

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

**Interim condensed consolidated financial information (Unaudited)
and review report for the nine months period ended 30 September 2021**

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
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For the nine months period ended 30 September 2021

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Report on review of interim condensed consolidated financial information

The Board of Directors

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of AAN Digital Services Holding Company K.P.S.C. ("the Parent Company") and its subsidiaries (collectively "the Group") as at 30 September 2021 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

- (1) As disclosed in note (3) of the interim condensed consolidated financial information, the Group accounted for its subsidiaries based on financial information prepared by the management as at and for the period ended 30 September 2021. The total assets of these subsidiaries were KD 25,251,389 as at 30 September 2021 and total revenues were KD 44,521,412 and total losses of KD 258,403 for the period then ended.
- (2) As disclosed in note (5), the interim condensed consolidated financial information do not include any adjustments that may be necessary on the value of the financial at fair value through other comprehensive income which includes an investment in Development Capital Real Estate Company K.S.C. (Closed) in the amount of KD 2,448,836 since the investment includes investment in shares of Jiyad Holding Company K.P.S.C. which a decision by Capital Market Authority has been issued on 1 April 2021 regarding cancellation of subscription to capital increase.
- (3) As disclosed in note (6), the interim condensed consolidated financial information do not include the Group's share of the associate results.

Qualified conclusion

Based on our review, except for the effects of matters described in the basis of qualified conclusion on the interim condensed consolidated financial information, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Other Matter

The consolidated financial statements of AAN Digital Services Holding Company K.P.S.C. for the year ended 31 December 2020 were audited by another auditor who expressed a qualified opinion on such consolidated financial statements on 28 April 2021.

Report on review of other legal and regulatory requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the accounting records of the Parent Company. We further report that nothing has come to our attention indicating any contravention during the nine months period ended 30 September 2021, of the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, or of the provisions of Law No. 7 of year 2010 concerning the Capital Markets Authority, its Executive Regulations and its related regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that would materially affect the Group's activities or its interim condensed consolidated financial position.



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

Kuwait: 14 November 2021

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of financial position (Unaudited)
As at 30 September 2021

		30 September 2021	31 December 2020 (Audited)	30 September 2020
	Notes	KD	KD	KD
Assets				
Non-current assets				
Property and equipment		100,974	132,773	75,387
Goodwill	4	13,860,108	13,984,900	14,082,576
Financial assets at fair value through other comprehensive income	5	6,188,985	6,172,863	9,736,130
Investment in an associate	6	324,248	324,248	-
		<u>20,474,315</u>	<u>20,614,784</u>	<u>23,894,093</u>
Current assets				
Inventories		1,250,356	1,400,286	1,949,108
Receivables and other debit balances	7	4,546,912	5,595,937	5,914,385
Due from related parties	8	822,151	262,030	330,687
Investment in mudaraba	8	911,209	911,209	911,209
Financial assets at fair value through profit or loss		26,658	89,931	102,165
Cash and cash equivalents		149,263	173,773	261,990
		<u>7,706,549</u>	<u>8,433,166</u>	<u>9,469,544</u>
Total assets		<u>28,180,864</u>	<u>29,047,950</u>	<u>33,363,637</u>
Equity and liabilities				
Equity				
Share capital		87,234,161	87,234,161	87,234,161
Share premium	14	-	6,846,580	6,846,580
Treasury shares	9	(640,233)	(640,233)	(640,233)
Treasury shares reserve		260,411	260,411	260,411
Cumulative changes in fair value		(8,072,382)	(8,072,382)	(4,509,115)
Foreign currency translation reserve		847,929	870,113	1,058,677
Accumulated losses		(56,454,802)	(62,818,863)	(62,669,293)
Total equity		<u>23,175,084</u>	<u>23,679,787</u>	<u>27,581,188</u>
Liabilities				
Non-current liabilities				
Provision for end of service indemnity		311,278	256,345	279,508
		<u>311,278</u>	<u>256,345</u>	<u>279,508</u>
Current liabilities				
Payable and other credit balances		4,690,012	5,041,970	5,283,297
Due to related parties	8	4,490	69,848	219,644
		<u>4,694,502</u>	<u>5,111,818</u>	<u>5,502,941</u>
Total liabilities		<u>5,005,780</u>	<u>5,368,163</u>	<u>5,782,449</u>
Total equity and liabilities		<u>28,180,864</u>	<u>29,047,950</u>	<u>33,363,637</u>

The accompanying notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Sheikh/ Ahmad Dawaoud Salman AlSabah
Vice Chairman and CEO



AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of profit or loss (Unaudited)
For the nine months period ended 30 September 2021

	Notes	For the three months period ended 30 September		For the nine months period ended 30 September	
		2021	2020	2021	2020
		KD	KD	KD	KD
Revenue		13,740,583	13,621,927	44,521,412	43,385,818
Cost of revenue		(12,690,679)	(12,492,898)	(41,019,163)	(40,100,064)
Gross operating profit		1,049,904	1,129,029	3,502,249	3,285,754
Unrealized gain / (loss) on financial assets at fair value through profit or loss		2,299	(11,251)	(713)	(11,251)
Realized gain / (loss) on financial assets at fair value through profit or loss		32,262	(76,019)	1,246	(76,019)
General and administrative expenses		(421,418)	(427,515)	(1,131,983)	(1,080,769)
Marketing and selling expenses		(920,518)	(785,816)	(2,752,599)	(2,194,527)
Depreciation		(14,604)	(51,309)	(43,854)	(155,678)
Finance charges		(27,292)	(17,378)	(74,437)	(62,154)
Other income		880	(5,899)	17,572	1,873
Net loss for the period		(298,487)	(246,158)	(482,519)	(292,771)
Loss per share (fils)	10	(0.35)	(0.28)	(0.56)	(0.33)

The accompanying notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of comprehensive income (Unaudited)
For the nine months period ended 30 September 2021

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2021	2020	2021	2020
	KD	KD	KD	KD
Net loss for the period	(298,487)	(246,158)	(482,519)	(292,771)
Other comprehensive income / (loss) items:				
<i>Items that will not be reclassified subsequently to the interim condensed consolidated statement of profit or loss:</i>				
Change in fair value	-	(1,453,038)	-	(1,453,038)
<i>Items that will be reclassified subsequently to the interim condensed consolidated statement of profit or loss:</i>				
Foreign currency translation differences	144,325	39,713	(22,184)	163,566
Other comprehensive income / (loss) for the period	144,325	(1,413,325)	(22,184)	(1,289,472)
Total comprehensive loss for the period	(154,162)	(1,659,483)	(504,703)	(1,582,243)

The accompanying notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of equity (Unaudited)
For the nine months period ended 30 September 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 1 January 2020	87,234,161	6,846,580	(640,233)	260,411	(3,056,077)	895,111	(62,376,522)	29,163,431
Net loss for the period	-	-	-	-	-	-	(292,771)	(292,771)
Other comprehensive (loss) / income for the period	-	-	-	-	(1,453,038)	163,566	-	(1,289,472)
Total comprehensive (loss) / income for the period	-	-	-	-	(1,453,038)	163,566	(292,771)	(1,582,243)
Balance at 30 September 2020	87,234,161	6,846,580	(640,233)	260,411	(4,509,115)	1,058,677	(62,669,293)	27,581,188
Balance at 1 January 2021	87,234,161	6,846,580	(640,233)	260,411	(8,072,382)	870,113	(62,818,863)	23,679,787
Extinguishment of accumulated losses (note 14)	-	(6,846,580)	-	-	-	-	6,846,580	-
Net loss for the period	-	-	-	-	-	-	(482,519)	(482,519)
Other comprehensive loss for the period	-	-	-	-	-	(22,184)	-	(22,184)
Total comprehensive loss for the period	-	-	-	-	-	(22,184)	(482,519)	(504,703)
Balance at 30 September 2021	87,234,161	-	(640,233)	260,411	(8,072,382)	847,929	(56,454,802)	23,175,084

The accompanying notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of cash flows (Unaudited)
For the nine months period ended 30 September 2021

	For the nine months period ended 30 September	
	2021	2020
	KD	KD
Cash flows from operating activities		
Net loss for the period	(482,519)	(292,771)
Adjustments for:		
Depreciation	43,854	155,678
Unrealized loss on financial assets at fair value through profit or loss	713	11,251
Realized (gain) / loss on financial assets at fair value through profit or loss	(1,246)	76,019
Provision of end of service indemnity	77,535	56,456
Finance charges	74,437	62,154
Operating (loss) / profit before changes in working capital	(287,226)	68,787
Inventories	149,930	(94,493)
Receivable and other balances	1,049,025	1,029,687
Due from related parties	(560,121)	1,253
Payable and other credit balances	(351,958)	(1,345,621)
Due to related parties	(65,358)	-
End of service indemnity paid	(23,733)	(37,730)
Net cash used in operating activities	(89,441)	(378,117)
Cash flows from investing activities		
Net movement of financial assets at fair value through profit or loss	65,513	-
Purchase of property and equipment	(13,062)	(85,012)
Net cash from / (used in) investing activities	52,451	(85,012)
Cash flows from financing activities		
Finance charges paid	(74,437)	(62,154)
Net cash used in financing activities	(74,437)	(62,154)
Decrease in cash and cash equivalents	(111,427)	(525,283)
Foreign currency translation reserve	86,917	138,233
Cash and cash equivalents at beginning of the period	173,773	649,040
Cash and cash equivalent at the end of the period	149,263	261,990

The accompanying notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2021

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 interim condensed consolidated financial information for the period ended 30 September 2021 was authorized for issue by Board of Directors of the Parent Company on 14 November 2021.

2. Basis of preparation

The interim condensed consolidated financial information is prepared in accordance with IAS 34 *"Interim Financial Reporting"*. The interim condensed consolidated financial information does not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2020. In the opinion of the management all adjustments (consisting of recurring accruals) have been included in the interim condensed consolidated financial information.

The operating results for the nine month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the year ending 31 December 2021.

The interim condensed consolidated financial information have been presented in Kuwaiti Dinars, which is the functional currency of the Group.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020. Certain amendments and interpretations apply for the first time on 1 January 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2021

2. Basis of preparation (continued)

New standards, interpretations and amendments adopted by the Group

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 interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3. Basis of consolidation

This interim condensed consolidated financial information for the nine months period ended 30 September 2021 includes the Parent Company and all its subsidiaries. All subsidiaries' accounts were consolidated based on management accounts for the nine months period ended 30 September 2021. Management believes that no adjustments will be required to the subsidiaries' management accounts which may be material to the interim condensed consolidated financial information taken as a whole.

Details of principal operating subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of ownership interest (%)</u>			<u>Primary activity</u>
		<u>30 September 2021</u>	<u>31 December 2020 (Audited)</u>	<u>30 September 2020</u>	
Direct:					
* Qanawat Holding Company B.S.C. (Closed)	Bahrain	98	98	98	Commercial and industrial services
On Touch for General Trading Company W.L.L.	Kuwait	99	99	99	General trading
Fawran Telecom Company W.L.L.	Saudi Arabia	10	10	10	Telecommunication
Qanawat for General Trading and Contracting Company W.L.L.	Kuwait	10	10	10	Telecommunication, General trading and construction
Qanawat Connect Solutions Company W.L.L.	UAE	10	10	10	Telecommunication

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

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of ownership interest (%)</u>			<u>Primary activity</u>
		30 September 2021	31 December 2020 (Audited)	30 September 2020	
Indirect:					
Fawran Telecom Company W.L.L.	Saudi Arabia	90	90	90	Telecommunication
Qanawat for General Trading and Contracting Company W.L.L.	Kuwait	90	90	90	Telecommunication, General trading and construction
Qanawat Connect Solutions Company W.L.L.	UAE	90	90	90	Telecommunication

The total assets of consolidated subsidiaries were KD 25,251,389 as at 30 September 2021 and total revenues amounted to KD 44,521,412 and their net losses amounted to KD 258,403.

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2021

4. Goodwill

Goodwill arise from the acquisition of a subsidiary - Qanawat Telecom Company W.L.L. - 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 period / year are as follows:

	30 September 2021	31 December 2020 (Audited)	30 September 2020
	KD	KD	KD
Balance at beginning of the period / year	13,984,900	14,080,724	14,080,724
Foreign currency translation differences	(124,792)	(95,824)	1,852
Balance at end of the period / year	13,860,108	13,984,900	14,082,576

5. Financial assets at fair value through other comprehensive income

	30 September 2021	31 December 2020 (Audited)	30 September 2020
	KD	KD	KD
Local unquoted shares	6,188,985	6,172,863	9,736,130
	6,188,985	6,172,863	9,736,130

Local unquoted shares includes an investment in Development Capital Real Estate Company K.S.C. (Closed) which is included in the interim condensed consolidated financial information in the amount of KD 2,448,836. As this investment includes investment in Jiyad Holding Company K.P.S.C. for which a decision was issued by the Capital Markets Authority on 1 April 2021, to cancel the subscription in the share capital increase.

These investments were not evaluated at the date of these interim condensed consolidated financial position, as the Group evaluates them at the end of each financial year according to the valuation methods adopted and disclosed in (note 12).

6. Investment in associate

<u>Name of associates</u>	<u>Percentage of ownership interest (%)</u>					
	30 September 2021	31 December 2020 (Audited)	30 September 2020	30 September 2021	31 December 2020 (Audited)	30 September 2020
				KD	KD	KD
Balsamee Company						
W.L.L. – United Kingdom	48.87	48.87	-	324,248	324,248	-

During the previous financial year, the Group recorded KD 324,284 as an investment in Balsamee Company W.L.L. - UK as an associate. The Group did not recognize its share of the results of the associate because the relevant financial information haven't been issued.

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".

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

Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2021

7. Receivable and other debit balances

	30 September 2021	31 December 2020 (Audited)	30 September 2020
	KD	KD	KD
Trade receivable	379,773	1,556,082	738,979
Provision for expected credit losses	(88,270)	(103,967)	(247,574)
	291,503	1,452,115	491,405
Accrued income	551,107	479,255	-
Accrued commission	1,019,318	700,517	2,327,699
Letters of guarantee	1,863,649	1,770,890	1,725,549
Advance payments	333,603	754,230	967,130
Prepaid expenses	349,608	249,158	272,698
Staff receivables	6,360	137,942	73,592
Refundable deposits	2,950	2,950	11,052
Others	128,814	48,880	45,260
	4,546,912	5,595,937	5,914,385

8. 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 company's management.

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

	30 September 2021	31 December 2020 (Audited)	30 September 2020
	KD	KD	KD
Transactions included in the interim condensed consolidated statement of profit or loss:			
Key management personnel compensation:			
Salaries and other benefits	55,674	24,743	-
Interim condensed consolidated statement of financial position:			
Due from related parties	822,151	262,030	330,687
Investment in mudaraba	911,209	911,209	911,209
Due to related parties	4,490	69,848	219,644

Interim condensed consolidated statement of profit or loss:

The interim condensed 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.

9. Treasury shares

	30 September 2021	31 December 2020 (Audited)	30 September 2020
Number of treasury shares	7,319,654	7,319,654	7,319,654
Percentage of issued shares (%)	0.839	0.839	0.839
Market value (KD)	102,475	88,568	93,692
Cost of treasury shares (KD)	640,233	640,233	640,233

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

AAN Digital Services Holding Company K.P.S.C. and its subsidiaries
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Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2021

10. Loss per share (Fils)

Basic 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 period as follows:

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2021	2020	2021	2020
Net loss for the period (KD)	(298,487)	(246,158)	(482,519)	(292,771)
Weighted average number of issued and outstanding shares during the period (Shares)	872,341,610	872,341,610	872,341,610	872,341,610
Weighted average of the treasury shares (Shares)	(7,319,654)	(7,319,654)	(7,319,654)	(7,319,654)
Weighted average number of shares, less treasury shares (Shares)	865,021,956	865,021,956	865,021,956	865,021,956
Loss per share (Basic and diluted) (fils)	(0.35)	(0.28)	(0.56)	(0.33)

11. 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.

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 hedge purpose the provision for doubtful debts amounting to KD 3,500,000 was made by the Group" during the previous year to meet any amounts uncollectible from this loan.

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.

12. 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.

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12. 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:

30 September 2021	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	26,658	-	26,658
<i>Financial assets at fair value through other comprehensive income</i>			
Local unquoted securities	-	<u>6,188,985</u>	<u>6,188,985</u>
Total	<u>26,658</u>	<u>6,188,985</u>	<u>6,215,643</u>
31 December 2020			
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	89,931	-	89,931
<i>Financial assets at fair value through other comprehensive income</i>			
Local unquoted securities	-	<u>6,172,863</u>	<u>6,172,863</u>
Total	<u>89,931</u>	<u>6,172,863</u>	<u>6,262,794</u>
30 September 2020			
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	102,165	-	102,165
<i>Financial assets at fair value through other comprehensive income</i>			
Local unquoted securities	-	<u>9,736,130</u>	<u>9,736,130</u>
Total	<u>102,165</u>	<u>9,736,130</u>	<u>9,838,295</u>

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.

12. Fair value of financial instruments (continued)

The measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. 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
30 September 2021	
Beginning balance	6,172,863
Total gain or loss	
- Change in foreign currency	<u>16,122</u>
Ending balance	<u>6,188,985</u>
31 December 2020	
Beginning balance	11,189,168
Total gain or loss	
- Change in fair value reserve	<u>(5,016,305)</u>
Ending balance	<u>6,172,863</u>
30 September 2020	
Beginning balance	11,189,168
Total gain or loss	
- Change in fair value reserve	<u>(1,453,038)</u>
Ending balance	<u>9,736,130</u>

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
	KD	KD
30 September 2021		
If marketability discount changes by 5% with all other factors constant, the impact on the equity would be:	309,449	309,449
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
30 September 2020		
If marketability discount changes by 5% with all other factors constant, the impact on the equity would be:	486,807	486,807

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.

13. Segment information

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

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

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

	For the nine months period ended 30 September 2021		For the nine months period ended 30 September 2020	
	Revenues	Non-current Assets	Revenues	Non-current Assets
	KD	KD	KD	KD
Region				
State of Kuwait	1,842,121	4,064,397	4,015,572	9,757,468
Outside Kuwait				
Kingdom of Saudi Arabia	42,283,013	3,180,292	39,083,235	50,621
UAE	396,278	4,387	287,011	3,428
Bahrain	-	13,225,239	-	14,082,576
	<u>44,521,412</u>	<u>20,474,315</u>	<u>43,385,818</u>	<u>23,894,093</u>

14. 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.

15. Lawsuits

"The Group" has some potential lawsuits represented in cases 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 interim condensed consolidated statement of financial position as of 30 September 2021. Therefore "the Group's" management believes that there is no need to make a provision for these amounts until determining the outcome of these claims and issues.

16. Impact of COVID - 19

During the early months of last year (2020) until the current year (2021), the Coronavirus pandemic (COVID-19) suddenly erupted at global scale and disturbed normal business operations, financial markets and other economic activities. The resulting financial impact on Group financial position and on profit and loss statement have been adjusted and accounted for as at 30 September 2021. However, the full impact of COVID-19 on Group business cannot be reliably measured from current observations as the pandemic is still in progress as at reporting date.

Expected Credit Loss (ECL)

The Group has applied both qualitative and quantitative management techniques to assess ECL as at 30 September 2021 and concluded that there is no material impact due to COVID-19.

16. Impact of COVID – 19 (continued)

Property and equipment and investment in associates

As at 30 September 2021, the Group has not identified any significant impact on the carrying values of its non-financial assets due to COVID-19, especially the cash generating capabilities from these non-financial assets. The Group is aware that certain geographical areas and sectors in which these assets exist are negatively impacted and consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the interim condensed consolidated financial information.

Going concern

The Group management performed assessment of impact of COVID-19 on its primary business activities and foresee no threat to going concern principle. Although the future behavior of COVID-19 cannot be measured with precision at this stage, the management believes that business continuity will not be adversely affected.