OMAN TELECOMMUNICATIONS COMPANY SAOG

Consolidated Annual Financial Statements and
Independent Auditor's Report

31 December 2022

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN TELECOMMUNICATIONS COMPANY SAOG

## Report on the audit of the consolidated financial statements

### *Qualified opinion*

We have audited the consolidated financial statements of Oman Telecommunications Company SAOG (the "Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and the consolidated statement of 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 possible effects of the matters described in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 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*

a) As disclosed in Note 2.1 to the consolidated financial statements, the Group has excluded the effects reported therein of applying International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29.

b) The Group's right of use assets (ROU), lease liabilities, assets of disposal group classified as held for sale and liabilities of disposal group classified as held for sale as at 31 December 2022 include ROU, lease liabilities, assets of disposal group classified as held for sale and liabilities of disposal group classified as held for sale pertaining to the Group's operations in a subsidiary, amounting RO 80 million (2021: RO 133 Million), RO 69 million (2021: RO 147 Million), RO 101 million (2021: RO Nil) and RO 81 million (2021: RO Nil) respectively. We were unable to obtain sufficient appropriate audit evidence about the carrying value of the ROU, lease liabilities, assets of disposal group classified as held for sale and liabilities of disposal group classified as held for sale pertaining to the Group's operations in that subsidiary because we have not been able to complete our audit procedures relating to these amounts at the time of issuing this report. Consequently, we are unable to determine whether any adjustments to the above amounts, including the amortization of ROU and finance costs on lease liabilities for the year ended 31 December 2022, recognized in the consolidated financial statements were necessary in respect of this matter.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN TELECOMMUNICATIONS COMPANY SAOG (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matters described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our qualified opinion on the accompanying consolidated financial statements.

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| 1. **Revenue recognition and related IT systems**<br>The Group reported revenue of RO 2,683 million (2021: RO 2,408 million) for the year ended 31 December 2022.<br><br>There is an inherent risk around telecom services revenue recognition because of the complexity of the related Information Technology ("IT") environment, the processing of large volumes of data through a number of different IT systems and the combination of different products and prices.<br><br>Due to the complexities and dependencies on different IT systems in the revenue recognition process, we have considered this as a key audit matter.<br>The accounting policy for revenue recognition is set out in note 2.3.15 and the related disclosures are made in note 19 and note 27 to the consolidated financial statements. | For significant revenue streams, our audit procedures included the following, on a sample basis:<br>Our audit procedures included, among others, the following:<br>• Testing of controls, assisted by our IT specialists including those over set-up of customer accounts, pricing data, segregation of duties, and the linkage to usage data that results in revenue recognition;<br>• Testing the IT environment relating to billing, rating and other relevant support systems, including the change control procedures in place around systems that bill significant revenue streams;<br>• Testing the end-to-end reconciliation from business support systems to billing and rating systems to the general ledger;<br>• Performed tests on the accuracy of customer bill generation process on a sample basis and testing of a sample of the credits and discounts applied to such customer bills;<br>• Performed substantive analytical procedures over the significant revenue streams by developing an expectation based on rates, disconnections and installations; |

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN TELECOMMUNICATIONS COMPANY SAOG (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

*Key audit matters (continued)*

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| | • Assessed transactions taking place before and after year-end to ensure that revenue was recognized in the appropriate period;<br>• Assessed the appropriateness of the Group's revenue recognition accounting policies including compliance with the relevant IFRS.<br>• Reviewing the key reconciliations performed by management.<br>• Further, we instructed and monitored that the component auditors of the Group's significant entities have performed consistent audit procedures as detailed above, as applicable. |
| 2. Impairment of goodwill<br>As at 31 December 2022, the carrying value of goodwill amounted to 1,039 million (2021 RO 1,060 million), as disclosed in Note 12 to the consolidated financial statements.<br><br>In accordance with IAS 36 Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.<br><br>We considered the impairment of goodwill to be a key audit matter, given the method for determining the recoverable amount and the significance of the amount in the Group's consolidated financial statements. In addition, the recoverable amounts are based on the use of important assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates and long-term growth rates.<br><br>The accounting policy for impairment of goodwill is set out in note 2.3.8 and the related disclosures are made in note 12 to the consolidated financial statements. | We tested the goodwill impairment models and the key assumptions used by management with the involvement of our internal valuation specialists. Our audit procedures included, but were not limited to, the following:<br>• understanding the business process for the impairment assessment, evaluating the design and testing the implementation of the key controls over the impairment assessment process;<br>• evaluating whether the cash flows in the models used by management to calculate the recoverable value are in accordance with the requirements of IAS 36 Impairment of Assets;<br>• comparing actual historical cash flow results with previous forecasts to assess reasonableness of forecasts;<br>• with the support of our internal valuation experts, benchmarking and challenging key assumptions used in the Group's value-in-use calculation including the cash flow projections, discount rates and terminal growth rate; |

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN TELECOMMUNICATIONS COMPANY SAOG (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

*Key audit matters (continued)*

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| | • assessing the methodology used by the Group to estimate the Weighted Average Cost of Capital (WACC) and benchmarking that with discount rates used by other similar businesses and market data, as available;<br>• benchmarking assumptions on long term growth rates of local GDP and long-term inflation expectations with external sources of data published by global monetary agencies;<br>• performing sensitivity analysis on the key assumptions used by management to understand the extent to which these assumptions need to be adjusted before resulting in additional impairment loss; and assessing the disclosures in the consolidated financial statements relating to impairment of goodwill against the requirements of IFRS. |
| 3. Tower Sales and Lease back transaction<br><br>As disclosed in Note 8.2 on 11 May 2021, the Company entered into an agreement for the sale and lease back of telecom towers in Oman. On 7 December 2022, the Company after meeting the conditions precedent under the agreement, completed the sale and lease back of 2,519 telecom towers in Oman for a consideration of RO 190.263 Million as part of Phase 1 of the transaction. Towers sold will be leased back for a period of 15 years.<br><br>The Company recognized the sale and leaseback transaction as per IFRS 16 - Leases and recognized a gain on sale (net of income tax) of RO 28 million in the consolidated statement of profit or loss. | With the assistance of our accounting specialists, our audit procedures included, amongst others:<br>• Testing the design and operational effectiveness of controls relating to accounting for lease transactions;<br>• Analysis of the asset transfer and lease agreements;<br>• Evaluating management's assessment of transfer of control over tower assets.<br>• Evaluating management's determination of off-market adjustments.<br>• Evaluating management's identification and separation of lease and non-lease components. |

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN TELECOMMUNICATIONS COMPANY SAOG (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

*Key audit matters (continued)*

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| We consider the sale and leaseback of tower assets to be a key audit matter based on the materiality of the transaction to the consolidated financial statements and significant judgements and estimates made by management in determining whether the transaction is subject to accounting as a sale and leaseback of the tower assets, whether the transaction is subject to any off-market adjustments, the assessment of the subsequent lease agreement provisions, identification and separation of lease and non-lease components and the determination of the appropriate lease term.<br><br>This required significant auditor's attention and effort in performing procedures to evaluate management's accounting for and presentation and disclosure in the consolidated financial statements of the sale and leaseback of the tower assets in accordance with IFRS 16 "Leases".<br><br>The accounting policy for sale and leaseback is set out in note 2.3.14 and the related disclosures are made in note 8.2 to the consolidated financial statements. | • Evaluating management's application of the sale and leaseback guidance under IFRS 16 "Leases" and the resulting accounting for and presentation of the right-of-use assets and related lease liabilities, including the assessment of the applied lease term.<br>• Assessing the adequacy of the Company's disclosures. |

*Other matters*

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed a qualified opinion on those consolidated financial statements on 28 February 2022 for excluding the effects reported therein of applying International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies with respect to its subsidiaries in the Republic of Sudan.

*Other information included in the Group's 2022 Annual Report*

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's Annual Report other than the consolidated financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2022 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN TELECOMMUNICATIONS COMPANY SAOG (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

*Other information included in the Group's 2022 Annual Report (continued)*
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We are unable to conclude if the other information is materially misstated as a result of the matters described in the Basis for Qualified Opinion section of our report.

*Responsibilities of management and those charged with governance for the consolidated financial statements*
Those charged with governance is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 2019 and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance 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, those charged with governance are 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 those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN TELECOMMUNICATIONS COMPANY SAOG (CONTINUED)

**Report on the audit of the consolidated financial statements (continued)**

***Auditor's responsibilities for the audit of the consolidated financial statements (continued)***

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance'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, actions taken to eliminate threats or safeguards so applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In our opinion, the consolidated financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019, and the CMA of the Sultanate of Oman.

Ernst & Young LLC

Mohamed Al Qurashi
15 March 2023
Muscat

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OMAN TELECOMMUNICATIONS COMPANY SAOG

Consolidated Statement of Financial Position as at 31 December 2022

| | Note(s) | 2022 | 2021 |
|---|---|---|---|
| | | | RO '000 |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and bank balances | 4 | 451,324 | 390,214 |
| Trade and other receivables | 5 | 1,122,000 | 972,305 |
| Contract assets | 19.2 | 108,940 | 90,679 |
| Inventories | 6 | 69,573 | 79,853 |
| Investment securities at fair value through profit or loss | 7 | 50,708 | 43,329 |
| Investment securities at amortised cost | 7 | 1,000 | - |
| | | 1,803,545 | 1,576,380 |
| Assets of disposal group classified as held for sale | 8.1 | 322,956 | 31,589 |
| **Total Current assets** | | 2,126,501 | 1,607,969 |
| **Non-current assets** | | | |
| Contract assets | 19.2 | 65,983 | 52,937 |
| Investment securities at fair value through profit or loss | 7 | 24,528 | 25,522 |
| Investment securities at FVOCI | 7 | 21,794 | 22,438 |
| Investment securities at amortised cost | 7 | - | 1,000 |
| Investments in associates and joint venture | 9 | 150,027 | 114,288 |
| Other non-current assets | 11 | 59,752 | 73,312 |
| Deferred tax asset | | 29,269 | 10,151 |
| Right of use of assets | 10 | 206,539 | 225,860 |
| Property and equipment | 11 | 1,761,504 | 1,982,990 |
| Intangible assets and goodwill | 12 | 3,389,546 | 3,450,987 |
| **Total Non-current assets** | | 5,708,942 | 5,959,485 |
| **Total Assets** | | 7,835,443 | 7,567,454 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 1,466,164 | 1,354,169 |
| Contract liabilities | 19.2 | 122,772 | 139,043 |
| Income tax payables | 14 | 38,652 | 45,479 |
| Borrowings | 15 | 547,584 | 579,725 |
| Lease liabilities | 16 | 33,078 | 46,277 |
| | | 2,208,250 | 2,164,693 |
| Liabilities of disposal group classified as held for sale | 8.1 | 109,318 | 3,249 |
| **Total Current liabilities** | | 2,317,568 | 2,167,942 |
| **Non-current liabilities** | | | |
| Borrowings | 15 | 1,740,067 | 1,823,187 |
| Lease liabilities | 16 | 210,914 | 202,379 |
| Other non-current liabilities | 17 | 679,958 | 606,893 |
| **Total Non-current liabilities** | | 2,630,939 | 2,632,459 |
| **Total liabilities** | | 4,948,507 | 4,800,401 |
| **Equity** | | | |
| Share capital | 18 | 75,000 | 75,000 |
| Legal reserve | 18 | 25,000 | 25,000 |
| Voluntary reserve | 18 | 49,875 | 49,875 |
| Capital contribution | 18 | 7,288 | 7,288 |
| Capital reserve | 18 | 36,893 | 36,893 |
| Foreign currency translation reserve | 18 | (90,719) | (88,590) |
| Investment fair valuation reserve | 18 | (3,653) | (2,375) |
| Other reserves | 18 | 5,204 | (4,217) |
| Retained earnings | | 530,408 | 480,331 |
| **Attributable to the Company's shareholders** | | 635,296 | 579,205 |
| Non controlling interest | 28 | 2,251,640 | 2,187,848 |
| **Total equity** | | 2,886,936 | 2,767,053 |
| **Total Liabilities and Equity** | | 7,835,443 | 7,567,454 |

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

CHAIRMAN

2023.03.15 09:00:53 +04'00'

DIRECTOR

Ibrahim Said Al Eisri 2023.03.15 09:21:37 +04'00'

CHIEF EXECUTIVE OFFICER

Consolidated Statement of Profit or Loss – Year ended 31 December 2022

| | Note(s) | 2022 | 2021 |
|---|---|---|---|
| | | | RO '000 |
| Continuing operations | | | |
| Revenue | 19.1 | 2,682,776 | 2,408,293 |
| Cost of sales | | (930,161) | (763,156) |
| Operating and administrative expenses | 20 | (707,380) | (668,938) |
| Allowance for expected credit loss on financial assets | | (46,383) | (5,950) |
| Depreciation and amortization | 10,11,12 | (551,536) | (592,603) |
| Interest income | | 8,567 | 6,695 |
| Investment income | 22 | 6,598 | 3,980 |
| Share of results of associates and joint venture | 9 | 5,466 | 4,398 |
| Other (expense)/ income | 21 | (8,251) | 1,181 |
| Gain on disposal of units in associate | 23 | 755 | - |
| Gain on sale and lease back transactions | 8 | 495 | 1,195 |
| Gain on modification of financial liabilities | | - | 2,578 |
| Impairment of goodwill | 12 | (34,458) | - |
| Finance costs | 24 | (157,352) | (138,596) |
| Gain/ (loss) from currency revaluation | | 2,448 | (8,615) |
| Net monetary gain | 35 | - | 389 |
| Profit before income taxes | | 271,584 | 250,851 |
| Income tax expenses | 25 | (20,690) | (34,125) |
| Profit for the year from continuing operations | | 250,894 | 216,726 |
| Discontinued operations | | | |
| Profit for the year from discontinued operations (net of income tax) | 8.2 | 28,030 | 16,876 |
| Profit for the year | | 278,924 | 233,602 |
| Attributable to: | | | |
| Shareholders of the Company | | 91,316 | 67,050 |
| Non-controlling interests | | 187,608 | 166,552 |
| | | 278,924 | 233,602 |
| Earnings per share (EPS) | | | |
| Basic and diluted – RO | 26 | | |
| From continuing operations | | 0.084 | 0.085 |
| From discontinued operations | | 0.037 | 0.004 |

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income – Year ended 31 December 2022

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Profit for the year | 278,924 | 233,602 |
| Other comprehensive income: | | |
| *Other comprehensive income items that may be transferred or reclassified to consolidated statement of profit or loss in subsequent periods:* | | |
| Exchange differences on translating foreign operations | 1,367 | (108,844) |
| Other reserves | 28,906 | 15,185 |
| | 30,273 | (93,659) |
| *Items that will not be reclassified to consolidated statement of profit or loss:* | | |
| Changes in the fair value of equity investments at FVOCI | (5,783) | (813) |
| Other comprehensive income for the year | 24,490 | (94,472) |
| Total comprehensive income for the year | 303,414 | 139,130 |
| Total comprehensive income attributable to: | | |
| Shareholders of the Company | 97,341 | 49,962 |
| Non-controlling interests | 206,073 | 89,168 |
| | 303,414 | 139,130 |

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

| | *Attributable to equity holders of the parent* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RO'000 | Legal reserve RO'000 | Voluntary reserve RO'000 | Capital contribution RO'000 | Capital reserve RO'000 | Foreign currency translation reserve RO '000 | Fair value reserve RO'000 | Other reserves RO'000 | Retained earnings RO'000 | Total RO'000 | Non-controlling interests RO'000 | Total RO'000 |
| At 1 January 2022 | 75,000 | 25,000 | 49,875 | 7,288 | 36,893 | (88,590) | (2,375) | (4,217) | 480,331 | 579,205 | 2,187,848 | 2,767,053 |
| Profit for the year | - | - | - | - | - | - | - | - | 91,316 | 91,316 | 187,608 | 278,924 |
| Other comprehensive income for the year | - | - | - | - | - | (2,129) | (1,267) | 9,421 | - | 6,025 | 18,465 | 24,490 |
| Total comprehensive income for the year | - | - | - | - | - | (2,129) | (1,267) | 9,421 | 91,316 | 97,341 | 206,073 | 303,414 |
| Realised loss on equity securities at FVOCI | | | | | | | (11) | - | 11 | | - | - |
| Capital introduced by minority shareholders | - | - | - | - | - | - | - | - | - | - | 1,051 | 1,051 |
| Dividends paid | - | - | - | - | - | - | - | - | (41,250) | (41,250) | (143,332) | (184,582) |
| At 31 December 2022 | 75,000 | 25,000 | 49,875 | 7,288 | 36,893 | (90,719) | (3,653) | 5,204 | 530,408 | 635,296 | 2,251,640 | 2,886,936 |

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

| | *Attributable to equity holders of the parent* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RO'000 | Legal reserve RO'000 | Voluntary reserve RO'000 | Capital contribution RO'000 | Capital reserve RO'000 | Foreign currency translation reserve RO '000 | Fair value reserve RO'000 | Other reserves RO'000 | Retained earnings RO'000 | Total RO'000 | Non-controlling interests RO'000 | Total RO'000 |
| At 1 January 2021 | 75,000 | 25,000 | 49,875 | 7,288 | 36,893 | (65,297) | (2,197) | (10,600) | 460,345 | 576,307 | 2,319,718 | 2,896,025 |
| Profit for the year | - | - | - | - | - | - | - | - | 67,050 | 67,050 | 166,552 | 233,602 |
| Other comprehensive income for the year | - | - | - | - | - | (23,293) | (178) | 6,383 | - | (17,088) | (77,384) | (94,472) |
| Total comprehensive income for the year | - | - | - | - | - | (23,293) | (178) | 6,383 | 67,050 | 49,962 | 89,168 | 139,130 |
| Effect of change in ownership percentages of subsidiaries | - | - | - | - | - | - | - | - | (5,814) | (5,814) | (30,250) | (36,064) |
| Dividends paid | - | - | - | - | - | - | - | - | (41,250) | (41,250) | (190,788) | (232,038) |
| At 31 December 2021 | 75,000 | 25,000 | 49,875 | 7,288 | 36,893 | (88,590) | (2,375) | (4,217) | 480,331 | 579,205 | 2,187,848 | 2,767,053 |

| | Notes | 2022 RO'000 | 2021 RO '000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit for the year before income tax | | 304,678 | 267,727 |
| Adjustments for: | | | |
| Depreciation and amortization | 10,11,12 | 551,536 | 592,603 |
| Expected Credit Loss on financial assets | | 46,383 | 5,950 |
| Interest income | | (8,567) | (6,695) |
| Investment income | 22 | (6,598) | (3,980) |
| Share of results of associates and joint venture | 9 | (5,466) | (4,398) |
| Gain on sale and lease back transactions | 8.1 | (495) | (1,195) |
| Gain on modification of financial liabilities | 15 | - | (2,578) |
| Gain on disposal of discontinued operations | 8.2 | (33,094) | (16,876) |
| Gain on disposal of units in associate | | (755) | - |
| Impairment of goodwill | 12 | 34,458 | - |
| Finance costs | 24 | 157,352 | 138,596 |
| Loss from currency revaluation | | (2,448) | 8,615 |
| Net monetary gain | 35 | - | (389) |
| Gain on sale of property and equipment | | (480) | (702) |
| Cash flows from operating activities before working capital changes | | 1,036,504 | 976,678 |
| Increase in trade and other receivables | | (167,240) | (124,956) |
| Decrease/(Increase) in inventories | | 10,641 | (13,806) |
| Increase in trade and other payables and deferred revenue | | (90,082) | (88,365) |
| *Cash generated from operations* | | 789,823 | 749,551 |
| Income tax | | (28,305) | (37,723) |
| *Net cash from operating activities* | | 761,518 | 711,828 |
| Cash flows from investing activities | | | |
| Deposits maturing after three months and cash at banks under lien | 4 | (16,333) | 59,129 |
| Investments in securities-net | | (5,366) | (18,056) |
| Investment in associate | | (142) | (2,554) |
| Acquisition of property and equipment (net) | | (285,111) | (340,547) |
| Acquisition of intangible assets (net) | | (99,927) | (175,149) |
| Proceeds from sale of telecom assets (Discontinued operations) | 8.2 | 99,816 | - |
| Proceeds from sale of telecom assets (sale and lease back) | 8.1 | 726 | 3,898 |
| Proceeds from sale of building and units of PEARL REIF | 9(ii) | 41,771 | - |
| Investment in subsidiaries net | | (2,553) | (11,092) |
| Interest received | | 5,971 | 5,404 |
| Dividends received | | 2,189 | 1,655 |
| *Net cash used in investing activities* | | (258,959) | (477,312) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 566,214 | 563,589 |
| Repayment of borrowings | | (722,427) | (493,098) |
| Sale and lease back-Impact at above market terms-Financing | 8.2 | 87,851 | - |
| Repayment of lease liabilities | | (90,462) | (80,551) |
| Dividends paid to Company's shareholders | | (41,250) | (41,250) |
| Dividends paid to minority shareholders of subsidiaries | | (138,066) | (190,465) |
| Share capital introduced by minority shareholder in subsidiary | | 191 | - |
| Finance costs paid | | (113,539) | (103,545) |
| *Net cash used in financing activities* | | (451,488) | (345,320) |
| Net increase/(decrease) in cash and cash equivalents | | 51,071 | (110,804) |
| Effects of exchange rate changes on cash and cash equivalents | | (6,325) | (23,111) |
| Cash and cash equivalents at beginning of year | | 387,538 | 521,453 |
| Cash and cash equivalents at end of year | 4 | 432,284 | 387,538 |

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

## 1. Incorporation and activities

Oman Telecommunications Company SAOG (the “Parent Company” or the “Company”) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. The Company’s principal place of business is located at Madinat al Irfan, Muscat, Sultanate of Oman. The Company’s shares are listed on Muscat Stock Exchange.

The principal activities of the Company are establishment, operation, maintenance and development of telecommunication services in the Sultanate of Oman. The Company and its subsidiaries (“the Group”) along with its associates provides telecommunications services in Sultanate of Oman and 8 other countries (refer note 3 for details).

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Company on 14 March 2023 and are subject to approval of the shareholders at their forthcoming Annual General Meeting.

## 2. Basis of preparation and significant accounting policies

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and disclosure requirements as per the Commercial Companies Law 2019 of Sultanate of Oman. These consolidated financial statements are prepared under the historical cost basis of measurement adjusted for the effects of inflation where entities operate in hyperinflationary economies and modified by the revaluation at fair value of financial assets held as “at fair value through profit or loss”, “at fair value through other comprehensive income” and “derivative financial instruments”. These consolidated financial statements have been presented in Omani Rials (RO), rounded to the nearest thousand.

The economy of Republic of South Sudan became hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group’s subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies. The methods used to measure the fair value and adjustments made to the accounts of Group’s entities that operate in the hyperinflationary economies are discussed further in the accounting policies and in the respective notes.

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could have entailed going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, Group believes that there is no definitive basis to apply IAS 29 at this stage. However, Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 in 2022.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 36.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## 2.2 New and revised accounting standards

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the following new and amended IASB Standards during the year.

### 2.2.1 New and amended IFRS Standards that are effective for the current year

The Group has applied the following new and revised IFRS Standards that have been issued and effective:

| Standard, interpretation, amendments | Description | Effective date |
|---|---|---|
| Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient | As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. | Annual periods beginning on or after 1 April 2021 |
| A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 | *Amendments to IFRS 3, 'Business combinations'* 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 Provisions, Contingent Liabilities and Contingent Assets, 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<br><br>*Amendments to IAS 16, 'Property, plant and equipment'* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.<br><br>*Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'- Cost of Fulfilling a Contract*<br><br>The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).<br><br>*Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.* | Annual periods beginning on or after 1 January 2022. |

The application of this amendment did not have a significant impact on the Group's consolidated financial statements, since there were no material rent concession from lessors during the year.

### 2.2.2 Standards issued but not effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

| Standard, interpretation, amendments | Description | Effective date |
|---|---|---|
| Amendments to IAS 1, Presentation of financial statements', on classification of liabilities | 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.<br>Note that the IASB has issued a new exposure draft proposing changes to this amendment.<br>The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments. | Deferred until accounting periods starting not earlier than 1 January 2024 |
| IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making<br>Materiality Judgements—Disclosure of Accounting Policies | The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.<br>The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. | Annual periods beginning on or after 1 January 2023 |
| Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8 | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. | Annual periods beginning on or after 1 January 2023 |
| Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction | The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. | Annual periods beginning on or after 1 January 2023. |
| IFRS 17, 'Insurance contracts', as amended in June 2020 | This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. | Annual periods beginning on or after 1 January 2023. |

| | | |
|---|---|---|
| A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts | The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.<br>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.<br>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. | Annual periods beginning on or after 1 January 2023. |
| Lease liability in a Sale and lease back- Amendments to IFRS 16 | The amendment to IFRS 16 specifies the requirements that a seller lessee uses in measuring the lease liability arising in a sale and lease back transaction to ensure the seller lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. | Annual periods beginning on or after 1 January 2024 |

The management does not expect the adoption of the Standards and Interpretations listed above to have a material impact on the consolidated financial statements of the Group in future periods.

## 2.2 Significant accounting policies

### 2.2.2 Business combinations

Acquisitions of businesses 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 assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

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 (if any) 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 acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### 2.3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to 31 December each year. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

### 2.3.3 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

#### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Amortised cost and effective interest rate method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "interest income" line item.

(ii) Equity instruments designated as 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 at 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.

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 investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, there is sufficient doubt about the ultimate collectability; or the customer is past due for more than 90 days.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

*Financial liabilities*

Financial liabilities measured subsequently at amortised cost.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Financial guarantee contract liabilities*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

• The amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above)

• The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derivative financial instruments and hedging activities

The Group enters into derivative financial instruments to manage its exposure to interest rate. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset.

*Hedge accounting*

For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

*Fair value hedges*

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

*Cash flow hedges*

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

*Hedges of net investments in foreign operations*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying consolidated statement of financial position when a legally enforceable right to set off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

### 2.3.4 Cash and cash equivalents

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

### 2.3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### 2.3.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

2.3.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated.

Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

| | Years |
|---|---|
| Buildings | 3-50 |
| Leasehold improvements | 3 – 8 |
| Telecommunications and other equipment | 3 – 20 |
| Furniture and fixtures | 3 – 5 |

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Assets in hyper inflationary economies are restated by applying the change in the general price indices from the date of acquisition to the current reporting date. Depreciation on these assets are based on the restated amounts.

*IRUs*

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

2.3.8 Intangible assets and goodwill

*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 12. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination and recognised separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

*De-recognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

*Goodwill*

Goodwill is initially recognised and measured as set out in note 2.3.1 above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal four to five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the four to five year period. Fair value less costs to sell is determined with reference to published quoted prices.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and joint venture is described in note 2.3.6 above.

2.3.9 Impairment of property, plant and equipment right-of-use of assets and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use of assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

2.3.10 Fair value measurement

*Fair values*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted financial instruments, fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.11 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

*Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

*Current tax and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 2.3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

*Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

### 2.3.13 Post-employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed. The defined benefit plan is unfunded and is computed as the amount payable to employees as a result of involuntary termination on the consolidated statement of financial position date. This basis is considered to be a reliable approximation of the present value of the final obligation.

2.3.14 Leases

*The Group as lessee*

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments

made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Impairment of property, plant and equipment right-of-use of assets and intangible assets excluding goodwill' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

*Sale and leaseback*

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of profit or loss, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

*The Group as lessor*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

2.3.15 Revenue

Revenues from operations consist of recurring revenues, such as billings to customers for monthly subscription fees, roaming, leased line and airtime usage fees, and non-recurring revenues, such as one-time connection fees, and telephone equipment and accessory sales.

*Handsets and telecommunication services*

Revenue from mobile and fixed telecommunication services provided to postpaid and prepaid customers is recognized as services are transferred. When the customer performs first, for example, by prepaying its promised consideration, the Group has a contract liability. If the Group performs first by satisfying a performance obligation, the Group has a contract asset. Consideration received from the sale of prepaid credit is recognized as contract liability until such time the customer uses the services when it is recognized as revenue.

The Group provides subsidized handsets to its customers along with mobile telecommunication services. The contract's transaction price is allocated to each performance obligation based on their relative stand-alone selling price. This results in reallocation of a portion of revenue from trading revenue to service revenue and correspondingly creation of a contract assets. Contract asset represents receivable from customers that has not yet legally come into existence. The standalone selling prices are determined based on observable prices. Revenue from device sales is recognized when the device is delivered to the customer. This usually occurs when a customer signs the contract. For devices sold separately, customer pays in full at the point of sale. Revenue from voice, messaging, internet services etc. are included in the bundled package and are recognized as the services are rendered during the period of the contract.

*Value added services - Principal vs. agent*

Revenue from value added services (VAS) sharing arrangements depend on the analysis of the facts and circumstances surrounding these transactions. Revenue from VAS is recognized when the Group performs the related service and, depending on the Group's control or lack of control on the services transferred to the customer, is recognized either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

*Significant financing component*

If a customer can pay for purchased equipment or services over a period, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

*Commissions and other contract costs*

Certain incremental costs incurred in acquiring a contract with a customer is deferred on the consolidated statement of financial position and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party distributors and employees.

Intermediaries are given incentives by the Group to acquire new customers and upgrade existing customers. Activation commission and renewal commission paid on post-paid connections are amortized over the period of the contract. In case of prepaid customers, commission costs are expensed when incurred. However, the Group may choose to expense such commission costs if the amortization period of the resulting asset is one year or less or if it is not significant.

*Customer loyalty programs*

The Group operates a customer loyalty program that provides a variety of benefits for customers.  The Group allocates the consideration received between products and services in a bundle including loyalty points as separate performance obligation based on their stand-alone selling prices.

*Installation and maintenance contracts*

The Group also enters into installation and maintenance contracts where the revenue is recognised over time based on the cost-to-completion method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.

Interest income is recognized on a time proportion basis using the effective yield method and dividend income is recognized when the right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.3.16 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3.18 Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.3.19 Financial reporting in hyperinflationary economies

The financial statements of subsidiaries whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

In the first period of application, the adjustments determined at the beginning of the period are recognized directly in equity as an adjustment to opening retained earnings. In subsequent periods, the prior period adjustments related to components of owners' equity and differences arising on translation of comparative amounts are accounted for in other comprehensive income.

Items in the consolidated statement of financial position not already expressed in terms of the measuring unit current at the reporting period, such as non-monetary items carried at cost or cost less depreciation, are restated by applying a general price index. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognized in profit or loss if the restated amount of a nonmonetary item exceeds its estimated recoverable amount.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Restated retained earnings are derived from all other amounts in the restated consolidated statement of financial position. At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items recognized in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position are recognized in profit or loss.

All items in the consolidated statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

2.3.20 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

2.3.21 Contingencies

Contingent assets are not recognized as an asset until realisation becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination are recognized if their fair value can be measured reliably.

2.3.22 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting periods

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
The Group classifies all other liabilities as non-current.

2.3.23 Directors' remuneration

Directors' remuneration is computed in accordance with the provisions of the Commercial Companies Law and the requirements of the Capital Market Authority in Oman and, in case of subsidiaries, in accordance with the relevant laws and regulations.

2.3.24 Dividend distribution

The Board of directors adopts a prudent dividend policy, which complies with regulatory requirements applicable in the Sultanate of Oman. Dividends are distributed in accordance with the Company's Memorandum of Association and are subject to the approval of shareholders. Dividend distribution to the Company's shareholders is recognised as a liability in the group's financial statements only in the year in which the dividends are approved by the Company's shareholders.

## 3. Subsidiaries and Associates/Joint Venture

The principal subsidiaries and associates are:

| Subsidiary | Country of incorporation | Percentage of ownership 2022 | 2021 | Nature of business |
|---|---|---|---|---|
| Oztel Holdings SPC Limited | UAE | 100% | 100% | Special purpose vehicle for acquiring shares in Zain group |
| Omantel International Limited | Cayman Island | 100% | 100% | Engaged in International Wholesale business |
| Mobile Telecommunications K.S.C.P (Zain Group-MTC) (Refer note (i) below) | Kuwait | 21.9% | 21.9% | Mobile telecommunication services in Kuwait and eight other countries |
| Oman Data Park LLC | Oman | 100% | 100% | Engaged in the provision of data services |
| Omantel France SAS | France | 100% | 100% | Engaged in provision of wholesale services |
| Infoline LLC | Oman | 100% | 100% | Engaged in provision of IT enabled and outsourced services |
| Internet of Things LLC | Oman | 100% | 100% | Engaged in developments of app and services for smart and M2M communication |
| Frontier Technology LLC (refer note 9 (i) | Oman | 51% | 51% | Engaged in provision of ICT solutions |
| Global Financial Technology LLC | Oman | 55% | - | Engaged in management and operations of data processing facilities |
| Future Cities SAOC (Refer note (ii) below) | Oman | 51% | - | Engaged in provision of Smart IOT solutions |
| Associate | | | | |
| Oman Fibre Optic Company SAOG | Oman | 40.96% | 40.96% | Engaged in the manufacture and design of optical fibre and cables |
| Equinix Muscat LLC | Oman | 50% | 50% | Engaged in the provision of Data centre services |
| Majan Telecommunications LLC (Renna) | Oman | 40% | 40% | Mobile telecommunication services in Sultanate of Oman |
| Pearl REIF Fund (note 9 (ii)) | Oman | 33.5% | - | Real Estate investment Trust Fund |

i) Acquisition of Zain group

On 15 November 2017, Oztel holding SPC Limited (SPV), which is wholly owned by the parent company, acquired control over Mobile Telecommunications Company K.S.C.P (Zain group) through a step up acquisition of 12.07% equity interest. This acquisition is in addition to the 9.84% of the shareholding acquired by the SPV on 24 August 2017 resulting in an acquisition of total shareholding of 21.91% in Zain group. The Group concluded that it is able to control Zain Group through its majority representation on the board of directors and accordingly considered it as a subsidiary effective from that period (refer note 36)

Non-controlling interest

The Group recognised non-controlling interest in Zain group at its fair value on initial recognition. The summarised financial information of Zain Group is set out in Note 28.

As of 31 December 2022 the fair value of the Group's investment in Zain Group being its quoted market share price on the Kuwait stock exchange amounted to RO 661 million (2021: RO 697.1 million)

ii) Acquisition of a subsidiary

In July 2022, the Company acquired shares representing a 51% ownership in Future Cities SAOC for a cash consideration of RO 4.9 Mn (including a contingent consideration of RO 1.3 Mn) that is engaged in the business of providing Internet of Things (IOT) solutions. The excess of the consideration over the fair value of the assets and liabilities is RO 4.5 million which is classified as Customer relationships under Intangible assets and is amortised over the life of the customer contract.

Shareholding directly held by Zain Group

| Subsidiary | Country of incorporation | Percentage of ownership | |
|---|---|---|---|
| | | 2022 | 2021 |
| Zain International B.V. ("ZIBV") | The Netherlands | 100% | 100% |
| Pella Investment Company ("Pella") | Jordan | 96.516% | 96.516% |
| Zain Bahrain B.S.C ("MTCB") | Bahrain | 65.1% | 65.1% |
| Mobile Telecommunications Company Lebanon ("MTCL") | Lebanon | 100% | 100% |
| Sudanese Mobile Telephone (Zain) Company Limited ("Zain Sudan") | Sudan | 100% | 100% |
| Kuwaiti Sudanese Holding Company ("KSHC") | Sudan | 100% | 100% |
| South Sudanese Mobile Telephone ("Zain South Sudan") | South Sudan | 100% | 100% |
| Al Khatem Telecoms Company ("Al Khatem") | Iraq | 76% | 76% |
| Atheer Telecom Iraq Limited ("Atheer") | Cayman Islands | 76% | 76% |
| Mobile Telecommunications Company Saudi Arabia ("SMTC") | Kingdom of Saudi Arabia | 37.045% | 37.045% |
| Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat ("Mada Jordan") | Jordan | 99.1% | 99.1% |
| Nexgen Advisory Group FZ LLC ("Nexgen") | UAE | 100% | 100% |
| **Associate/Joint Venture** | | | |
| IHS Kuwait Limited | Kuwait | 30% | 30% |
| Zain Al Ajial S.A (Wana Corporate S.A is an associate of this joint venture) | Morocco | 50% | 50% |
| TASC Towers Holding Limited (TASC) | UAE | 69.1% | 25% |

Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC – "JMTS". Al Khatem owns 100% of Atheer.

JMTS, MTCB, Zain Sudan, Zain South Sudan, Atheer and SMTC operate the cellular mobile telecommunications network in Jordan, Bahrain, Sudan, South Sudan, Iraq and the Kingdom of Saudi Arabia (KSA) respectively. MTCL managed the state owned cellular mobile telecommunications network in Lebanon. Mada Jordan provides WiMAX services in Jordan.

Lebanon

The Zain Group's Network Management Agreement (NMA) with the Government of Lebanon to manage the state owned cellular mobile telecommunications network was not renewed on its expiry on 31 December 2019. The Group was requested to continue to manage the network for another sixty days from the approval of the above by the Presidency of the Council of Ministers, to facilitate the handover to the Government. The actual handover took place on 1 November 2020. Accordingly, the financial statements of MTCL included in these consolidated financial statements is prepared on other than going concern basis.

SMTC

In July 2018, the Group concluded that it is able to control SMTC through its majority representation on the board of directors and accordingly considered it as a subsidiary effective from that period.

Financial support to Group companies

The Group has committed to provide working capital and other financial support to certain subsidiaries including Mobile Telecommunications Company Saudi Arabia ("SMTC"), Zain Jordan (Pella) and Al Khatem (Atheer) whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

## 4. Cash and bank balances

Cash and bank balances include the following cash and cash equivalents:

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Cash on hand and at banks | 366,976 | 351,464 |
| Short-term deposits with banks | 121,766 | 59,324 |
| Government certificates of deposits held by subsidiaries | 10 | 14 |
| | 488,752 | 410,802 |
| Allowance for expected credit loss | (37,428) | (20,588) |
| | 451,324 | 390,214 |
| Cash at banks under lien | (7,477) | (2,662) |
| Short term deposits with bank exceeding three months | (11,553) | - |
| Government certificates of deposits with maturities exceeding three months held by subsidiaries | (10) | (14) |
| Cash and cash equivalents | 432,284 | 387,538 |

## 5. Trade and other receivables

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Trade receivables: | | |
| Customers | 617,240 | 547,115 |
| Distributors | 83,638 | 64,097 |
| Other operators (interconnect) | 133,151 | 114,525 |
| Roaming partners | 16,851 | 10,834 |
| Allowance for expected credit loss | (279,840) | (278,970) |
| | 571,040 | 457,601 |

| | | |
|---|---|---|
| Other receivables: | | |
| Accrued income | 43,517 | 13,473 |
| Staff | 2,229 | 3,018 |
| Deposits and other receivables | 133,413 | 114,958 |
| Prepayments and advances | 180,215 | 195,163 |
| Others (refer note below) | 195,330 | 191,564 |
| Expected credit loss | (3,744) | (3,472) |
| | 550,960 | 514,704 |
| | 1,122,000 | 972,305 |

In 2011, the Group paid US$ 473 million (equivalent to RO 179.2 million) to settle the guarantees provided by the MTC to lending banks for loans to a founding shareholder of SMTC. The Group has been pursuing legal action for its recovery and in November 2016 the London Arbitration Court upheld the Group's right to recover the US$ 473 million paid in addition to interest and costs. These amounts are secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC, which is currently pledged to the murabaha lenders of SMTC, and the shareholder loan in SMTC owed to the founding shareholder. The MTC has initiated the legal procedures necessary to enforce the arbitration award in and outside KSA. During the previous year, the courts in KSA rejected the MTC's application to enforce the arbitral award in KSA. During 2021 the MTC wrote to Supreme Judicial Counsel requesting that the matter be referred back to the enforcement court for reconsideration. The Supreme Judicial Counsel recommended that MTC file a second reconsideration motion with the Riyad Appeal Court. On 21 June 2022, MTC filed its third reconsideration motion with the Riyadh Appeal Court. On 29 November 2022, the Riyadh Appeal Court dismissed MTC's motion for reconsideration. MTC is considering its strategy and options for proceeding with enforcement of the award.

In 2010, the Group paid US$ 40 million (equivalent to RO 15.1 million) to settle guarantees provided by the MTC to lending bank for loans to a founding shareholder of SMTC. In 2013, the Group won a legal action for the recovery of that amount and is currently pursuing further legal action for its implementation in KSA at the High Supreme Court.

Both the above amounts are secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | 2022 | 2021 |
|---|---|---|
| | | RO ’000 |
| Omani Riyals | 92,085 | 77,682 |
| Kuwaiti Dinar | 73,239 | 49,322 |
| US Dollar | 344,383 | 317,181 |
| Bahraini Dinar | 16,094 | 14,128 |
| Sudanese Pound | 7,800 | 7,249 |
| Jordanian Dinar | 55,912 | 67,040 |
| Iraqi Dinar | 131,369 | 142,826 |
| Saudi Riyals | 393,819 | 290,417 |
| Others | 7,299 | 6,460 |
| | 1,122,000 | 972,305 |

## 6. Inventories

| | 2022 | 2021 |
|---|---|---|
| | | RO ’000 |
| Handsets and accessories | 79,736 | 91,586 |
| Provision for obsolescence | (10,163) | (11,733) |
| | 69,573 | 79,853 |

7. Investment securities

| | 2022 | 2021 |
|---|---|---|
| | | RO'000 |
| *Current investments* | | |
| *At amortised cost* | | |
| Held to maturity investments | 1,000 | - |
| *At fair value through profit or loss* | | |
| Unquoted equities | 1,209 | 1,170 |
| Quoted equities | 8,445 | 8,221 |
| Funds -mandatorily at FVTPL | 4,031 | 4,544 |
| Other funds | 37,023 | 29,394 |
| | 50,708 | 43,329 |
| *Noncurrent investments* | | |
| *At fair value through profit or loss* | | |
| Funds -mandatorily at FVTPL | 18,330 | 19,324 |
| Unquoted equities- designated at inception | 6,198 | 6,198 |
| | 24,528 | 25,522 |
| *At fair value through other comprehensive income* | | |
| Quoted equities- designated at inception | 2,300 | 1,744 |
| Funds | 3,470 | 3,338 |
| Unquoted equities - designated at inception | 16,024 | 17,356 |
| | 21,794 | 22,438 |
| *Investments securities at amortised costs* | - | 1,000 |

Investment securities are denominated in the following currencies:

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Omani Rial | 14,794 | 13,987 |
| Kuwaiti Dinar | 6,277 | 6,288 |
| US Dollar | 69,159 | 64,486 |
| Other currencies | 7,800 | 7,528 |
| | 98,030 | 92,289 |

8. Assets and liabilities of disposal group classified as held for sale and Discontinued operations

8.1 Assets and liabilities of disposal group classified as held for sale – Oman, Kuwait, KSA and Iraq

Assets and liabilities of disposal group classified as held for sale represents telecom tower assets in Oman, Kuwait, KSA and Iraq classified as held for sale, on the basis of plan to sale and lease back of those assets.

*KSA*

During the year, SMTC has received board of directors' approval on the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud bin Fahd Bin Abdulaziz, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in SMTC's towers infrastructure comprising of 8,069 towers, valuing these assets at USD 807 million (RO 309.6 million). Pursuant to the Final Offers SMTC will own 20% stake in newly formed Tower Company. PIF's Final Offer also includes a call option that will grant PIF the right to buy the remaining 20% stake from SMTC for a certain amount. Under the terms of the offers, SMTC will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

On 28 May 2022, SMTC received a letter from the Communications and Information Technology Commission ("CITC"), which included the CITC's Board of Directors approval for "Zain Business Limited" Company (a subsidiary of SMTC) to acquire aforementioned telecom tower sites owned by SMTC.

In September 2022, PIF acquired Zain Business Limited and changed the name to Golden Lattice Investment Company (GLI).

In October 2022, SMTC entered into a Shareholders' Agreement "SHA" with the shareholders of GLI. Simultaneously in October 2022, SMTC also entered into an Asset Purchase Agreement ("APA") with GLI to transfer aforementioned sites for an aggregate value as mentioned above. Under the APA, upon "Financial Completion" SMTC will receive a cash proceed of SAR 2,421 million (RO 244.45 million) along with a 20% equity stake in GLI.

On 9th of January 2023, the group completed all the conditions to the "Financial Completion" under the APA, and received the cash proceed of SAR 2,421 million (RO 244.45 million) along with a 20% equity stake in GLI.

*Iraq*

During July 2022, Atheer Telecom Iraq Limited has received Board of Directors' approval for an offer from TTI Holding Limited to acquire Atheer's towers infrastructure. The decision to approve the offer by the Board of Directors was unanimous. The approved offer was to acquire Atheer's towers infrastructure. Under the terms of the offer, Atheer will sell its passive physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

Subsequently in January 2023, the Group has agreed with TTI for sale and leaseback of towers infrastructure including 4,604 towers, for an aggregate value of USD 180 million (RO 68.1 million).

Based on above, the management has classified the assets and the liabilities directly associated to these assets as held for sale and stopped depreciating the assets from the date of classifying them as held for sale.

*Kuwait*

During the year 2020 and 2021 the Company completed the sale and lease back of 1,355 telecom towers in Kuwait.

In September 2022, the Company completed the sale and lease back of additional 43 telecom towers in Kuwait for a total sale consideration of US$ 2.729 million (RO 1.046 million). Total gain from this transaction was RO 0.495 million which is recognized in the statement of profit or loss during the year.

The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity.

The carrying value of disposal group held for sale comprises of remaining telecom tower assets and remaining right of use of assets and its related lease liabilities classified as held for sale in Kuwait, KSA and Iraq as follows.

| | | | | | Total (RO'000) | |
|---|---|---|---|---|---|---|
| | Oman | Kuwait | KSA | Iraq | 31 December 2022 | 31 December 2021 |
| Telecom tower assets | 1,296 | 2,020 | 137,774 | 46,629 | 187,719 | 25,632 |
| Right of use of assets | - | 6,391 | 101,181 | 27,665 | 135,237 | 5,957 |
| | 1,296 | 8,411 | 238,955 | 74,294 | 322,956 | 31,589 |
| Lease liabilities | - | 1,966 | 81,113 | 26,239 | 109,318 | 1,924 |
| Other liabilities | - | - | - | - | - | 1,325 |

8.2 Oman

On 11 May 2021, Parent Company entered into an agreement with Helios Towers PLC for the sale and lease back of telecom towers in Oman. On 7 December2022, Parent Company after meeting the conditions precedent under the agreement, completed the sale and lease back of 2,519 telecom towers in Oman for a consideration of USD 494 Million (RO 190.263 Million) as part of Phase 1 of the transaction. Towers sold will be leased back for a period of 15 years. Phase 2 of the transaction envisages a further transfer of 227 sites which is expected to be completed within 18 months from the date of completion of the Phase 1 of the transaction.

| | 31 December 2022 |
|---|---|
| Assets | RO ‘000 |
| Cash and bank balances | 276 |
| Right of use assets | 5,259 |
| Property plant and equipment | 24,847 |
| Total assets | 30,382 |
| Liabilities | |
| Lease Liabilities | 4,461 |
| Total liabilities | 4,461 |
| Net assets disposed of | 25,921 |
| Sale and leaseback – impact at above market terms | 87,851 |
| Deferral of gain on recognition of right of use asset | 31,620 |
| | 145,392 |
| Consideration | 190,263 |
| Less: Disposal costs | (2,596) |
| | 187,667 |
| Less: Liability for disposal costs | (9,181) |
| Consideration (net of disposal costs) | 178,486 |
| Gain on disposal before income taxes | 33,094 |
| Tax expense | (5,064) |
| Gain on disposal | 28,030 |
| Cash flow statement | |
| Consideration net of disposal costs | 187,667 |
| Less: Sale and lease back-Impact at above market terms-Cash flow from financing activities | (87,851) |
| Cash flow from investing activities | 99,816 |

Jordan

On 13 December 2021, the Group through Pella entered into a sale agreement to dispose of Al Masar Al Momtaz Leanzamet Al Itesalat (Al Masar) which carried out the majority of the Group’s towers and related leased space operations in Jordan. The disposal was completed on 13 December 2021, on which date control of Al Masar passed to the acquirer (an associate of the Group). The total assets and liabilities of discontinued operations amounted to RO 32.814 million and RO 24.5 million respectively. The profit from discontinued operations amounted to RO 16.9 million. The consideration of JD 62.6 million (RO 32.946 million) was partially settled during the year 2022 by acquisition of additional shares in the associate of the Group. (Refer note 9 (iii)).

## 9. Investments in associates and joint venture

*Investments in associates*

| | 2022 | 2021 |
|---|---|---|
| | | RO'000 |
| Oman Fibre Optic Co SAOG | 8,264 | 7,809 |
| Majan Telecommunications LLC | 5,334 | 5,326 |
| Equinix Muscat LLC | 2,160 | 3,546 |
| Frontier Technology Solutions LLC (refer note (i) below) | - | 519 |
| Pearl REIF Fund (refer note (ii) below) | 14,736 | - |
| TASC Towers Holding Limited (refer note (iii) below) | 16,543 | - |
| IHS Kuwait Ltd | 1,341 | 908 |
| Others | 201 | - |
| | 48,579 | 18,108 |

i) In December 2021, Group purchased additional shares representing 21% of share capital of Frontier Technology Solutions LLC (BSS), increasing Group's effective holding to 51%. Consequently the Group controls Frontier Technology Solutions LLC effective December 2021 and is consolidated with effect from 1 January 2022.

ii) On April 13,2022, Parent company in collaboration with Oman Investment Authority (OIA) established a Real estate Fund called Pearl REIF Fund (" Pearl REIF") approved by the Capital Market Authority Oman. The Parent Company transferred its Headquarters to the funds for a value of RO 55 Mn which was settled by Pearl REIF by issuing units in Pearl REIF which is equivalent to RO 27.9 Mn (representing an ownership interest of 65.7%) and cash of RO 27.1 Mn. The Parent Company simultaneously entered into a lease agreement with Pearl REIF for the lease of its Head quarter building. Subsequently on 7 November 2022, Pearl REIF completed an Initial public offering (IPO) where in the Parent company disposed off units amounting to RO 13.8 Mn (representing an ownership interest of 32.2%) for a value of RO 15 Mn resulting in a gain of RO 0.755 Mn (refer note 23).

iii) Interest in in TASC Towers Holding Limited ("TASC") which represents 69.1% (31 December 2021 - 25%) of the equity shares of the associate. During the year, the Group acquired the additional shares of TASC Towers Holding Limited and increased its shareholding to 69.1%. The purchase consideration amounting to RO 17.58 million was settled against the amount that was due to the Group from TASC. However, the Group determined that it does not have the control over TASC on the basis that the Group does not have majority representation in the Board under the terms agreed in the agreement between TASC shareholders.

The carrying value of the associates and its results for the period are determined by Group management using the equity method based on management information provided by the associates.

*Investments in joint venture*

This includes Group's RO 101.448 million (31 December 2021 - RO 96.18 million) interest in the joint venture, Zain Al Ajial S.A. that owns 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company that is specialized in the telecom sector in that country). The carrying value of this joint venture and its results for the year are determined by Group management using the equity method based on management information provided by Wana Corporate.

## 10. Right of use of assets

The recognized right-of-use assets relate to the following types of assets:

31 December 2022

| | RO'000 | | |
|---|---|---|---|
| | Land and building | Cellular and other equipment | Total |
| Balance as of 31 December 2021 | 207,824 | 18,036 | 225,860 |
| Add: Additions | 133,783 | 23,152 | 156,935 |
| Less: Amortisation | (37,235) | (10,500) | (47,735) |
| Less: Retirement | (1,311) | (2,353) | (3,664) |
| Transfers to assets of disposal group classified as held for sale | (128,156) | - | (128,156) |
| Reclassification from intangible assets | 464 | - | 464 |
| Exchange adjustments | 2,598 | 237 | 2,835 |
| Closing balance as at 31 December 2022 (excluding assets of disposal group classified as held for sale) | 177,967 | 28,572 | 206,539 |

31 December 2021

| | RO'000 | | |
|---|---|---|---|
| | Land and building | Cellular and other equipment | Total |
| As at 1 January 2021 | 220,017 | 9,332 | 229,349 |
| Add: Additions | 73,226 | 26,613 | 99,839 |
| Less: Amortisation | (62,903) | (11,781) | (74,684) |
| Less: Retirement | (19,482) | (6,104) | (25,586) |
| Exchange adjustments | (3,034) | (24) | (3,058) |
| As at 31 December 2021 (excluding assets of disposal group classified as held for sale) | 207,824 | 18,036 | 225,860 |

Land and building comprises mainly of telecommunication sites on lease.

The Group does not have any lease contracts with variable lease payments which are not included in the measurement of the lease liabilities.

*The Group's leasing activities and how these are accounted for:*

The Group mostly leases indoor and outdoor spaces for installation of its telecommunications sites. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

## 11. Property and equipment

| | Land and buildings and leasehold improvements | Telecomm and other equipment | Projects in progress | Total |
|---|---|---|---|---|
| | | | | RO '000 |
| Cost | | | | |
| As at 31 December 2020 | 269,431 | 5,145,362 | 208,389 | 5,623,182 |
| Additions | 4,799 | 130,850 | 196,475 | 332,124 |
| Transfers | 5,514 | 174,834 | (181,663) | (1,315) |
| Transfer to assets held for sale | (55,578) | (23,507) | (353) | (79,438) |
| Disposals/write off (including disposal of subsidiary) | (223) | (68,040) | (889) | (69,152) |
| Exchange adjustments | (11,114) | (130,851) | (18,952) | (160,917) |
| As at 31 December 2021 | 212,829 | 5,228,648 | 203,007 | 5,644,484 |
| Acquisition of subsidiaries | - | 180 | - | 180 |
| Additions | 1,458 | 69,140 | 269,412 | 340,010 |
| Transfers/Reclassification | 2,786 | 270,551 | (285,716) | (12,379) |
| Transfer to assets held for sale | - | (421,607) | (21) | (421,628) |
| Disposals/write off (including disposal of subsidiary) | (42,434) | (29,912) | (349) | (72,695) |
| Exchange adjustments | (118) | 34,428 | (2,025) | 32,285 |
| As at 31 December 2022 | 174,521 | 5,151,428 | 184,308 | 5,510,257 |
| | | | | |
| Accumulated depreciation | | | | |
| As at 31 December 2020 | 127,330 | 3,359,331 | - | 3,486,661 |
| Charge for the year | 7,280 | 329,028 | - | 336,308 |
| Related to disposals/write off (including disposal of subsidiary) | (217) | (58,466) | - | (58,683) |
| Transfer to assets held for sale | (38,328) | (17,494) | - | (55,822) |
| Exchange adjustment | (4,184) | (42,786) | - | (46,970) |
| As at 31 December 2021 | 91,881 | 3,569,613 | - | 3,661,494 |
| Charge for the year | 6,200 | 314,921 | - | 321,121 |
| Transfers/reclassification | (306) | 2,569 | - | 2,263 |
| Disposals/write off (including disposal of subsidiary) | (6,704) | (20,341) | - | (27,045) |
| Transfer to assets held for sale | - | (238,157) | - | (238,157) |
| Exchange adjustment | 601 | 28,476 | - | 29,077 |
| As at 31 December 2022 | 91,672 | 3,657,081 | - | 3,748,753 |
| | | | | |
| Net book value | | | | |
| As at 31 December 2022 | 82,849 | 1,494,347 | 184,308 | 1,761,504 |
| As at 31 December 2021 | 120,948 | 1,659,035 | 203,007 | 1,982,990 |

Exchange adjustments in previous year includes effect of hyperinflationary restatement of property and equipment in Zain South Sudan based on the respective price index changes.

Other non-current assets include advances of RO 27.78 million (2021: RO 58.7 million) paid for project in progress.

12. Intangible assets and goodwill

| | Goodwill | Licences and spectrum fees | Others | CWIP | Total |
|---|---|---|---|---|---|
| | | | | | RO '000 |
| Cost | | | | | |
| As at 31 December 2020 | 1,062,940 | 3,488,018 | 1,064,003 | - | 5,614,961 |
| Additions | - | 153,656 | 14,827 | - | 168,483 |
| Exchange adjustments | (2,820) | (40,389) | (6,349) | - | (49,558) |
| As at 31 December 2021 | 1,060,120 | 3,601,285 | 1,072,481 | - | 5,733,886 |
| On acquisition of subsidiaries | 302 | - | 5,355 | - | 5,657 |
| Additions | - | 75,698 | 20,602 | 7,759 | 104,059 |
| Disposals | - | - | (256) | - | (256) |
| Transfers/reclassification | - | - | 7,922 | | 7,922 |
| Impairment | (34,458) | - | - | - | (34,458) |
| Exchange adjustments | 12,543 | 47,493 | 6,456 | 26 | 66,518 |
| As at 31 December 2022 | 1,038,507 | 3,724,476 | 1,112,560 | 7,785 | 5,883,328 |
| | | | | | |
| Accumulated amortization | | | | | |
| As at 31 December 2020 | - | 1,661,639 | 447,680 | - | 2,109,319 |
| Charge for the year | - | 108,216 | 73,395 | - | 181,611 |
| Exchange adjustments | - | (6,290) | (1,741) | - | (8,031) |
| As at 31 December 2021 | - | 1,763,565 | 519,334 | | 2,282,899 |
| Charge for the year | - | 116,960 | 63,764 | - | 180,724 |
| Disposals | - | - | (256) | - | (256) |
| Transfers/reclassification | - | - | (2,278) | - | (2,278) |
| Exchange adjustments | - | 22,512 | 10,181 | - | 32,693 |
| As at 31 December 2022 | - | 1,903,037 | 590,745 | - | 2,493,782 |
| Net book value | | | | | |
| As at 31 December 2022 | 1,038,507 | 1,821,439 | 521,815 | 7,785 | 3,389,546 |
| As at 31 December 2021 | 1,060,120 | 1,837,720 | 553,147 | - | 3,450,987 |

Goodwill has been allocated to each country of operation as that is the Cash Generating Unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes. Goodwill and the CGU to which it has been allocated are as follows:

| | 2022 | 2021 |
|---|---|---|
| | | RO'000 |
| Zain Kuwait | 195,853 | 195,364 |
| Zain Jordan (Pella) | 179,477 | 210,966 |
| Atheer | 255,422 | 251,881 |
| SMTC | 407,084 | 401,541 |
| Others | 671 | 368 |
| | 1,038,507 | 1,060,120 |

*Impairment testing*

The Group determines whether goodwill or intangible assets with indefinite useful lives are impaired, at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on value-in-use calculations or fair value less cost to sell if that is higher.

The Group determines the recoverable amounts of all CGUs based on value in use.

Group management used the following approach to determine values to be assigned to the following key assumptions, in the value in use calculations:

| Key assumption | Basis used to determine value to be assigned to key assumption |
|---|---|
| Growth rate | Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth from technology and license upgrades. The growth rates are consistent with forecasts included in industry and country reports.<br><br>Compounded annual growth in revenue of up to 1.81% (2021: 1.26%) for Zain Kuwait, 8.3% (2021: 9%) for Atheer , 2.73% (2021: 4.58%) for Pella and 6% for SMTC (2021:7.2%) during the projected five year period. Value assigned reflects past experience and changes in economic environment.<br><br>Cash flows beyond the four to five year period have been extrapolated using a growth rate of upto of 2.5%(2021:2.5%) for Zain Kuwait, 2.5% (2021:3%) for Atheer, 3.3% (2021:3%) for Pella and 3% (2021:3%) for SMTC. This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates. |
| Capital expenditure | The cash flow forecasts for capital expenditure are based on experience and include the ongoing capital expenditure required to continue rolling out networks to deliver target voice and data products and services and meeting license obligations. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets. |
| Discount rate | Discount rates of 8.3% (2021: 5.9%) for Zain Kuwait, 16.4% (2021: 10.8%) for Atheer and 13.7% (2021: 8.5%) for Pella and 8.2% (2021: 6.1%) for SMTC. Discount rates reflect specific risks relating to the relevant CGU. |

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors results in any of the goodwill allocated to appropriate cash generating units being impaired.

Based on this, for Pella (Jordan), Group determined that the recoverable amount is lower than the carrying amount as a result of higher discount rate owing to increased interest rates and recognized an impairment loss of RO 34.458 million. An increase in discount rate by 1% will increase the impairment loss further by RO 39 million.

The recoverable amount of Pella determined based on the value in use calculation was JD 641 million (RO 341 million).

These calculations use cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amounts of all CGUs other than Pella were higher than the carrying amount of the CGUs.

*License and spectrum*

| | End of amortisation period | 2022 | 2021 |
|---|---|---|---|
| | | | RO '000 |
| Mobile licence and Spectrum-Sultanate of Oman | 2034 | 60,980 | 66,414 |
| Fixed licence and Spectrum-Sultanate of Oman | 2029 | 3,277 | 4,244 |
| License – SMTC | 2047 | 1,257,905 | 1,292,369 |
| License – Atheer | 2030 | 158,855 | 176,392 |
| License – Pella | 2026 to 2036 | 165,776 | 131,046 |
| Spectrum – SMTC | 2032 to 2034 | 139,189 | 149,835 |
| Spectrum-Atheer | 2027 | 16,598 | - |
| Others | | 18,859 | 17,420 |
| | | 1,821,439 | 1,837,720 |

*Atheer*

This includes the license fee paid in 2007 and the 3G license fee paid in 2015 to operate in Iraq for a period upto August 2022.

During 2020, the Communication and Media Commission of Iraq ("CMC") renewed Atheer's license for an additional eight years ending on 30 August 2030, and for a license for the operation of fourth generation of broadband cellular network technology (4G) starting from 01 January 2021 for a sum of US$ 235 million (RO 87.89 million), of which US$ 87 million (RO: 32.53 million) is for renewal of existing license.

*Pella*

In 2021, the Pella agreed to renew the new dynamic Telecom license from TRC for a period of 15 years at an amount of JD 156.4 million (RO 82.5 million) with payment terms being three equal instalments over a ten-year period without any interest charges.

In September 2022, JMTS a subsidiary of Pella, entered into a settlement agreement with TRC, to end all the disputes related to revenue sharing and to extend the useful lives of existing licenses, and grant of 5G license. Under this agreement all the existing spectrum licenses will be extended for 10 years, in addition to another 5 years to be evaluated after 3 years based on specific criteria.

The Group allocated the total amount of the settlement agreement of JD 85.9 million between telecom license extensions, 5G license and to the dispute related to the revenue share based on the relative fair value. The amount allocated to the 5G, existing licenses and the dispute amounted to JD 26.9 million (RO 14.36million), JD 36.1 million (RO 19.27 million) and JD 22.9 million (RO 12.16 million) respectively. (Refer note 30 (a)).

Others

Others include Brand and customer relationships acquired as part of business combination which is amortised over a period of 4 to 20 years.

## 13. Trade and other payables

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Trade payables and accruals | 1,026,856 | 1,015,911 |
| Due to roaming partners | 24,371 | 15,112 |
| Due to other operators (interconnect) | 45,812 | 36,849 |
| Dues to regulatory authorities (refer below) | 165,852 | 126,944 |
| Taxes payable | 87,576 | 59,115 |
| Dividend payable | 30,939 | 29,726 |
| Other payables | 84,758 | 70,512 |
| | 1,466,164 | 1,354,169 |

Dues to regulatory authorities includes amount of SAR 975.869 million (RO 98.7 million) (2021: SAR 708.076 million, RO 70.64 million) payable by SMTC to Ministry of Finance KSA, RO 13.88 million (2021: Nil) payable by Atheer to CMC Iraq for the renewal of existing license., RO Nil (2021: 12.5 million) payable by the Parent company to Telecom Regulatory Authority, Oman for Mobile and Spectrum licence.

## 14. Income tax payables

| | 2022 | 2021 |
|---|---|---|
| | | RO'000 |
| Oman | 15,615 | 15,958 |
| Atheer – Iraq | 12,419 | 14,509 |
| Pella – Jordan | 3,543 | 7,309 |
| Other | 7,075 | 7,703 |
| | 38,652 | 45,479 |

Tax assessments for Parent Company (Sultanate of Oman) are finalized till tax years 2018. For tax year 2017, tax authority Oman raised a demand for RO 6.2 million disallowing certain write offs with respect to an investment in an erstwhile subsidiary. During the year, the Company filed an objection against the order with Head of Tax authority and the tax demand was reduced to RO 3.28 million which was paid by the Company. The Company filed an appeal with the Grievance committee contesting disallowance of RO 0.351 Mn made by SGT in its order.

For tax year 2018 the Company filed an objection with the head of tax authority contesting certain disallowances with a tax impact of RO 66 thousand. The Company believes that no additional tax liability will arise upon completion of the assessments for the remaining tax years.

*Atheer - Iraq*

At Atheer Iraq, income tax assessment orders for the years 2004 – 2010 are final and fully paid (refer note 30).

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT). Income tax assessment for the years from 2012 up to 2018 is paid and settled.

Atheer has booked the income tax expenses for the year from 2019 to date, based on self-assessment. No assessment order has yet been received.

During current period, Atheer revised the income tax computation for the year ended 31 December 2022 based on their correspondence with Ministry of Finance - General Commission for Tax and reversed income tax amounting to US$ 9.803 million (RO 3.71 million) for prior years. This was offset by charge of income tax amounting to US$ 3.714 million (RO 1.4 million) for the current year.

Management believes that they have adequate provisions for liabilities in respect of the assessments contested.

*Zain Sudan*

Starting from financial year ended 31 December 2021, Zain Sudan filed its corporate income tax declaration claiming a 50% tax relief under the Double Taxation Avoidance Agreement (DTAA) signed between Republic of Sudan and the State of Kuwait. Accordingly, the Corporate Income Tax paid by the Zain Sudan for the financial year ended 31 December 2021 was @ 3.5%. This resulted in a reversal of SDG 3,754 Mn (RO 2.51 Mn) during the year, being the excess provision carried in the books for the year ended 31 December 2021.

## 15. Borrowings

| | 2022 | 2021 |
|---|---|---|
| | RO'000 | RO '000 |
| *Parent Company* | | |
| Long term loan | 58,816 | 87,597 |
| Other long term loans | 10,130 | 12,551 |
| | 68,946 | 100,148 |
| *Oztel* | | |
| Long term loan | 70,172 | 104,537 |
| Bonds | 441,487 | 576,827 |
| | 511,659 | 681,364 |
| *Oman Data Park* | | |
| Long term loans | 8,045 | 8,608 |
| Finance lease obligations | - | 9 |
| | 8,045 | 8,617 |
| *Mobile Telecommunications Company-Kuwait* | | |
| Short term loans | 26,507 | 48,509 |
| Long term loans | 667,268 | 615,206 |
| | 693,775 | 663,715 |
| *SMTC* | | |
| Long term loans | 607,662 | 583,794 |
| | 607,662 | 583,794 |

| | | |
|---|---|---|
| *Pella* | | |
| Long term loans | 98,452 | 59,706 |
| | 98,452 | 59,706 |
| *Atheer* | | |
| Bank overdrafts | 3,116 | 8,756 |
| Long term loans | 289,209 | 296,658 |
| | 292,325 | 305,414 |
| *Future cities SAOC* | | |
| Long term loan | 5,834 | - |
| *Others* | | |
| Bank Overdrafts | 953 | 154 |
| | 2,287,651 | 2,402,912 |

Reconciliation of movements of amounts due to banks to cash flows from financing activities:

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Opening balance | 2,402,908 | 2,330,012 |
| Acquisition of a subsidiary | 6,439 | - |
| Accretion of interest | 44,600 | 47,919 |
| Proceeds from bank borrowings | 566,214 | 563,433 |
| Repayment of bank borrowings | (722,417) | (493,098) |
| Payment of interest | (41,632) | (42,900) |
| Effect of change in foreign exchange rates | 31,539 | (2,454) |
| | 2,287,651 | 2,402,912 |

The current and non-current amounts are as follows:

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Current liabilities | 547,584 | 579,725 |
| Non-current liabilities | 1,740,067 | 1,823,187 |
| | 2,287,651 | 2,402,912 |

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| US Dollar | 1,411,388 | 1,846,578 |
| Kuwaiti Dinar | 366,962 | 30,880 |
| Saudi Riyals | 494,469 | 516,684 |
| Omani Rial | 14,832 | 8,770 |
| | 2,287,651 | 2,402,912 |

The effective interest rate as at 31 December 2022 was 0.76% to 7.09% (2021 – 0.855% to 7.09%) per annum.

The Group is compliant with the principal covenant ratios, which include:

- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- consolidated net borrowings to consolidated net worth (equity);

*Parent Company and Oztel*

*Long Term loan*

The Parent Company acquired a term loan of USD 800 million in year 2017 from a consortium of banks for financing the acquisition of shares in Mobile Telecommunication Company (Zain Group). The Parent company transferred USD 435.225 Million representing the offshore part of the term loan to its wholly owned subsidiary Oztel Holding SPC. The remaining amount of USD 364.775 million is retained by the Parent company. The term loan was payable in five equal annual installments for an amount of 15% of the principal amount and the remaining amount of 25% is payable at the end of the term loan period. The first interest period for the loan is set at 8 months from the date of drawdown and thereafter at 3-month intervals until the date of repayment.
On 22 October 2019 the Parent company and Oztel signed an amendment to the term loan whereby the term on the loan was extended by 2 years with a corresponding relief on the instalment payment for years 2019 and 2020. From year 2021 the loan is repayable in four annual instalments of USD 170 million. The margin on the term loan was also reduced to 2.55% from the earlier rate of 2.90%. The loan is secured by way of a pledged on the acquired shares. A portion of the loan has been hedged using a interest rate swap.
Subsequent to 31 December 2022, Company prepaid the entire loan amount.

*Other long term loans*

Export credit loan with an outstanding balance of USD 26.3 million (RO 10.1 million) (2021-USD 33.2 million (RO 12.6 million) from a consortium of banks to finance the procurement of capital equipment. The loan is unsecured. The facility carries an interest of 2.28% p.a.

*Bonds*

The issued bonds are denominated in US Dollars, listed on the Irish stock exchange and consists of the following tranches:

a) 5.5 years tranche USD 457.1 million (2021: USD 600 million) with coupon rate of 5.63% per annum. The bonds are due for payment in year 2023. The effective interest rate on the bond is 6.05% per annum. The fair value of the bond is USD 453.9 million (2020: USD 624 million)

b) 10 years tranche USD 688.9 million (2021: USD 900 million) with coupon rate of 6.63% per annum. The bonds are due for payment in year 2028. The effective interest on the bond is 7.09%. The fair value of the bond is USD 691.5 million (2021: USD 982.9 million)

c) The bonds are secured by way of a pledge on the acquired shares in Zain Group and is guaranteed by the Parent company.

During the year the Company purchased bonds with a face value of USD 142.9 Mn of 5.5 year tranche and USD 211.1 million of the 10 years tranche respectively through an open tender offer. The carrying amount of bonds for USD 143.2 million (RO 55.1 million) of 5.5 year tranche and USD 207.6 million (RO 79.9 million) was derecognized resulting in a gain of RO 0.8 million (refer note 24)

*Mobile Telecommunications Company K.S.C.P*

During the year, the Company has;

- drawn down loans amounting to RO 177.63 million from the existing facilities (31 December 2021 - RO 202.7 million). This includes:
  - RO 55.7 million from a RO 86.7 million long- term loan facility.
  - US$ 85 million (RO 32.25 million) and RO 37.6 million from a US$ 330 million/ KD 100 million revolving credit facility.
  - US$ 35.29 million (RO 13.4 million) and RO 24.7 million from a US$ 226.850 million/RO 109.5 million long-term loan facility.
  - US$ 32.68 million (RO 12.4 million) from a US$ 129.718 million long- term loan facility.
- repaid loans amounting to RO 157.8 million (31 December 2021 – RO 340.33 million). This includes:
  - US$ 100 million (RO 37.85 million) of a revolving credit facility amounting to US$ 100 million
  - US$ 100 million (RO 37.85 million) of a revolving credit facility amounting to US$ 250 million
  - US$ 60 million (RO 22.71 million) of a revolving credit facility amounting to US$ 130 million
  - US$ 30 million (RO 11.36 million) of a long-term facility amounting to US$ 317 million

The above facilities carry a fixed margin over three or six month London Inter-Bank Offer Rate (LIBOR) or over Central Bank Discount rate.

*SMTC*

Long-term loans include:

1) SAR 5,488 million (RO 555.06 million) (31 December 2021: SAR 2,955 million equivalent to RO 295.55 million) syndicated murabaha facility and SAR 520 million (RO 52.59 million) (31 December 2021: SAR 650 million equivalent to RO 65 million) working capital facility availed from a consortium of banks.
   In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the Murabaha facilities that existed as of that date and to secure additional funding for future capital investment.

   The Agreement:

   a. Includes a Total Term Murabaha Facility of SAR 6,000 million (RO 606.7 million), consisting of SAR 4.880 billion (RO 0.494 billion) and US$ portion of SAR 1.120 billion (RO 0.1127 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (RO 0.351 billion) and balance for future specified business purposes.

   b. Includes a revolving working capital facility of SAR 1,000 million (RO 101.2 million) consisting of SAR 813.393 million (RO 82.25 million) and a US$ portion totaling to SAR 186.607 million (RO 18.86 million).

   The Murabaha Facility continues to be secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables. Under the Murabaha Financing Agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement. A portion of above syndicated loan has been hedged through a profit rate swap contract.

2) During 2019, SMTC signed syndicated junior murabaha facility amounting to SAR 2,250 million (RO 227.52 million) (31 December 2021: SAR 2,247 million equivalent to RO 224 million) from a consortium of banks with a two- year tenure with an option to extend for one more year. During April 2022, SMTC has voluntary settled the outstanding principal as per the Murabaha Financing agreement.

During the period SMTC has:

- drawn down SAR 2,800 million (RO 283.13 million) from Syndicated Murabaha facility and SAR 520 million (RO 52.58 million) from working capital facility availed from a consortium of banks.
- repaid SAR 650 million (KD 65.73 million) of working capital facility availed from a consortium of banks.
- repaid SAR 2,250 million (RO 227.52 million) of syndicated junior murabaha facility

*Pella*

Long term loans include:

1) US$ 160 million (RO 60.09 million) (31 December 2021 – US$ 160 million equivalent to RO 59.7 million) term loan from a commercial bank which is repayable by 2025.
2) US$ 100 million (RO 38.36 million) (31 December 2021 – US$ Nil) term loan from a commercial bank which is repayable by 30 April 2027.

*Atheer*

Long term loans include:

1) US$ 70 million (RO 26.5 million) (31 December 2021 – US$ 90 million equivalent to RO 33.58 million) term loan from a commercial bank which is repayable by 17 December 2024.

2) US$ 105 million (RO 39.75 million) (31 December 2021 – US$ 105 million equivalent to RO 39.18 million) term loan from a commercial bank which is repayable by 30 June 2023.

3) US$ 150 million (RO 56.8 million) (31 December 2021 – US$ 150 million equivalent to RO 55.97 million) revolving credit facilities from a commercial bank which is repayable by 17 December 2025.

4) US$ 100 million (RO 37.85 million) (31 December 2021 – US$ 100 million equivalent to RO 37.3 million) term loan from a commercial bank which is repayable by 31 July 2023.

5) US$ 50 million (RO 18.93 million) (31 December 2021 – US$ 50 million equivalent to RO 18.66 million) term loan from a commercial bank which is repayable by 14 April 2024.

6) US$ 63.75 million (RO 24.14 million) (31 December 2021 – US$ 75 million equivalent to RO 27.98 million) term loan from a commercial bank which is repayable by 28 April 2025.

7) US$ 125 million (RO 47.43 million) (31 December 2021 – US$ 125 million equivalent to RO 46.65 million) term loan from a commercial bank which is repayable by 03 May 2025.

8) US$ 100 million (RO 37.86 million) (31 December 2021 – US$ 100 million equivalent to RO 37.3 million) term loan from a commercial bank which is repayable by 25 May 2024.

These facilities are guaranteed by the Company and carry a floating interest rate of a fixed margin over three month LIBOR and term SOFR.

*Future cities SAOC*

Long term loans include:

1) RO 5.374 million term loan from a commercial bank which is repayable by 31 July 2027.

2) RO 0.460 million term loan from a commercial bank which is repayable by 31 July 2027.

## 16. Lease liabilities

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Balance as of 1 January | 248,656 | 244,316 |
| Additions | 178,302 | 105,303 |
| Accretion of interest | 10,434 | 15,321 |
| Payments | (83,322) | (84,705) |
| Retirements | (4,932) | (28,586) |
| Transfers to liabilities of disposal group classified as held for sale | (107,352) | (1,152) |
| Exchange adjustments | 2,206 | (1,841) |
| Closing balance as at 31 December (excluding liabilities of disposal group classified as held for sale) | 243,992 | 248,656 |
| | | |
| Current | 33,078 | 46,277 |
| Non-current | 210,914 | 202,379 |
| | 243,992 | 248,656 |

Maturity analysis of lease liability is given in note 31 to the consolidated financial statements.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities was in the range of 3.5% to 21% (2021: 3.5% to 21%).

The carrying amounts of the lease liabilities are denominated in the following currencies:

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Omani Rials | 114,219 | 23,473 |
| Saudi Riyals | 68,760 | 146,911 |
| US Dollar | 14,909 | 7,684 |
| Jordanian dinar | 14,946 | 43,623 |
| Bahraini dinar | 15,616 | 12,677 |
| Kuwaiti Dinar | 7,067 | 13,779 |
| Others | 8,475 | 509 |
| | 243,992 | 248,656 |

## 17. Other non-current liabilities

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Payable to Ministry of Finance – KSA (refer below) | 251,563 | 305,256 |
| Due for acquisition of spectrum | 207,092 | 169,798 |
| Payable towards Sale and Lease back-Financing (Refer note 8.2) | 83,554 | - |
| Customer deposits | 9,827 | 9,860 |
| Post-employment benefits | 63,107 | 56,012 |
| Others | 64,815 | 65,967 |
| | 679,958 | 606,893 |

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due until 2021. The amounts are repayable in seven years starting from June 2021. The current portion of these payables is recorded under trade and other payables.

## 18. Share capital and reserves

*Share capital (par value of RO 0.100 per share)*

| | 2021 | 2020 |
|---|---|---|
| | No. of shares | No. of shares |
| *Authorised, Issued and fully paid up* | 750,000,000 | 750,000,000 |
| | RO'000 | RO'000 |
| *Authorised, Issued and fully paid up* | 75,000 | 75,000 |

Shareholders of the Company who own not less than 10% of the Company's shares at the reporting date are as follows:

| | 2021 | 2020 |
|---|---|---|
| | No. of shares | No. of shares |
| United International Telecommunications Investment and Projects LLC | 382,500,345 | 382,500,345 |

*Legal reserve*
In accordance with the Oman Commercial Companies Law of 2019, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the respective Omani entity's paid-up share capital. This reserve is not available for distribution. As the reserve equals one third of paid up share capital, the Company has discontinued the transfer.

*Voluntary reserve*
In accordance with the Board of Directors' Resolution No.16T/5/2000, the Parent Company transfer 10% of its annual net profits to a distributable voluntary reserve until it becomes equal to one-half of the entity's paid up share capital. As the reserve equals at least half of paid up share capital, the Company has discontinued the transfer.

*Capital contribution*
The excess of the valuation of the fixed licence of the Parent company over the amounts paid to TRA in year 2004 is recognised as a non-distributable capital contribution within equity.

*Capital reserve*
This is a non-distributable reserve and represents the fair value in excess of the amount paid for the mobile license, which expired in February 2019.

*Foreign currency translation reserve*
Foreign currency translation reserve mainly represents foreign exchange translation losses arising mainly from Zain Sudan and Zain South Sudan.

*Other reserves*
Other reserves mainly includes hedge reserves gain amounting to RO 5.2 million (2021- RO 4.2 million).

*Dividend – 2021*

The annual general meeting of shareholders for the year ended 31 December 2021 held on 30 March 2022 approved distribution of cash dividends of 55 baiza per share for the year 2021 (31 December 2020 - 55 baiza).

*Proposed dividend for year 2022 and Interim dividend for year 2023*

The Board of Directors, subject to the approval of shareholders, recommends distribution of a final dividend of 55 baiza per share (2021 - 55 baiza per share) to the registered shareholders, after obtaining the necessary regulatory approvals. In addition an interim dividend of 5 baiza per share is recommended to be paid in August 2023 subject to the approval of shareholders.

*Unclaimed dividend*

During the year unclaimed dividends of RO 132,950 (2021-RO 120,533) was transferred to Investor protection trust fund.

## 19. Revenue

### 19.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

| | 2022 | 2021 |
|---|---|---|
| | RO'000 | RO '000 |
| Airtime, data and subscription-Mobile | 2,077,609 | 1,891,831 |
| Airtime, data and subscription-Fixed | 168,727 | 165,055 |
| Wholesale revenue | 150,430 | 124,967 |
| Trading income | 286,010 | 226,440 |
| | 2,682,776 | 2,408,293 |

The total revenue disaggregated by primary geographical market and timing of revenue recognition is disclosed in note 27.

The Group has recognized the following contract assets and liabilities related to contract with customers;

### 19.2 Contract balances

Contract assets

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Assets relating to sale of handsets | | |
| Current and non-current | 181,606 | 150,545 |
| Loss allowance | (6,683) | (6,929) |
| | 174,923 | 143,616 |

Contract liabilities

| | 2022 | 2021 |
|---|---|---|
| | | RO'000 |
| Deferred revenue-Prepaid customers | 89,802 | 122,343 |
| Billing in advance-others | 32,970 | 16,700 |
| | 122,772 | 139,043 |

As permitted under IFRS 15, the Group does not disclose transaction price allocated to the remaining performance obligations as it primarily provides services that corresponds directly with the value transferred to the customer.

## 20. Operating and administrative expenses

This includes staff costs of RO 265.87 million (2021 – RO 237.4 million).

## 21. Other income/ (expenses)

Other income/ (expenses) includes amount of JD 22.9 million (RO 12.16 million) allocated to the settlement of revenue sharing dispute in Pella Jordan based the settlement agreement signed with the Government of Jordan (refer note 12 and 30a )

## 22. Investment income

| | 2022 | 2021 |
|---|---|---|
| | RO'000 | RO '000 |
| Gain on investments at fair value through profit or loss | 5,809 | 3,018 |
| Dividend income | 789 | 962 |
| | 6,598 | 3,980 |

## 23. Gain on disposal of units in associate

On 7 November 2022, Pearl REIF completed an Initial public offering (IPO) where in the Parent company disposed off units amounting to RO 13.8 Mn (representing an ownership interest of 32.2%) for a value of RO 15 Mn resulting in a gain of RO 0.755 Mn (refer note 9).

## 24. Finance cost

Finance cost consists of:

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| Due to banks | 118,012 | 99,503 |
| Gain on bond buyback (refer note 15) | (846) | - |
| Lease liabilities | 16,754 | 15,404 |
| License and spectrum | 11,410 | 9,969 |
| Communications, Space and Technology commission (KSA) | 10,976 | 10,747 |
| Others | 1,046 | 2,973 |
| | 157,352 | 138,596 |

## 25. Income tax expenses

This represents the income tax and other tax expenses of subsidiaries.

| | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| *Income tax expense-Continued operations* | | |
| Corporate income tax | 24,987 | 33,732 |
| Reversal of corporate income taxes in respect of previous years | (6,184) | - |
| Other taxes | 1,887 | 393 |
| | 20,690 | 34,125 |
| *Income tax expense-Discontinued operations* | | |
| Corporate income tax on profit for the year from discontinued operations (refer note 8.2) | 5,064 | - |
| | 25,754 | 34,125 |

The tax rate applicable to the taxable subsidiary companies is in the range of 7% to 26% (2021: 7% to 26%) whereas the effective income tax rate for the year ended 31 December 2022 is in the range of 4% to 24% (2021: 18% to 34%). For the purpose of determining the taxable results for the year, the accounting profits were adjusted for tax purpose. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies' jurisdiction.

## 26. Earnings per share

Basic and diluted earnings per share based on weighted average number of shares outstanding during the year are as follows:

| | 2022 | 2021 |
|---|---|---|
| | RO'000 | RO '000 |
| Profit for the year attributable to shareholders of the Company | | |
| From continuing operations | 63,286 | 64,007 |
| From discontinued operations | 28,030 | 3,043 |
| | No of Shares | No of Shares |
| Weighted average number of shares in issue | 750,000,000 | 750,000,000 |
| | RO | RO |
| Basic and diluted earnings per share | | |
| From continuing operations | 0.084 | 0.085 |
| From discontinued operations | 0.037 | 0.004 |

## 27. Segment information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its operations in Oman, the Company operates through Zain Group in 8 countries. This forms the basis of the geographical segments.

Based on the disclosure criterion, the Group has identified its telecommunications operations in Oman, Kuwait, Jordan, Sudan, Iraq, Bahrain and KSA as the basis for disclosing the segment information.

During the year the Group revised its segment information with respect to Oman to include dividend income, finance costs and other costs associated with respect to its investment in Zain Group. Previous year figures were reclassified to conform to current year presentation.

| 31 December 2022 | Oman | Kuwait | Jordan | Sudan | Iraq | Bahrain | KSA | Others | Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | | RO '000 |
| Segment revenues – airtime, data & subscriptions (Over time) | 516,154 | 314,919 | 184,499 | 182,067 | 302,588 | 55,973 | 802,747 | 28,259 | - | 2,387,206 |
| Segment revenues - trading income (Point in time) | 49,351 | 106,592 | 8,517 | 2,658 | 3,005 | 11,410 | 112,663 | 1,374 | - | 295,570 |
| Net profit before interest and tax | 74,236 | 69,197 | 36,363 | 92,310 | 26,687 | 5,785 | 108,761 | (4,987) | - | 408,352 |
| Interest income | 2,628 | 2,231 | 1,454 | 1,981 | 73 | 145 | 1042 | 96 | - | 9,650 |
| Gain from discontinued operations and sale and leaseback transactions | 33,094 | 495 | - | - | - | - | - | - | - | 33,589 |
| Dividend income from Zain group | 39,456 | - | - | - | - | - | - | - | (39,456) | - |
| Impairment of goodwill | - | - | (34,458) | - | - | - | - | - | - | (34,458) |
| Finance costs | (48,559) | (936) | (10,605) | (346) | (24,217) | (983) | (57,793) | (137) | - | (143,576) |
| Income tax expenses | (15,142) | - | (8,226) | (4,966) | 615 | - | - | (176) | - | (27,895) |
| | 85,713 | 70,987 | (15,472) | 88,979 | 3,158 | 4,947 | 52,010 | (5,204) | (39,456) | 245,662 |
| *Unallocated items:* | | | | | | | | | | |
| Investment income | | | | | | | | | | 6,598 |
| Share of results of associates and joint venture | | | | | | | | | | 5,466 |
| Others (including unallocated income tax and finance costs net of elimination) | | | | | | | | | | 21,198 |
| Profit for the year | | | | | | | | | | 278,924 |
| Segment assets including allocated goodwill | 1,886,476 | 943,443 | 613,723 | 113,418 | 980,620 | 134,171 | 3,279,117 | 123,820 | (850,336) | 7,224,452 |
| ROU asset | 74,708 | 12,555 | 12,042 | 3,164 | 7,243 | 15,570 | 79,890 | 1,367 | - | 206,539 |
| *Unallocated items:* | | | | | | | | | | |
| Investment securities at FVTPL | | | | | | | | | | 75,236 |
| Investment securities at FVOCI | | | | | | | | | | 21,794 |
| Investment securities at amortised cost | | | | | | | | | | 1,000 |
| Investment in associates and joint venture | | | | | | | | | | 150,027 |
| Others (net of eliminations) | | | | | | | | | | 156,395 |
| Consolidated assets | | | | | | | | | | 7,835,443 |
| Segment liabilities | 433,662 | 165,258 | 181,695 | 63,291 | 219,019 | 41,092 | 1,213,793 | 121,175 | - | 2,438,985 |
| Lease liabilities (Current & non-current) | 114,219 | 20,790 | 14,613 | 2,025 | 6,694 | 15,616 | 68,759 | 1,276 | - | 243,992 |
| Borrowings | 595,439 | - | 98,452 | - | 292,325 | - | 607,662 | - | - | 1,593,878 |
| | | | | | | | | | | 4,276,855 |
| *Unallocated items:* | | | | | | | | | | |
| Borrowings | | | | | | | | | | 693,773 |
| Others (net of eliminations) | | | | | | | | | | (22,121) |
| Consolidated liabilities | | | | | | | | | | 4,948,507 |
| Net consolidated assets | | | | | | | | | | 2,886,936 |
| Capital expenditure incurred during the year | 85,553 | 39,111 | 76,001 | 35,548 | 68,105 | 14,235 | 91,348 | 28,596 | - | 438,497 |
| Unallocated (net of eliminations) | | | | | | | | | | 1,173 |
| Total capital expenditure | | | | | | | | | | 439,670 |
| Depreciation and amortization | 91,147 | 82,364 | 41,440 | 3,392 | 82,196 | 12,433 | 185,433 | 6,865 | - | 505,270 |
| Amortization of ROU assets | 7,414 | 7,735 | 1,837 | 1,078 | 5,012 | 3,858 | 20,780 | 22 | - | 47,736 |
| Unallocated | | | | | | | | | | (1,470) |
| Total depreciation and amortization | | | | | | | | | | 551,536 |

| 31 December 2021 | Oman | Kuwait | Jordan* | Sudan | Iraq | Bahrain | KSA | Others | Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO '000 |
| Segment revenues – airtime, data & subscriptions (Over time) | 487,401 | 305,688 | 180,335 | 122,929 | 286,272 | 52,497 | 710,609 | 25,583 | - | 2,171,314 |
| Segment revenues - trading income (Point in time) | 44,025 | 90,065 | 6,983 | 889 | 2,099 | 11,945 | 80,830 | 143 | - | 236,979 |
| Net profit before interest and tax | 84,579 | 66,182 | 59,953 | 46,979 | 39,694 | 5,741 | 68,971 | 8,651 | - | 380,750 |
| Interest income | 2,554 | 2,060 | 909 | 970 | 296 | 108 | 132 | 12 | - | 7,041 |
| Gain on sale and lease back transactions | - | 1,195 | 77 | - | - | - | - | - | - | 1,272 |
| Dividend income | 52,000 | | | | | | | | (52,000) | - |
| Finance costs | (53,656) | (859) | (9,521) | (2,313) | (18,299) | (1,072) | (48,997) | (49) | - | (134,766) |
| Income tax expenses | (11,531) | - | (9,840) | (7,036) | (8,626) | - | - | (4) | - | (37,037) |
| | 73,946 | 68,578 | 41,578 | 38,600 | 13,065 | 4,777 | 20,106 | 8,610 | (52,000) | 217,260 |
| *Unallocated items:* | | | | | | | | | | |
| Investment income | | | | | | | | | | 3,980 |
| Share of results of associates and joint venture | | | | | | | | | | 4,398 |
| Others (including unallocated income tax and finance costs net of elimination) | | | | | | | | | | 7,964 |
| Profit for the year | | | | | | | | | | 233,602 |
| Segment assets including allocated goodwill | 1,779,712 | 961,531 | 639,091 | 44,357 | 999,705 | 126,143 | 3,127,593 | 90,690 | (850,336) | 6,918,486 |
| ROU asset | 23,603 | 11,395 | 10,849 | 959 | 32,494 | 13,732 | 132,788 | 40 | | 225,860 |
| *Unallocated items:* | | | | | | | | | | |
| Investment securities at FVTPL | | | | | | | | | | 68,851 |
| Investment securities at FVOCI | | | | | | | | | | 22,438 |
| Investment securities at amortised cost | | | | | | | | | | 1,000 |
| Investment in associates and joint venture | | | | | | | | | | 114,288 |
| Others (net of eliminations) | | | | | | | | | | 216,531 |
| Consolidated assets | | | | | | | | | | 7,567,454 |
| Segment liabilities | 277,650 | 158,196 | 189,343 | 38,439 | 214,705 | 37,900 | 1,149,549 | 73,006 | | 2,138,788 |
| Lease liabilities (Current & non-current) | 23,470 | 20,365 | 12,677 | 490 | 30,945 | 13,780 | 146,911 | 18 | | 248,656 |
| Borrowings | 790,285 | - | 59,706 | - | 305,414 | - | 583,795 | - | | 1,739,200 |
| | 1,091,405 | 178,561 | 261,726 | 38,929 | 551,064 | 51,680 | 1,880,255 | 73,024 | | 4,126,644 |
| *Unallocated items:* | | | | | | | | | | |
| Borrowings | | | | | | | | | | 663,712 |
| Others (net of eliminations) | | | | | | | | | | 10,045 |
| Consolidated liabilities | | | | | | | | | | 4,800,401 |
| Net consolidated assets | | | | | | | | | | 2,767,053 |
| Capital expenditure incurred during the year | 73,594 | 37,827 | 103,805 | 20,466 | 107,513 | 10,690 | 101,813 | 17,973 | | 473,681 |
| Unallocated (net of eliminations) | | | | | | | | | | (4,813) |
| Total capital expenditure | | | | | | | | | | 468,868 |
| Depreciation and amortization | 97,207 | 76,188 | 42,187 | 3,837 | 78,187 | 12,341 | 196,782 | 5,219 | | 511,948 |
| Amortization of ROU assets | 8,475 | 8,073 | 4,404 | 185 | 8,252 | 3,643 | 47,932 | 108 | | 81,072 |
| Unallocated | | | | | | | | | | (417) |
| Total depreciation and amortization | | | | | | | | | | 592,603 |

* Figures disclosed under Jordan includes result from discontinued operations as disclosed in note 8.2.

## 28. Subsidiaries with significant non-controlling interests

The summarized financial information for the Group's subsidiaries that have significant non-controlling interests is set out below.

| | Zain Group | |
|---|---|---|
| | 2022 | 2021 |
| | RO'000 | RO'000 |
| Current assets | 1,779,816 | 1,314,680 |
| Non-current assets | 4,349,161 | 4,602,505 |
| Current liabilities | (1,718,016) | (1,834,731) |
| Non-current liabilities | (2,063,318) | (1,844,252) |
| Equity attributable to: | | |
| - Owners of the Company | 1,522,918 | 1,463,233 |
| - Non-controlling interests | 824,725 | 774,969 |
| Revenue | 2,129,037 | 1,887,011 |
| Profit for the year | 276,461 | 249,831 |
| Other comprehensive income | 5,496 | (128,877) |
| Total comprehensive income | 281,957 | 120,954 |
| Total comprehensive income attributable to: | | |
| - Company's shareholders | 225,714 | 103,057 |
| - Non-controlling interests | 56,243 | 17,897 |
| | 281,957 | 120,954 |
| Cash dividend paid to non-controlling Interests | (174,792) | (190,315) |
| Net cash from operating activities | 614,793 | 511,769 |
| Net cash used in investing activities | (326,366) | (424,682) |
| Net cash flow used in financing activities | (276,022) | (228,218) |
| Net increase/(decrease) in cash flows | 12,405 | (141,131) |

## 29. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

| | 2022 | 2021 |
|---|---|---|
| | RO'000 | RO '000 |
| Transactions with associate companies | | |
| Revenue | 13,289 | 11,642 |
| Cost of sales and operating and maintenance expenses | 10,872 | 8,837 |
| Purchase of property and equipment | - | 146 |
| Dividend income from associate | 1,147 | 594 |
| Key management compensation | | |
| Salaries and other short term employee benefits | 2,074 | 1,646 |
| Post-employment benefits | 105 | 127 |
| Director's remuneration | 319 | 233 |
| Balances with associate companies | | |
| Trade receivables | 787 | 2,632 |
| Other receivables | 17,244 | 32,285 |
| Trade payables | 5 | 58 |

i) Government of Sultanate of Oman (the Government), owns 51% (2020: 51%) of the Company's shares. The Company has applied the exemptions in IAS 24: Related Parties - related to transaction with the Government and other entities controlled, jointly controlled or significantly influenced by the Government. In this respect, the Company has disclosed certain information, to meet the disclosure requirements of IAS 24, in this note.

## 30. Commitments and contingencies

| | 2022 | 2021 |
|---|---|---|
| | RO'000 | RO '000 |
| Capital commitments | 134,217 | 150,105 |
| Uncalled share capital of investee companies | 785 | 2,609 |
| Letters of guarantee and credit | 86,448 | 114,841 |

*Royalty in Sultanate of Oman*

The Company during FY 2020 received a letter from TRA clarifying the applicability of royalty on certain categories of Wholesale revenue. While clarifying that these items are exempt from Royalty from year 2020, TRA has demanded to pay royalty on these revenues for the periods from 2013 to 2019. Based upon legal opinion and interpretation of the relevant provisions of the Parent Company's license terms, the management believes that the additional royalty amount is not payable.

*Income taxes in Iraq*

Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US$ 196 million (RO 74.2 million) and submitted its objections against the tax claim.

On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US$ 88.8 million (RO 33.62 million). IGCT had the option to challenge this decision before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer did not receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer petitioned the Cassation Court to direct IGCT to issue the final settlement order. On 29 June 2022, the Cassation Court decided in Atheer's favor which is considered final.

Atheer received additional income tax claim of US$ 19.3 million (RO 7.3 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer submitted its objection to this additional income tax claim which was rejected by the IGCT on 15 March 2020. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

*Pella - Jordan*

a) During Q1 2022, a letter was issued by the Telecommunications Regulatory Commission (TRC) that included an extract from a decision that was issued by the cabinet of the Hashemite Kingdom of Jordan aiming to reform the telecom sector and boost the operators' appetite to introduce 5G technology in Jordan. In September 2022, a settlement agreement was entered into with the government which put an end to the disputes related to revenue sharing, extended the useful lives of existing licenses, and resulted in awarding of 5G license among other things. On 04 October 2022, the TRC approved the pre-conditions to the settlement agreement and as of that date the agreement has become effective. The details of agreement are as follows:

- To settle all the disputed amount between the TRC and operators for the years 2000 to 2020 regarding the revenue share calculation and dismiss all the related legal cases from the court.

- To extend spectrum and individual licenses validities for additional 10 years and become a neutral band, therefore, the total license validity shall become 25 years with a possibility to extend for further 5 years based on a specific criterion which will be evaluated after 3 years from the date of settlement agreement signature.

- Grant the operator's spectrum licenses in the 3500MHZ band (5G), with 100MHZ per each operator, for 25 years, with operators' commitment to start launching within 18 months, and to cover 50% of population within a period not exceeding 4 years from the spectrum grant date.

- The agreement envisages a total payment of JD 85.9 million (RO 45.86 million) as full and final settlement for all of the above component.

- During Q4 2022 the management has completed the process of allocating the total settlement amount on the basis of their relative fair values of each of the above component and recognized provision for settlement of disputed amount (note 12).

b) Pella is a defendant in lawsuits amounting to RO 27.94 million (31 December 2021 – RO 27.5 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

*MTC Kuwait*

A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communication since 26 July 2011 was invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group has contingent assets in the form of recovery of excess regulatory tariff paid. In June 2022, the first degree judgement was issued in favour of the Group. In February 2023 Court of Appeal judgement was issued in favour of the Group, which is now subject to appeal by within 60 days.

SMTC

SMTC received withholding tax assessments from Zakat, Tax and Customs Authority ("ZATCA") for an additional amount of SAR 221.9 million (RO 22.43 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees. The SMTC believes that the outcome of those appeals will be in its favor with no material financial impact as SMTC has sufficient provisions to cover these amounts.

In addition, legal proceedings have been initiated by and against the Group in some jurisdictions. On the basis of information currently available and the advice of the legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position or the consolidated performance of the Group.

## 31. Financial risk management

The Group's financial assets have been categorized as follows:

| | Amortized costs | At fair value through profit or loss | Fair value through other comprehensive income |
|---|---|---|---|
| | RO'000 | RO'000 | RO '000 |
| 31 December 2022 | | | |
| Cash and bank balances | 451,324 | - | - |
| Trade and other receivables | 968,291 | - | - |
| Investment securities | 1,000 | 75,236 | 21,794 |
| Other assets | 19,771 | - | - |
| | 1,440,386 | 75,236 | 21,794 |
| 31 December 2021 | | | |
| Cash and bank balances | 390,214 | - | - |
| Trade and other receivables | 779,761 | - | - |
| Investment securities | 1,000 | 68,851 | 22,438 |
| | 1,170,975 | 68,851 | 22,438 |

*Financial risk factors*

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies in close co-operation with the Group's operating units. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The Board Committee is assisted in its oversight role by the Internal audit and the Group risk management department. The significant risks that the Group is exposed to are discussed below:

(a) Market risk

*(i) Foreign exchange risk*

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Group management has set up a policy that requires Group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities such as trade and other receivables, trade and other payables and due to banks. The impact on the post tax consolidated profit arising from a 10% weakening/strengthening of the functional currency against the major currencies to which the Group is exposed is given below:

| Currency | 2022 | 2021 |
|---|---|---|
| | | RO '000 |
| US Dollar | 26,487 | 50,058 |
| Euro | 1,684 | 225 |
| Other | 7,660 | 8,461 |

*(ii) Equity price risk*

This is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position as FVOCI. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The effect on the consolidated profit as a result of changes in fair value of equity instruments classified as 'at fair value through profit or loss' and the effect on equity of equity instruments classified as 'fair value through other comprehensive income' arising from a 5% increase/ decrease in equity market index, with all other variables held constant is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Market indices | Impact on net profit | Effect on equity | Impact on net profit | Effect on Equity |
| | | | | RO '000 |
| Increase/decrease in market index | ±1,539 | ±1,453 | ±1,606 | ±88 |

Profit for the year would increase/decrease as a result of gains/losses on equity securities classified as 'at fair value through profit or loss'. Equity would increase/decrease as a result of gains/losses on equity securities classified as 'available for sale'.

*(iii) Cash flow and fair value interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from short-term bank deposits and bank borrowings carried at amortized cost. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings at variable rates are denominated mainly in US Dollars.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group manages interest rate risk by monitoring interest rate movements and by using Interest Rate Swaps to hedge interest rate risk exposures. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

At 31 December 2022, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been lower/higher by RO 8.446 million (2021: RO 8.12 million).

*Interest rate benchmark reforms*

The Group is exposed to US$ LIBOR. The exposures arise on derivatives and non-derivative liabilities (debt).

The Group has cash flow hedge relationships affected by the interest rate benchmark reform. Hedged items in these hedges include issued US$ floating rate debt. Hedging instruments include LIBOR based interest rate swaps. The Group also has debts linked to US$ LIBOR, which are not designated in hedging relationships.

*Progress towards implementation of alternative benchmark interest rates:*

*Interest rate benchmark transition for non-derivative financial instruments*

The Group is in the process of transition of existing LIBOR-linked contracts to risk-free rates (SOFR) through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBOR to RFR at an agreed point in time. The transition is expected to be completed before 30 June 2023.

*Interest rate benchmark transition for derivatives and hedge relationships:*

The Group has in issue US$ denominated floating rate bank borrowings, linked to LIBOR, which are cash flow hedged using interest rate swaps. The Group is in the process of agreeing the changes with counterparties related to transition of interest rate swaps to alternative risk-free rate (SOFR).

The following table contains details of all of the financial instruments that the Group holds at 31 December 2022 which reference US$ LIBOR and have not yet been transitioned to SOFR:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | | RO '000 |
| *Non-derivative liabilities exposed to US$ LIBOR* | | |
| *Measured at amortised cost* | | |
| Borrowings | 2,037,265 | 1,066,760 |
| Total non-derivative liabilities exposed to US$ LIBOR | 2,037,265 | 1,066,760 |

Refer note 32 for details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, trade and other receivables, contract assets and loans to associates.
The Group manages the credit risk on bank balances by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to trade receivables and contract assets is limited due to dispersion across large number of customers. Group manages credit risk of customers by continuously monitoring and using experienced collection agencies to recover past due outstanding amounts. Credit risk of distributors, roaming and interconnect operators, due from associates and others including third parties on whose behalf financial guarantees are issued by the Group is managed by periodic evaluation of their credit worthiness or obtaining bank guarantees in certain cases.

Expected credit loss (ECL) measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition wherein if a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

*Significant increase in credit risk*

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and backstop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. For customer, distributors, roaming and interconnect trade receivables significant increase in credit risk criteria does not apply since the group is using simplified approach which requires use of lifetime expected loss provision.

For amounts due from banks, the Group uses the low credit risk exemption as permitted by IFRS 9 based on the external rating agency credit grades. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Group considers it as significant increase in credit risk.

Financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

*Credit impaired assets*

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, there is sufficient doubt about the ultimate collectability; or the customer is past due for more than 90 days.

*Incorporation of forward looking information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified Gross Domestic Product (GDP) of each geography in which they operate as the key economic variables impacting credit risk and ECL for each portfolio. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Incorporating forward-looking information increases the degree of judgement required as to how changes in GDP will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The following table contains an analysis of the maximum credit risk exposure of financial instruments for which an ECL allowance is recognized:

| | ECL staging | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | | | | | RO '000 |
| | 12-month | Lifetime | Lifetime | Lifetime | Total |
| At 31 December 2022 | | | | | |
| Cash and bank balances | 218,427 | 231,376 | 38,949 | - | 488,752 |
| Less: ECL | (156) | (2,219) | (35,053) | - | (37,428) |
| | 218,271 | 229,157 | 3,896 | - | 451,324 |
| Customers | - | - | - | 617,240 | 617,240 |
| Distributors | - | - | - | 83,638 | 83,638 |
| Contract assets | - | - | - | 181,606 | 181,606 |
| Less: ECL | - | - | - | (275,476) | (275,476) |
| | - | - | - | 607,008 | 607,008 |
| Roaming partners | - | - | - | 16,851 | 16,851 |
| Other operators (interconnect) | - | - | - | 133,151 | 133,151 |
| Less: ECL | - | - | - | (11,047) | (11,047) |
| | - | - | - | 138,955 | 138,955 |
| Other receivables | - | 140,219 | - | 3,536 | 143,755 |
| Less: ECL | - | (2,615) | - | (1,129) | (3,744) |
| | - | 137,604 | - | 2,407 | 140,011 |
| At 31 December 2021 | | | | | |
| Cash and bank balances | 296,133 | 74,359 | 40,310 | - | 410,802 |
| Less: ECL | (212) | (833) | (19,543) | - | (20,588) |
| | 295,921 | 73,526 | 20,767 | - | 390,214 |
| Customers | - | - | - | 547,115 | 547,115 |
| Distributors | - | - | - | 64,097 | 64,097 |
| Contract assets | - | - | - | 150,545 | 150,545 |
| Less: ECL | - | - | - | (274,973) | (274,973) |
| | - | - | - | 486,784 | 486,784 |
| Roaming partners | - | - | - | 10,834 | 10,834 |
| Other operators (interconnect) | - | - | - | 114,525 | 114,525 |
| Less: ECL | - | - | - | (10,926) | (10,926) |
| | - | - | - | 114,433 | 114,433 |
| Other receivables | - | 123,351 | - | 2,377 | 125,728 |
| Less: ECL | - | (2,553) | - | (919) | (3,472) |
| | - | 120,798 | - | 1,458 | 122,256 |

ECL allowance of trade and other receivables are assessed as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | | RO '000 |
| Collectively assessed | 275,001 | 275,004 |
| Individually assessed | 15,269 | 14,367 |
| | 290,270 | 289,371 |

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables and contract assets:

| | Collectively assessed | Individually assessed | Total |
|---|---|---|---|
| | | | RO '000 |
| 1 January 2021 | 307,837 | 16,784 | 324,621 |
| Recoveries | 315 | 26 | 341 |
| Amounts written off | (41,054) | (534) | (41,588) |
| Foreign exchange gains and losses | 114 | (122) | (8) |
| Net increase in loss allowance | 7,792 | (1,787) | 6,005 |
| 31 December 2021 | 275,004 | 14,367 | 289,371 |
| On acquisition of subsidiary | - | 37 | 37 |
| Amounts written off | (30,875) | (655) | (31,530) |
| Foreign exchange gains and losses | 2,065 | 1,153 | 3,218 |
| Net decrease in loss allowance | 28,807 | 367 | 29,174 |
| 31 December 2022 | 275,001 | 15,269 | 290,270 |

For customer, distributor and contract assets the Group uses a provision matrix based on the historic default rates observed and adjusted for forward looking factors to measure ECL as given below.

| | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| Aging brackets of postpaid trade receivables | Estimated total gross carrying amount at default | Expected credit loss rate | Lifetime ECL | Estimated total gross carrying amount at default | Expected credit loss rate | Lifetime ECL |
| | RO '000 | % | RO '000 | RO '000 | % | RO '000 |
| Not due /< 30 days | 399,599 | 3% | 10,249 | 323,753 | 5% | 14,972 |
| 31 – 60 days | 29,601 | 7% | 2,138 | 22,930 | 7% | 1,719 |
| 61 – 90 days | 23,866 | 18% | 4,351 | 15,014 | 21% | 3,157 |
| 91 – 180 days | 47,354 | 24% | 11,467 | 41,661 | 31% | 12,993 |
| > 181 days | 382,064 | 65% | 246,796 | 358,399 | 68% | 242,132 |
| | 882,484 | | 275,001 | 761,757 | | 274,973 |

Credit quality of roaming, interconnect and other balances:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | | RO '000 |
| Credit quality – Performing | 256,179 | 243,017 |
| Impaired | 37,577 | 8,070 |
| Expected credit loss | (13,664) | (14,367) |
| | 280,092 | 236,720 |

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by maintaining sufficient cash and marketable securities, availability of funding from committed credit facilities and its ability to close out market positions on short notice. The Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements.

The Group has committed to provide working capital and other financial support to some of its affiliates (refer note 3). Other than the total cash and bank balances of RO 62.8 million (2021 - RO 41.9 million) equivalent held in Sudan, South Sudan and Lebanon, all other cash and bank balances are maintained in freely convertible currencies.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 |
| At 31 December 2022 | | | | |
| Borrowings | 595,912 | 958,422 | 788,102 | 278,688 |
| Trade and other payables | 1,378,588 | - | - | - |
| Other non-current liabilities | 115,168 | 194,833 | 331,406 | 167,614 |
| Lease liabilities | 113,636 | 49,475 | 116,641 | 133,525 |
| At 31 December 2021 | | | | |
| Borrowings | 638,772 | 646,633 | 1,024,703 | 382,055 |
| Trade and other payables | 1,295,054 | - | - | - |
| Other non-current liabilities | 85,371 | 183,978 | 185,570 | 162,352 |
| Lease liabilities | 88,460 | 46,038 | 92,353 | 68,752 |

## 32. Derivative financial instruments

In the ordinary course of business, the Group uses derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

| | Notional amounts by term to maturity | | |
|---|---|---|---|
| | Positive fair value | Negative fair value | Notional amount |
| At 31 December 2022 | RO'000 | RO'000 | RO'000 |
| *Derivatives held for hedging:* | | | |
| *Cash flow hedges* - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate | | | |
| Interest rate swaps (maturing after one year) | 15,364 | - | 398,065 |
| At 31 December 2021 | | | |
| *Derivatives held for hedging:* | | | |
| *Cash flow hedges* - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate | | | |
| Interest rate swaps (maturing after one year) | - | 14,544 | 474,835 |

Profit rate swaps are contractual agreements between two parties to exchange interest based on notional value in a single currency for a fixed period of time. The Group uses profit rate swaps to hedge changes in interest rate risk arising from floating rate borrowings.

## 33. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return on investment to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In managing capital, the Group considers the financial covenants in various loan agreements that require the Group to maintain specific levels of debt-equity and leverage ratios.

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at the consolidated statement of financial position dates were as follows:

| | 2022 | 2021 |
|---|---|---|
| | RO'000 | RO'000 |
| Total borrowings including lease liabilities (refer note 15 and 16) | 2,531,643 | 2,651,568 |
| Less: Cash and bank balances (refer note 4) | (451,324) | (390,214) |
| Net debt | 2,080,319 | 2,261,354 |
| Total equity | 2,886,936 | 2,767,053 |
| Total capital | 4,967,255 | 5,028,407 |
| Gearing ratio | 41.9% | 45% |

## 34. Fair value of financial instruments

The fair value hierarchy of the Group's financial instruments is as follows.

31 December 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | | | RO '000 |
| Financial assets at fair value: | | | | |
| Investments at fair value through profit or loss | 8,445 | 33,213 | 33,578 | 75,236 |
| Investments at fair value through other comprehensive income | 2,300 | 3,471 | 16,023 | 21,794 |
| Total assets | 10,745 | 36,684 | 49,601 | 97,030 |

31 December 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Financial assets at fair value: | | | | |
| Investments at fair value through profit or loss | 8,510 | 30,984 | 29,357 | 68,851 |
| Investments at fair value through other comprehensive income | 1,744 | 3,339 | 17,355 | 22,438 |
| Total assets | 10,254 | 34,323 | 46,712 | 91,289 |

Fair values of the financial instruments carried at amortized cost approximate their carrying value. This is based on level 3 inputs, with the discount rate that reflects the credit risk of counterparties, being the most significant input.

During the year, there were no transfers between any of the fair value hierarchy levels.

35. Net monetary gain – South Sudan

Net monetary gain/ (loss)

The Republic of South Sudan economy had become hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting. The impact of Net monetary loss for the period is not material to the interim financial information

36. Significant accounting judgments and estimates

In accordance with the accounting policies contained in IFRS and adopted by the Group, management makes the following judgments and estimations that may significantly affect amounts reported in these consolidated financial statements.

Judgments

*Business combinations*

To allocate the cost of a business combination management exercises significant judgment to determine identifiable assets, liabilities and contingent liabilities whose fair value can be reliably measured, to determine provisional values on initial accounting and final values of a business combination and to determine the amount of goodwill and the Cash Generating Unit to which it should be allocated.

*Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)*
Management have concluded that the parent company controls Zain Group even though it holds less than half of the voting rights of the subsidiary based on the rights acquired under the transaction. Management reviewed the size and the dispersion of voting rights of other dominant shareholders in relation to its size and concluded that it will not be possible for them to act in concert to outvote the Parent company on key matters at shareholders meeting. While reaching this conclusion, Management has reviewed the voting pattern of the other dominant shareholder who owns 24.6% of the voting rights as passive in nature based on their voting pattern at prior shareholders meeting. Management also held discussions with the dominant shareholders to confirm their understanding.

In addition, Parent Company has a majority representation on the Board of Directors of Zain group which gives them the right to appoint, remove and set the remuneration of management who are responsible for directing the relevant activities of Zain group. Parent company through its representation on the Board of Directors also has the right to enter/alter any significant transactions of Zain Group to realise possible synergies contemplated under the transaction for the benefit of the Group.

The Group considers that it controls SMTC though it owns less than 50% of the voting rights. In assessing whether the Group has de-facto control, the management exercised significant judgment which takes into account many factors such as it being the single largest shareholder in SMTC, its majority representation in the Board, voting patterns of other dominant shareholders etc. If the Group had concluded that the ownership interest was insufficient to give the Group control in SMTC, it would instead have been classified as an associate and the Group would have accounted for it using the equity method of accounting.

*Identifying performance obligations in a bundled sale of equipment and installation services*

The Group provides telecommunications services that are either sold separately or bundled together with the sale of equipment (hand sets) to a customer. The Group uses judgement in determining whether equipment and services are capable of being distinct. The fact that the Group regularly sells both equipment and services on a stand-alone basis indicates that the customer can benefit from both products on their own. Consequently, the Group allocated a portion of the transaction price to the equipment and the services based on relative stand-alone selling prices.

*Principal versus agent considerations*

Revenue from value added services (VAS) sharing arrangements depend on the analysis of the facts and circumstances surrounding these transactions. The determination of whether the Group is acting as an agent or principal in these transactions require significant judgement and depends on the following factors:

- The Group is primarily responsible for fulfilling the promise to provide the service.
- Whether the Group has inventory risk
- Whether the Group has discretion in establishing the price

*Consideration of significant financing component in a contract*

The Group sells bundled services on a monthly payment scheme over a period of one to two years.

In concluding whether there is a significant financing component in a contract requires significant judgements and is dependent on the length of time between the customers payment and the transfer of equipment to the customer, as well as the prevailing interest rates in the market. The Group has concluded that there is no significant financing component in its contract with customers after such assessment.

In determining the interest to be applied to the amount of consideration, the Group has concluded that the interest rate implicit in the contract (i.e., the interest rate that discounts the cash selling price of the equipment to the amount paid in advance) is appropriate because this is commensurate with the rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception.

*Assets held for sale*

In 2018 the Board of Directors announced its decision to sell some of the telecom tower assets in Kuwait. Part of these telecom towers were sold during the year and the remaining towers are recorded under “assets and liabilities of disposal group classified as held for sale”. This is considered to have met the criteria as held for sale for the following reasons:

a. These assets are available for immediate sale and can be sold to the buyer in its current condition
b. The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
c. A potential buyer has been identified and negotiations as at the reporting date are at an advance stage

These assets continued to be classified as non-current assets held for sale as the Group is committed to its plan to sell the assets and the delay was caused due to events and circumstances beyond the Group’s control.

*Classification of equity investments*

On acquisition of an equity investment security, the Group decides whether it should be classified as fair value through profit or loss or fair value through other comprehensive income.

*Contingent 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 or litigation is based on management's judgment.

*Hyperinflation*

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint venture is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary.

*Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Extension options (or periods after termination options) are only included in the lease term if the lessee is reasonably certain to extend (or not to terminate) the lease. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

*Sale and leaseback*

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third party and leases either the whole or part thereof.  In determining whether the sale proceeds received are at fair value management applies judgements and estimates to reflect the value which is below market terms as prepayment of lease payments and above market terms are recognised as additional financing by the lessor.

*Discounting of lease payments*

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

Sources of estimation uncertainty

*Fair values - unquoted equity investments and business combinations*

The valuation techniques for unquoted equity investments and identifiable assets, liabilities and contingent liabilities arising in a business combination make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

*Provision for expected credit losses of customer, distributor receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for customer, distributor receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 31.

*Tangible and intangible assets*

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives. Changes in technology or intended period of use of these assets as well as changes in business prospects or economic industry factors may cause the estimate useful of life of these assets to change.

*Taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes a liability for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Any changes in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of the deferred tax assets.

*Impairment of non-financial assets*

The Group annually tests non-financial assets for impairment to determine their recoverable amounts based on value-in-use calculations or at fair value less costs to sell. The value in use includes estimates on growth rates of future cash flows, number of years used in the cash flow model and the discount rates. The fair value less cost to sell estimate is based on recent/intended market transactions and the related EBITDA multiples used in such transactions.