied Arab of Emirates with %100 Ownership, the financial statements of this company were not consolidated during the previous year as the company was still under formation and for which no audited financial statements were issued. During the current year, its audited financial statements have been issued and consolidated within" the Group's" consolidated financial statements.

10- Available for sale investments

This item represented in non-quoted local shares and following the movement of the investments during the financial year:

	2016	2015
Balance at January 1	**22,169,508**	20,610,334
Additions	-	5,237,278
Impairment loss	**(5,030,443)**	(3,678,104)
Balance at December 31,	**17,139,065**	22,169,508

- These investments are recorded at cost less the impairment in value as there is no reliable instrument to measure its fair value as of the consolidated financial statements date.
- The impairment in value was recognized according to independent study as of December 31, 2016.

11- Loan to a related party

This item represents a loan granted to Hits Africa Company (Ltd)- Cayman Island (Previously: an associate company) amounted to USD 75,680,606 with an interest rate of 6% matured on March 31, 2017. This loan was granted to Hits Africa Company (Ltd) – Cayman Island (Previously: an associate company) in prior years as a joint venture contract and it hasn't been disclosed in the consolidated financial statements. Since these transactions were eliminated previously between "The Parent" company and its subsidiaries for the consolidation purpose.

This loan is secured upon a transfer of rights agreement between Hits Africa Company (Ltd)- Cayman Islands (Previously: an associate company) and one of its subsidiaries and mortgaged shares of Hits Africa Company (Ltd)- Cayman Islands (Previously: an associate company) in one of its subsidiaries and the relevant rights in favor of Hits Telecom Company.

Due to the discontinuity of Hits Africa Company's business (Ltd)- Cayman Islands (Previously: an associate company) until know whether it will be liquidated or the company's business will be resumed in the future, and during the previous year the provision for doubtful debts amounted KD 3,500,000 had been charged for hedge purpose to meet any amounts uncollectible from this loan. The Company's management and its external counsel see that there is a possibility to collect this loan in the future.

The loan interest has not been calculated based on the Sharia's opinion which states non calculation of interests before the contract settlement

12- Accounts receivable and other debit balances

	2016	2015
Trade receivables	**675,354**	1,182,637
Provision for doubtful debts	**(175,559)**	(152,132)
	499,795	1,030,505
Accrued commissions	**1,625,883**	2,110,063
Accrued income	**1,821,630**	1,619,696
Retention for letters of guarantee	**1,008,293**	1,416,805
Prepaid expenses	**451,187**	468,407
Staff receivables	**332,647**	233,569
Advance payments	**345,603**	67,125
Refundable deposits	**2,950**	2,950
Other	**25,451**	-
	6,113,439	6,949,120

The aging of trade receivables past due but not impaired are as follows:

	2016	2015
90-120 days	**675,354**	1,168,397
180-365 days	**-**	14,240
	675,354	1,182,637

The carrying value of consolidated accounts receivable and other debit balances approximates their fair value. And also, the other classes within consolidated accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the consolidated reporting date is the fair value of each class of receivables mentioned above.

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13- Transactions with related parties

Related parties comprise of associates, major shareholders, Board of 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 interest free and have no fixed maturity.

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

Consolidated statement of financial position	**2016**	2015
Finance, joint ventures and mudaraba – (Note – 14)	**911,209**	911,209
Due from related parties	**1,046,462**	3,174,303
Due to related parties	**133,872**	170,659
Investment in joint venture	**268,552**	-
Loan to a related party (Note – 11)	**18,686,527**	18,686,527

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

14- Finance, joint ventures and mudaraba

- This item represents short-term financing contracts, joint ventures and mudaraba with related parties matured within one year from the consolidated financial position date. "The Group" does not calculate fixed profits on theses finance, joint ventures and mudaraba contracts upon permission from sharia Supervisory Board until the settlement of these contracts.
- The fair value of investments in financing, joint venture and mudaraba equal to its carrying value as of December 31, 2016 due to its short-term maturities.

15- Investment at fair value – statement of profit or loss

	2016	2015
Additions during the year	**197,374**	-
Disposals	**(197,332)**	-
	42	-

The fair value was determined based on last bid price as of December 31, 2016.

16- Share capital

The authorized, issued, and fully paid up capital of "The Parent" amounted to KD 87,234,161 divided into 872,341,610 shares and all are cash shares.

	Authorized and issued		**Paid**	
	2016	2015	**2016**	2015
Shares 100 Fils for each (all shares are in cash)	**872,341,610**	872,341,610	**872,341,610**	872,341,610

17- Statutory reserve

In accordance with the Companies Law and "The Parent" company's Articles of Association, 10% of net profit before contribution to Kuwait Foundation for the Advancement of Science, Board of Directors' remuneration, Zakat and National Labor Support Tax has been transferred to the statutory reserve. "The Group" may discontinue such transfer when the reserve equal 50 % of share capital. This reserve is not available for distribution except in cases stipulated by the law. There were no transfers to the statutory reserve due to the accumulated losses.

18- Accounts payable and other credit balances

	2016	2015
Trade payables	**5,495,255**	10,505,538
Accrued expenses	**712,863**	1,275,575
Advanced payments from customers	**37,093**	130,427
Other	**622,580**	616,637
	6,867,791	12,528,177

19- General and administrative expenses

	2016	2015
Staff costs	**1,214,079**	1,454,212
Rent	**247,267**	126,463
Professional fees	**171,410**	57,450
Charges and subscriptions fees	**136,051**	73,500
Traveling	**94,704**	91,123
Banking expenses	**25,516**	26,251
Other	**556,261**	657,790
	2,445,288	2,486,789

20- Marketing and selling expenses

	2016	2015
Staff costs	**2,647,593**	2,496,708
Rent	**1,088,974**	1,074,210
Advertising	**124,040**	90,108
Consultant fess	**265,557**	60,957
Other	**655,822**	46,963
	4,781,986	3,768,946

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21- Loss per share/(Fils)

Loss per share is calculated by dividing net loss for the year by the weighted average number of ordinary shares outstanding during the year less weighted average number of treasury shares as follows:

	2016	2015
Net loss for the year	(5,377,448)	(5,682,367)
Weighted average for the outstanding shares during the year	872,341,610	872,341,610
Weighted average number of treasury shares	(7,319,654)	(11,726,295)
Weighted average number of shares, less weighted average of treasury shares	865,021,956	860,615,315
Loss per share/(Fils)	(6.22)	(6.60)

22- Contingent liabilities

At the consolidated financial position date, "The Group" had contingent liabilities represented in guarantees with an amount of KD 2,856,991(2015: KD 3,657,564).

23- Lawsuits

"The Group" has some potential lawsuits represented in cases pending at various levels of courts with other parties and the results of which cannot be determined till the date of consolidated statement of financial position. Therefore the internal legal department of "The Group" believes that there is no need to make provision for these amounts before determining the outcome of these claims and issues.

24- Proposed dividends

On March 30, 2017 the Board of Directors of "The Parent" proposed not to distribute cash dividends for shareholders for the year ended December 31, 2016. This proposal is subject to the approval of the General Assembly of shareholders.

25- Shareholders' General Assembly

On May 18, 2016, the annual general assembly of the Shareholders held and approved the consolidated financial statements for the financial year ended December 31, 2015 and approved the Board of Directors' proposals on dividends non-distribution for the financial year ended December 31, 2015 and also not to distribute Board of Directors remuneration for the financial year ended December 31, 2015.

26- Operating segments

"The Group" primarily operates on one field of 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 focused on the communication activities

Geographic information

"The Group" operates in various geographic regions: The following table shows the distribution of the Group's revenue, assets and liabilities by region:

Revenue:	**2016**	2015
State of Kuwait	**6,174,906**	16,456,763
Outside State of Kuwait	**104,198,643**	74,016,985
	110,373,549	90,473,748

Assets and liabilities:	**2016**		2015	
Region	**Assets**	**Liabilities**	Assets	Liabilities
State of Kuwait	**15,877,747**	**932,157**	16,552,332	1,147,267
Outside State of Kuwait				
Kingdom of Saudi Arabia	**23,750,997**	**6,250,278**	29,658,556	12,129,927
Africa	**18,686,527**	-	18,686,527	-
United Arab of Emarites	**1,605,643**	**441,238**	697,420	-
Bahrain	**5,643,202**	**4,436**	10,935,160	-
	65,564,116	**7,628,109**	76,529,995	13,277,194

27- Financial instruments and risks management

A) Financial instruments:

Significant accounting policies

Details of the significant accounting policies – including the criteria for measurement and recognition of revenue and expenses – in respect of each class of financial assets and liabilities are disclosed in Note (3) to the consolidated financial statements.

Categories of financial instruments
"The Group" financial assets and liabilities are classified in the consolidated statement of financial position are as follows:

Financial assets	**2016**	2015
Accounts receivable and other debit balances	**6,113,439**	6,949,120
Due from related parties	**1,046,462**	3,174,303
Loan to a related party	**18,686,527**	18,686,527
Available for sale investments	**17,139,065**	22,169,508
Finance, joint ventures and mudaraba	**911,209**	911,209
Investments at fair value – statement of profit or loss	**42**	-
Cash and cash equivalents	**673,368**	1,968,449
	44,570,112	53,859,116

Financial liabilities	**2016**	2015
Accounts payable and other credit balances	**6,867,791**	12,528,177
Due to related parties	**133,872**	170,659
	7,001,663	12,698,836

B) Financial risks management
"The Group" uses financial instruments that are exposed to a variety of financial risks as such as credit risks, liquidity risks and market risks.

"The Group" continuously reviews its risks exposures and takes measures to limit it to acceptable level.

- **Credit risks**

Credit risks are the risks that counterparty will cause a financial loss to "The Group" by failing to discharge an obligation. Credit risks arise in the Group's normal course of business. All policies relating to credit are reviewed and approved by the Board of Directors. Credit limits are established for all customers after a careful assessment of their creditworthiness.

Risks concentration of maximum exposure to credit risks
Concentrations of credit risks arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other condition.
Credit risks can also arise due to a significant concentration of Group's assets to any single counterparty. These risks are managed by diversification of the portfolios.
"The Group" considers its maximum exposure to credit risks to be as follows:

	2016	2015
Cash and cash equivalents	**673,368**	1,968,449
Accounts receivable and other debit balances	**6,113,439**	6,949,120
	6,786,807	8,917,569

- **Liquidity risks**

Liquidity risks represent that "The Group" will be unable to meet its cash obligations. The management of liquidity risks consist of keeping sufficient cash, and arranging financing sources through enough facilities, managing highly liquid assets, and monitoring liquidity on a periodically basis by method of future cash flow.

The maturity of liabilities stated below based on the period from the consolidated financial position date to the contractual maturity date. In the case of the financial instrument that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed to settle the liability.

The maturity analysis of financial liabilities at December 31, 2016 is as follows:

	During one year	**More than one year**	**Total**
Provision for end of service indemnity	**-**	**626,446**	**626,446**
Accounts payable and other credit balances	**6,867,791**	**-**	**6,867,791**
Due to related parties	**133,872**	**-**	**133,872**
	7,001,663	**626,446**	**7,628,109**

The maturity analysis of financial liabilities at December 31, 2015 is as follows:

	During one year	More than one year	Total
Provision for end of service indemnity	-	578,358	578,358
Accounts payable and other credit balances	12,038,903	489,276	12,528,179
Due to related parties	170,659	-	170,659
	12,209,562	1,067,634	13,277,196

- **Market risks**

Market risks comprise of foreign currencies risks, interest rate risks and equity price risks, these risks arise due to changes in market prices, interest rates and foreign currency rates.

Foreign currencies risks
Foreign currency risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.
Exchange rate risks are managed within approved policy parameters.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the date of consolidated financial position are as follows:

	2016		2015	
Currency	**Assets**	**Liabilities**	Assets	Liabilities
US Dollar	**13,686,527**	-	18,686,527	-
Saudi Riyal	**23,750,997**	**6,250,278**	140,207	-
Emirates Dirham	**1,605,643**	**441,238**	-	-
Bahraini Dinar	**5,643,202**	**4,436**	-	-

Interest rate risks
Interest rate risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes on interest rates in the market.

The Group's interest rate risks arise from long-term borrowings. Borrowings issued at variable rates expose "The Group" to cash flow interest rate risks.

Sensitivity of interest rates
The sensitivity of interest rates measures the effect of the expected changes in interest rates over the financial charges for one year based on the financial liabilities kept at year end and carry interest.

Equity price risks
Equity price risks are the risks that the fair value of equities decreases as the result of changes in the levels of equity indices and the value of individual stocks. Equity price risks are resulted due to the changes in the fair value of the investments in stocks.

The effect on available for sale investments is not recorded as its an unquoted shares in an active market.

28- Capital risk management

"The Group" manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders and other beneficiaries through the optimization of the debt and equity.
The capital structure of the "The Group" consists of equity which comprises share capital, share premium, treasury shares, treasury shares reserve, cumulative changes in fair value, foreign currency translation reserve and accumulated losses.

29- Comparative figures

Certain comparative figures of the previous consolidated financial period have been reclassified to conform to the current consolidated financial year presentation.