AAN Digital Services Holding Company

K.S.C. Public
and its subsidiaries
Kuwait
The consolidated financial statements
for the financial year ended December 31, 2018
with
Independent auditor's report

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Contents

	Exhibit
Independent auditor's report	
Consolidated statement of financial position	A
Consolidated statement of profit or loss	B
Consolidated statement of profit or loss and other comprehensive income	C
Consolidated statement of changes in equity	D
Consolidated statement of cash flows	E
	Page
Notes to the consolidated financial statements	1 – 32

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

Independent auditor's report

The Shareholders
AAN Digital Services 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 AAN Digital Services 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 of December 31, 2018 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, 2018, and its financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's 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 qualified in our report, we draw attention to Note (5) to the consolidated financial statements regarding the financial statements of the subsidiaries.

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 14,092,341(2017: KD 14,020,322) 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 (3/7) to the consolidated financial statements.

As part of our audit procedures, we have, among other procedures, regarding the estimate of impairment of Goodwill, to review the assumptions and judgments on which the Group has based its assessment of impairment. And to review the reasonableness of such assumptions, including cash flow projections. Current performance was compared to management expectations. In addition, the adequacy of the Group's disclosures included in the consolidated financial statements has been reviewed on the management's estimates and available indicators on impairment assessment of Goodwill.

B- Accounts receivables and other debts balances

Accounts receivables are considered to be a key audit matter for the Group As a result of the fundamental judgments relevant to calculating expected credit losses, the evaluation of expected credit losses is a fundamental matter. Our focus is to determine the amounts recovered from some trade receivables, as the determination of those amounts may include important estimations based on several assumptions. The accounting policies related to trade receivables and the impairment in their value are mentioned in note (3/10) to the financial statements.

As a part of audit procedures, we examined among other procedures adequate samples from accounts receivables balances also we carried out the other following procedures:

- Our audit focused on the revision of credit and collection policies of the group and inquiring whether there is a change from previous years.
- We reviewed the aging of receivables.
- We reviewed the expected credit losses models used by the management to determine impairment.
- We tested both current and historical input data utilized, and reviewed the assumptions used to calculate expected credit losses.

Other information

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

Auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Assessment of the overall presentation, structure and contents of the consolidated financial statements, including disclosures, and whether the consolidated financial statements reflect the relevant 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.

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 its executive regulations, as amended, law no. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its executive regulations and "The Parent" company's memorandum and articles of association, as amended, According to the information available to us, there were no violations have occurred during the financial year ended December 31, 2018 of either the Companies' Law no. 1 of year 2016 and its executive regulations, as amended , law no. 7 of 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its executive regulations or of "The Parent" company's memorandum and articles of association, as amended, that might have had a material effect on "The Parent" company's business or its consolidated financial position.



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Rödl Middle East
Burgan International Accountants

March 28, 2019
State of Kuwait

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

Consolidated statement of financial position as of December 31, 2018
"All amounts are in Kuwaiti Dinar"

	Note	2018	2017 (Adjusted)
Assets			
Non-current assets			
Property and equipment	6	**223,487**	301,899
Intangible assets	7	**14,098,467**	14,100,459
Investment in joint venture	8	**53,158**	9,671
Investments at fair value through other comprehensive income	9	**11,209,478**	–
Available for sale investments	10	–	11,359,478
Loan to a related party	11	–	18,686,527
		25,584,590	44,458,034
Current assets			
Inventory		**2,044,318**	2,809,781
Accounts receivable and other debit balances	12	**5,622,742**	6,554,084
Due from related parties	13	**368,916**	1,111,947
Finance, joint ventures and mudaraba	14	**911,209**	911,209
Investment at fair value though statement of profit or loss	15	**42**	42
Cash and cash equivalents		**587,353**	426,160
		9,534,580	11,813,223
Total assets		**35,119,170**	56,271,257
Equity and liabilities			
Equity			
Share capital	16	**87,234,161**	87,234,161
Share premium		**6,846,580**	6,846,580
Treasury shares	17	**(640,233)**	(640,233)
Treasury shares reserve		**260,411**	260,411
Cumulative changes in fair value		**(3,056,077)**	(2,906,077)
Foreign currency translation reserve		**753,115**	1,410,076
Accumulated losses		**(62,533,038)**	(42,002,424)
Total equity		**28,864,919**	50,202,494
Non-current liabilities			
Provision for end of service indemnity		**477,393**	474,647
Current liabilities			
Accounts payable and other credit balances	19	**5,564,865**	5,440,466
Due to related parties	13	**211,993**	153,650
		5,776,858	5,594,116
Total equity and liabilities		**35,119,170**	56,271,257

Abdel-Mohsen Sharyan
Chairman

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

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

Consolidated statement of profit or loss for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar"

	Note	2018	2017 (Adjusted)
Revenue of activity	20	**73,618,631**	47,482,952
Cost of activity		**(68,983,190)**	(42,912,039)
Gross profit of activity		**4,635,441**	4,570,913
Other income		**115,143**	–
Group's share result of investment in joint venture		**(18,878)**	(13,288)
Impairment loss on available for sale investments		–	(5,779,587)
General and administrative expenses	21	**(1,642,556)**	(2,087,996)
Marketing and selling expenses	22	**(3,549,463)**	(3,963,125)
Depreciation and amortization		**(175,798)**	(149,825)
Finance charges		**(84,269)**	(10,938)
Net loss for the year		**(720,380)**	(7,433,846)
Loss per share/(Fils)	23	**(0.83)**	(8.59)

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

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

Consolidated statement of profit or loss and other comprehensive income for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar"

	2018	2017 (Adjusted)
Net loss for the year	**(720,380)**	(7,433,846)
Other comprehensive loss for the year:		
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:		
Change in fair value for investments at fair value through other comprehensive income	**(150,000)**	-
Items that may be reclassified subsequently to the consolidated statement of profit or loss:		
Exchange differences on translating foreign currency	**104,816**	(299,667)
Total other comprehensive loss for the year	**(45,184)**	(299,667)
Total comprehensive loss for the year	**(765,564)**	(7,733,513)

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

Exhibit – E

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

Consolidated statement of cash flows for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar"

	2018	2017 (Adjusted)
Cash flows from operating activities		
Net loss for the year	**(720,380)**	(7,433,846)
Adjustments:		
Depreciation and amortization	**175,798**	149,825
Gain from sale property and equipment and intangible assets	**(224,667)**	–
Disposal of property and equipment at cost	**–**	34,544
Disposal of intangible assets at cost	**–**	7,722
Loss from investment in joint venture	**18,878**	13,288
Impairment loss on available for sale investments	**–**	5,779,587
Provision for expected credit loss	**35,000**	209,267
Provision for doubtful debts	**30,000**	–
Provision for end of service indemnity	**180,632**	210,973
Finance charges	**84,269**	10,938
Adjusted loss before calculating the effect of changes in working capital items	**(420,470)**	(1,017,702)
Inventory	**735,463**	3,591,863
Accounts receivable and other debit balances	**(253,701)**	(640,792)
Related parties	**65,933**	(45,705)
Accounts payable and other credit balances	**124,399**	(1,427,325)
Cash generated from operations	**251,624**	460,339
End of service indemnity paid	**(177,886)**	(362,772)
Net cash generated from operating activities	**73,738**	97,567
Cash flows from investing activities		
Property and equipment	**(68,045)**	(141,115)
Intangible assets	**(4,685)**	(3,463)
Proceed from sale of property and equipment and intangible assets	**200,000**	–
Investment in joint venture	**(62,963)**	(79,851)
Net cash generated from/(used in) investing activities	**64,307**	(224,429)
Cash flows from financing activities		
Finance charges paid	**(84,269)**	(10,938)
Net cash used in financing activities	**(84,269)**	(10,938)
Foreign currency translation reserve	**107,417**	(109,408)
Net increase/(decrease) in cash and cash equivalents	**161,193**	(247,208)
Cash and cash equivalents at beginning of the year	**426,160**	673,368
Cash and cash equivalents at end of the year	**587,353**	426,160

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

Exhibit – D

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

Consolidated statement of changes in equity for the financial year ended December 31, 2018
"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 as of 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 year (adjusted) (Note-29)	–	–	–	–	–	–	(7,433,846)	(7,433,846)
Other comprehensive loss for the year	–	–	–	–	–	(299,667)	–	(299,667)
Total comprehensive loss for the year (adjusted)	–	–	–	–	–	(299,667)	(7,433,846)	(7,733,513)
Balance as of December 31, 2017 (adjusted)	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,410,076	(42,002,424)	50,202,494
Balance as of January 1, 2018 (adjusted)	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,410,076	(42,002,424)	50,202,494
Transition adjustment on adoption of IFRS 9 on January 1, 2018 (Notes 11&12 &13)	–	–	–	–	–	(761,777)	(19,810,234)	(20,572,011)
Balance as of January 1, 2018 (adjusted)	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	648,299	(61,812,658)	29,630,483
Net loss for the year	–	–	–	–	–	–	(720,380)	(720,380)
Other comprehensive loss for the year	–	–	–	–	(150,000)	104,816	–	(45,184)
Total comprehensive loss for the year	–	–	–	–	(150,000)	104,816	(720,380)	(765,564)
Balance as of December 31, 2018	**87,234,161**	**6,846,580**	**(640,233)**	**260,411**	**(3,056,077)**	**753,115**	**(62,533,038)**	**28,864,919**

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

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

Notes to the consolidated financial statements for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Brief on "the Parent Company"

AAN Digital Services Holding Company (Previously: Hits Telecom 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" changed. "The Parent company's" shares are listed on Kuwaiti Stock Exchange Market.

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 which related to communication segment only.
- Lending companies in which it holds shares and guaranteeing them to others, providing that the holding parent company 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 available for the parent company 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 Company" is: Sharq-Complex /Mohamed Saleh Yousef El Bahbahani –floor (3) –Kuwait City.

The consolidated financial statements for the financial year ended December 31, 2018 were authorized for issue from the Board of Directors on March 28, 2019.

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) Newly effective standard and amendments and improvements to standards

The Group adopted IFRS 15 and IFRS 9 with effect from January 1, 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- **IFRS 15 Revenue from Contracts with Customers**
  IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

  IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. January 1, 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

  There is no impact of adopting IFRS 15 on consolidated statement of profit or loss and other comprehensive income or consolidated statement of financial position.

- **IFRS 9 "Financial instruments"**
  IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  (There is impact of transition to IFRS 9 on the opening balance of reserves and accumulated losses) as mentioned.

A) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

(i) Classification and measurement of financial assets and financial liabilities

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018.

Kuwaiti Dinar	IAS 39 carrying amounts December 31, 2017	Reclassification	IFRS 9 carrying amounts January 1, 2018
Financial assets			
Investments at fair value through profit or loss	42	-	42
Investments at fair value through other comprehensive income	-	11,359,478	11,359,478
Available for sale investments	11,359,478	(11,359,478)	-
Amortised cost			
Loan for related party	18,686,527	-	-
Accounts receivable and other debit balances	6,554,084	-	5,404,041
Due from related parties	1,111,947	-	1,111,947
	911,209	-	911,209
Cash and cash equivalents	426,160	-	426,160
Total financial assets	**39,049,447**	-	**19,212,877**

The following table reconciles the carrying amounts of financial liabilities under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018.

Kuwaiti Dinar	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities				
Accounts payable and other credit balances	Other financial liabilities	Other financial liabilities	5,440,466	5,440,466
Due to related parties	Other financial liabilities	Other financial liabilities	153,650	153,650
Total financial liabilities			**5,594,116**	**5,594,116**

B) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Impact of the new impairment model

For accounts receivables and other debt balances in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Group has concluded that the application of impairment requirements in accordance with IFRS 9 is as of 1 January 2018 resulted in the recording of KD 35,000 on the consolidated statement of profit or loss for the decrease in credit losses in respect of accounts receivables and other debt balances for the current financial year and recorded an additional amount of KD 20,572,011 on the accumulated losses in the consolidated statement of changes in equity for the previous years includes an amount of KD 18,686,527 relating to the loan to a related party, as well as a credit amount of KD 761,777 relating to the foreign currency translation reserve relating to the loan to a related party (Note-11) and KD 1,150,043 relating to interests on loan to a related loan (Note-12) and KD 735,441 relating to due from related parties (Note-13) due from related parties in accordance with IFRS 9.

The effect of IFRS 9 on the classification and measurement of investments is the reclassification of the Group's investments in accordance with the requirements of the Standard as described in Note (9&10) on the consolidated financial statements.

C) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the cumulative effect method. The Group has taken an exemption not to restate comparative information of prior periods.

Differences in the carrying amounts of the financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as of January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but those of IAS 39.

The assessment has been made on the basis of the facts and circumstances that existed at the date of initial application. In applying IFRS 9 on 1 January 2018, the Group has assessed its expected credit losses under IFRS 9 as described above in "impact of the new impairment model".

- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

2/2) New and amended standards not yet effective, but available for early adoption

The below new and amended International Financial Reporting Standards ("IFRS" or "standards") that are available for early adoption for financial years ending 31 December 2018 are not effective until a later period, They have not been applied in preparing these consolidated financial statements.

A) Adoption expected to impact the Group financial statements (subsequently) :

- **IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of

certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after January 1, 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group is in the process of assessing the impact of IFRS 16 to its consolidated financial statements.

B) Adoption not expected to impact the Group financial statements:

Effective date	Description
January 1, 2019	• IFRIC Interpretation 23 Uncertainty over Income Tax Treatment • Amendments to IFRS 9: Prepayment Features with Negative Compensation • Amendments to IAS 19: Plan Amendment, Curtailment or Settlement • Amendments to IAS 28: Long-term interests in associates and joint ventures • Annual Improvements 2015-2017 Cycle (issued in December 2017) – Amendments to IFRS 3 Business Combinations – Amendments to IFRS 11 Joint Arrangements – Amendments to IAS 12 Income Taxes – Amendments to IAS 23 Borrowing Costs
January 1, 2021	• IFRS 17 Insurance Contracts
Effective date to be determined	• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3- Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

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 subsequent amendments.

- The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements of "the Group" for the financial year ended December 31, 2017 except for the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers from January 1, 2018. The changes in the accounting policies arising from the adoption of these standards are explained below.
- These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as (Investments at fair value through other comprehensive income). These financial statements have been presented in Kuwaiti Dinars.
- The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note (4).

3/2) Basis of financial statements consolidation

The consolidated financial statements include the financial statements of AAN Digital Services Holding Company (Previously: 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.

3/3) Financial liabilities / equity

Financial liabilities "other than at fair value through consolidated profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

3/4) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of Group of similar financial assets) is derecognised when:
- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either
  (a) The Group has transferred substantially all the risks and rewards of the asset.
  (b) The Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

Classification of financial assets
For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria.

as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Subsequent measurement of financial assets

- **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Equity investments at FVTOCI
On initial recognition, the Group may make an irrevocable election (on an instrument- by- instrument basis) to designate investments in equity instruments as of FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short- term profit- taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

- **Financial assets at FVTPL**

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). The category also contains investments in equity shares.
Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise of the following:

- Investment in bonds
- Investment in equity shares

Impairment of financial assets
All financial assets except for those at FVTPL and Equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired.

3/5) Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquired (if any), the excess is recognised immediately in consolidated statement of profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-Transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.
When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognised in consolidated statements of profit or loss and other comprehensive income are reclassified to consolidated profit or loss where such treatment would be appropriate if that interest were disposed off.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognised in consolidated statements of profit or loss and other comprehensive income are reclassified to consolidated profit or loss where such treatment would be appropriate if that interest were disposed off.

3/6) Property and equipment

Property and equipment are stated at the historical cost less accumulated depreciation. The realizable value of property and equipment are reviewed at each financial position date to determine whether the book value exceeds the realizable value in which case the book value is written down to the realizable value. If the useful lives are different from estimated lives of those assets, then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactive periods.
The profits or losses of selling the property and equipment recognized in the statement of profit or loss and other comprehensive income at the difference between the selling of value and the net book value.

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

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

Properties in the course of construction for production or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these properties, on the same basis as other property and equipment, commences when the properties are ready for their intended use.

3/7) 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.

3/8) 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.

3/9) 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.

3/10) Accounts receivable

Accounts receivable are stated at their nominal value, less the expected credit loss. The Company always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL.

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 profit or loss 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 profit or loss when there is an indication that the impairment losses, recognized for the asset no longer exist or has decreased.

3/12) 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.

3/13) Cash and cash equivalents

Cash on hand and time deposits with banks whose original maturities do not exceed three months, net of bank overdrafts are classified as cash and cash equivalents in the consolidated statement of cash flows.

3/14) Payables and liabilities

Payables and liabilities are stated at their nominal value. Liabilities are recognized for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

3/15) 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.

3/16) 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.

3/17) Equity and reserves

Share capital represents the nominal value of shares that have been issued and paid up.

The issuance of share premium includes any premium received from the capital issuance, and any other expenses related to this issuance of shares deducted from the share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the parent's articles of association.
Change in fair value reserve – which comprise of profits and losses related to financial assets through other comprehensive income.

Retained earnings include all current and prior period profits and losses. All transactions with owners of the parent company are recorded separately within equity.

3/18) 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.

3/19) 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.

3/20) Revenue recognition

- Revenue is recognized either at a certain time or over time when the Group meets performance obligations by transferring goods or services to its customers. the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognized either at a certain time or over time when the Group meets performance obligations by transferring goods or services to its customers .The Group recognizes contract obligation for amounts received in respect of unsatisfactory performance obligations and provides these, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group fulfills a performance obligation before it receives the consideration, the Group recognizes either the origin of the contract or receivable, if any, in its consolidated statement of financial position, depending on whether there is anything other than the time required before the amounts are due.

- Revenue from service fees is recognized according to actual usage. Contributions are calculated on a time proportionate basis. Other revenue, which mainly includes the sale of mobile phone equipment, Sim Cards and other communications products, is accounted for in the year in which such sales are made when the goods are delivered.
- 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.

3/21) 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.

3/22) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial position only when there is a legally enforceable right to set off the recognized amounts and the management intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

3/23) 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.

3/24) Foreign currencies

The functional currency of any company of the Group is the currency of the principal economic environment in which it operates. For the Parent Company, the main currency is the Kuwaiti Dinar. For subsidiaries, the underlying currency is generally the national currency of the country in which it operates or the foreign currency used. Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into Kuwaiti Dinars using the exchange rates prevailing at that date. The resulting gain or loss is recognized in the consolidated statement of profit or loss.

Foreign currency translation differences for non-monetary items such as equity classified as available for sale financial assets are included in the fair value reserve for investments under equity.

The consolidated statements of profit or loss and consolidated cash flows of foreign operations are translated into the parent company's reporting currency at the average exchange rate for the year and the financial statements of those companies are translated at the year-end exchange rate.

Foreign exchange differences arising from the translation of net investment in foreign companies (including goodwill, long-term receivables, loans and fair value adjustments arising from the business combination) are recognized in profit or loss and other comprehensive income. On the sale of a foreign company, differences arising from currency translation are recognized in profit or loss in the consolidated statement of profit or loss.

3/25) National Labor Support Tax (NLST)

NLST is calculated in accordance with La w No. 19 of 2000 and the Minister of Finance Resolutions No.24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

3/26) Kuwait Foundation for the Advancement of Science

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

3/27) Zakat

Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.
Based on the regulations issued with respect to national labors support tax and zakat, no losses are carried forward to future periods or charging them to previous years.

3/28) Contingent liabilities and assets

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.

3/29) Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.
A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.
A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

4- Significant management judgments and estimation uncertainty.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from these estimates. It also requires management to exercise its judgment in the process of applying the Group accounting policies. Judgments and estimates that are significant to the consolidated financial statements are shown below:

Judgments

Contingent liabilities / liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Key *sources* of estimation uncertainty

Impairment of tangible and intangible assets and useful lives

The Group's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in Note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives and related depreciation and amortization charge. The depreciation and amortization charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units are determined based on value-in-use calculations or at fair value less costs to sell. The fair value less cost to sell is based on recent/ intended market transactions and the related EBITDA multiples used in such transactions. These calculations require the use of estimates.

5- The subsidiaries

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

	Country of incorporation	Shareholding percentage	
		2018	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**	%10

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

	Country of incorporation	Shareholding percentage	
		2018	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 financial statements for the above subsidiaries have been consolidated based on financial statements prepared by the management as of December 31, 2018, the total assets of these subsidiaries included in the consolidated statement of financial position amounted to KD 18,068,962 (2017: KD 18,545,610) and their net loss included in the consolidated statement of profit or loss amounted to KD 438,740 (2017: KD 5,088,536).

6- Property and equipment

	Improvements on buildings	Furniture and fixtures	Office equipment and computers	Machines and equipment	Motor vehicles	Total
Cost						
Balance at January1, 2018	661,375	275,094	666,949	468,414	143,178	2,215,010
Additions	33,822	1,967	4,140	6,476	21,640	68,045
Disposals	–	(78,571)	(15,269)	–	–	(93,840)
Foregin currency translation	3,193	1,067	22,515	3,200	1,438	31,413
Balance at December 31, 2018	698,390	199,557	678,335	478,090	166,256	2,220,628
Accumulated depreciation						
Balance at January 1, 2018	648,382	196,533	596,081	343,441	128,674	1,913,111
Charged for the year	8,971	35,621	16,031	57,181	10,366	128,170
Disposals	–	(64,369)	(9,181)	–	–	(73,550)
Foregin currency translation	1,810	1,679	21,993	2,890	1,038	29,410
Balance at December 31, 2018	659,163	169,464	624,924	403,512	140,078	1,997,141
Net book value						
At December 31, 2018	**39,227**	**30,093**	**53,411**	**74,578**	**26,178**	**223,487**
At December 31, 2017 (adjusted)	12,993	78,561	70,868	124,973	14,504	301,899

Notes to the consolidated financial statements for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar unless stated otherwise"

7- Intangible assets

	Key money	Goodwill*	Total
Cost			
Balance at January 1, 2018	204,172	14,020,322	14,224,494
Additions	4,685	–	4,685
Disposals	(168,530)	–	(168,530)
Foregin currency translation	1,831	72,019	73,850
Balance at December 31, 2018	42,158	14,092,341	14,134,499
Accumulted amortization			
Balance at January 1, 2018	124,035	–	124,035
Charged for the year	47,628	–	47,628
Disposals	(137,162)	–	(137,162)
Foregin currency translation	1,531	–	1,531
Balance at December 31, 2018	36,032	–	36,032
Net book value			
At December 31, 2018	**6,126**	**14,092,341**	**14,098,467**
At December 31, 2017 (adjusted)	80,137	14,020,322	14,100,459

* This item represents a Goodwill amounting to KD 14,092,341 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, 2018.

8- Investment in joint venture

	2018	2017 (adjusted)
Balance at January 1,	**9,671**	268,552
Additions	**62,963**	263,208
Project losses	**(18,878)**	(13,288)
Adjustments of assets reclassified	-	(507,985)
Foregin currency translation	**(598)**	(816)
Balance at December 31	**53,158**	9,671

9- Investments at fair value through statement of other comprehensive income

Investments at fair value through other comprehensive income are held for trading and are not held for trading. In accordance with IFRS, management has made an irrevocable decision to recognize changes in fair value through other comprehensive income as strategic investments.

Investments at fair value through other comprehensive income are valued in accordance with the valuation techniques as disclosed in (Note-29).

10- Available for sale investments

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

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

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 statement of other comprehensive income (Note - 9).

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 by 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 AAN Digital Services Holding Company.

Due to the discontinuity of Hits Africa Company's business (Ltd)- Cayman Islands (Previously: an associate company) putting it under liquidation, till it is known whether it will be liquidated for good 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.

On adoption of IFRS 9 on January 1, 2018 the Group estimated its ECL under IFRS 9 and recognized the full amount of the loan to a related party KD 18,686,527, and the credit balance of the foreign currency translation reserve relating to the loan with an amount of KD 761,777. These amounts have been adjusted in the opening balance of accumulated losses.

12- Accounts receivable and other debit balances

	2018	2017 (adjusted)
Trade receivables	**1,189,676**	1,337,747
Provision for doubtful debts	**(419,826)**	(384,826)
	769,850	952,921
Accrued commissions	**-**	2,277,828
Accrued income*	**2,249,571**	1,223,845
Retention for letters of guarantee	**1,521,531**	620,467
Advance payments	**397,317**	653,364
Prepaid expenses	**379,747**	310,299
Staff receivables	**200,671**	182,191
Refundable deposits	**98,123**	112,428
Advance payment to purchase investments	**-**	79,851
Other	**5,932**	140,890
	5,622,742	6,554,084

On adoption of IFRS 9 on January 1, 2018 the Group estimated its ECL under IFRS 9 and recognized KD 35,000 for the year ended December 31, 2018 it also recognized the additional amount of the impairment of the interest payable on the loan to a related party which was calculated in previous years at KD 1,150,043 and these amounts have been adjusted in the opening balance of accumulated losses (Note-11).

As on December 31, the receivables and other debit balances ageing were as follows:

2018

During 30 days	**30-60 days**	**60-90 days**	**90-120 days**	**120 days <**	**Total**
832,773	**237,935**	**107,071**	**11,897**	**-**	**1,189,676**

2017

During 30 days	30-60 days	60-90 days	90-120 days	120 days <	Total
936,423	267,549	120,397	11,071	2,307	1,337,747

For risk profiling purpose, the Group has segregated its receivables and other debit balances portfolio into two subgroups namely, 'receivables from corporates and 'receivables from individuals' based on the historical credit loss and recovery patterns from the customers.

The following table shows the movement in lifetime ECL that has been recognised for receivables and other debit balances in accordance with the simplified approach set out in IFRS 9.

	2018		
	Receivables from corporates	**Receivables from individuals**	**Total**
Balance at beginning of the year	**307,861**	**76,965**	**384,826**
ECL charge for the year	**35,000**	**-**	**35,000**
Balance at the end of the year	**342,861**	**76,965**	**419,826**

	2017		
	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	166,781	8,778	175,559
Charge for the year	209,267	-	209,267
Balance at the end of the year	376,048	8,778	384,826

The maximum exposure to credit risk at the consolidated statement of financial position date is disclosed in (Note-28) to these consolidated financial statements. The other classes within receivables and other receivables are neither past due nor impaired.

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 influenced by such parties. "The Group's management" decides on pricing 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	**2018**	2017
Finance, joint ventures and mudaraba – (Note – 14)	**911,209**	911,209
Due from related parties	**368,916**	1,111,947
Due to related parties	**211,993**	153,650
Loan to a related party (Note – 11)	**–**	18,686,527

Consolidated statement of profit or loss

The consolidated statement of profit or loss does not include transactions with related parties.

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

On adoption of IFRS 9 on January 1, 2018 the Group estimated its ECL under IFRS 9 and recognized KD 735,441 for the year ended December 31, 2018 and recognized an amount of KWD 735,441 to Hits Africa Company (Ltd)- Cayman Island (Previously: an associate company) and this amount was adjusted in the opening balance of accumulated losses.

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, 2018.

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

	2018	2017
Balance at January 1	**42**	42

The fair value for the quoted investment was valued based on last bid price as of December 31, 2018.

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**	
	2018	2017	**2018**	2017
Shares 100 Fils for each (all shares are in cash)	**872,341,610**	872,341,610	**872,341,610**	872,341,610

17- Treasury shares

	2018	2017
Shares number	**7,319,654**	7,319,654
Contribution Ratio (%)	**%0.839**	%0.839
Market value	**128,094**	210,074
Cost value	**640,233**	640,233

The Parent Company is required to maintain its reserves and share premium to the cost of treasury shares purchased and not to be distributable throughout the period of its acquisition by the Parent Company in accordance with the instructions of the relevant regulatory authorities.

18- 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.

19- Accounts payable and other credit balances

	2018	2017
Trade payables	**3,656,309**	4,095,894
Accrued expenses	**905,199**	673,756
Other	**1,003,357**	670,816
	5,564,865	5,440,466

20- 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 subsidiary in the Kingdom of Saudi Arabia and consequently the entry of this subsidiary in this system and the increase of their sales.

21- General and administrative expenses

	2018	2017 (adjusted)
Staff costs	**904,238**	984,814
Rent	**86,122**	152,431
Professional fees	**57,107**	201,522
Insurance	**65,898**	163,531
Charges and subscriptions fees	**84,254**	118,718
Traveling	**4,220**	80,012
Banking expenses	**45,702**	27,227
Other	**395,015**	359,741
	1,642,556	2,087,996

22- Marketing and selling expenses

	2018	2017 (adjusted)
Staff costs	**2,547,993**	2,432,553
Rent	**616,014**	644,039
Bad debits	**35,000**	214,470
Advertising & promotion	**8,970**	182,499
Cleaning	**192,102**	153,801
Insurance	**40,013**	80,721
Consultant fess	**-**	49,081
Traveling	**18,885**	40,605
Printing and stationery	**2,266**	14,759
Other	**88,220**	150,597
	3,549,463	3,963,125

23- Loss per share/(Fils)

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

	2018	2017 (adjusted)
Net loss for the year	**(720,380)**	(7,433,846)
Weighted average for the outstanding shares during the year	**872,341,610**	872,341,610
Weighted average number of treasury shares	**(7,319,654)**	(7,319,654)
Weighted average number of shares, less weighted average of treasury shares	**865,021,956**	865,021,956
Loss per share/(Fils)	**(0.83)**	(8.59)

24- Contingent liabilities

At the consolidated financial position date, "The Group" had a contingent liabilities represented in guarantees with an amount of KD 1,521,531 (2017: KD 1,856,545).

25- 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.

26- Proposed dividends

On March 28, 2019 the Board of Directors of "The Parent" proposed not to distribute cash dividends for shareholders for the year ended December 31, 2018. This proposal is subject to the approval of the General Assembly of shareholders.

27- Shareholders' General Assembly

The Annual General Assembly of the Shareholders were held on June 11, 2018. It approved the consolidated financial statements for the financial year ended December 31, 2017, and approved the board of directors' proposal not to distribute dividends for the financial year ended December 31,2017 neither to distribute board of directors remuneration for the financial year then ended.

28- 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:	**2018**	2017 (adjusted)
State of Kuwait	**9,033,136**	5,615,666
Outside State of Kuwait	**64,585,495**	41,867,286
	73,618,631	47,482,952

Assets and liabilities:	**2018**		2017 (adjusted)	
Region	**Assets**	**Liabilities**	Assets	Liabilities
State of Kuwait	**14,212,052**	**1,433,531**	13,374,885	648,941
Outside State of Kuwait				
Kingdom of Saudi Arabia	**20,021,739**	**4,656,197**	21,250,842	5,125,404
Africa	**-**	**-**	20,572,011	-
United Arab of Emirates	**881,050**	**161,571**	919,055	290,163
Bahrain	**4,329**	**2,952**	154,464	4,255
	35,119,170	**6,254,251**	56,271,257	6,068,763

29- 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	**2018**	2017 (adjusted)
Investment in joint venture	**53,158**	9,671
Investments at fair value through other comprehensive income	**11,209,478**	–
Available for sale investments	**–**	11,359,478
Loan to a related party	**–**	18,686,527
Accounts receivable and other debit balances	**5,622,742**	6,554,084
Due from related parties	**368,916**	1,111,947
Finance, joint ventures and mudaraba	**911,209**	911,209
Investments at fair value though statement of profit or loss	**42**	42
Cash and cash equivalents	**587,353**	426,160
	18,752,898	39,059,118

Financial liabilities	**2018**	2017 (adjusted)
Accounts payable and other credit balances	**5,564,865**	5,440,466
Due to related parties	**211,993**	153,650
	5,776,858	5,594,116

Fair value of the financial instruments
The fair value of the financial instruments 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 an active market 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 discounted cash flows using prices from observable current market transactions and dealer quotes for similar instrument.

The fair value of the financial instruments carried at amortized cost is not significantly different from their carrying value.

The following table presents financial assets and financial liabilities measured at fair value in the 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.

December 31, 2018:	**Level 3**
Investments at fair value through statement of other comprehensive income	
Financial investments un-quoted shares	**11,209,478**

December 31, 2017:	Level 3
Available for sale investments	
Financial investments un-quoted shares	11,359,478

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 risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets that primarily expose the Group to credit risk are mainly cash and cash equivalents, Finance, joint ventures and mudaraba, accounts receivables and other debt balances. Credit risk on receivables and other receivables is limited by diversification of the customers and credit distribution to a large number of customers. For further details, as disclosed in (Note-12). Cash and cash equivalents are also deposited with financial institutions with a high credit rating. The balance of accounts receivable is recognized net of provision for doubtful debts.

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 independent counterparty. These risks are managed by diversification of the portfolios.

"The Group" considers its maximum exposure to credit risks to be as follows:

	2018	2017 (adjusted)
Cash and cash equivalents	**587,353**	426,160
Finance, joint ventures and mudaraba	**911,209**	911,209
Accounts receivable and other debit balances	**1,586,993**	1,991,111
Due from related parties	**368,916**	1,111,947
	3,454,471	4,440,427

For further information, refer back to notes 12. Financial assets whose maturity date has expired and its value have not impaired are disclosed in note 12. The maturity date of the other financial assets has not expired.

- **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, 2018 is as follows:

	During one year	**More than one year**	**Total**
Provision for end of service indemnity	**–**	**477,393**	**477,393**
Accounts payable and other credit balances	**5,564,865**	**–**	**5,564,865**
Due to related parties	**211,993**	**–**	**211,993**
	5,776,858	**477,393**	**6,254,251**

The maturity analysis of financial liabilities at December 31, 2017 is as follows:

	During one year	More than one year	Total
Provision for end of service indemnity	–	474,647	474,647
Accounts payable and other credit balances	5,440,466	–	5,440,466
Due to related parties	153,650	–	153,650
	5,594,116	474,647	6,068,763

- **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:

	2018		2017	
Currency	**Assets**	**Liabilities**	Assets	Liabilities
Saudi Riyal	**20,021,739**	**4,656,197**	21,250,842	5,125,404
Emirates Dirham	**881,050**	**161,571**	919,055	290,163
Bahraini Dinar	**4,329**	**2,952**	-	4,255

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.

30- Prior years restated

The consolidated financial statements for the year ended as of December 31, 2017 of "the Group" included unaudited financial information prepared by the management for a subsidiary (Qanwat Telecom Company – W.L.L. and its subsidiaries – Kingdom of Saudi Arabia). During the current period, the audited financial statements of this subsidiary company have been issued and showed accumulated loss with SAR. 14,574,456 equivalent to KD 1,180,921. While the financial information prepared by the management in the consolidated financial statements of the previous year showed accumulated loss with SAR. 7,888,961 equivalents KD 625,518. "The Group" has restated the comparative figures of previous year retroactively because the adjustments were material and had an effect on the net assets of the Group as of December 31, 2018.

Based on the above, the annual accumulated losses and foreign currency translation reserve as of December 31, 2017 have been restated with amount of KD 555,403 and KD 4,140 respectively, and the book value of assets and liabilities as stated in table below have been also restated:

	Before restated	restated	After restated
Property and equipment	257,346	44,553	**301,899**
Investment in joint venture	283,798	(274,127)	**9,671**
Inventory	2,736,832	72,949	**2,809,781**
Accounts receivable and other debit balances	6,171,753	382,331	**6,554,084**
Due from related parties	1,074,355	37,592	**1,111,947**
Accounts payable and other credit balances	4,669,095	771,371	**5,440,466**
Due to related parties	111,353	42,297	**153,650**

The effect of restated on consolidated statement of profit or loss is increase in the previous year accumulated losses with amount of KD 555,403 as of December 31, 2017.

31- 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.

Currently, The Group does not have borrowings or bank facilities.