AAN Digital Services Holding Company

K.S.C. Public
and its subsidiaries
Kuwait
The consolidated financial statements
for the financial year ended December 31, 2019
with
Independent auditor's report

AAN Digital Services Holding Company

K.S.C. Public
and its subsidiaries
Kuwait
The consolidated financial statements
for the financial year ended December 31, 2019
with
Independent auditor's report

Contents

Independent auditor's report	
	Exhibit
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 – 31

Rödl
Middle East
Hurgan - 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, 2019 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 of December 31, 2019 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, 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.

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 financial 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 the context.

We have identified impairment of goodwill as a key audit matter:

Assessment of Goodwill impairment

As shown in Note (7) to the consolidated financial statements, "the Group" has a Goodwill with an amount of KD14,080,724 (2018: KD 14,092,341) included within intangible assets in the consolidated financial position. The management of the Group performs an annual test to determine whether there is impairment in the goodwill. Due to the significance of the goodwill for the Group's consolidated statement of financial position as well as the judgments made by the management of the Group relating to the valuation of cash-generating units based on the use method, we have considered goodwill impairment to be a key audit matters.

As part of our audit procedures regarding the estimate of Goodwill Impairment, we have obtained an assessment prepared by an independent external evaluator in order to review the assumptions and judgments on which the" study" was based on with respect to the impairment estimates, and to review the reasonableness of these assumptions, as well as the adequacy of the "Group" disclosures included in the consolidated financial statements about the management's estimates on assessing impairment of goodwill. The Group's policy regarding impairment assessment of these items is disclosed in Note (3/7) to the consolidated financial statements.

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 consolidated 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 consolidated 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, 2019 of either 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 as amended 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.



Ali A. Al Hasawi
Licence No. 30 (A)
Rödl Middle East
Burgan International Accountants

March 30, 2020
State of Kuwait

Exhibit – A

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

Consolidated statement of financial position as of December 31, 2019
"All amounts are in Kuwaiti Dinar"

	Note	2019	2018 (Restated)	2017 (Restated)
Assets				
Non-current assets				
Property and equipment	6	**146,053**	223,639	301,899
Intangible assets	7	**14,080,724**	14,098,479	14,100,459
Investment in joint venture	8	**-**	53,274	9,671
Investments at fair value through other comprehensive income	9	**11,189,168**	11,189,168	-
Available for sale investments		**-**	-	11,359,478
Loan to a related party	10	**-**	-	18,686,527
		25,415,945	25,564,560	44,458,034
Current assets				
Inventory		**1,854,615**	2,044,806	2,809,781
Accounts receivable and other debit balances	11	**6,944,072**	5,280,760	6,554,084
Due from related parties	12	**329,401**	451,040	1,111,947
Finance, joint ventures and mudaraba	13	**911,209**	911,209	911,209
Investment at fair value through profit or loss	14	**165,954**	42	42
Cash and cash equivalents		**649,040**	577,813	426,160
		10,854,291	9,265,670	11,813,223
Total assets		**36,270,236**	34,830,230	56,271,257
Equity and liabilities				
Equity				
Share capital	15	**87,234,161**	87,234,161	87,234,161
Share premium		**6,846,580**	6,846,580	6,846,580
Treasury shares	16	**(640,233)**	(640,233)	(640,233)
Treasury shares reserve		**260,411**	260,411	260,411
Cumulative changes in fair value		**(3,056,077)**	(3,056,077)	(2,906,077)
Foreign currency translation reserve		**895,111**	851,593	1,410,076
Accumulated losses		**(62,376,522)**	(62,641,733)	(42,002,424)
Total equity		**29,163,431**	28,854,702	50,202,494
Non-current liabilities				
Provision for end of service indemnity		**260,782**	477,472	474,647
Current liabilities				
Accounts payable and other credit balances	18	**6,628,918**	5,213,278	5,440,466
Due to related parties	12	**217,105**	284,778	153,650
		6,846,023	5,498,056	5,594,116
Total equity and liabilities		**36,270,236**	34,830,230	56,271,257

Ali Mohamed A Al Suraidah
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, 2019
"All amounts are in Kuwaiti Dinar"

	Note	2019	2018 (Restated)
Revenue of activity	19	**45,859,567**	72,120,573
Cost of activity		**(40,338,248)**	(67,304,663)
Gross profit of activity		**5,521,319**	4,815,910
Other income		**81,318**	174,836
Group's share result of investment in joint venture		**(53,306)**	(18,878)
Incurred Loss from sale of investment at fair value through statement of profit or loss		**(26,887)**	–
Change in fair value of investment at fair value through profit or loss		**(27,229)**	–
General and administrative expenses	20	**(1,921,008)**	(1,836,587)
Marketing and selling expenses	21	**(3,101,338)**	(3,701,381)
Depreciation and amortization		**(106,586)**	(175,798)
Finance charges		**(91,552)**	(87,177)
Profit/ (loss) for the year before National Labor Support Tax and Zakat		**274,731**	(829,075)
National Labor Support Tax		**(6,800)**	–
Zakat		**(2,720)**	–
Net profit/ (loss) for the year		**265,211**	(829,075)
Profit/ (loss) per share/(Fils)	22	**0.31**	(0.96)

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

Exhibit – C

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, 2019
"All amounts are in Kuwaiti Dinar"

	2019	2018 (Restated)
Net profit/(loss) for the year	**265,211**	(829,075)
Other comprehensive income 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:		
Foreign currency translation	**43,518**	203,294
Total other comprehensive income for the year	**43,518**	53,294
Total comprehensive income for the year	**308,729**	(775,781)

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, 2019

"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, 2018	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	–	–	–	–	–	(761,777)	(19,810,234)	(20,572,011)
Balance as of January 1, 2018 (Restated)	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 income 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
Balance as of January 1, 2019 (As previously presented)	87,234,161	6,846,580	(640,233)	260,411	(3,056,077)	753,115	(62,533,038)	28,864,919
Prior years adjustments (Note - 27)	–	–	–	–	–	98,478	(108,695)	(10,217)
Balance as of January 1, 2019 (Restated)	87,234,161	6,846,580	(640,233)	260,411	(3,056,077)	851,593	(62,641,733)	28,854,702
Net profit for the year	–	–	–	–	–	–	265,211	265,211
Other comprehensive income for the year	–	–	–	–	–	43,518	–	43,518
Total comprehensive income for the year	–	–	–	–	–	43,518	265,211	308,729
Balance as of December 31, 2019	**87,234,161**	**6,846,580**	**(640,233)**	**260,411**	**(3,056,077)**	**895,111**	**(62,376,522)**	**29,163,431**

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, 2019
"All amounts are in Kuwaiti Dinar"

	2019	2018 (Restated)
Cash flows from operating activities		
Net profit/ (loss) for the year	**265,211**	(829,075)
Adjustments:		
Depreciation and amortization	**106,586**	175,798
Gain from sale property and equipment and intangible assets	**–**	(224,667)
Disposal of property and equipment at cost	**48,382**	–
Disposal of intangible assets at cost	**6,138**	–
loss from sale of investment at fair value through profit or loss	**26,887**	–
Change in fair value of investment at fair value through profit or loss	**27,229**	–
Loss from investment in joint venture	**53,306**	18,878
Provision for expected credit loss	**24,048**	35,000
Provision for slow moving goods	**–**	30,000
Provision for end of service indemnity	**103,761**	180,632
Finance charges	**91,552**	84,269
Restated profit /(loss) before calculating the effect of changes in working capital items	**753,100**	(529,165)
Inventory	**190,191**	661,173
Accounts receivable and other debit balances	**(1,687,360)**	162,083
Related parties	**53,966**	56,594
Accounts payable and other credit balances	**1,415,640**	(227,188)
Cash generated from operations	**725,537**	123,497
End of service indemnity paid	**(312,750)**	(177,807)
Net cash generated from /(used in)operating activities	**412,787**	(54,310)
Cash flows from investing activities		
Property and equipment	**(77,628)**	(68,045)
Investment at fair value through profit or loss	**(220,028)**	–
Intangible assets	**–**	(4,685)
Proceed from sale of property and equipment and intangible assets	**–**	200,000
Investment in joint venture	**–**	(62,963)
Net cash (used in)/ generated from investing activities	**(297,656)**	64,307
Cash flows from financing activities		
Finance charges paid	**(91,552)**	(84,269)
Net cash used in financing activities	**(91,552)**	(84,269)
Foreign currency translation reserve	**47,648**	225,925
Net increase in cash and cash equivalents	**71,227**	151,653
Cash and cash equivalents at beginning of the year	**577,813**	426,160
Cash and cash equivalents at end of the year	**649,040**	577,813

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, 2019
"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 company" 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, 2019 were authorized for issue by the Board of Directors on 30 March 2020.

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 new International Financial Reporting Standard IFRS 16 has become effective with effect from January 1, 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations were applied for the first time from January 1, 2019, but do not have an impact on the consolidated financial statements of the Group. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- **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 recognise 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 recognise 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 a change in the rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement 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 measure all leases using the same classification principle as in IAS 17 and distinguishing between two types of leases: operating and finance leases.

The adoption of IFRS 16 has no impact on the consolidated financial statements of "the Group" .Since the Group has only a short- term lease contract.

- **Other amendments to Standards**

The following interpretations and amendments to standards have also been applied by the Group in preparation of these consolidated financial statements.
IFRS 23 interpretation of uncertainty concerning processing of income tax

- 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

The adoption of the above did not result in any changes to previously reported net profit or net assets of the Group.

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

The below new and amended IFRSs that are available for early adoption for financial year ended December 31, 2019 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements

Adoption is not expected to impact the Group's the financial statements:

Effective date	Description
January 1, 2020	• Amendments to IFRS 3 "Business Combinations'' • Amendments to References to the Conceptual Framework in IFRS Standards • Amendments to IAS 1 and IAS 8 on 'Definition of Material'
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 previous financial year.
- 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 consolidated 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 the Group's 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 - 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 amount of that equity at the date of the original business combination and the non–controlling interest share of changes in equity since the date of the combination. The losses of subsidiary are attributed to the non–controlling interests even if that resulted in a balance deficit.

The carrying values of the controlling and non-controlling interests are restated to reflect the changes in their interest in the subsidiary, and any difference between the value in which the non-controlling interests have been Restated and the fair value of the amount paid or received directly is recognized in equity and is available to the shareholders of the parent company. Non-controlling interests are presented separately in the consolidated statement of financial position, profit or loss and other comprehensive income. Non-controlling interests are classified as financial liabilities to the extent to which there is an obligation that must be paid in cash or the delivery of other financial assets to settle the non-controlling interests.

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 consolidated statement of profit or loss and other comprehensive income.

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 Restated 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 control of 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.
- 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

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

Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider. otherwise;
- indications that a debtor will enter bankruptcy; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortized cost

The financial assets at amortised cost comprise of trade receivables and cash at bank under IFRS 9 and loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables, contracts assets and all lease receivables that result from transactions that are within the scope of IAS 17 with an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and information on credit risk assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due. The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising the guarantee (if any is held); or
- The financial asset is more than 365 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured with the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses the financial assets carried at amortised cost. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables are presented under general and administrative expenses in the consolidated statement of profit or loss.

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.

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 by the management 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 Restated 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 and are classified as. 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) **Intangible Assets and goodwill**

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

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

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

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

3/8) **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 Restated 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 Group 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 on the sale of treasury shares are subsequently used to offset any previously recorded losses in reserves, retained earnings and gain on sale of treasury shares.

No cash dividends are distributed on these shares. The issuance of bonus shares will increase the number of treasury shares proportionately and also reduce the average cost per share without affecting the total cost 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 profit or loss 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 Restated 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 according to 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 company" and its subsidiaries as following:

		Shareholding percentage	
	Country of incorporation	**2019**	2018
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 owns the following subsidiaries as follows:

		Shareholding percentage	
	Country of incorporation	**2019**	2018
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 subsidiaries financial statements have been consolidated based on financial statements as of December 31, 2019, the total assets of these subsidiaries included in the consolidated statement of financial position amounted to KD 27,897,170 (2018: KD 26,095,274) and their net profit included in the consolidated statement of profit or loss amounted to KD 561,740 (2018: KD 438,740).

6- Property and equipment

	Improvements on buildings	Furniture and fixtures	Office equipment and computers	Machines and equipment	vehicles	Total
Cost						
Balance at January 1, 2019	698,390	199,557	678,335	478,090	166,256	2,220,628
Additions	6,329	1,823	11,183	58,293	-	77,628
Disposals	(3,413)	(29,642)	(101,445)	-	-	(134,500)
Foregin currency translation	14,075	6,444	(19,668)	(15,646)	(230)	(15,025)
Balance at December 31, 2019	715,381	178,182	568,405	520,737	166,026	2,148,731
Accumulated depreciation						
Balance at January 1, 2019	659,163	169,464	624,924	403,360	140,078	1,996,989
Charged for the year	18,614	13,231	7,317	56,424	11,000	106,586
Disposals	(1,689)	(14,585)	(69,844)	-	-	(86,118)
Foregin currency translation	1,246	(4,749)	(11,681)	78	327	(14,779)
Balance at December 31, 2019	677,334	163,361	550,716	459,862	151,405	2,002,678
Net book value						
At December 31, 2019	**38,047**	**14,821**	**17,689**	**60,875**	**14,621**	**146,053**
At December 31, 2018	39,227	30,093	53,411	74,730	26,178	223,639

7- Intangible assets

	Key money	Goodwill*	Total
Cost			
Balance at January 1, 2019	42,158	14,092,341	14,134,499
Disposals	(42,158)	-	(42,158)
Foregin currency translation	-	(11,617)	(11,617)
Balance at December 31, 2019	-	14,080,724	14,080,724
Accumulted amortization			
Balance at January 1, 2019	36,020	-	36,020
Disposals	(36,020)	-	(36,020)
Balance at December 31, 2019	-	-	-
Net book value			
At December 31, 2019	-	**14,080,724**	**14,080,724**
At December 31, 2018(Restated)	6,138	14,092,341	14,098,479

* This item represents a Goodwill amounting to KD 14,080,724 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 company " management believes that there is no indication for an impairment in value of Goodwill based on a study prepared by an independent external valuer as of December 31, 2019.

8- Investment in joint venture

	2019	2018 (Restated)
Balance at January 1	**53,274**	9,671
Additions	**-**	62,963
Project losses	**(53,306)**	(18,878)
Foregin currency translation	**32**	(482)
Balance at December 31	**-**	53,274

9- Investments at fair value through other comprehensive income

Investments at fair value through other comprehensive income represent (unquoted) equity securities 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. Since investments are strategic, they were valued at fair value through other comprehensive income in accordance with the valuation techniques as disclosed in (Note-29).

10- 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 Restated in the opening balance of accumulated losses.

11- Accounts receivable and other debit balances

	2019	2018 (Restated)
Trade receivables	**1,793,628**	1,207,093
Provision for expected credit losses	**(247,574)**	(346,024)
	1,546,054	861,069
Accrued income	**882,174**	843,754
Accrued commissions	**545,421**	1,396,927
Retention for letters of guarantee	**1,648,137**	1,011,059
Advance payments	**1,818,864**	457,311
Prepaid expenses	**390,840**	355,835
Staff receivables	**80,416**	221,889
Refundable deposits	**2,950**	77,950
Other	**29,216**	54,966
	6,944,072	5,280,760

The maximum exposure to credit risk at the consolidated statement of financial position date is disclosed in (Note - 29) to these consolidated financial statements. The other classes of other debit balances are neither past due nor impaired.

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

2019

During 30 days	30-60 days	60-90 days	90-120 days	120 days <	Total
1,243,893	**360,019**	**165,568**	**24,148**	**-**	**1,793,628**

2018 (Restated)

During 30 days	30-60 days	60-90 days	90-120 days	120 days <	Total
837,127	242,289	111,425	16,252	-	1,207,093

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.

	2019		
	Receivables from corporates	**Receivables from individuals**	**Total**
Balance at beginning of the year	**269,059**	**76,965**	**346,024**
ECL used during the year	**(21,485)**	**(76,965)**	**(98,450)**
Balance at the end of the year	**247,574**	**-**	**247,574**

	2018 (Restated)		
	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	234,059	76,965	311,024
ECL charge for the year	35,000	-	35,000
Balance at the end of the year (Restated)	269,059	76,965	346,024

The maximum exposure to credit risk at the consolidated statement of financial position date is disclosed in (Note-29) to these consolidated financial statements. The other classes within receivables and other receivables are neither past due nor impaired.

12- 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	2019	2018 (Restated)
Finance, joint ventures and mudaraba – (Note – 13)	**911,209**	911,209
Due from related parties	**329,401**	451,040
Due to related parties	**217,105**	284,778

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.

13- Finance, joint ventures and mudaraba

This item represents short-term financing contract, joint ventures and mudaraba with related party matured within one year from the consolidated financial position date. "The Group" does not calculate fixed profits on theses finance, joint ventures and mudaraba contract upon permission from sharia Supervisory Board instruction until the settlement of this contract.

14- Investment at fair value through profit or loss

This item represents an investment in local investments portfolio managed by an external party Investment Movement during financial year is as follows:

	2019	2018
Balance at January 1	**42**	42
Additions	**220,028**	-
Disposals	**(26,887)**	-
Change in fair value	**(27,229)**	-
Balance at December 31	**165,954**	42

The investment in fair value through profit or loss is valued based on valuation techniques disclosed in (Note - 29)

15- Share capital

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

	Authorized and issued		Paid	
	2019	2018	**2019**	2018
Shares 100 Fils for each (all shares are in cash)	**872,341,610**	872,341,610	**872,341,610**	872,341,610

16- Treasury shares

	2019	2018
Shares number	**7,319,654**	7,319,654
Contribution Ratio (%)	**%0.839**	%0.839
Market value	**98,815**	128.094
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.

17- Statutory reserve

In accordance with the Companies Law and "The Parent Company" 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 is transferred to the statutory reserve. "The Group" may discontinue such transfer when the reserve equal 50 % of share capital. This reserve is not available for distribution except in cases stipulated by the law. There were no transfers to the statutory reserve due to the accumulated losses.

18- Accounts payable and other credit balances

	2019	2018 (Restated)
Trade payables	**4,058,084**	3,483,189
Accrued expenses	**1,395,018**	939,205
Advance payments from customers	**1,014,818**	132,023
Other	**160,998**	658,861
	6,628,918	5,213,278

19- Revenue of activity

The decrease in the revenue during the current financial year is due to the existence of differences in the products which were contracted on with operators and the reduction in dealing with massive volume products and low profit margin.

20- General and administrative expenses

	2019	2018 (Restated)
Staff costs	**902,675**	904,238
Rent	**76,633**	86,122
Professional fees	**120,918**	57,107
Insurance	**30,674**	65,898
Charges and subscriptions fees	**87,261**	84,254
Traveling	**37,132**	4,220
Bank charges	**46,073**	45,702
Other	**619,642**	589,046
	1,921,008	1,836,587

21- Marketing and selling expenses

	2019	2018 (Restated)
Staff costs	**2,056,539**	2,547,993
Rent	**523,102**	616,014
Provision for expected credit losses	**24,048**	-
Bad debits	**-**	35,000
Advertising & promotion	**76,590**	8,970
Cleaning	**89,403**	192,102
Insurance	**2,590**	40,013
Consulting fees	**31,380**	-
Traveling	**31,214**	18,885
Printing and stationery	**10,449**	2,266
Other	**256,023**	240,138
	3,101,338	3,701,381

22- Profit/(Loss) per share/(Fils)

Profit /(Loss) per share is calculated by dividing net profit /(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:

	2019	2018 (Restated)
Net profit /(loss) for the year	**265,211**	(829,075)
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
Profit/ (Loss) per share/(Fils)	**0.31**	(0.96)

23- Contingent liabilities

At the consolidated financial position date, "The Group" had a contingent liabilities represented in guarantees with an amount of KD 848,762 (2018: KD 1,521,531).

24- 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 Group" believes that there is no need to make provision for these amounts before determining the outcome of these claims and issues.

25- Proposed dividends

On March 30, 2020 the Board of Directors of "The Parent Company" proposed not to distribute cash dividends for shareholders for the year ended December 31, 2019. This proposal is subject to the approval of the General Assembly of Shareholders.

26- Shareholders' General Assembly

The Annual General Assembly of the Shareholders was held on May 19, 2019. It approved the consolidated financial statements for the financial year ended December 31, 2018, and approved the board of directors' proposal not to distribute dividends for the financial year ended December 31, 2018 neither to distribute board of directors remuneration for the financial year ended December 31, 2018.

The Ordinary General Assembly was held on November 14, 2019 and has approved the appointment of Mr. Ali Abdul Rahman Al Hasawi as an auditor instead of the deceased Mr. Abdulhussain M. Al- Rasheed.

27- Prior years restated

"The Group" consolidated financial statements for the year ended as of December 31, 2018 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. 7,861,053 equivalent to KD 632,005. While the financial information prepared by the management in the consolidated financial statements of the previous year showed accumulated loss with SAR 6,461,574 equivalents KD 523,310. "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, 2019.

Based on the above, the annual accumulated losses and foreign currency translation reserve as of December 31, 2018 have been restated with amount of KD 108,695 and KD 98,478 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	223,487	152	223,639
Investment in joint venture	53,158	116	53,274
Inventory	2,044,318	488	2,044,806
Accounts receivable and other debit balances	5,622,742	(341,982)	5,280,760
Due from related parties	368,916	82,124	451,040
Accounts payable and other credit balances	5,564,865	(351,587)	5,213,278
Due to related parties	211,993	72,785	284,778

The effect on the consolidated statement of profit or loss is increase in the previous financial year accumulated losses with an amount of KD 108,695 as of December 31, 2018.

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:	2019	2018 (Restated)
State of Kuwait	**9,435,345**	9,033,136
Outside State of Kuwait	**36,424,222**	63,087,437
	45,859,567	72,120,573

Assets and liabilities:	2019		2018 (Restated)	
Region	**Assets**	**Liabilities**	Assets	Liabilities
State of Kuwait	**10,974,178**	**183,773**	10,538,480	147,591
Outside State of Kuwait				
Kingdom of Saudi Arabia	**10,513,670**	**6,594,738**	9,312,221	5,185,942
United Arab of Emirates	**701,663**	**67,512**	881,050	161,571
Bahrain	**14,080,725**	-	14,098,479	2,952
	36,270,236	**6,846,023**	34,830,230	5,498,056

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	2019	2018 (Restated)
Investment in joint venture	-	53,274
Investments at fair value through other comprehensive income	**11,189,168**	11,189,168
Accounts receivable and other debit balances	**6,944,072**	5,280,760
Due from related parties	**329,401**	451,040
Finance, joint ventures and mudaraba	**911,209**	911,209
Investments at fair value through statement of profit or loss	**165,954**	42
Cash and cash equivalents	**649,040**	577,813
	20,188,844	18,463,306

	2019	2018 (Restated)
Financial liabilities		
Accounts payable and other credit balances	**6,628,918**	5,213,278
Due to related parties	**217,105**	284,778
	6,846,023	5,498,056

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 (un-restated) 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, 2019:	**Level 3**
Investments at fair value through statement of other comprehensive income	
Financial investments un-quoted shares	11,189,168

December 31, 2018:	Level 3
Investments at fair value through statement of other comprehensive income	
Financial investments un-quoted shares	11,189,168

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, due from related parties. 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-11, 12 and 13). 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 expected credit losses.

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:

	2019	2018 (Restated)
Cash and cash equivalents	**649,040**	577,813
Finance, joint ventures and mudaraba	**911,209**	911,209
Accounts receivable and other debit balances	**1,793,628**	1,207,093
Due from related parties	**329,401**	451,040
	3,683,278	3,147,155

For further information, refer back to notes (11, 12, and 13). Financial assets whose maturity date has expired and its value have not impaired are disclosed in note (11). 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, 2019 is as follows:

	During one year	**More than one year**	**Total**
Provision for end of service indemnity	–	**260,782**	**260,782**
Accounts payable and other credit balances	**6,628,918**	–	**6,628,918**
Due to related parties	**217,105**	–	**217,105**
	6,846,023	**260,782**	**7,106,805**

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	–	477,472	477,472
Accounts payable and other credit balances	5,213,278	–	5,213,278
Due to related parties	284,778	–	284,778
	5,498,056	477,472	5,975,528

- **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:

	2019		2018	
Currency	**Assets**	**Liabilities**	Assets	Liabilities
Saudi Riyal	**10,513,670**	**6,594,738**	9,312,221	5,185,942
Emirates Dirham	**701,663**	**67,512**	881,050	161,571
Bahraini Dinar	**14,080,725**	**-**	14,098,479	2,952

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 investments at fair value through other comprehensive income is not recognized as it is not quoted in an active market.

30- 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.

31- Comparative figures

The previous year's comparative figures have been reclassified and recategorized to conform with the presentation and the classification of the current financial year's figures.