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

Consolidated financial statements and independent auditor's report
for the year ended 31 December 2021

Contents

	Page
Independent auditor's report	1 - 4
Consolidated statement of financial position	5
Consolidated statement of profit or loss	6
Consolidated statement of comprehensive income	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10 – 39

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Independent auditor's report

The Shareholders of
AAN Digital Services Holding Company K.P.S.C.
State of Kuwait

Report on the audit of consolidated financial statements

Qualified Opinion

We have audited the consolidated financial statements of AAN Digital Services Holding Company K.P.S.C. ("the Parent Company") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2021, and the consolidated statement of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of items stated in the basis for qualified opinion of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

The consolidated financial statements include goodwill amounting to KD 543,041, which was adjusted against the related parties balances (Qanawat Telecom Company - an indirect subsidiary). Up to the date of preparing these consolidated financial statements, the Group's management has not reconciled the difference resulting from related party balances.

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

Material uncertainty related to going concern

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements, which indicates that the Company incurred accumulated losses in the amount of KD 70,979,700 representing 81.37% of its share capital as at 31 December 2021. This issues and others stated in note 2 indicate the existence of material uncertainty casting doubt to company's ability to continue as going concern as per going concern principle.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following:

(1) Financial assets at fair value through other comprehensive income include direct investment in the shares of India Holding Company K.S.C.C. in an amount of KD 1 as of 31 December 2021. The management of the parent company took provision in the amount of KD 3,739,917 based on an internal study. We were not able to obtain sufficient independent evidence about this investment, except for what was stated in the Audit Committee meeting No. 2-2022 dated 25/8/2022 regarding the Capital Markets Authority's comments in Disciplinary Board Resolution No. 91/2022. As a result, we were unable to determine whether it was necessary to make any adjustments to this amount in the consolidated financial statements for the year ended 31 December 2021. (note 8).

Emphasis of matter (continued)

(2) Investment in an associate includes a direct investment in Balsamee Company W.L.L. (United Kingdom) amounting to KD 173,563 as at 31 December 2021. The share of results in associate is based on unaudited financial information prepared by a third party. We were unable to determine whether any adjustments to this amount were necessary in the consolidated financial statements for the year ended 31 December 2021(note 9).

(3) A loan to a related party granted to Hits Africa Limited - Cayman Island (formerly an associate) amounting to $75,680,606 at an interest rate of 6% (note 10).

(4) The Board of Directors of the Parent Company has taken a precautionary provision against due from previous related parties in the amount of KD 816,446 according to the Audit Committee meeting minutes No. 2-2022 dated 25/8/2022 and it was included in the consolidated statement of profit or loss for the year ended 31 December 2021. In the opinion of the Board of Directors, these balances were outstanding for a period more than one year (note 12).

(5) The board of directors of the parent company took full provision for the value of the Mudaraba and Musharaka contract in the amount of KD 911,209 relating to Tabah Al Khair Holding Company and included it in the consolidated statement of profit or loss. Management took the provision because the contract was signed in 2011 and the company did not receive any profits from this contract since then and there are no periodic reports on the value of the contract. Moreover, there is Capital Markets Authority's comments in Disciplinary Board Decision No. 91/2022 (note 13).

(6) During the year ended 31 December 2021, the management of the parent company (AAN Digital Services Holding Company K.P.S.C.) discovered accounting errors related to treasury shares in the consolidated financial statements for the year ended 31 December 2020. As a result, the management of the parent company corrected this accounting errors by restating the consolidated financial position as at 31 December 2020 and the related consolidated statements of other comprehensive income and changes in equity for the year then ended (note 16 and 29).

Other Matter

(1) We were appointed as auditor for the group for the first time the year ended 31 December 2021. As a result, the consolidated financial statements of AAN Digital Services Holding Company K.P.S.C. for the year ended 31 December 2020 were not audited by us and they were audited by another auditor who expressed a qualified opinion and emphasis of matter on these consolidated financial statements on 28 April 2021.

(2) The financial statements of Qanawat Holding Company B.S.C.C. (Kingdom of Bahrain) and On Touch for General Trading Company W.L.L. for the year ended 31 December 2021 (associate companies) were audited by other auditors who issued unqualified audit reports. The total assets of these subsidiaries companies included in the consolidated statement of financial position were KD 11,840,107 and total revenues were KD 60,261,283 and the net losses included in the consolidated statement of profit and loss were KD 13,068,140.

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

a) Valuation of investment securities

The Group's investment securities represent 20.43% of the Group's total assets, representing KD 2,431,507 which are measured at fair value and classified as financial assets at fair value through other comprehensive income (FVOCI) or financial assets at fair value through profit or loss (FVPTL) as disclosed in notes 8 and 14 to the consolidated financial statements.

When the fair values of investment securities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Given the size and complexity of the valuation of investment securities and the importance of the disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter.

Key audit matters (continued)

Our audit procedures included, among others, the following:

- We have tested the level 1 inputs by comparing the fair values applied by the Group to quoted prices in active markets.
- For valuations which used significant unobservable inputs, we have tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy. We have also involved our internal valuation specialists in assessing the valuation methodology used and significant judgments and assumptions applied to the valuation model, including discounts for lack of marketability.
- We assessed the adequacy and the appropriateness of the Group's disclosures concerning the fair value measurement of investment securities and the sensitivity to changes in unobservable inputs in note 24 to the consolidated financial statements.

b) Impairment testing of goodwill

The Group has goodwill amounting to KD 3,130,293.

Management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of goodwill, which is based on the higher of fair value less cost to sell and value in use, has been derived using discounted cash flow model. This model uses several key assumptions, including estimates of future trading volumes, revenue growth rates, operating costs, terminal value growth rates and discount rate.

Management charged an impairment loss on goodwill of KD 11,110,041 and it was included in consolidated statement of profit and loss for the year ended 31 December 2021.
Refer to Notes 4.7 and 7 to the consolidated financial statements for the related disclosures.

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information attached to it, 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 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 concerning the other information we received before date of our 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 year 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
In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the provisions of Law No. 7 of year 2010 concerning the Capital Markets Authority, Executive Regulations and its related regulations, as amended, except, as mentioned in note No. 30 of consolidated financial statements or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business or the consolidated financial position of the Group.

Barrak Abdul Mohsen Al-Ateeqi
Licence No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International
Kuwait: 3 November 2022

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated statement of financial position
As at 31 December 2021

	Notes	2021	31 December 2020 (Restated)	1 January 2020 (Restated)
		KD	KD	KD
Assets				
Non-current assets				
Property and equipment	6	**126,346**	132,773	146,053
Goodwill	7	**3,130,293**	13,984,900	14,080,724
Investments at fair value through other comprehensive income	8	**2,408,884**	6,172,863	11,189,168
Investment in an associate	9	**173,563**	324,248	-
		5,839,086	20,614,784	25,415,945
Current assets				
Inventories		**1,528,685**	1,400,286	1,854,615
Receivables and other debit balances	11	**4,333,346**	5,595,937	6,944,072
Due from related parties	12	**-**	262,030	329,401
Investment in mudaraba	13	**-**	911,209	911,209
Investments at fair value through profit or loss	14	**22,623**	89,931	165,954
Cash and cash at banks		**176,238**	173,773	649,040
		6,060,892	8,433,166	10,854,291
Total assets		**11,899,978**	29,047,950	36,270,236
Equity and liabilities				
Equity				
Share capital	15	**87,234,161**	87,234,161	87,234,161
Share premium	26	**-**	6,846,580	6,846,580
Treasury shares	16	**(6,756)**	(1,334)	(1,334)
Cumulative changes in fair value		**(11,787,497)**	(8,072,382)	(3,056,077)
Foreign currency translation reserve		**1,195,137**	870,113	895,111
Accumulated losses		**(70,979,700)**	(63,197,351)	(62,755,010)
Total equity	2	**5,655,345**	23,679,787	29,163,431
Liabilities				
Non-current liabilities				
Provision for end of service indemnity		**321,184**	256,345	260,782
		321,184	256,345	260,782
Current liabilities				
Payable and other credit balances	18	**5,923,449**	5,041,970	6,628,918
Due to related parties	12	**-**	69,848	217,105
		5,923,449	5,111,818	6,846,023
Total liabilities		**6,244,633**	5,368,163	7,106,805
Total equity and liabilities		**11,899,978**	29,047,950	36,270,236

The accompanying notes on pages 10 to 39 form an integral part of these consolidated financial statements.

Abdullah Ahmed Abdullah AlOmar
Chairman

Ahmed Yousef Ahmed AlRasheed AlBadr
Vice Chairman

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated statement of profit or loss
For the year ending 31 December 2021

	Notes	2021	2020
		KD	KD
Revenue of activity		**60,261,283**	58,667,247
Cost of activity		**(55,722,455)**	(54,276,833)
Gross profit of activity		**4,538,828**	4,390,414
Unrealized loss on financial assets at fair value through profit or loss		**(6,321)**	(31,081)
Realized gain / (loss) on financial assets at fair value through profit or loss		**717**	(1,405)
Goodwill impairment loss	7	**(11,110,041)**	-
Impairment loss in an associate	9	**(126,613)**	-
Provision for doubtful related parties	12	**(816,446)**	-
Provision for mudaraba	13	**(911,209)**	-
General and administrative expenses	19	**(2,448,819)**	(1,685,125)
Marketing and selling expenses	20	**(3,692,574)**	(3,011,003)
Finance charges		**(88,447)**	(87,822)
Other income		**57,846**	23,282
Loss for the year from continuing operations		**(14,603,080)**	(402,740)
Loss for the year from discontinued operations	21	**-**	(39,601)
Net loss for the year		**(14,603,080)**	(442,341)
Loss per share (fils)	22	**(16.74)**	(0.51)

The accompanying notes on pages 10 to 39 form an integral part of these consolidated financial statements.

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated statement of comprehensive income
For the year ending 31 December 2021

	Notes	2021 KD	2020 KD
Net loss for the year		**(14,603,080)**	(442,341)
Other comprehensive loss items:			
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:			
Change in fair value	8	**(3,715,115)**	(5,016,305)
Items that will be reclassified subsequently to the consolidated statement of profit or loss:			
Foreign currency translation differences		**325,024**	(24,998)
Other comprehensive loss for the year		**(3,390,091)**	(5,041,303)
Total comprehensive loss for the year		**(17,993,171)**	(5,483,644)

The accompanying notes on pages 10 to 39 form an integral part of these consolidated financial statements.

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated statement of equity
For the year ending 31 December 2021

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Cumulative changes in fair value	Foreign currency translation reserve	Accumulated losses	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2019 as previously reported	87,234,161	6,846,580	(640,233)	260,411	(3,056,077)	895,111	(62,376,522)	29,163,431
Effect of previous year adjustment (note 29)	-	-	638,899	(260,411)	-	-	(378,488)	-
Balance at 1 January 2020 (Restated)	87,234,161	6,846,580	(1,334)	-	(3,056,077)	895,111	(62,755,010)	29,163,431
Net loss for the year	-	-	-	-	-	-	(442,341)	(442,341)
Other comprehensive loss for the year	-	-	-	-	(5,016,305)	(24,998)	-	(5,041,303)
Total comprehensive loss for the year	-	-	-	-	(5,016,305)	(24,998)	(442,341)	(5,483,644)
Balance at 31 December 2020 (Restated)	87,234,161	6,846,580	(1,334)	-	(8,072,382)	870,113	(63,197,351)	23,679,787
Purchase of treasury shares	-	-	(5,422)	-	-	-	(25,849)	(31,271)
Extinguishment of accumulated losses (note 26)	-	(6,846,580)	-	-	-	-	6,846,580	-
	87,234,161	-	(6,756)	-	(8,072,382)	870,113	(56,376,620)	23,648,516
Net loss for the period	-	-	-	-	-	-	(14,603,080)	(14,603,080)
Other comprehensive (loss) / income for the year	-	-	-	-	(3,715,115)	325,024	-	(3,390,091)
Total comprehensive (loss) / income for the year	-	-	-	-	(3,715,115)	325,024	(14,603,080)	(17,993,171)
Balance at 31 December 2021	**87,234,161**	-	**(6,756)**	-	**(11,787,497)**	**1,195,137**	**(70,979,700)**	**5,655,345**

The accompanying notes on pages 10 to 39 form an integral part of these consolidated financial statements.

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated statement of cash flows
For the year ending 31 December 2021

	Notes	2021 KD	2020 KD
Cash flows from operating activities			
Net loss for the year		**(14,603,080)**	(442,341)
Adjustments for:			
Depreciation	6	**78,465**	96,564
Disposal of property and equipment at cost		**-**	5,984
Impairment loss on goodwill	7	**11,110,041**	-
Share of result of associate company	9	**126,613**	-
Provision for expected credit losses	11	**208,101**	7,515
Provision for doubtful related parties	12	**816,446**	-
Provision for mudaraba	13	**911,209**	-
Provision for slow moving inventory		**39,027**	28,240
Unrealized (gain) / loss on financial assets at fair value through profit or loss		**(717)**	1,405
Realized loss on financial assets at fair value through profit or loss	14	**6,321**	31,081
Provision of end of service indemnity		**114,625**	45,139
Finance charges		**88,447**	87,822
Operating loss before changes in working capital		**(1,104,502)**	(138,591)
Inventories		**(167,426)**	426,089
Receivable and other balances		**1,054,490**	1,016,372
Due from related parties		**(554,416)**	(79,886)
Payable and other credit balances		**881,479**	(1,586,948)
Due to related parties		**(69,848)**	-
End of service indemnity paid		**(58,699)**	(49,576)
Net cash used in operating activities		**(18,921)**	(412,540)
Cash flows from investing activities			
Net movement of financial assets at fair value through profit or loss		**64,530**	43,537
Purchase of property and equipment	6	**(67,841)**	(89,971)
Net cash used in investing activities		**(3,311)**	(46,434)
Cash flows from financing activities			
Finance charges paid		**(88,447)**	(87,822)
Net cash used in financing activities		**(88,447)**	(87,822)
Decrease in cash and cash equivalents		**(110,679)**	(546,796)
Foreign currency translation reserve		**113,144**	71,529
Cash and cash equivalents at beginning of the year		**173,773**	649,040
Cash and cash equivalent at the end of the year		**176,238**	173,773

The accompanying notes on pages 10 to 39 form an integral part of these consolidated financial statements.

1. Incorporation and activities

AAN Digital Services Holding Company K.P.S.C. (Formerly Hits Telecom Holding Company K.P.S.C.) was incorporated on 22 May 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 register last one was on 13 July 2017, Where the commercial name of "the Parent company" was changed. The Parent Company operates in accordance with Noble Islamic Shariaa principles. The Parent Company's shares are listed on Boursa Kuwait.

The main activities of the Parent Company are:

1. Owning shares in Kuwaiti and Non-Kuwaiti shareholding companies and owning shares or quotas in Kuwaiti and Non-Kuwaiti limited liability companies or participating in establishing, managing and sponsoring both kinds of companies to others related 10 communication segment only.
2. Lending companies in which it holds shares and guaranteeing them to others, providing that the holding company's ownership percentage in the share capital of the borrowing company must be at least 20%.
3. Owning industrial property rights of patents or industrial trademarks, or industrial charges or any other rights relating thereto, and leasing to other companies for utilization inside or outside the State of Kuwait related to communication segment only.
4. Holding movables and real estates necessary to initiate its activity in accordance with the Law.
5. Utilizing the surplus funds by investing them in investment and real estate portfolios managed by specialized companies and institutions.

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors of the Parent Company on 3 November 2022. The general assembly of shareholder has the authority to amend consolidated financial statement after issuance.

2. Material uncertainty related to going concern

The consolidated financial statements have been prepared on going concern principle. This means that the Company will fulfill its maturing obligations in the normal course of business. As at 31 December 2021, the Company incurred accumulated losses in the amount of KD 70,979,700 representing 81.37% of its share capital. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

3. The New and Amended Standards applied by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2021 which have been adopted by the Group. Information on these new standards is presented below:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3. The New and Amended Standards applied by the Group (continued)

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-*Related Rent Concessions – amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

These amendments had no material impact on the consolidated financial statements of the Group.

New and revised IFRS Standards in issued but not yet effective

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).
- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. again or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 1 – Disclosure of Accounting Policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

3. The New and Amended Standards applied by the Group (continued)

Amendments to IAS 8 – Definition of Accounting Policies

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures that cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

These amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

Management does not anticipate that the adoption of the amendment in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 17: Insurance Contracts

IFRS 17 will be effective for annual periods beginning on or after 1 January 2023, and replaces IFRS 4: Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of establishments they are issued to, and it also applies to some guarantees and financial instruments with voluntary participation characteristics. The core of IFRS 17 is in generic form, in addition to:

- Special application for contracts with the characteristics of direct voluntary participation (the variable fee method).
- Simplified approach (the premium allocation method) mainly for short term contracts.

Early application is permitted provided that the Group also applies IFRS 9 and IFRS 15 on or before the date on which it first applies IFRS 17. These standards are not expected to have a material impact on the consolidated financial statements.

3. The New and Amended Standards applied by the Group (continued)

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Furthermore, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Annual Improvements 2018-2020 Cycle
Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter late than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognize a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Lease Incentives – amendment to illustrative examples – The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

4. Significant accounting policies

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

4.1 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 (IAŞB) 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).

4. Significant accounting policies (continued)

4.2 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').

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.

4. Significant accounting policies (continued)

4.2 Basis of financial statements consolidation (continued)

Details of principal operating subsidiaries are as follows:

Name of subsidiary	*Country of incorporation*	*Percentage of ownership interest (%)* 2021	2020	*Primary activity*
Direct:				
* Qanawat Holding Company B.S.C. (Closed)	Bahrain	**98**	98	Commercial and industrial services
On Touch for General Trading Company W.L.L.	Kuwait	**99**	99	General trading
Fawran Telecom Company L.L.C.	Saudi Arabia	**10**	10	Telecommunication
Qanawat for General Trading and Contracting Company W.L.L.	Kuwait	**10**	10	Telecommunication, General trading and construction
Qanawat Connect Solutions Company L.L.C.	UAE	**10**	10	Telecommunication

* The Subsidiary Qanawat Holding Company B.S.C. (Closed) has the subsidiaries as follows:

Name of subsidiary	*Country of incorporation*	*Percentage of ownership interest (%)* 2021	2020	*Primary activity*
Direct:				
Qanawat Telecom Company	Saudi Arabia	**98**	98	Telecommunication and marketing for others
Indirect:				
Fawran Telecom Company L.L.C.	Saudi Arabia	**90**	90	Telecommunication
Qanawat for General Trading and Contracting Company W.L.L.	Kuwait	**90**	90	Telecommunication, General trading and construction
Qanawat Connect Solutions Company L.L.C.	UAE	**90**	90	Telecommunication
Fawry Digital Telecommunication Company S.P.C.	Saudi Arabia	**100**	-	Telecommunication

During the year, Qanawat Telecom Company (a Saudi subsidiary indirectly owned) distributed an amount of KD 1,991,275 (equivalent to 24,502,555 Saudi riyals) which is eliminated against receivables from the parent company as non-cash transactions.

The financial statements of the subsidiaries (Qanawat Holding Company B.S.C.C. and its subsidiaries) have been consolidated based on audited financial statements as on 31 December 2021. The total assets of the subsidiaries included in the consolidated statement of financial position amounted to KD 11,840,107, and total revenues amounted to KD 60,261,283 and net loss included in the consolidated statement of profit or loss is KD 13,068,140.

During the current financial year, the partners of Qanawat Telecom Company decided to establish Fawry Digital Communication Company S.P.C. and the financial statements have been consolidated based on management accounts as at 31 December 2021.

The losses of Qanawat Holding Company B.S.C. (Closed) and its subsidiaries amounted to of BD 16,083,654 (equivalent to KD 13,404,207) for the year ended 31 December 2021, and accumulated losses amounted to BD 16,256,963 (equivalent to KD 13,404,207) (406% of its capital) for the year then ended. The consolidated financial statements do not include any adjustments regarding the recoverability and classification of the amounts recognized as financial assets and classification of liabilities that may be necessary if the Company is unable to continue as a going concern. The company's management believes that it will take the necessary legal measures to correct the situation.

4. Significant accounting policies (continued)

4.2 Basis of financial statements consolidation (continued)

The losses of Qanawat for General Trading and Contracting Company W.L.L. (Kuwait) amounted to KD 254,349 for the year ended 31 December 2021, and the accumulated losses amounted to KD 906,818 (90.6% of its capital) for the year then ended. The consolidated financial statements do not include any adjustments regarding the recoverability and classification of the amounts recognized as financial assets and classification of liabilities that may be necessary if the Company is unable to continue as a going concern. The company's management believes that it will take the necessary legal measures to correct the situation.

The losses of the Qanawat Connect Solutions Company L.L.C. (UAE) amounted to KD 64,322 for the year ended 31 December 2021, and accumulated losses amounted to KD 905,958 (223% of its capital) for the year then ended. The consolidated financial statements do not include any adjustments regarding the recoverability and classification of the amounts recognized as financial assets and classification of liabilities that may be necessary if the Company is unable to continue as a going concern. The company's management believes that it will take the necessary legal measures to correct the situation.

4.3 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.

4.4 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.

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

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.

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

Subsequent measurement of financial assets (continued)

- **Financial assets at amortised cost (continued)**

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.

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

Subsequent measurement of financial assets (continued)

- **Financial assets at FVTPL (continued)**

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.

4.5 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.

4. Significant accounting policies (continued)

4.5 Business combinations (continued)

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 acquire 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.

4.6 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
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.

4. Significant accounting policies (continued)

4.7 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.

4.8 Inventory

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

4.9 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.

4.10 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.

4.11 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.

4. Significant accounting policies (continued)

4.12 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.

4.13 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.

4.14 Recognition and de-recognition of financial assets and liabilities

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.

4.15 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.

4.16 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 shareholders of the parent company are recorded separately within equity.

4.17 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

4. Significant accounting policies (continued)

4.18 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.

4.19 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.

4.20 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.

4.21 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.

4.22 Provisions

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.

4. Significant accounting policies (continued)

4.23 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.

4.24 National Labour 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.

4.25 Kuwait Foundation for the Advancement of Science (KFAS)

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.

4.26 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.

4.27 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.

4.28 Segment reporting

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.

5. 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.

6. Property and equipment

	Improvements on Buildings	Furniture and fixtures	Office equipment and computers	Machines and equipment	Vehicles	Total
Cost on:						
1 January 2021	712,249	181,608	565,508	599,165	145,545	2,204,075
Additions	-	2,602	21,151	44,088	-	67,841
Foreign currency translation	24,085	6,178	19,452	20,912	4,921	75,548
31 December 2021	**736,334**	**190,388**	**606,111**	**664,165**	**150,466**	**2,347,464**
Accumulated depreciation on:						
1 January 2021	695,873	175,195	558,621	497,435	144,178	2,071,302
Annual depreciation	14,279	4,424	2,546	56,341	875	78,465
Foreign currency translation	23,766	6,000	18,934	17,761	4,890	71,351
31 December 2021	**733,918**	**185,619**	**580,101**	**571,537**	**149,943**	**2,221,118**
Net book value on:						
31 December 2021	**2,416**	**4,769**	**26,010**	**92,628**	**523**	**126,346**
31 December 2020	16,376	6,413	6,887	101,730	1,367	132,773

7. Goodwill

Goodwill arise from the acquisition of a subsidiary - Qanawat Telecom Company L.L.C. - Kingdom of Saudi Arabia. The Group's management test goodwill annually for impairment if there are indication that goodwill might be impaired.

The movements of goodwill during the year are as follows:

	2021	2020
	KD	KD
Balance at beginning of the year	**13,984,900**	14,080,724
Foreign currency translation differences	**255,434**	(95,824)
Impairment losses	**(11,110,041)**	-
Balance at end of the year	**3,130,293**	13,984,900

Goodwill is arising from the acquisition of the subsidiary, Qanawat Telecom Company L.L.C. (Kingdom of Saudi Arabia) during the year ended 31 December 2015 and in previous years. The subsidiary company, Qanawat Telecom Company L.L.C. and its subsidiaries changed the preparation of their consolidated financial statements in accordance with the International Financial Reporting Standard for Small and Medium Enterprises approved by the Kingdom of Saudi Arabia, which resulted in the recording of the amortization of goodwill for both Fawran Telecom Company L.L.C. - Kingdom of Saudi Arabia and Qanawat for General Trading and Contracting Company W.L.L. - State of Kuwait.

During the current financial year, the management of subsidiary company (Qanawat Holding Company B.S.C.C.) recorded impairment in the value of goodwill resulting from the acquisition of the subsidiary - Qanawat Telecom Company L.L.C. (Kingdom of Saudi Arabia) in the amount of BD 13,673,729 (equivalent to KD 11,110,041) based on external valuation report.

8. Financial assets at fair value through other comprehensive income

	2021	2020
	KD	KD
Local unquoted shares	**2,408,884**	6,172,863
	2,408,884	6,172,863

The movements of financial assets at fair value through other comprehensive income during the year are as follows:

	2021	2020
	KD	KD
Balance at beginning of the year	**6,172,863**	11,189,168
Change in fair value	**(3,715,115)**	(5,016,305)
Foreign currency translation reserve	**(48,864)**	-
Balance at end of the year	**2,408,884**	6,172,863

Local unquoted shares includes an investment in Development Capital Real Estate Company K.S.C. (Closed) which is included in the consolidated financial statements in the amount of KD 2,408,883 which was valued by an independent valuator.

During the current year and in accordance with the minutes of the Audit Committee meeting No. 2-2022 dated 25/8/2022, the parent company's management took a provision for unquoted local shares (India Holding Company) in full amount of KD 3,739,917 based on internal study and included it in the statement of changes in equity (change in fair value).

9. Investment in associate

Name of associates	*Percentage of ownership interest (%)*			
	2021	2020	**2021**	2020
			KD	KD
Balsamee Company W.L.L. – United Kingdom	**48.87**	48.87	**173,563**	324,248

The movements of investment in associate during the year are as follows:

	2021	2020
	KD	KD
Balance at beginning of the year	**324,248**	324,248
Share of result of associate	**(126,613)**	-
Foreign currency translation	**(24,072)**	-
Balance at end of the year	**173,563**	324,248

The following is a summary of the financial information of the associate company

Statement of financial position	**2021**	2020
	KD	KD
Current assets	**64,635**	-
Non-current assets	**930,187**	-
Current liabilities	**462,770**	-
Non-current liabilities	**176,900**	-

Below is a summary of the reconciliation of the above financial information with the carrying amount of the Company's interest in the associate:

	2021	2020
	KD	KD
Net assets of the associate	**355,152**	-
Company ownership percentage (%)	**48.87%**	-
Recorded value of the company's share	**173,563**	-

This investment was previously recognized as advance payments to purchase investments in the financial statements of one of the subsidiary companies (Qanawat Telecom Company - Kingdom of Saudi Arabia). During the previous financial year, the Group's management re-classified and registered it as an investment in an associate in the books of "the parent company".

The share of result of associate is based on unaudited financial information prepared by a third party (Quiff Accountancy Ltd).

10. Loan to a related party

Loan to a related party represents a loan granted to Hits Africa Company (Ltd)- Cayman Island (Previously: an associate company) amounted to USD 75,680,606 bearing an interest rate of 6% matured on 31 March 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.

10. Loan to a related party (continued)

This loan is secured upon a transfer of rights agreement between Hits Africa Company (Ltd)- Cayman Islands (Previously: an associate company) and one of its subsidiaries and mortgaged shares of Hits Africa Company (Ltd). Cayman Islands (Previously: an associate company) in one of its subsidiaries and the relevant rights in favor of AAN Digital Services Holding Company. Due to the discontinuity of Hits Africa Company's business (Ltd)- Cayman Islands (Previously: an associate company) and being put under liquidation until knowing whether it will be liquidated or decided to resume the company's business in the future and for precautionary purpose a provision for doubtful debts amounting to KD 3,500,000 was made by the Group" during the previous year to meet any amounts uncollectible from this loan.

During previous years and according to the adoption of IFRS 9, the Group has estimated its ECL under IFRS 9 and recognized the full amount of the loan to a related party KD 18,686,527, and the credit balance of the foreign currency translation reserve relating to the loan with an amount of KD 761,777. These amounts have been adjusted and were settled as credit losses within the opening balance of the accumulated losses. We have not been provided with any additional information about this loan.

11. Receivable and other debit balances

	2021	2020
	KD	KD
Trade receivable	**273,917**	1,556,082
*Accrued income	**448,611**	479,255
Accrued commission	**679,218**	700,517
Letters of guarantee	**1,917,913**	1,770,890
Provision for expected credit losses	**(250,539)**	(103,967)
	3,069,120	4,402,777
Advance payments	**245,348**	754,230
Prepaid expenses	**689,216**	249,158
Advanced payment for purchase of investments	**101,215**	-
Staff receivables	**65,290**	137,942
Refundable deposits	**2,950**	2,950
Others	**160,207**	48,880
	4,333,346	5,595,937

* Commissions receivable consists of accrued revenue from Etihad Etisalat Co. (Mobily) against distribution of Company's products according to Mobily's policy regarding commissions relating to suppliers, which will be settled continuously.

The maximum exposure to credit risk at the consolidated statement of financial position date is disclosed in (Note - 23) to these consolidated financial statements. The other classes of other debit balances are neither past due nor impaired.

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

Year	During 30 days	30-60 days	60-90 days	90-120 days	120 days	Total
	KD	**KD**	**KD**	**KD**	**KD**	**KD**
2021	**254,103**	**18,524**	**1,290**	**-**	**-**	**273,917**
2020	639,109	186,846	85,928	12,532	631,667	1,556,082

For the risks analysis 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.

11. Receivable and other debit balances (continued)

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.

	2021	2020
	KD	KD
Balance at beginning of the year	103,967	247,574
Expected credit losses charged for the year (note 19)	208,101	7,515
Used during the year	(67,366)	(149,355)
Foreign currency translation	5,837	(1,767)
Balance at the end of the year	250,539	103,967

12. Related party disclosures

Related parties primarily comprise of board of directors, key management personnel, associate companies, subsidiary companies and shareholders of which the Company is principal owner or over which they are able to exercise significant influence. Pricing policies and terms of related party transactions are approved by the Group's management.

In the normal course of business of the Group, transactions have been carried out with related parties (principle shareholders).

	2021	2020
	KD	KD
Transactions included in the consolidated statement of profit or loss:		
Key management personnel compensation:		
Salaries and other benefits	74,232	24,743
Consolidated statement of financial position:		
Due from:		
Tabah Al Khair Holding Company K.S.C.C.	205,153	183,208
Enaya Health Care Company	557,800	-
Public Service Company K.S.C.C.	32,793	32,793
Asal Holding Company K.S.C.C.	20,700	20,700
Others	-	25,329
	816,446	262,030
* Provision for doubtful debts on related parties	(816,446)	-
	-	262,030
Investment in mudaraba (note 13)	-	911,209
Due to related parties	-	69,848

* During the current year and in accordance with the minutes of the Audit Committee's meeting No. 2-2022 dated 25/8/2022, the parent company's management took a provision for doubtful debts on related parties amounting to KD 816,446 and it was included in the consolidated statement of profit or loss.

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 the approval of the shareholders at the annual general assembly meeting.

13. Investment in mudaraba

	2021	2020
	KD	KD
Balance at beginning of the year	911,209	911,208
Provision during the year	(911,209)	-
Balance at the end of the year	-	911,208

This item represents short-term financing and mudaraba contract signed with Tabah Al Khair Holding Company K.S.C. (related party) maturing within one year from the consolidated financial position date. "The Group" does not calculate fixed return on these finances and mudaraba contract based on permission from sharia Supervisory Board instruction until the settlement of this contract.

During the current year and in accordance with the minutes of the Audit Committee meeting No. 2-2022 dated 25/8/2022, the parent company's management took a provision on the entire investment in mudaraba contract in the amount of KD 911,209 and included in the consolidated statement of profit or loss.

14. Financial assets at fair value through profit or loss

This item represents an investment in local investments portfolio managed by an external party.

Following the movement for this item during financial year:

	2021	2020
	KD	KD
Balance at 1 January	89,931	165,954
Additions	-	272,368
Disposals	(63,808)	(346,986)
Change in fair value	(6,321)	(1,405)
Foreign currency translation	2,821	-
Balance at 31 December	22,623	89,931

The investment in fair value through profit or loss is valued based on valuation techniques disclosed in (note 24).

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.

	Authorised and issued		Paid	
	2021	2020	2021	2020
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

	2021	31 December 2020 (Restated)	1 January 2020
Number of treasury shares	77,240	15,254	15,254
Percentage of issued shares (%)	0.0089	0.0017	0.0017
Market value (KD)	1,235	183	198
Cost of treasury shares (KD)	6,756	1,334	1,334

Reserves equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

16. Treasury shares (continued)

During the year ended 31 December 2021, the management of the ultimate parent company (AAN Digital Services Holding Company K.P.S.C.) discovered accounting errors related to treasury shares in the consolidated financial statements for the year ended 31 December 2020. As a result, the ultimate parent company's management corrected the accounting errors related to the consolidated financial position as at 31 December 2020, and the related consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended. We were unable to determine the financial impact on the subsidiary company as a result of correcting these accounting errors in the books of the ultimate parent company (note 29).

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. Payable and other credit balances

	2021	2020
	KD	KD
Trade payables	**3,353,379**	3,025,831
Accrued expenses	**468,570**	483,799
Advance payment from customers	**798,919**	774,687
Other	**168,779**	39,090
* Zakat provision for the subsidiary company	**1,133,802**	718,563
	5,923,449	5,041,970

* The subsidiary company, Qanawat Systems Company LLC. (An indirect ownership subsidiary) submitted the zakat declaration for the year 2020 to the General Authority for Zakat and Income and obtained a zakat assessment for previous years. The assessment was objected to after the company agreed to some assessment terms with an approximate value of Saudi Riyal 7,955,486 (equivalent to KD 657,186) and a provision was taken in return for this commitment.

19. General and administrative expenses

	2021	2020
	KD	KD
Staff costs	**806,906**	818,557
Expected credit losses (note 11)	**208,101**	-
Rents	**48,762**	58,624
Depreciation	**78,467**	80,953
Zakat for a subsidiary company	**815,641**	176,424
Professional fees	**80,664**	154,298
Insurance	**33,094**	33,693
Subscription and fees	**51,443**	69,137
Travelling	**8,969**	14,640
Banking expenses	**75,831**	35,656
Others	**240,941**	243,143
	2,448,819	1,685,125

20. Selling and marketing expenses

	2021	2020
	KD	KD
Staff costs	**2,640,094**	2,020,110
Rents	**638,738**	623,758
Expected credit losses	**-**	7,541
Provision for slow moving inventory	**-**	28,240
Advertising	**14,823**	17,993
Cleanliness	**104,669**	121,506
Insurance	**2,840**	2,941
Consulting fees	**13,080**	11,918
Travelling	**30,927**	27,378
Printing and stationery	**12,673**	10,403
Others	**234,730**	139,215
	3,692,574	3,011,003

21. Loss for the year from discontinued operations

On 1 April 2020, the management of the subsidiary company Qanawat Telecom - Kingdom of Saudi Arabia decided to stop the logistics services activity in the desire of the management of the subsidiary to sell that activity. The revenues and expenses of the logistics services activity were classified as discontinue operations, as the revenues from discontinue operations amounted KD 19,613 and the cost of the activity amounted KD (59,214), and the cost of the activity is represented in the value of mobile devices, equipment and data products from the beginning of the period and from purchased data products, and the following are details of the costs of that discontinued activity:

	2021	2020
	KD	KD
Staff costs	**-**	5,355
Rents	**-**	7,485
Professional fees	**-**	2,005
Subscription fees	**-**	638
Depreciation of property and equipment	**-**	16,053
Rental vehicles	**-**	14,364
Bad debts	**-**	8,526
Maintenance of vehicles	**-**	4,046
Electricity, water, phone and postage	**-**	520
Others	**-**	222
	-	59,214

22. Loss per share (Fils)

Loss per share is calculated based on the net loss for the period attributable to the shareholders of the Parent Company divided by the weighted average number of issued and outstanding shares during the year as follows:

	2021	2020
Net loss for the year (KD)	**(14,603,080)**	(442,341)
Weighted average number of issued and outstanding shares during the year (Shares)	**872,341,610**	872,341,610
Weighted average of the treasury shares (Shares)	**(77,240)**	(15,254)
Weighted average number of shares, less treasury shares (Shares)	**872,264,370**	872,326,356
Loss per share (fils)	**(16.74)**	(0.51)

23. Financial risk and capital management

(a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(b) Credit risk

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. The Group credit policy and exposure to credit risk are monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or Group of customers in specific locations. It also obtains security when appropriate. The maximum credit risk exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, trade receivables, and due from related party.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the consolidated financial position date, as summarized below:

	2021	2020
	KD	KD
Receivables and other debit balances (excluding prepayments and prepaid expenses)	**3,294,368**	4,592,549
Required by a related party	**-**	262,030
Cash and cash equivalents	**176,238**	173,773
	3,470,606	5,028,352

(c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due.

The table below analyses the Group's non-derivative financial liabilities based on the contractual maturity date taking into consideration the past due amounts. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2021			2020		
	Less than 1 year	**1 - 5 years**	**Total**	Less than 1 year	1 - 5 years	Total
	KD	**KD**	**KD**	KD	KD	KD
Financial liabilities						
Non-current liabilities						
Provision for end of service indemnity	**-**	**321,184**	**321,184**	-	256,345	256,345
	-	**321,184**	**321,184**	-	256,345	256,345
Current liabilities						
Payable and other credit balances	**5,923,449**	**-**	**5,923,449**	5,041,970	-	5,041,970
Due to related parties	**-**	**-**	**-**	69,848	-	69,848
	5,923,449	**-**	**5,923,449**	5,111,818	-	5,111,818

23. Financial risk and capital management (continued)

(d) Interest rate risk

Interest rate risk is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

(e) Market risk

- **Equity price risk**

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Group is exposed to equity risk with respect to its financial assets at fair value through the consolidated statement of profit or loss.

The Group limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of developments in international equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees. The following table shows the impact on the Group's financial assets sensitive to equity prices considering a 5% change with other factors constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

Market indices	% change on profit	Effect on profit and loss	
		2021	2020
		KD	KD
Boursa Kuwait	± 5	**1,131**	4,497

- **Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The Group had the following net assets in foreign currencies.

	2021	2020
	KD	KD
Saudi Riyal	**3,041,948**	6,725,421
United Arab Emirates Dirham	**(465,992)**	(393,249)
Bahraini Dinar	**(9,854,158)**	3,268,671
Pound Sterling	**(173,563)**	-

The tables below analyze the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December, with all other variables held constant on the consolidated statement of profit or loss and equity. The effect of decreases in foreign currency is expected to be equal and opposite to the effect of the increases shown.

Currency	Change in currency rate in %	**2021** Effect on equity	2020 Effect on equity
		KD	KD
Saudi Riyal	± 5%	**152,097**	336,271
United Arab Emirates Dirham	± 5%	**(23,300)**	(19,662)
Bahraini Dinar	± 5%	**(492,708)**	(163,434)
Pound Sterling	± 5%	**8,828**	8,828

23. Financial risk and capital management (continued)

(e) Market risk (continued)

- **Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group has no profit bearing assets, and has interest bearing liabilities represented in term loans, due to banks and notes payable. The Group is exposed to profit rate risk with respect to its borrowings. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings. The Board has established levels of profit rate risk by setting limits on the profit rate gaps for stipulated periods.

Provisions are monitored on a regular basis and hedging strategies used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in profit rates of the Group borrowings +1% and –1% (2020: +1% and –1%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition and rates.

	2021 **+1%** **KD**	2020 +1% KD
Result for the year	-	9,112

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

24. Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of fair value through other comprehensive income, due from related parties, accounts receivable and other debit balances, investments at fair value through profit or loss, bank balances and short term deposits. Financial liabilities consist of accounts payable and other credit balances. The fair values of financial instruments are not materially different from their carrying values.

a) Fair value measurements recognised in the interim condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability 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 input to the fair value measurement.

24. Fair value of financial instruments (continued)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2021	Level 1	Level 3	Total
	KD	KD	KD
Financial assets at fair value through profit or loss			
Local quoted securities	22,623	-	22,623
Financial assets at fair value through other comprehensive income			
Local unquoted securities	-	2,408,884	2,408,884
Total	22,623	2,408,884	2,431,507

31 December 2020			
Financial assets at fair value through profit or loss			
Local quoted securities	89,931	-	89,931
Financial assets at fair value through other comprehensive income			
Local unquoted securities	-	6,172,863	6,172,863
Total	89,931	6,172,863	6,262,794

There have been no transfers between levels 1 & 3 during the reporting period.

Valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out below.

Valuation of unquoted equity investments classified under level 3 is normally based on price to book value technique, dividend yield method and external valuation with marketability discount ranging from 20% to 30%.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

The measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at fair value through other comprehensive income
	KD
31 December 2021	
Beginning balance	6,172,863
Total gain or loss	
- Change in fair value	(3,715,115)
- Foreign currency translation	(48,864)
Ending balance	2,408,884
31 December 2020	
Beginning balance	11,189,168
Total gain or loss	
- Change in fair value reserve	(5,016,305)
Ending balance	6,172,863

24. Fair value of financial instruments (continued)

The sensitivity analysis of a reasonably possible change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

Financial assets at fair value through other comprehensive income (level 3)

	Other comprehensive income	
	Increase	Decrease
31 December 2021	**KD**	**KD**
If marketability discount changes by 5% with all other factors constant, the impact on the equity would be:	**120,444**	**120,444**
31 December 2020		
If marketability discount changes by 5% with all other factors constant, the impact on the equity would be:	308,643	308,643

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

(i) Quoted securities
All the listed equity securities are publicly traded on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

(ii) Unquoted securities
Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments the future financial flows of which are unpredictable.

25. Segment information

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

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

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

	2021	2020
	KD	KD
Revenues:		
Kuwait	**2,006,507**	5,041,946
Outside Kuwait	**58,254,776**	53,625,301
	60,261,283	58,667,247

	2021		2020	
Region	Revenue	Non-current assets	Revenue	Non-current assets
	KD	**KD**	**KD**	**KD**
Kuwait	**2,006,507**	**626**	4,952,861	4,067,147
Outside Kuwait				
Kingdom of Saudi Arabia	**58,187,228**	**2,530,674**	53,598,075	2,557,506
United Arab Emirates	**67,548**	**3,931**	116,311	5,231
Bahrain	**-**	**3,130,293**	-	13,984,900
	60,261,283	**5,665,524**	58,667,247	20,614,784

26. Annual general assembly

On 24 June 2021, the annual general assembly of the Shareholders, held and approved the consolidated financial statements for the financial year ended 31 December 2020 and approved the Board of Directors' proposals to not distribute dividends for the financial year ended 31 December 2020.

The annual general assembly meeting of the shareholders also approved the use of share premium account to extinguish accumulated losses of KD 6,846,580.

27. Contingent liabilities

At the date of the consolidated financial position, the "Group" had contingent liabilities represented in guarantees amounting to KD 2,111,381 (2020: KD 2,577,275).

28. Lawsuits

"The Group" has lawsuits pending at various judicial levels with other parties and according to the legal department of the Group, the potential results of these lawsuits could not be determined until the date of consolidated statement of financial position as of 31 December 2021. Therefore "the Group's" management believes that there is no need to make a provision for these amounts until the outcome of these claims are determined.

29. Effect of prior period

In the first quarter year 2018, the management of the subsidiary company (Qanawat Telecom Company – an indirect subsidiary company) sold 7,304,400 shares of the ultimate parent company (AAN Digital Service Holding Company K.P.S.C.) for KD 188,375 . These shares were reflecting in ultimate parent company's books as treasury share along with the related treasury share reserve. Furthermore, the subject sale has not been disclosed in consolidated financial statements for the years 2018, 2019 and 2020. As a result, the ultimate parent company's management corrected the error by restating financial position as at 31 December 2020 and the related consolidated statement of other comprehensive income, chages in equity fo the year then ended. As a result, we were unable to determine the financial impact of this adjustment to subsidiary books (note 16).

The details of the impact of the restatement are as follows:

Consolidated statement of financial position

	Balance as at 31 December 2019 (As previously presented)	Effect of restatement	**Balance as at 1 January 2020 (Restated)**
	KD	KD	**KD**
Treasury shares	(640,233)	638,899	**(1,334)**
Treasury shares reserve	260,411	(260,411)	**-**
Accumulated losses	(62,376,522)	(378,488)	**(62,755,010)**

30. Subsequent events

30.1 We draw attention to the issuance of Disciplinary Board Resolution No. (91/2021 Disciplinary Board) imposing a fine of 42,000 Kuwaiti dinars against the company and former Chairman and CEO as a result of the violations issued against them, the details of which are contained in the resolution.

30.2 On 27/4/2022, a decision was issued by the Board of Capital Markets Commissioners regarding AAN Digital Services Holding Company, stating the following:

- The shares of AAN Digital Services Holding Company will be canceled from the Kuwait Stock Exchange as of 6/11/2022 in the event that the company does not comply with the requirements set forth in Resolution No. (26) of 2022 regarding suspending the shares of AAN Digital Services Holding Company from trading in the Kuwait Stock Exchange For Securities, issued on 17/2/2022, and any other emerging requirements that may affect the return of the stock to trading.

- Extension of the suspension period for the shares of AAN Digital Services Holding Company from trading on the Kuwait Stock Exchange to a date no later than 3/11/2022, due to the steps taken by the company's shareholders to dissolve the previous board of directors and elect a new board of directors, and the new board of directors submitted a plan to fulfill The necessary requirements to lift the suspension of the company's shares and his pledge to accomplish this during the extension period.

31. Later event

Subsequent to the date of the consolidated financial position, the previous board of directors was dissolved and a new board of directors was elected, as follows:

Names	Designation
Abdullah Ahmed Abdullah Al-Omar	Chairman of Board of Directors
Ahmed Yousef Ahmed Al-Rasheed Al-Badr	Vice Chairman of Board of Directors
Idris Muhammed Shafi Abdullah Muhammed	Member of Board of Directors
Badr Musa Saadoun Al-Hajri	Member of Board of Directors
Ahmed Al-Qamar	Member of Board of Directors