AAN Digital Services Holding Company

K.S.C. Public
and its subsidiaries
State of Kuwait
Interim condensed consolidated
financial information
for the three months
ended March 31, 2018
(Unaudited)

AAN Digital Services Holding Company

K.S.C. Public
and its subsidiaries
State of Kuwait
Interim condensed consolidated financial information
for the three months ended March 31, 2018
(Unaudited)

Contents

	Exhibit
Review Report on the interim condensed consolidated financial Information	
Interim condensed consolidated statement of financial position (Unaudited)	A
Interim condensed consolidated statement of profit or loss (Unaudited)	B
Interim condensed consolidated statement of profit or loss and other comprehensive income (Unaudited)	C
Interim condensed consolidated statement of changes in equity (Unaudited)	D
Interim condensed consolidated statement of cash flows (Unaudited)	E
	Page
Notes to the interim condensed consolidated financial information (Unaudited)	1 – 15

Rödl
Middle East
Burgan - International Accountants
Ali Al-Hasawi & Co

The Board of Directors
AAN Digital Services Holding Company
K.S.C. Public
and its subsidiaries
State of Kuwait

Review report on the interim condensed consolidated financial information

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of AAN Digital Services Holding Company – K.S.C. Public –"the Parent Company" and its subsidiaries (together referred to as "The Group") which comprise the interim condensed consolidated statement of financial position as of March 31, 2018 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the Three month 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 Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion
The "Group" hasn't collected the loan mentioned in Note (7) as of its maturity date, the "Group" hasn't also kept a sufficient provision for doubtful debts (in accordance with IFRS 9) to cover the expected future credit loss of this loan and its accrued interest amounting to KD 1,150,043 as disclosed in Note (8) on the interim condensed consolidated financial information.

Qualified Conclusion
Based on our review, except for the effect of the matter mentioned above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information does not present fairly, in all material respects, in accordance with IAS 34.

Report on other legal and regulatory matters

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the accounting books of the "Parent Company". We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of year 2016 and its executive regulations, as amended, or law No. 7 of year 2010 in respect of the establishment of the Capital Market Authority and the organization of Securities activity, and its executive regulations or the Parent Company's memorandum and articles of association, as amended, that might have had a material effect on the business of the "Parent Company" or on its interim condensed consolidated financial position.



Abdul Husain M. AL-Rasheed
Licence No. 67 (A)
Rödl Middle East
Burgan International Accountants

May 15, 2018
State of Kuwait

Exhibit – A

AAN Digital Services Holding Company
K.S.C. Public
and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of financial position as of March 31, 2018 (Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	March 31, 2018	December 31, 2017 (audited)	March 31, 2017
Assets				
Non-current assets				
Property and equipment		**195,484**	257,346	177,171
Intangible assets	4	**13,952,511**	14,100,559	14,323,765
Investment in joint venture		**282,932**	283,798	358,354
Investment at fair value through other comprehensive income	5	**11,359,478**	-	-
Available for sale investments	6	-	11,359,478	17,139,065
Loan to a related party	7	**18,686,527**	18,686,527	18,686,527
		44,476,932	44,687,708	50,684,882
Current assets				
Inventory		**2,444,396**	2,736,832	3,432,801
Accounts receivable and other debit balances	8	**6,732,062**	6,171,753	6,679,978
Due from related parties	9	**1,092,970**	1,074,355	1,128,590
Finance, joint ventures and mudaraba		**911,209**	911,209	911,209
Investment at fair value through statement of profit or loss		**42**	42	42
Cash and cash equivalents		**1,352,267**	427,281	971,624
		12,532,946	11,321,472	13,124,244
Total assets		**57,009,878**	56,009,180	63,809,126
Equity and liabilities				
Equity				
Share capital		**87,234,161**	87,234,161	87,234,161
Share premium		**6,846,580**	6,846,580	6,846,580
Treasury shares		**(640,233)**	(640,233)	(640,233)
Treasury shares reserve		**260,411**	260,411	260,411
Cumulative changes in fair value		**(2,906,077)**	(2,906,077)	(2,906,077)
Foreign currency translation reserve		**1,233,853**	1,405,936	1,682,382
Accumulated losses		**(41,687,634)**	(41,447,021)	(34,925,700)
Total equity		**50,341,061**	50,753,757	57,551,524
Non-current liabilities				
Provision for end of service indemnity		**461,760**	474,975	650,356
Current liabilities				
Accounts payable and other credit balances		**6,012,574**	4,669,095	5,458,709
Due to related parties	9	**194,483**	111,353	148,537
		6,207,057	4,780,448	5,607,246
Total equity and liabilities		**57,009,878**	56,009,180	63,809,126

Abdel-Mohsen Sharyan
Vice Chairman

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

AAN Digital Services Holding Company

K.S.C. Public
and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of profit or loss for the three months ended March 31, 2018
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	Three months ended March 31, 2018	2017
Revenue of activity	10	**17,227,409**	9,594,599
Cost of activity		**(16,160,873)**	(8,311,462)
Gross profit of activity		**1,066,536**	1,283,137
General and administrative expenses		**(376,603)**	(768,048)
Marketing and selling expenses		**(882,252)**	(818,169)
Depreciation and amortization		**(42,444)**	(38,072)
Finance charges		**(10,638)**	(15,970)
Other income		**5,804**	-
Net loss for the period		**(239,597)**	(357,122)
Loss share/(Fils)	11	**(0.28)**	(0.41)

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

AAN Digital Services Holding Company
K.S.C. Public
and its subsidiaries
State of Kuwait

Interim condensed consolidated profit or loss and other comprehensive income for the three months ended March 31, 2018
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Three months ended March 31,	
	2018	2017
Net loss for the period	**(239,597)**	(357,122)
Other comprehensive loss		
Items that will be reclassified subsequently to the interim consolidated statement of profit or loss:		
Foreign currency translation differences	**(172,083)**	(27,361)
Other comprehensive loss for the period	**(172,083)**	(27,361)
Total comprehensive loss for the period	**(411,680)**	(384,483)

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

AAN Digital Services Holding Company
K.S.C. Public
and its subsidiaries
State of Kuwait

Interim condensed consolidated Statement of changes in equity for the three months ended March 31, 2018
(Unaudited)
"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, 2017	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,709,743	(34,568,578)	57,936,007
Net loss for the period	-	-	-	-	-	-	(357,122)	(357,122)
Other comprehensive loss for the period	-	-	-	-	-	(27,361)	-	(27,361)
Total comprehensive loss for the period	-	-	-	-	-	(27,361)	(357,122)	(384,483)
Balance as of March 31, 2017	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,682,382	(34,925,700)	57,551,524
Balance at January 1, 2018	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,405,936	(41,447,021)	50,753,757
Impact of adopting IFRS 9 at January 1, 2018 (Note - 8)	-	-	-	-	-	-	(1,016)	(1,016)
Balance at January 1, 2018 "adjusted"	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,405,936	(41,448,037)	50,752,741
Net loss for the period	-	-	-	-	-	-	(239,597)	(239,597)
Other comprehensive loss for the period	-	-	-	-	-	(172,083)	-	(172,083)
Total comprehensive loss for the period	-	-	-	-	-	(172,083)	-	(411,680)
Balance as of March 31, 2018	**87,234,161**	**6,846,580**	**(640,233)**	**260,411**	**(2,906,077)**	**1,233,853**	**(41,687,634)**	**50,341,061**

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

AAN Digital Services Holding Company
K.S.C. Public
and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of cash flows for the three months ended March 31, 2018
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Three months ended March 31	
	2018	2017
Cash flows from operating activities		
Net loss for the period	**(239,597)**	(357,122)
Adjustments:		
Depreciation and amortization	**42,444**	38,072
Provision for end of service indemnity	**4,869**	23,910
Finance charges	**10,638**	15,970
Operating loss before calculating the effect in working capital items	**(181,646)**	(279,170)
Inventory	**292,436**	2,710,031
Accounts receivable and other debit balances	**(561,325)**	(566,540)
Related parties	**64,515**	(67,463)
Accounts payable and other credit balances	**1,343,479**	(1,409,082)
Net cash generated from operations	**957,459**	387,776
End of service indemnity paid	**(18,084)**	-
Net cash generated from operating activities	**939,375**	387,776
Cash flows from investing activities		
Investment in joint venture	**-**	(89,802)
Net cash used in investing activities	**-**	(89,802)
Cash flows from financing activities		
Finance charges paid	**(10,638)**	(15,970)
Net cash used in financing activities	**(10,638)**	(15,970)
Foreign currency translation reserve	**(3,751)**	16,252
Net increase in cash and cash equivalents	**924,986**	298,256
Cash and cash equivalents at the beginning of the period	**427,281**	673,368
Cash and cash equivalents at the end of the period	**1,352,267**	971,624

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

AAN Digital Services Holding Company

K.S.C. Public
and its subsidiaries
State of Kuwait

Notes to the interim condensed consolidated financial information for the three months ended March 31, 2018
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Brief on "The Parent company"

AAN Digital Services Holding Company – K.S.C. Public – was incorporated on May 22, 1999 in accordance with the Commercial Companies' Law of year 1960 article No. 15, and its subsequent amendments. Several amendments took place on the commercial registry last one was on July 13, 2017, Where the commercial name of "the Parent company" was changed.

The objectives for which "the parent company" was incorporated are:

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

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

"The Parent company" operates its activities according to Islamic Sharia regulations.

The registered Head Office of "The Parent Company" is: Sharq-Complex /Mohamed Saleh Yousef El Bahbahani –floor (3) –Kuwait City.

The interim condensed consolidated financial information for the three months ended March 31, 2018 were authorized for issue from the Board of Directors on May 15, 2018.

2- Significant accounting policies

2/1) Basis of preparation

The interim condensed consolidated financial information of the "Group" has been prepared in accordance with IAS 34, "***Interim Financial Reporting***". Accordingly, it does not include all of the information and footnotes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements of "the Group" for the year ended December 31, 2017 except for the adoption of IFRS 9: Financial Instruments ("IFRS 9") and IFRS 15: Revenue from Contracts with Customers ("IFRS 15") from January 1, 2018. The changes in the accounting policies arising from the adoption of these standards are explained below.

In the opinion of the Group's management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the consolidated year ending December 31, 2018. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2017.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of "the Group".

2/2) Application of new International Financial Reporting Standards (IFRSs)

- **Adoption of IFRS 9: Financial Instruments**

The Group has adopted IFRS 9 issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Financial assets

The Group classifies financial assets upon initial recognition of IFRS 9 into following categories:

- Fair Value Through Profit and Loss (FVTPL)
- Fair value though other comprehensive income (FVOCI)
- Amortised cost (AC)

All financial assets are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as at fair value through profit or loss. Transaction costs on financial assets classified as at fair value through profit or loss are recognized in the interim condensed consolidated statement of profit or loss.

Fair value through profit and loss (FVTPL)
The Group's financial assets classified at fair value through profit or loss are acquired or issued principally for short-term profit through trading activities or forming part of a portfolio of jointly managed financial instruments. There is an evidence of a recent model for short-term profit.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the interim condensed consolidated statement of profit or loss. Interest income and dividends are recognised in the interim condensed consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

Fair value through other comprehensive income (FVOCI)
Debt instruments at FVOCI
The Group classifies debt instruments at FVOCI if it meets both of the following conditions:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the interim condensed consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to interim condensed consolidated statement of profit or loss.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair value including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in interim condensed consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI.

Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the interim condensed consolidated statement of changes in equity.

Amortised cost (AC)
The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognized in the interim condensed consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the interim condensed consolidated statement of profit or loss.

Financial liabilities
The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from Group's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the interim condensed consolidated statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Classification and measurement of financial assets and financial liabilities
The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account.

The SPPI test
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows met the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

The effect of the adoption of IFRS 9 with respect to the classification and measurement of investments is the reclassification of the Group's certain investments in accordance with the requirements of the Standard as disclosed in Note (5) and (6) on the condensed consolidated interim financial statements, and there is no impact on the interim condensed consolidation statement of profit or loss.

Impairment of financial assets
IFRS 9 replaces the "incurred loss" model in IAS 39 with an "Expected Credit Loss" (ECL) model. Accordingly, the Group applies the new impairment model for its financial assets. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgment required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realized and the time value of money.

The Group expects to apply the simplified approach to recognize lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorized under stage 2 and lifetime ECL is recognised.

Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

The IFRS 9 has been applied with respect to the expected credit loss of financial assets (except for the loan to a related party). The effect of applying this standard is the additional amount as impairment of KD 1,016 included in the interim condensed consolidated statement of changes in equity as disclosed in (Note – 8) on the interim condensed consolidated financial information.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a. Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.

b. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL;
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

- **Adoption of IFRS 15: Revenue from Contract from Customers**
IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after January 1, 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It established a new five-step model that will apply to revenue arising from contracts with customers as follows:

Step 1 : Identify the contract(s) with a customer
Step 2 : Identify the performance obligations in the contract
Step 3 : Determine the transaction price
Step 4 : Allocate the transaction price to the performance obligations in the contract
Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

The Group adopted IFRS 15 "Revenue from Contract from Customers" resulting in no change in the revenue recognition policy of the Group in relation to its contracts with customers. Further, adoption of IFRS 15 had no impact on this interim condensed consolidated financial information of the Group.

2/3) Critical judgments and estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated 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 applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2017.

3- Subsidiaries

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

		Ownership percentage	
	Country of incorporation	**March 31, 2018**	March 31, 2017
Qanawat Holding Company - B.S.C closed	Bahrain	**%99**	%99
On Touch for General Trading Company - W.L.L	Kuwait	**%99**	%99
Fawran Telecom Company -W.L.L	KSA.	**%10**	%10
Qanawat for General Trading and Contracting Company -W.L.L	Kuwait	**%10**	%10
Qanawat Connect Solutions Company -W.L.L	UAE.	**%10**	-

The subsidiary Qanawat Holding Company –K.S.C-closed has the subsidiaries as follows:

		Ownership percentage	
	Country of incorporation	**March 31, 2018**	March 31, 2017
Fawran Telecom Company - W.L.L	KSA.	**%90**	%90
Qanawat for General Trading and contracting company- W.L.L	Kuwait	**%90**	%90
Qanawat Connect Solutions - W.L.L	UAE.	**%90**	%90

The interim condensed consolidated financial information for all subsidiaries has been consolidated based on the financial statements prepared by the management for the three months period ended March 31, 2018, total assets of these subsidiaries included in the interim condensed consolidated statement of financial position are KD 27,896,711 (December 31, 2017: KD 18,545,610, March 31, 2017: KD 34,481,229) and their net loss included in the interim condensed consolidated statement of profit or loss is KD 164,346 (December 31, 2017: KD 5,088,536, March 31, 2017: KD 217,025) .

4- Intangible assets

This item represents Keymoney with a net book value of KD 102,114 as of March 31, 2018 (KD 80,237 as of December 31, 2017 - KD 121,617 as of March 31, 2017) and KD 13,850,397 as of March 31, 2018 (KD 14,020,322 as of December 31, 2017 - KD 14,202,148 as of March 31, 2017) resulted from the acquisition of a subsidiary - Qanawat Systems Company WLL - Kingdom of Saudi Arabia. The management annually conducts a test to determine whether there is an indication of goodwill impairment Goodwill value.

5- Investments at fair value through other comprehensive income

Investments at fair value through other comprehensive income are non-trading equity securities and in accordance with IFRS, management has made an irrevocable decision to recognize changes in their fair value through other comprehensive income as they are strategic investments. These investments have been assessed at the date of the interim condensed consolidated financial position based on an internal valuation in accordance with the valuation techniques adopted and disclosed in Note (14).

6- Available for sale investments

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

	March 31, 2018	December 31, 2017 (audited)	March 31, 2017
Balance at January 1,	**11,359,478**	17,139,065	17,139,065
Impairment loss in value	-	(5,779,587)	-
Transferred to investments at fair value through other comprehensive income	**(11,359,478)**	-	-
	-	11,359,478	17,139,065

On January 1, 2018 "the Group" adopted IFRS 9 and as a result, it reclassified available for sale investments with a carrying amount of KD 11,359,478 to investments at fair value through other comprehensive income (Note - 5).

7- 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 bearing 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 decided to resume in the future the company's business and for hedge purpose the provision for doubtful debts amounting to KD 3,500,000 was made by "the Group" during the previous year to meet any amounts uncollectible from this loan. See that there is a possibility the company's management and its external counsel for see the possibility of a good collection of the 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.

8- Accounts receivable and other debit balances

	March 31, 2018	December 31, 2017 (audited)	March 31, 2017
Trade receivables	**854,371**	852,917	804,169
Provision for doubtful debts	**(336,302)**	(335,286)	(175,559)
	518,069	517,631	628,610
Accrued income*	**1,150,043**	1,811,457	1,150,043
Accrued commissions	**3,295,453**	2,312,216	2,632,878
Letters of guarantees	**1,108,829**	621,948	1,005,635
Prepaid expenses	**356,476**	311,889	628,272
Staff receivable	**168,237**	158,078	282,429
Advance payments	**3,207**	300,588	344,108
Refundable deposits	**108,563**	112,428	2,950
Other	**23,185**	25,518	5,053
	6,732,062	6,171,753	6,679,978

At the applying IFRS 9 on 1 January 2018, "the Group" assessed its expected credit loss under IFRS 9 and recorded the additional amount of impairment of KD 1,016 in accounts receivable balance and this amount has been settled in the opening balance of accumulated losses.

* The item of accrued income includes the amount of KD 1,150,043 due on the loan mentioned in note 7 which was calculated in previous years.

9- Transactions with related parties

Related parties comprise of associates, major shareholders, directors and key management personnel of the Group's entities controlled, jointly controlled or significantly controlled by such parties. The Group's management decides on terms and conditions of these transactions. The amounts and balances due from/to related parties are interests free and have no fixed maturity.

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

Interim condensed consolidated Statement of financial position	**March 31, 2018**	December 31, 2017 (audited)	March 31, 2017
Finance, joint ventures and mudaraba	**911,209**	911,209	911,209
Due from related parties	**1,092,970**	1,074,355	1,128,590
Due to related parties	**194,483**	111,353	148,537
Investment in joint venture	**-**	-	358,354
Loan to a related party	**18,686,527**	18,686,527	18,686,527

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

10- Revenue of activity

The increase in revenues during the current financial period was resulted from the improvement of the terms of the points system adopted by the main operator of the subsidiaries in the Kingdom of Saudi Arabia and consequently the entry of these subsidiaries in this system and the increase in sales in the first quarter on March 31, 2018.

AAN Digital Services Holding Company
K.S.C. Public
and its subsidiaries
State of Kuwait

Notes to the interim condensed consolidated financial information for the three months ended March 31, 2018
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

11- Loss per share/(Fils)

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

	Three months ended March 31	
	2018	2017
Net loss for the period	**(239,597)**	(357,122)
Weighted average number of shares outstanding during the period	**872,341,610**	872,341,610
Weighted average of the treasury shares	**(7,319,654)**	(7,319,654)
Weighted average number of shares, less treasury shares	**865,021,956**	865,021,956
Loss per share/(fils)	**(0.28)**	(0.41)

12- Shareholders' General Assembly

The Annual General Assembly of the Shareholders of "the Parent company" for the financial year ended December 31, 2017 was not held yet. The consolidated financial statements for the year ended December 31, 2017 have not been approved yet. The interim consolidated financial information for the three months ended March 31, 2018 does not include any amendments that may be required if the Annual General Assembly of Shareholders does not approve the consolidated financial statements for the year ended December 31, 2017.

13- Segment information

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

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

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

AAN Digital Services Holding Company
K.S.C. Public
and its subsidiaries
State of Kuwait

Notes to the interim condensed consolidated financial information for the three months ended March 31, 2018
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

	Three months ended March 31, 2018		Three months ended March 31, 2017	
Region	**Revenues**	**Non-current assets**	Revenues	Non-current assets
State of Kuwait	**1,996,785**	**30,018,138**	1,121,976	34,575,009
Outside Kuwait				
Kingdom of Saudi Arabia	**14,789,033**	**14,289,309**	6,666,011	14,823,172
UAE	**441,591**	**19,485**	1,806,612	27,803
Bahrain	**-**	**150,000**	-	1,258,898
	17,227,409	**44,476,932**	9,594,599	50,684,882

14- Financial instruments

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

Financial assets	**March 31, 2018**	March 31, 2017
Investments at fair value through other comprehensive income	**11,359,478**	-
Available for sale investments	**-**	17,139,065
Investment in joint venture	**282,932**	358,354
Accounts receivable and other debit balances	**6,732,062**	6,679,978
Due from related parties	**1,092,970**	1,128,590
Loan to a related party	**18,686,527**	18,686,527
Financing, joint ventures and mudaraba	**911,209**	911,209
Cash and cash equivalents	**1,352,267**	971,624
	40,417,445	45,875,347

Financial liabilities	**March 31, 2018**	March 31, 2017
Accounts payable and other credit balances	**6,012,574**	5,458,709
Due to related parties	**194,483**	148,537
	6,207,057	5,607,246

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

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

The following table presents financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy group's financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant inputs to the fair value measurement.

March 31, 2018:	**Level 1**	**Level 3**	**Total**
Assets:			
Investment at fair value through other comprehensive income			
Unquoted securities	-	-	**11,359,478**
Total	-	-	**11,359,478**

March 31, 2017:	Level 1	Level 3	Total
Assets:			
Available for sale investments			
Unquoted securities	-	-	17,139,065
Total	-	-	17,139,065

During the period there was no transfer between the levels.

15- Lawsuits

"The Group" has some potential lawsuits represented in cases pending at various levels judicial with other parties and according to the legal department of the Group , the potential results of these lawsuits could not be determined until the date of interim condensed consolidated statement of financial position as of March 31, 2018. Therefore "the Group's" management believes that there is no need to make a provision for these amounts until determining the outcome of these claims and issues.