

His Majesty Sultan
Qaboos Bin Said (Late)



His Majesty Sultan **Haitham Bin Tarik**



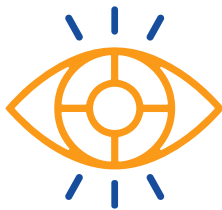
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1. About Omantel

Omantel is the country’s first and leading integrated telecommunications services provider that enables the digital society to flourish and allows new ways of doing business by delivering a world of information and entertainment right to the fingertip of its clients. Omantel is publicly listed on the Muscat Stock Market (MSX) and is majority-owned by the government of Oman.

Omantel at a Glance



VISION

Bringing together families, businesses, and communities by reaching every corner of Oman and the globe



MISSION

- Fulfill all communications needs of our customers
- Attract and develop talent in a team oriented environment
- Deliver profitable growth to our shareholders



VALUES

We focus on delivering the best services with professionalism and ethics in every aspect of our business and operations:

Passion

We are passionate about our people, our business, our customers and our country, and lead by example, inspiring others with our pursuit of excellence.

Simplicity

We simplify problems by creating clear and understandable solutions that are easy to implement and adaptable to the needs of our employees.

Collaboration

At Omantel, each and every employee plays a critical role in achieving business objectives. The Company promotes idea sharing and collaboration at every level and across all operations.

Ownership

We own our faults, but take full credit for our successes, ensuring we do more than just the talk.



Chairman's Message

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the year ended 31st December 2022.

Operating performance:

REVENUE: Group Revenue for the year ended 31st December 2022 has reached RO 2682.8 million compared to RO 2408.3 million for the corresponding period 2021 which represents an increase of 11.4%. The Group revenue include acquired business of Zain Group, with reported revenues of RO 2,129 Mn.

Omantel (Domestic performance) Revenues reached RO 565.5 million compared to RO 531.4 million for the corresponding period 2021 which represents an increase of 6.4%. Revenues growth achieved in Mobile Postpaid, Fixed Broadband and cost optimization measures have contributed in managing the profitability for the year 2022.

EXPENSES: Group's total Operating expenses increased to RO 1,305.3 Mn compared to RO 1267.5 Mn for the corresponding period 2021, an increase of 3 %.

NET PROFIT: The Group achieved an after tax Net Profit of RO 278.9 Mn compared to RO 233.6 Mn in 2021. After adjusting for minority interest the net profit for the period

is RO 91.3 Mn compared to RO 67.5 Mn in 2021, an increase of 35.3 %

Oman Domestic operations Net profit for the Year 2022 stands at RO 86 Mn, which is an increase of 16% in comparison to Year 2021 performance of RO 74 Mn. Net profit for year 2022 includes capital gain arising out of Sale of Towers amounting to RO 28 Mn (net of taxes). Profitability was effectively managed by capitalizing on growth in Mobile Postpaid revenues which increased by 11.2%, Fixed broadband by 3.3% with stable revenues from Wholesale segment. This was also further supplemented by a reduction in Operation and Maintenance costs and depreciation driven by proactive cost optimization measures.

Group Earning per Share (EPS) for the year ended 31st December 2022 is RO 0.121 (including EPS of 0.037 from discontinued operations (Towersale) compared to RO 0.089 (including EPS of 0.004 from discontinued operations) for the corresponding period of year 2021.

Dividend

Board has recommended a final dividend of 55 bz per share for the year ended 31 December 2022 and an interim dividend of 5 Bz per share for the year 2023 (to be

distributed in August 2023) and is subject to the approval of shareholders in the Annual General meeting.

Subscriber Base

The total domestic subscriber base as of December 2022 (including mobile and fixed businesses) was 3.216 Mn (excluding Mobile Resellers) compared to 3.208 Mn of the corresponding period of the previous year, recording a growth of 0.3 % over the last period. Total subscriber base with mobile resellers reached 3.8 Mn.

Subsidiary Companies:

1) Mobile Telecommunication Company (Zain):

Zain Group revenues reached RO 2,129 Mn as of December 2022 compared to the corresponding period revenues of RO 1,887 Mn. EBITDA stands at RO 828.6 Mn, compared to the corresponding period EBITDA of RO 780.2 Mn recording a growth of 6.2%. Net profit stands at RO 276.5 Mn compared to RO 249.8 Mn of the previous period an increase of 10.7 %

Total customer base of Zain Group increased by 7 % to 52.4 Mn compared to 48.9 Mn of the previous period.

Market Share: Omantel's Mobile market subscriber share (including Mobile Resellers) is 47.4 % compared to 51 % in 2021. The Fixed Telephone (post & pre-paid) market share is 71.3 % with a revenue market share of 81.8 %.

Tower deal and REIF:

In pursuance of our Asset-Lite strategy, Omantel completed 2 high profile deleveraging deals that will enable us achieving an optimized capital structure and liquidity. In December 2022, Omantel concluded sale of its passive infrastructure comprising over 2,519 tower sites to a mobile tower infrastructure company Helios Towers plc, for a cash consideration of US\$ 494 Mn.

Furthermore, we, successfully monetized our investment in Omantel Head Quarter building located in Madinat Al Irfan-Muscat. The transaction included a sale and lease back of the HQ building through a REIF structure which has allowed Omantel to generate considerable liquidity, yet retaining a considerable degree of control over the REIF which will help Omantel in participating in the value created by the REIF in future for the shareholders. 'Pearl REIF', successfully completed its initial public offering corresponding to 136.7 Mn investment units at the offering price of RO 0.112/share. Following the IPO, Omantel is holding the remaining 142.3 Mn units of Perl REIF translating into a 33.51 % shareholding.

Corporate Social Responsibility (CSR): As part of its ongoing commitment to support the society and environment, Omantel has embarked on number of CSR initiatives and programs and has extended its support to various organizations and events. The below summarizes the major initiatives and events supported during the year 2022:

1. Oman Charitable Organization (OCO): Omantel contributed RO 100K to the Oman Charitable Organization (OCO) as part of CSR initiatives.
2. IT & Coding Curriculum: In continuation of the agreement between Omantel and the Ministry of Education, Omantel contributed RO 100K during 2022 to launching the IT & Coding Curriculum of school grades 1-2 for the academic year 2022-2023 and to develop an IT and coding curriculum for primary school students from Grades 1 to 4, which aims to develop an educational curriculum to provide students with the skills of the future and the fourth industrial revolution in line with Oman Vision 2040.
3. House Maintenance Project (Maskani Ma'amani): As an annual campaign, Omantel subsidized RO 100K during 2022 with a sustainable partnership with Dar Al Atta charitable organization, which continues since 2014; this project had contributed to maintaining 172 houses across Oman for underprivileged people.
4. Relief work in Oman's rain affected areas: As part of its ongoing CSR efforts, Omantel donated 150K for relief work in south Batinah, with a partnership with DAR AL ATTA, helped to restore services and helped those affected by the heavy rainfalls in Wilayats of South Batinah.
5. Innovation and Technology Transfer Center: Omantel entered into a cooperation with Sultan Qaboos University (SQU) for the fourth year in a row to contributed (RO 50K) to the establishment of a state-of-the-art Innovation and Technology Transfer Center at SQU. The Cooperation Program is part of the mutual efforts to foster innovation in Oman and create the conditions that will enhance its contribution to driving economic growth, improving the lives of people in Oman, and creating an innovation and knowledge-based economy.
6. Other CSR Initiatives: Mubadara Training Program: Omantel contributed RO 26K, In its first edition, Mubadara training program was born as a new branch of Mubadara awards. In collaboration with the Ministry of Social Development and implementation by the Omani Society for Educational Technology with the participation of 60 females from the Omani Women's Associations across the Sultanate with the aim of empowering

them through technology to enhance their homebased businesses. Scholarships for students belonging to Social Security families Omantel Supported second year payment of RO 34K).

Future outlook:

Our Corporate Strategy – Shift Gear to Achieve Sustainable Profitability Growth 2022 can be defined as a very exciting year for the Omantel and the telecom market in Oman. We have seen a substantial competitive shift with the launch of the third mobile network operator in Oman. The introduction of the new player has clearly showed an improvement of active subscribers in the country, however the overall market revenue and especially margins are showing a decline, confirming the earlier indications of a saturated market in core telco services. Despite this challenging environment, Omantel has, through a successful execution of its Shift Gear strategy, been able to minimize the impact of the intensified competition. This is further helped by early signals of economic improvement following Covid-19 and growing confidence in new investments from private entities and government institutions. Nevertheless, we remain cautious as the improvements in spending patterns continue to be slow and cost optimization and control remains high on the agenda of consumers and enterprises.

The decline of revenues and margins in telecom services, combined with a continuous growth in demand for data volumes, triggered by the unrelentless success of OTT (over-the-top) services such as Netflix, Youtube, Instagram

and WhatsApp, remains one of the key challenges for operators globally, regionally and in Oman. The growth in data requires substantial upgrades in network infrastructure, while customers are not willing to pay extra for more bandwidth, resulting in operators to increase data volumes for similar price points and ARPU. This challenge is especially demonstrated in the allocation of funding for investments in 5G. While 5G offers significant opportunities leveraging its superior services in terms of speed and latency, the development of a new stream of advanced solutions and IoT services will require time before the investments can be fully monetized, something we have also seen in previous network upgrades.

We continue to see growth potential in the Home Broadband Services, converting copper customers to higher speed broadband services using 5G FWA (Fixed Wireless Access) and fiber. In addition, the 4th industrial revolution and the digital transformation of private and public entities provides growth opportunities in ICT services and solutions, a domain in which Omantel has been investing over the past years to provide an expanded portfolio of tailor made ICT products and services.

Thanks to our ambitious diversification strategy, capitalizing on Oman’s unique geographical location, Omantel has managed to become an industry leader and a main wholesale provider serving telecom operators, Hyperscalers and content providers locally, regionally and globally. Omantel has anchored its position to become a global hub with investments made in over 20 subsea cable systems globally, 7 unique subsea cable landing stations

connecting to over 120 cities in more than 50 countries. In light of the current situation and in order to further strengthen our position as one of the primary enablers of Oman’s digital ambitions, Omantel’s “Shift Gear to achieve sustainable profitability growth” strategy continues to be our primary tool to optimize value generation for both our customers and shareholders. Shift Gear builds further on the key transformation initiatives and focusses on a number of key business enablers:

- Focus on differentiating activities to generate value, especially in our core telco services, infrastructure, our brand and our position as a key international communications hub
- This will be achieved by fully leverage our transformation to become a digital native operator, extracting value and insights from our data and continue to enhance our Customer Experience as well as our human capital
- Simultaneously, we develop new areas of growth from new business opportunities, primarily in the ICT and value added services domain, while at the same time identifying innovative solutions through the Omantel Innovation Labs. Building a strong ecosystem of complementary players is a key part of our strategy.
- In addition, Omantel continues to implement stringent cost optimization mechanisms while continuing to invest in essential strategic domains.

Thanks and appreciation

We take this opportunity to express our heartfelt thanks to our shareholders and loyal customers for their continued support that enabled us to achieve these excellent results. Also, we wholeheartedly appreciate the sincere contribution of the Executive Management and Employees for the performance in the challenging situation. With your support, we are confident that Omantel will continue its good performance and will be able to reach new heights of excellence.

On behalf of the Board of Directors and the staff, we are honored to express our sincere gratitude to His Majesty Sultan Haitham bin Tariq for His visionary leadership. We pray to Almighty Allah to grant him long live, health and welfare to achieve more progress, prosperity and welfare for Oman and its people

Mulham bin Basheer Al Jarf
Chairman

AGREED-UPON PROCEDURES REPORT ON FACTUAL FINDINGS TO THE SHAREHOLDERS OF OMAN TELECOMMUNICATIONS COMPANY SAOG IN RESPECT OF CORPORATE GOVERNANCE REPORT

Scope and purpose

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' Corporate Governance Report (the "Report") of Oman Telecommunications Company SAOG (the "Company") as at and for the year ended 31 December 2022 and its application of the corporate governance practices in accordance with amendments to CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code").

Restricted use

This agreed-upon procedures report ("AUP Report") is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of the Company to be included in its annual report for the year ended 31 December 2022 and does not extend to any financial statements of Oman Telecommunications Company SAOG, taken as a whole.

Responsibilities of the Board of Directors

The Board of Directors have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement and are responsible for identifying and ensuring that the contents of the Report comply with the Code on which the agreed-upon procedures are performed. The sufficiency of these procedures is solely the responsibility of the Company and its Board of Directors.

Responsibilities of the Practitioner

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness, or the sufficiency of the agreed-upon procedures described below either for the purpose for which this AUP Report has been requested or for any other purpose.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Our independence and quality control

In performing the Agreed-Upon Procedures engagement, we complied with the ethical requirements in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and the independence requirements in accordance with the relevant independence requirements. We are the independent auditor of the Company and therefore we also complied with the independence requirements of the IESBA Code that apply in the context of the financial statement audit.

AGREED-UPON PROCEDURES REPORT ON FACTUAL FINDINGS TO THE SHAREHOLDERS OF OMAN TELECOMMUNICATIONS COMPANY SAOG IN RESPECT OF CORPORATE GOVERNANCE REPORT (Continued)

Our independence and quality control (continued)

EY applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We have performed the procedures described below, which were agreed upon with you on the compliance of the Report with the Code for the year ended 31 December 2022.

Our procedures and findings included:

No.	Procedures	Findings
(a)	We obtained the Corporate Governance Report issued by the Board of Directors and compared its contents to the minimum requirements of the CMA as set out in Annexure 3 of the Code.	No exceptions noted.
(b)	We obtained from the Company details regarding areas of non-compliance with the Code identified by the Company Board of directors for the year ended 31 December 2022.	No exceptions noted.

Ernst & Young LLC

15 March 2023
Muscat



Principles and Foundations of Organization

Oman Telecommunications Company SAOG (“The Company”) is committed to the highest standards of the Code of Corporate Governance. In pursuit of this goal, the company has applied the various principles of the Code of Corporate Governance with regard to the appointment of members of the Board of Directors, ensuring the adequacy and efficiency of Internal Controls in all aspects of the Company’s operations and transparency in all business dealings.

Disclosure Policy

The company is committed to Capital Market Authority’s (CMA) standards and guidelines on disclosure of material information. Further, it is committed to the rules and regulations issued by the Telecommunications Regulatory Authority (TRA). The Board has approved the disclosure policy issued by CMA.

Board of Directors

1. Composition of the Board of Directors:

The Board of Directors of the Company is composed of nine members; elected by the shareholders in Annual General Meeting held on 10th May 2020, as follows:



Name of Board Member	Position in the Board	Type of Representation	Membership of other Committees	Membership of Board of other public Joint Stock Companies	Whether Attended last AGM
Mr. Mulham bin Basheer Al-Jarf	Chairman	Non-Executive, Independent, Not shareholder	1	-	yes
Mr. Saud bin Ahmed Al-Nahari	Deputy Chairman	Non-Executive, Independent, Shareholder	2	1	yes
Sheikh Aimen bin Ahmed Al Hosni	Member	Non-Executive , Independent, Not shareholder	2	1	no
Sayyid Zaki bin Hilal Al-Busaidi	Member	Non-Executive, Non Independent, Not shareholder	2	1	yes
Eng. Matar bin Saif Al-Mamari	Member	Non-Executive, Independent, Not shareholder	2	-	yes
Eng. Atif bin Said Al-Siyabi	Member	Non-Executive, Non- Independent, Not shareholder	1	1	yes
Mr. Musallam bin Mohammed Al-Barami	Member	Non-Executive, Independent, Not shareholder	2	1	yes
Sheikh Khalid bin Abdullah AlKhalili	Member	Non-Executive, Independent, Shareholder	1	3	yes
Mr. Ibrahim bin Said Al-Eisry	Member	Non-Executive, Independent, Not shareholder	1	1	yes



2. Profile of Directors and Executive Management

Mr. Mulham Bin Basheer Al-Jarf is having more than 25 years commercial experience in international business and finance, Mulham is currently Deputy President for Investment at Oman Investment Authority. He was previously Deputy CEO of Oman Oil Company SAOC and earlier with the Ministry of Oil & Gas (Now, Ministry of Energy and Minerals), Oman Gas Company SAOC, and he also worked at General Telecommunications Organization- GTO (Now, Omantel). He holds a Bachelor of Business Administration in International Business from Marymount University and a qualified Barrister at Law of the Bar of England and Wales.

Mr. Saud bin Ahmed Al-Nahari was the Chief Executive Officer of Port Services Corporation SAOG. He holds a Post-graduate Diploma in Port Management. He is the Deputy Chairman in Oman United Insurance Co. SAOG. he is board member and Chairman of the Investment Committee in Oman Chamber of Commerce & Industry. he was board member in Ubhar GCC Fund. He has extensive management experience and is familiar with corporate governance systems and a board member licensed by the Capital Market Authority.

Sheikh Aimen bin Ahmed Al Hosni is the Chief Executive Officer of Oman Airports. He holds a Bachelor Degree in Political Science and a Master's Degree in Public Administration. He is the Chairman of Oman National Engineering & Investment Company SAOG. The World Governing Board of the Airports Council International named him the President of the Council for the period 2022-2024.

Sayyid Zaki bin Hilal Al-Busaidi held the position of CEO of the Institute of Public Administration. He has vast experience in quality management systems, organizational structures and human resource management. He holds a Master Degree in Public Administration from the University of Exeter, United Kingdom. He is a board member of an insurance joint public stock company.

Eng. Matar bin Saif Al-Mamari was working in the field of telecommunications and information technology since 1989 and participated in several government committees in the same field. He holds a Master's Degree in Business Administration from the University of Lincoln and Bachelor's Degree in Electrical and Electronic Engineering from Widener University of USA.

Eng. Atif bin Said Al-Siyabi is the Chief Information Management at the Oman Investment Authority (OIA) in the Sultanate of Oman. His track record extends to more than 19 years in Information Technology and business transformation. His experiences vary from hands-on experience leading innovative technology solutions and system operations to transforming business operations and driving technological advancements. He is involved in various investment initiatives in the ICT sector, where he has been leading numerous assignments, devising comprehensive strategies, and delivering several ICT projects at the national level. He earned a Bachelor of Engineering in Computer Hardware and Networking Technology (Hons) from Coventry University and a Master of Business Administration from Franklin University. He also attained Professional Leadership Development Certificate from HEC Paris.

Mr. Musallam bin Mohammed Al-Barami is the Quality Assurance Manager at Oman Investment Authority in the Sultanate of Oman. He was Manager of Investment Reports & Data at the Ministry of Finance. He holds a Bachelor Degree in Financial Science from The Sultan Qaboos University. Further has IC3 International Certificate in Internet and Computer Science, and a Diploma in International Accounting from the Netherlands. He has extensive experience in financial analysis, budgeting, strategic investment and international financial reporting standards. He also represents the Government on the boards and committees of some government companies.

Sheikh Khalid bin Abdullah Al-Khalili holds a Bachelor's degree in civil engineering from the Florida Institute of Technology in the United States of America. He has an early career focused on construction and real estate having previously held various Senior Management positions. He has been responsible for the development of several real estate projects in various sectors; Government, Tourism, Health, Commercial and Residential with a net total value exceeding \$500m. In addition to his responsibilities in Aflag Group, he actively participates through holding management positions in various sectors such as administration, financial, insurance and communications sectors. He is actively involved through his directorships in Finance, Insurance Telecoms. He chairs the Board of Directors of Bank Nizwa SAOG, Al Ahlia Insurance SAOG. Deputy Chairman & member of the Executive Committee – OMINVEST (Oman International Development & Investment Company SAOG). Founder & Chairman – Sumail Development Company SAOC.

Mr. Ibrahim bin Said Al-Eisry is the general manager of private equity at Oman Investment Authority in the Sultanate of Oman. He has more than 18 years of practical experience in a variety of sectors, including the telecommunications sector, oil and gas, and financial investments. He also holds a master's degree in financial sciences from Oxford University and is a member of the Association of Certified Public Accountants.

Mr. Talal bin Said Al Mamari is the Chief Executive Officer of Omantel since 29 June 2014. He has a bachelor degree in Business Administration from Duquesne University, Pittsburgh – Pennsylvania. Prior to his appointment as CEO, he held several leadership positions including his last position as Chief Financial Officer of Omantel. He has 32 years of experience in the telecommunications sector. He has had played an instrumental role in different initiatives and projects, carried out by the company.

3. Election of the Board of Directors

Election of the member of the Board of directors are carried out by the Annual Ordinary General Meeting of the Company in accordance with the provisions of the Commercial Companies Law and the guidelines issued by the capital Market Authority. If the office of a director becomes vacant in the period between two annual ordinary general meetings, the board appoints a temporary director to assume his office until the next ordinary general meeting in accordance with the provisions of the Commercial Companies Law.

4. Board performance appraisal

The AGM of the company held on 28 March 2019 decided to appoint an independent party to evaluate Board of Directors performance every three years. The AGM held on 27 March 2022 approved the appointment of KPMG to evaluate the performance of the Board of Directors.

5. Quality Assurance of internal audit unit:

In line with the requirement of the Capital Market Authority regarding internal audits (IA) of public shareholding companies, IA is regularly audited by independent party. We confirm that the IA is compliant with the legal controls and provisions and other rules governing the work of the IA profession as per the CMA requirements and is similarly generally compliant with the requirements of internal audit of the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA).

6. Meetings of the Board of Directors

The Board of Directors held 9 meetings during the year 2022. These were in the following order:

Board Meetings	Date of the Meeting
1st Meeting	27- February -2022
2nd Meeting	28- April -2022
3rd Meeting	18 – May -2022
4th Meeting	4- August -2022
5th Meeting	22- September -2022
6th Meeting	16- October -2022
7th Meeting	30- October -2022
8th Meeting	14-November -2022
9th Meeting	18 -December-2022

Member’s attendance at Board of Directors meetings:

Name of the Board Member	Position	Number of Meetings attended
Mr. Mulham bin Basheer Al-Jarf	Chairman	9
Mr. Saud bin Ahmed Al-Nahari	D. Chairman	9
Eng. Matar Saif Al-Mamari	Member	9
Sheikh Aimen bin Ahmed Al Hosni	Member	9
Sayyid Zaki bin Hilal Al-Busaidi	Member	9
Eng. Atif bin Said Al-Siyabi	Member	9
Mr. Musallam bin Mohammed Al-Barami	Member	9
Sheikh Khalid bin Abdullah Al-Khalili	Member	7
Mr. Ibrahim bin Said Al-Esiry	Member	7

The Committees stemming from the Board of Directors

1. Strategic and Investment Committee

A. Committee meetings

The Strategic and Investment committee held 2 Meetings during the year 2022:

Name of the committee member	Position	Number of Meetings attended
Mr. Mulham bin Basheer Al-Jarf	Chairman	2
Sheikh Aimen bin Ahmed Al-Hosni	Member	1
Sheikh Khalid bin Abdullah Al-Khalili	Member	2
Sayyid Zaki bin Hilal Al-Busaidi	Member	2
Eng. Matar bin Saif Al-Mamari	Member	2

B. The Committee’s terms of reference:

- (1) Review and approve the company’s vision, mission, and goals, and ensure its compatibility with the company’s strategic plans.
- (2) Reviewing and approving the company’s plan in the field of business development and investments.
- (3) Reviewing and approving the strategic objectives of the company.

2. The Audit and Risk Committee

Committee meetings: The committee held 9 meetings during the year 2022 as follows:

Name of the committee member	Position	Number of Meetings attended
Mr. Ibrahim bin Said Al-Esari	Chairman	9
Mr. Saud bin Ahmed Al-Nahari	D. Chairman	9
Mr. Musallam bin Mohammed Al-Barami	Member	9

B. The committee’s terms of reference:

- 1. Considering the name of the auditor in the context of their independence (particularly with reference to any other non-audit services), fees and terms of engagement and recommending their name to the Board for putting before AGM for appointment.
- 2. Oversee the adequacy of the internal control system through the regular reports of the internal and external auditors. The committee may also appoint external consultants when required.
- 3. Oversee the internal audit function in general and with particular reference to reviewing the internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficiency of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents.
- 4. Serving as a channel of communication between external auditors and the Board and also internal auditors and the Board.

- 5. Checking financial fraud particularly fictitious and fraudulent portions of the financial statement. The committee should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.
- 6. Oversee of financial statements in general and with particular reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy, any departure from International Financial Reporting Standards (IFRS) and non-compliance with disclosure requirements prescribed by CMA should be critically reviewed.
- 7. Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the Company, if any.
- 8. Reviewing proposed specific transactions with related parties for making suitable recommendations to the Board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit & Risk committee and the Board.

3. Nomination, Remuneration & HR Committee

A. Committee meetings

The HR committee held 12 meetings during the year 2022:

Name of the committee member	Position	Number of Meetings attended
Mr. Saud bin Ahmed Al-Nahari	Chairman	12
Sayyid Zaki bin Hilal Al-Busaidi	D. Chairman	12
Eng. Atif bin Said Al-Siyabi	Member	12

B. The committee’s terms of reference:

- 1. Provide succession planning for the executive management.
- 2. Develop a succession policy of plan for the board or at least the chairperson.
- 3. Prepare detailed job description of the role and responsibilities for directors including the chairperson. This will facilitate orientate directors towards their tasks and roles, and appraise their performance.
- 4. Look for and nominate qualified persons to act as interim directors on the board in the event of a seat becomes vacant.
- 5. Notwithstanding the articles of association, search and nominate qualified persons to take up senior executive positions, as required or directed by the board.
- 6. Prepare the policy for bonuses, allowances and incentives for the executive management.
- 7. Review such policies periodically, taking into account market conditions and company performance.
- 8. Taking into consideration avoiding conflict of interests, the committee may, upon obtaining the approval of the board, seek the assistance and advice of any other party in order to better deliver its tasks.
- 9. To review factors and developments which require an amendment to the organizational structure of the company;
- 10. To review the structure and the level of salaries and compensation before submission to the Board of Directors;
- 11. To review and recommend strategic plan and policies relating to Human Resources;
- 12. Any other business as directed by the Board.

4. Tender Committee

A. Committee meetings

The Tender committee held 4 Meetings during the year 2022:

Name of the committee member	Position	Number of Meetings attended
Sheikh Aimen bin Ahmed Al-Hosni	Chairman	4
Eng. Matar bin Saif Al-Mamari	D. Chairman	3
Mr. Muslam bin Mohammed Al-Barami	Member	4

B. The committee’s terms of reference:

- 1. Representing the Board in reviewing, discussing and award tenders as per the given Tenders’ Manual of Authority;
- 2. Study the mechanisms and procedures that used for evaluation of bids, and propose improvement by use of appropriate technologies;
- 3. Study any other matter that referred to by the Board and decide as per its authority.

Remunerations

Board of Directors

The sitting fees and remuneration paid/payable to the board members for the year 2022 amounted to RO 68,700 and RO 250,000 respectively. In addition, the company also provides telephone and Internet services to the board members.

The following table shows the details of sitting fee paid to board members during 2022:

Name of Board Member	Sitting fee (RO)
Mr. Mulham bin Basheer Al-Jarf	5,300
Mr. Saud bin Ahmed Al-Nahari	10,000
Eng. Matar Saif Al-Mamari	6,500
Sheikh Aimen bin Ahmed Al Hosni	6,500
Sayyid Zaki bin Hilal Al Busaidi	10,000
Eng. Atif bin Said Al-Siyabi	9,300
Mr. Musallam bin Mohammed Al-Barami	9,700
Sheikh Khalid bin Abdullah Al-Khalili	4,300
Mr. Ibrahim bin Said Al-Easri	7,100
Total	68,700

Top Five Executives

The total remuneration paid/payable to the top five executives for the year 2022 was RO 1,307,043. This includes salary, allowances and performance related incentives. All employment contracts are in conformity with the requirements of the Omani Labor Law.

Details of Non-compliance by the Company

During the past three years, the penalty levied by regulatory authorities were:

Year	Amount	Details
2022	70,000	Non-Compliance with TRA Regulations
2021	5,000	Non-Compliance with TRA Regulations
2020	51,625	Non-Compliance with TRA & CMA Regulations

Channels and Methods of Communication with Shareholders and Investors

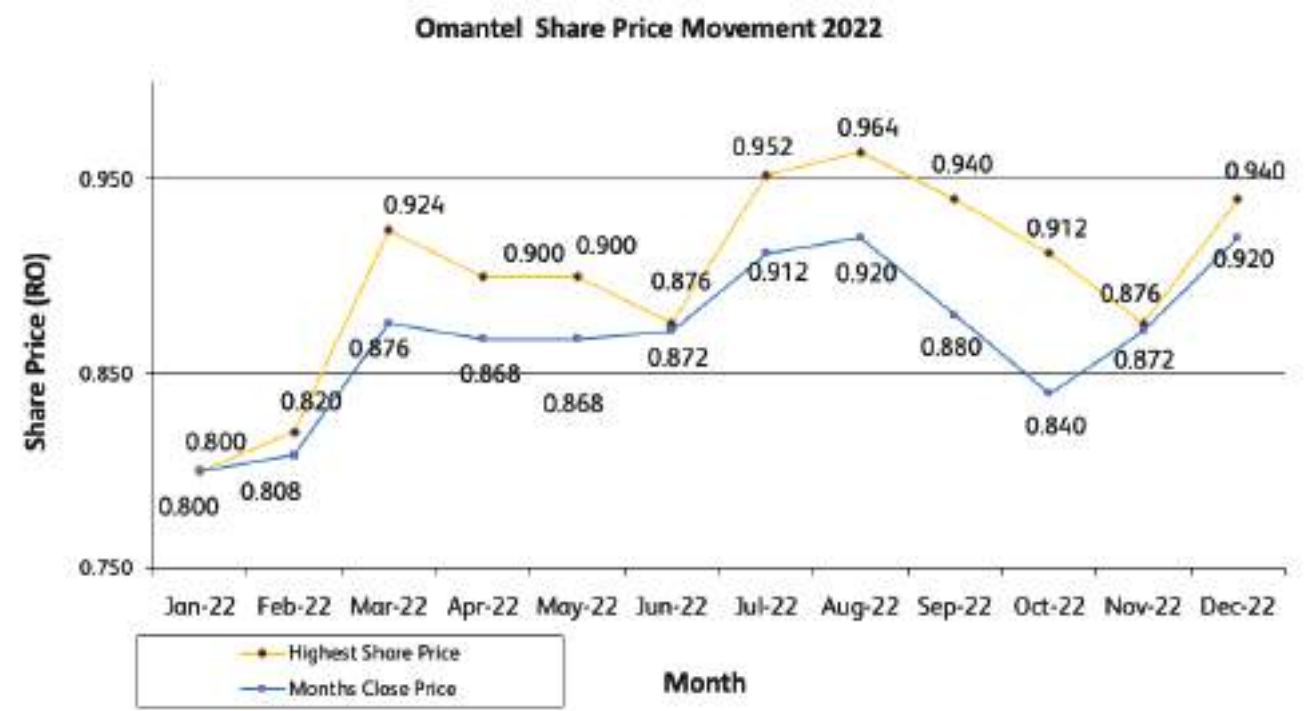
- The Company’s quarterly financial reports are published in the local newspapers and are also uploaded to the website of Muscat Stock Exchange and on the Company’s website. In addition, the shareholders are notified of the details of the financial results by sending them to the shareholders at their request.
- The Company has a website which includes the Company’s profile and the services offered by it. This website is constantly updated.
- Presentation on the company’s financial performance is made to analysts on quarterly basis.
- The report of the Company’s management and governance constitutes a part of its Annual Report.

Details of Market Shares

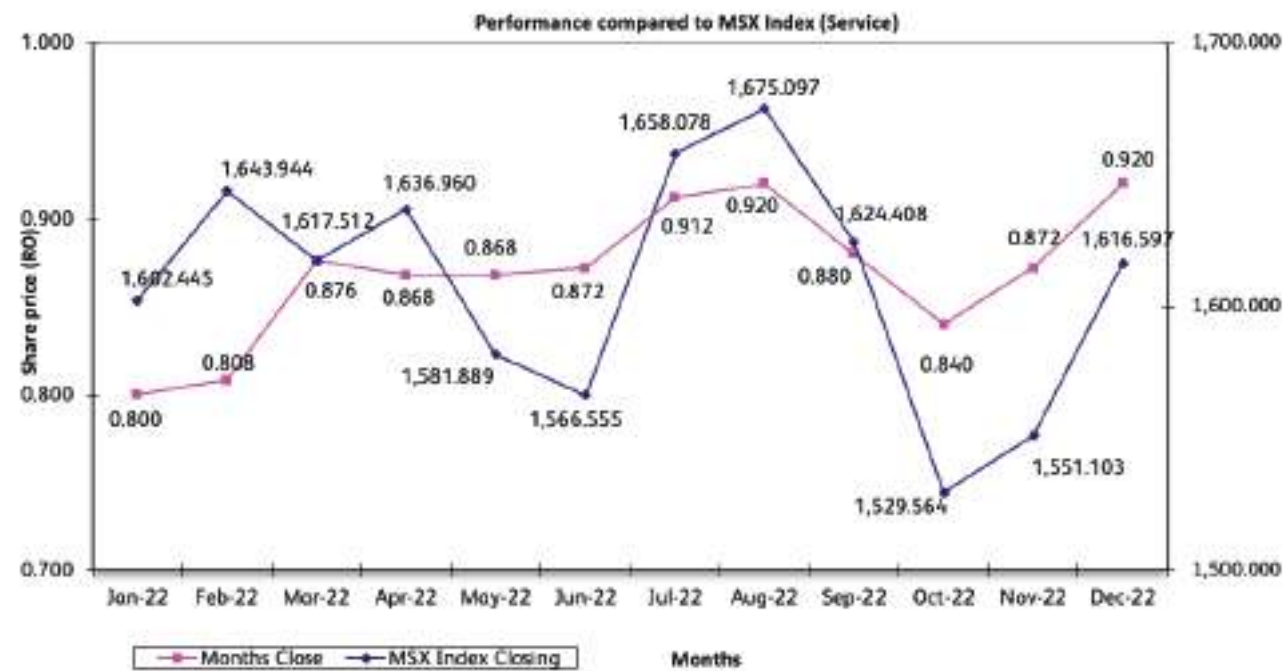
A) Details of prices for traded company shares:

Following are the details of the company’s shares traded on the Muscat Stock Exchange (MSX) during the year 2022:

Month	Highest Share Price	Lowest Share Price
January	0.800	0.752
February	0.820	0.780
March	0.924	0.800
April	0.900	0.792
May	0.900	0.844
June	0.876	0.860
July	0.952	0.860
August	0.964	0.840
September	0.940	0.872
October	0.912	0.840
November	0.876	0.836
December	0.940	0.860



A. Comparison of Share Price with MSX Index (services)



- The Company does not have any securities or financial instruments convertible to shares issued to the general public or investment establishments or any segment of investors.

Distribution of Company's shares

The following table illustrates the distribution of ownership of the Company's shares until 31/12/2022:

Sl. No	Number of Shares	No. of Shareholders
1	1 – 500	11,762
2	501 – 1,000	3,990
3	1,001 – 5,000	4,583
4	5,001 – 10,000	885
5	10,001 – 15,000	332
6	15,001 – 20,000	141
7	20,001 – 50,000	274
8	50,001 – 800,000	207
9	800,001 – 1,000,000	4
10	1,000,001 – 15,000,000	36
11	15,000,001 and above	7
Total		22,221

Professional Background of External Auditors

External auditor for Omantel

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923. For over 98 years, we have grown to over 7,500 people united across 26 offices and 15 countries, sharing the same values and an unwavering commitment to quality. EY MENA forms part of EY’s EMEIA practice. Globally, EY operates in more than 150 countries and employs 365,000 professionals in 700 offices. Please visit ey.com for more information about EY.

The total audit fees paid/payable to the external auditor of the company for the financial year 2022 are as follows:

Details	Amount (RO)
Audit Services	144,000
Other Permitted Services	1,700
Total	145,700

Acknowledgement by the Board of Directors

The Board of Directors acknowledges

1. Its liability for the preparation of the financial statements in accordance with the applicable standards and rules applicable in the Sultanate of Oman.
2. The review of the efficiency and adequacy of internal control system of the company and compliance with internal rules and regulations.
3. That there are no material issues that affect the continuation of the company and its ability to continue its operations during the next financial year.

CHAIRMAN-BOARD OF DIRECTORS

Management Discussion & Analysis Report

Year Ended 31st December 2022

The Global Telecom Landscape

As the world navigates through a rapidly advancing digital age, the telecom industry leads the way in transforming our social ideologies, communal structures, commercial conduct, business & industrial practices and our daily lives at large. The modern day human and corporate behaviors are significantly influenced by the range of telecom services available to them.

High speed data connectivity, which was considered a luxury just few years ago, has now become an elementary commodity in our lives. Besides being a major catalyst in global transformation, the telecom industry has been constantly outpacing itself in its own modernization among all other industries. The absolute definition of telecommunications, which was classically confined to 'provisioning of voice and data services', has now evolved as 'provisioning of connectivity solutions' in this modern era.

It has become obvious in recent times that telecom operators' role has transformed beyond mere connectivity provisioning. In order to survive and thrive, the operators need to remain at the center stage of emerging tech phenomena i.e. Digitization, Artificial Intelligence, private networks, Blockchain Industry, the Metaverse eco-system, Internet of Things (IoT) and Robotic Processes Automation (RPA), Augmented Reality and Self-Driving automotive revolution etc.

With widely emergent technologies in Digital and Artificial Intelligence domains, an entirely new set of opportunities awaits the operators for them to derive innovative business streams therefrom. Increasing global footprint of 5G is set to have a major impact on operators' investment bills and revenue figures, as a fresh wave of expansion in mobile ecosystem, networks and segments is gaining worldwide traction.



As per GSMA estimates, over 25 % of the global mobile connections are estimated to be on 5G by 2025, and above half by the year 2030. Operators in the matured markets have started rolling out 5G services. However at present this technology is commonly utilized to primarily serve high speed data demand.

Current global trends also suggest that operators are finding it more and more challenging to generate their entire commercial value from sheer connectivity. Hence, progressive operators across the world are complimenting their connectivity propositions with services and solutions around the emerging technologies mentioned above.

Over recent years, the conventional high-margin voice business is significantly eroded by the IP based telephony, which is mainly dominated by the enormous global OTT operators offering voice, messaging and video communications. On the other hand, the operators face the challenge of effectively monetizing the enormous adoption of broadband usage, while simultaneously modernizing their network infrastructures at high cost to meet the high traffic demand. It is hence apparent that telcos should minimize dependency on connectivity revenue and rebuild their services portfolios in emerging segments.

On the macro-economic landscape, the prevalent global economic slowdown is constantly downplaying operators' returns as corporate and public sector spending remains subdued in most of the regions due to geopolitical and fiscal uncertainties. From a telecom perspective, year 2022 saw some notable improvement in consumer spending patterns. However, the post-Covid consumer psychology has transformed towards a cost-savvy mindset and higher price elasticity for telecom services.

Omantel's Journey During 2022 – Ambitions & Challenges

Steering through the operational and financial challenges that the telecom industry generally faces worldwide, Omantel continued to maintain its market leadership position, its growth trajectory as well as its profitability profile during the year 2022.

Although inline with the regional and global industry trends, our revenue growth and organic margins remain significantly challenged compared to the yesteryears. Omantel Group, including Omantel subsidiaries, and associates including Zain, posted a year on year revenue growth of 11.4 % in 2022.

Our major growth engines and mobile broadband segments, posted a visible slowdown despite a massive increase in data consumption across our network. The impact on revenue growth due to widescale data commoditization and challenges with respect to monetization of broadband services has become a worldwide reality.

Omantel is persistently pursuing diversification in its business steams and services offerings based on digital platforms to alleviate the threats to conventional revenue streams. We are repositioning our presence from a conventional 'Telecom' to a 'Technology' operator going forward. As part of our corporate strategy, Omantel is currently undergoing various strategic transformations across digital nativity, talent development, optimization and reengineering of internal processes landscapes, implementation of a P&L driven organizational culture and transformation of several cost centers to profit centers etc.

On the market front and given the intensifying competition with the launch of the 3rd mobile network operators in the Sultanate, our primary focus remains on customer retention through service provisioning and quality excellence. On the services front, we continue to transform Omantel into a telecommunications solutions provider in addition to being the best-in-class connectivity operator.

In the process of enhancing our services bouquet, Omantel has launched several initiatives in recent years ranging from developing Digital Services and Cloud based Infrastructure, Artificial Intelligence solutions, Machine Learning, Big Data Analytics, Intelligent Public Infrastructure, Smart Building Management Solutions and Smart Contracts etc.

Omantel is strengthening its core value propositions through our ‘Innovation Labs’, wherein we are supporting start-ups and initiatives that are beyond the traditional telco business. Omantel continues to play an active role towards the achievement of Oman Vision 2040. In pursuit of our inorganic growth strategy through mergers and acquisitions, we are continuously seeking and investing in Omani technology companies and startups. Our investment strategy is underpinned by sector and market trends which clearly indicate convergence of telecom and technology and significant network and value proposition synergies that can be realized.

During FY2022, Omantel acquired 51 per cent (51 %) stake in ‘Future Cities SAOC’, which is engaged in Internet of Things and data services and initial focus on select large industrial sectors. Omantel also invested in a local Fintech startup ‘Global Financial Technology LLC’ which is currently in the process of obtaining Payment Service Provider License from the Central Bank of Oman.

Omantel continues to expand strategic investments portfolio and actively seeks further opportunities to invest in local technology companies and contribute towards a digital Omani society.

We continue to aim at achieving cost efficiencies across several cost centers. Our cost rationalization program has generated notable cost savings across several cost centers in recent years.

Our Deleveraging Initiatives and Asset-Lite Strategy update:

In pursuance of our Asset-Lite strategy, Omantel completed 2 high profile deleveraging deals that will enable us achieving an optimized capital structure and liquidity. In December 2022, Omantel concluded sale of its passive infrastructure comprising 2519 tower sites to a mobile tower infrastructure company Helios Towers plc, for a cash consideration of RO 190.3 Mn (US\$ 494 Mn) .

Furthermore, we, successfully monetized our investment in Omantel Head Quarter building located in Madinat Al Irfan-Muscat. The transaction included a sale and lease back of the HQ building through a REIF structure, which has allowed Omantel to generate considerable liquidity of RO 42.9 Mn (US\$111.4 Mn), yet retaining a considerable degree of influence over the REIF. Pearl REIF successfully completed its initial public offering corresponding to 136.7 Mn investment units at the offering price of RO 0.112/share. Following the IPO, Omantel is holding the remaining 142.3 Mn units of Perl REIF translating into a 33.51 % shareholding.

Our commitment towards Environmental Sustainability:

Omantel has always demonstrated its commitment towards environmental sustainability and has taken active steps towards building an environmental friendly corporate footprint. Expanding further upon this vision, we are in the process of developing a ‘Sustainable Finance Framework’ for Omantel, which will enable Omantel to fund its ‘Sustainable Capital Projects’ with innovative financial instruments that will be aligned with the global sustainability standards.

Our Collaboration with the Zain Group:

Omantel has also triggered several synergies with the Zain Group in wholesale business, commercial, technology and network operations. Over recent years, we have achieved visible operational efficiencies in several programs that were implemented in collaboration with Zain Group. We have also accomplished significant cost savings by streamlining our internal processes, prioritizing our capital expenditure, efficient utilization of resources, vigilant vendor, and network usage optimization etc.

Omantel from an Investor's Viewpoint

From an investors’ perspective, the telecom sector remains an attractive resilient investment with a promising value growth, conceivable dividends, and a fast paced future underpinned by a rapidly digitizing world, excessive modernization of IT and telecom infrastructure and an ever expanding footprint of technology in virtually all sectors around the globe.

Regardless of all the persisting global geopolitical and economic volatility in a post-Covid economic era, a steady demand for high speed data services and digitized information technology solutions assures groundbreaking sources of revenue for the dynamic operators i.e. Omantel, that are relentlessly exploring business opportunities beyond conventional connectivity. Omantel offers investors a diversified portfolio of telecom assets with strong market positioning and a well established profitability trend. Omantel is led by an experienced management team committed to driving value creation through continuous improvement of operational performance and a focused portfolio development. Over many years, these traits have enabled Omantel to offer strong and consistent shareholders remuneration.

Omantel’s current dividend policy aims at a persistent payout passing on the operational success to our shareholders without fail. Our strong operating models enable us to maintain solid corporate governance supplemented by transparent financial communication across all our stakeholders. We believe in a strong corporate character as a prerequisite for trustworthiness, value creation and access to capital.

Domestic Telecom Landscape

The Sultanate’s telecom market posted a positive subscriber growth trend after witnessing several years of contraction as the country recovers steadily from the impact of the catastrophic Covid-19 Pandemic, a lingering oil price uncertainty, a global geo-political unrest from US-China trade conflicts & Ukraine-Russian war, all that resulted in a worldwide economic slowdown continuing to the present day.

Several factors continue to rigorously challenge the domestic operators in recent years such as a sluggish market growth, entry of 3rd mobile operator amid persistent sector liberalization etc., rapidly declining broadband prices due to aggressive competition in the fixed broadband segment etc. Such challenges have impacted operators revenue growth in form of market share loss, value erosion in traditional retail segments, and shrinking profitability margins.

Sultanate of Oman demonstrated a steady economic recovery during 2022, and the same trend is expected to reflect during 2023. Such stability will continue to yield favorable results for domestic operators in form of expected growth in the country’s telecom market.

Our Corporate Strategy – Shift Gear to Achieve Sustainable Profitability Growth

2022 has been an exciting year for Sultanate’s telecom market. We have seen a substantial competitive shift with the launch of Vodafone as the third mobile network operator in the country. Introduction of a new player has clearly demonstrated an improvement in the market size, however overall market revenue and profitability margins declined, confirming the earlier indications of a saturated market in core telco services.

Despite this challenging environment, Omantel has, through a successful execution of its Shift Gear strategy, been able to minimize the impact of the intensified competition. This is further helped by early signals of economic improvement following Covid-19 and growing confidence in new investments from private entities and government institutions. Nevertheless, we remain cautious as the improvements in spending patterns continue to be slow and cost optimization and control remains high on the agenda of consumers and enterprises.

The decline of revenues and margins in telecom services, combined with a continuous growth in demand for data volumes, triggered by the unrelenting success of OTT (over-the-top) services such as Netflix, Youtube, Instagram and WhatsApp, remains one of the key challenges for operators not only globally but also in Oman. The enormous growth in data consumption patterns requires substantial upgrades in network infrastructure, whereas

customers are not willing to pay extra for more bandwidth, resulting in operators to increase data volumes for similar price points and ARPU. This challenge is especially demonstrated in the allocation of funding for investments in 5G.

While 5G offers significant opportunities leveraging its superior services in terms of speed and latency, the development of a new stream of advanced solutions and IoT services will require time before the investments can be fully monetized, something we have also seen in previous network upgrades.

We continue to see growth potential in the Home Broadband Services, converting copper customers to higher speed broadband services using 5G FWA (Fixed Wireless Access) and fiber. In addition, the 4th industrial revolution and the digital transformation of private and public entities provides growth opportunities in ICT services and solutions, a domain in which Omantel has been investing over the past years to provide an expanded portfolio of tailor made ICT products and services.

Thanks to our ambitious diversification strategy, capitalizing on Oman’s unique geographical location, Omantel has managed to become an industry leader and a main wholesale provider serving telecom operators, Hyperscalers and content providers locally, regionally and globally. Omantel has anchored its position to become a global hub with investments made in over 20 subsea cable systems globally, 7 unique subsea cable landing stations connecting to over 120 cities in more than 50 countries.

In light of the current situation and in order to further strengthen our position as one of the primary enablers of Oman’s digital ambitions, Omantel’s “Shift Gear to achieve sustainable profitability growth” strategy continues to be our primary tool to optimize value generation for both our customers and shareholders. Shift Gear builds further on the key transformation initiatives started under ‘Omantel 3.0’ and focusses on a number of key business enablers:

- Focus on differentiating activities to generate value, especially in our core telco services, infrastructure, our brand and our position as a key international communications hub
- This will be achieved by fully leveraging our transformation to become a digital native operator, extracting value and insights from our data and continue to enhance our Customer Experience as well as our human capital
- Simultaneously, we develop new areas of growth from new business opportunities, primarily in the ICT and value added services domain, while at the same time identifying innovative solutions through the Omantel Innovation Labs. Building a strong ecosystem of complementary players is a key part of our strategy.
- In addition, Omantel continues to implement stringent cost optimization mechanisms while continuing to invest in essential strategic domains.

Our ICT & Enterprise Services

Our ICT Business has registered a steady growth over recent years as Omantel continues to invest in its digital infrastructure and solutions to meet increasing demand for data services with an enhanced customer experience.

Omantel has created a strong ICT market foothold by delivering cost effective and easy ICT-in-a-box solutions, as well as the ability to deliver the large and complex solutions through our constant investment and enhancement of our ICT portfolio.

Inline with the Sultanate’s 2040 vision, Omantel has been undertaking a series of pioneering initiatives towards setting up a full-fledged digital eco-system across several operational domains. Our ICT agenda aims to become a one-stop-shop and a trusted partner for all of our customers’ technology needs. In 2022, Omantel delivered several digital transformation projects in the government, enterprise, and SME sectors.

Over the years, Omantel ICT has developed number of strategic alliances, whilst partnering with equipment manufacturers and independent software vendors to provide end-to-end ICT solutions to our corporate clients. Omantel recently teamed up with prolific multinational and domestic technology operators, to jointly provide flexible business models that allows our customers to lower their acquisition barriers by deploying Networks on-demand, also termed Network-as-a-Service (NaaS).



Omantel remains the exclusive technology partner with OMREN, a Government owned entity, to connect universities, providing ICT solutions to the government, developing a full-fledged taxi management system, moving a major bank to the cloud, and leveraging 5G network leadership for smart traffic control etc.

Omantel remains committed to the Sultanate’s 2040 Vision and will continue to align, innovate, and invest in creating off-the-shelf and bespoke solutions for various industry verticals, including government, financial and banking, energy, healthcare, education, transportation, hospitality, services, and others. The company aims to maintain its market position as the «Partner of Choice» and first and leading integrated telecommunications and ICT solution provider in Oman.

Omantel continues to lead the way in delivering top-notch products and services our enterprise customers during 2022. Our Mobile & Fixed Connectivity products have been designed to provide maximum value and flexibility to customers, ensuring they have access to the latest and best products.

Our 5G offering provides ultra-high speed and better performance in data connectivity, enabling enterprise customers to take advantage of this new technology.

Omantel Wholesale – Reaching Further

Omantel Wholesale business segment provides state-of-the-art telecom solutions for interconnection, internet access, connectivity, infrastructure, subsea cables, roaming and first of their kind carrier neutral data centers MENA region.



We continue to pursue our strategy to become a regional wholesale hub and over recent years, Omantel has evolved as a highly prominent international wholesale operator, specializing in provisioning of ultra low-latency connectivity to the telecom operators and technology companies, hyperscalers and content providers locally, regionally as well as globally.

We have anchored our geo-strategic position to become a global hub with investments made in over 20 subsea cable systems globally, 7 unique subsea cable landing stations connecting to over 120 cities in more than 50 countries and establishing bilateral international roaming agreements with almost all operators around the world.

Such a remarkable transformation has only been achieved through an ambitious and well-defined strategy that capitalized on Oman’s unique geographical location, attracted investments in human and network assets and created new business models.

The year 2022 was yet another successful year for Omantel Wholesale, as we achieved various milestones such as:

- Bringing back the annual Global Carrier Community (GCCM) to Oman for the second time and expanding to 700+ participants making it one of the largest telecom events in the region after its successful hosting of the 2019 edition in Muscat
- Landing of the Oman Australia Cable (OAC) in Oman. OAC is owned by SUBCO, making it one of the longest direct subsea cables with a stretch of around 10,000 kilometers between Perth and Muscat.
- Introducing SN1, the newly announced carrier neutral data centre in Salalah, in partnership with Equinix, the world’s digital infrastructure company. This investment will change the landscape of global traffic flows between three major continents with access to several new and existing submarine cables.
- Launching a 400GbE DCI service utilizing Ciena’s Data Center Interconnect solution to meet the rapidly rising connectivity demands of Omantel’s wholesale, cloud and content provider customers.
- Launching a new Wholesale website reflecting company’s leading position in the wholesale global market.
- Continuously rolling-out international roaming with close to 700 operators in over 210 countries in addition to the newly introduced 5G data roaming services.

These game-changing strategies have propelled Omantel into the wholesale leadership position. Resultantly, large scale international telecom conglomerates, hyperscalers and content providers are partnering with Omantel and hosting their regional servers in Oman. Consequently, more than 85 % of the internet access of Omantel’s users is now served locally. Such partnerships, in addition to business and economic benefits, are directly linked to enhanced customer experience on all fronts including access to high-speed internet and gaming.

The wholesale art of Omantel is dynamic and keeps evolving to cover the future needs of Omantel and its clients. It undergoes continuous updates and enhancements to stay on par with global developments.

Omantel Group – Consolidated Performance – 2022

Omantel Group revenue includes revenues from domestic operations of the parent company, revenue from Zain Group, domestic and other international subsidiaries.

Consolidated P&L Highlights

	2022	2021	% Change
RO in Mn			
Revenue	2,682.8	2,408.3	11.4 %
EBITDA	998.9	970.3	2.9 %
Profit for the period	278.9	233.6	19.4 %
Attributable to Shareholders of the Company	91.3	67.1	36.2 %
Non-controlling interest	187.6	166.6	12.6 %
Profit for the Period	278.9	233.6	19.4 %

The Group revenue for the Year 2022 is RO 2,682 million compared to RO 2,408 million as recorded in Year 2021. The Group revenue includes acquired business of Zain Group, with reported revenues of RO 2,129 Mn.

Performance & Key Operational Highlights of Zain Group

Zain Group recorded an increase of 12.8 % Y-o-Y in revenue to reach RO 2,129 million for the full year 2022 compared to the corresponding period revenues of RO 1,887 million. Similarly, EBITDA for the period was RO 828.6 million, up 6.2 % Y-o-Y with margins of 39 %. Net profit stands at RO 276.5 million compared to RO 249.8 million in 2021 representing an increase of 10.7 %.

The increased economic activities post Covid-19 pandemic across all markets combined with appealing consumer digital service offerings had a positive effect on the results. The Management continued to undertake digital transformation through the operating companies, coupled with investments in expanding and upgrading 4G, 5G and FTTH networks.

Total customer base of Zain Group increased by 7 % to 52.4 Mn compared to 48.9 Mn of the previous period.

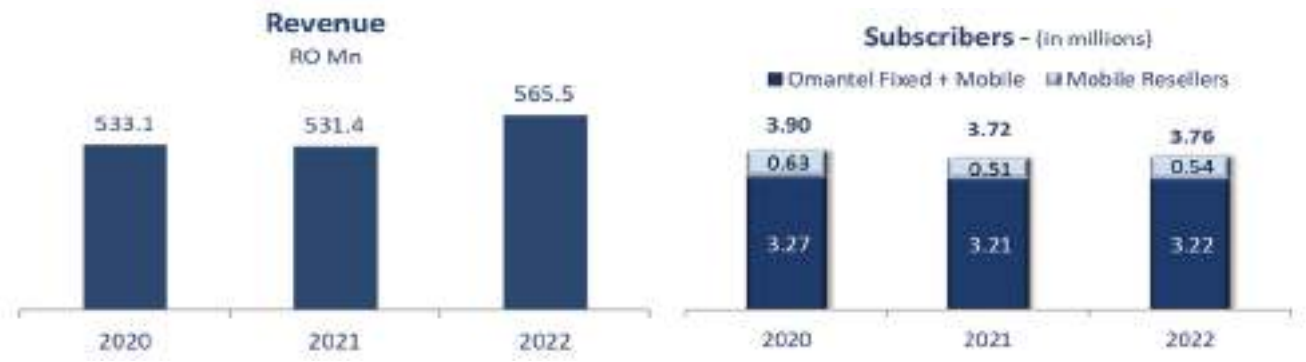
Domestic Performance of Omantel

(Domestic Fixedline, Mobile, Omantel International SPVs & Domestic Subsidiaries / Associates)

Omantel’s domestic operations include Fixed Line business, Mobile business, Omantel International (OTI)-Wholesale arm of Omantel engaged in international voice aggregation and our subsidiaries (Oman Data Park, Infoline, Future cities etc.). During the year post completion of Towersale and REIT transactions, Omantel Group revised the reporting of Omantel Domestic performance to include dividend income, finance costs and other costs associated with respect to its investment in Zain group. All previous years nos were reclassified to conform to current year presentation.

Recovering from the negative business and economic impacts of Covid-19 pandemic during 2020 & 2021, Omantel posted a healthy growth of 6.4 % (excluding Zain) during the year 2022. Revenue grew from RO 531.4 Mn in FY 2021 to RO 565.5 Mn in 2022.

Nevertheless, domestic mobile market witnessed tremendous competitive pressures, especially with the services rollout from the 3rd operator, which resulted in reduction in the mobile market as well as revenue share of the existing operators. the same has also been recorded.



In absolute terms, Omantel group posted a growth in number of mobile subscribers and successfully maintained its leadership position with the largest market share in the Sultanate. As at 31st Dec'22, Omantel's domestic customer base stood at 3.22 Mn (3.76 Mn including mobile resellers) as against a total customer base of 3.21 Mn (3.72 Mn including mobile resellers) in 2021.

Revenue for the Financial year ended 31 December

RO in Mn	2020	2021	2022
Fixed Business	147.3	151.4	154.9
ICT Business	8.7	8.0	8.4
Mobile Business	238.3	224.3	220.3
Wholesale Business	131.5	136.1	161.8
Total Revenue	525.8	519.8	545.4
Revenue from Domestic Subsidiaries (including eliminations)	7.3	11.6	20.2
Total Revenue - Omantel + Subsidiaries	533.1	531.4	565.5
Growth %	-3.8%	-0.3%	6.4%

During the year, Omantel was able to achieve growth in Fixed Broadband, Mobile Postpaid and Wholesale transit voice revenue segments. Voice business continued its persistent decline across Fixedline and Mobile segments.

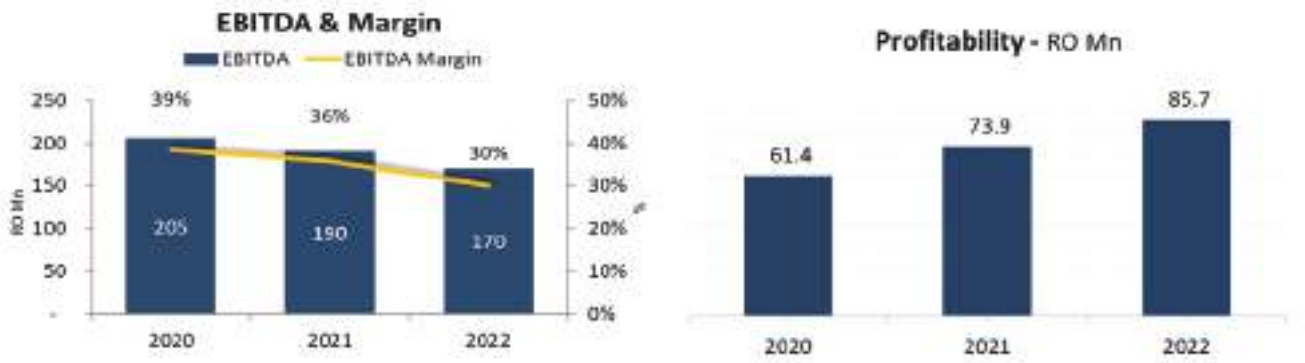
The Fixed business revenue recorded a growth of 2.4%, mainly contributed by Fixed Broadband and Corporate Data revenue streams. Mobile business revenue declined by 2.0%, mainly due to persistent decline in pre-paid segment resulting

from the increased competition. The decline in prepaid revenue is significantly offset by growth in Mobile Postpaid revenue which increased by 11.2 % on account of aggressive conversion of Prepaid customers to Post paid customers.

EBITDA* & Net Profitability (Excluding Zain Group):

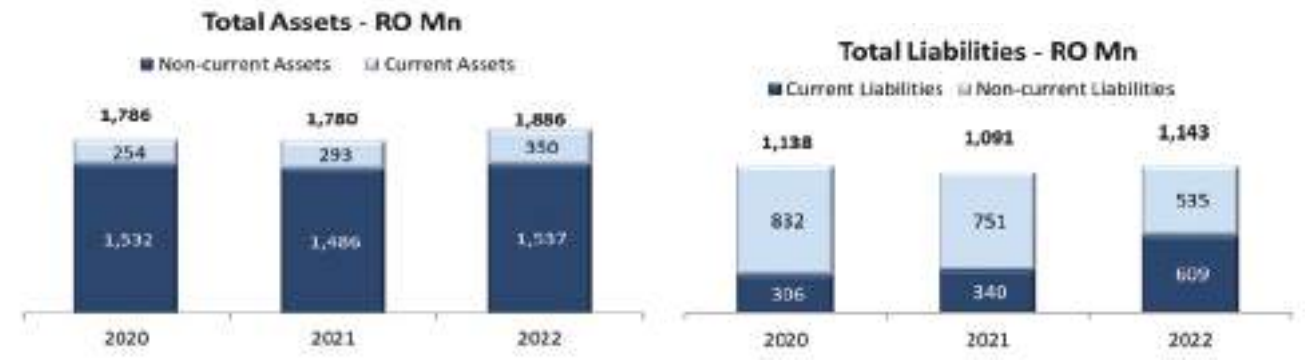
Inline with the commercial challenges i.e. additional mobile competition in a limited subscriber market, data monetization and declining conventional voice and SMS business, which is partially compensated by reduction in Impairment provision on receivables, Omantel's EBITDA decreased from RO 190 Mn in 2021 to RO 170.2 Mn in 2022.

However, Omantel's net profitability posted a significant growth from RO 73.9 Mn in FY 2021, to RO 85.7 Mn in 2022, i.e. a y-o-y increase of 15.9%.



*EBITDA= Operating profit+ Depreciation and amortization

Financial Position



Overall assets depict a strong financial position, at the backdrop of both organic (network infrastructure) and cross border (Zain Group) investments. Omantel's Non-Current Assets, principally telecom equipment, investments and facilities currently account for 81.5 % of overall asset base.

Shareholders' equity posted an increase of 7.8 % during 2022. The Shareholders' equity increased from RO 688 Mn in 2021 to RO 743 Mn in 2022.

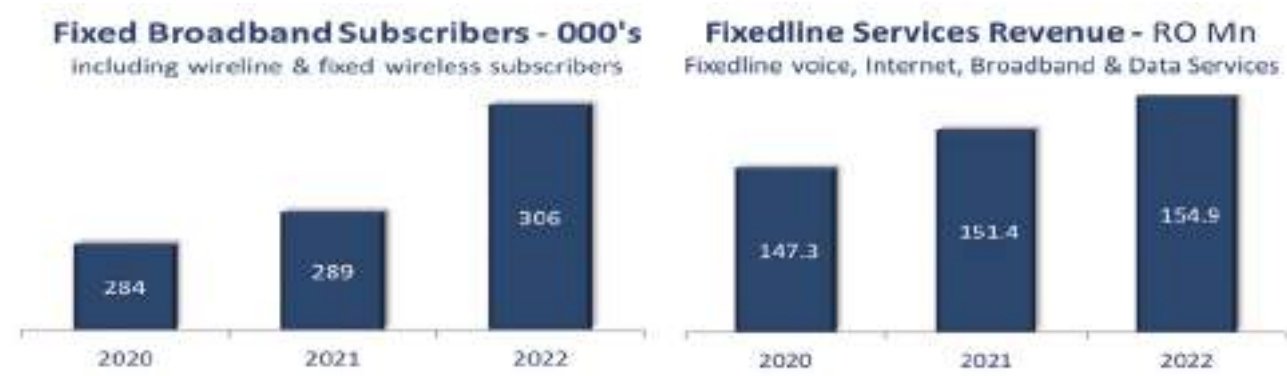
Shareholders equity has grown at a compounded growth rate of 7.1 % in the last 3 years.



Revenue and Subscribers:

Fixed line Business:

Fixed line Business includes national and international fixed line voice, fixed broadband, dedicated internet and enterprise data services. During 2022, our fixed line voice subscribers (prepaid & postpaid) witnessed a decline of 13 %, whereas fixed broadband subscribers (incl fixed wireless based on 5G Technology) posted a growth of 5.9 %.



Mobile Business:

The domestic mobile market growth continued to remain under severe competitive pressure during 2022 due to introduction of 3rd mobile operator as well as other prevalent operational challenges discussed earlier. Omantel posted a reduction in its own prepaid subscriber base, which was partially mitigated by a healthy growth in postpaid mobile subscribers and re-sellers.

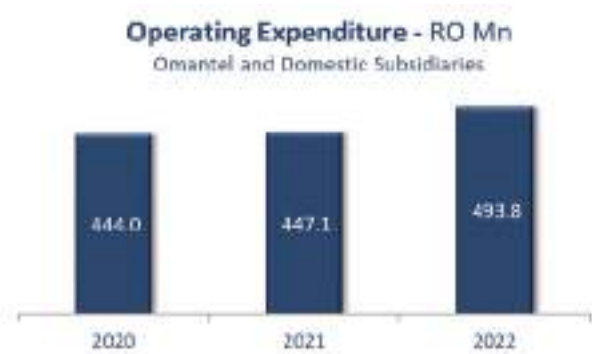
However with enhanced focus on customer experience management, service delivery strategies, innovative pricing and a premium network quality, Omantel group (incl resellers) maintained its market leadership position during 2022. Our mobile services portfolio is built around postpaid, prepaid and other value added offerings.



During 2022, mobile business retail revenue continued its negative growth trajectory in both voice and broadband segments mainly due to decline in pre-paid segments. Contribution of our mobile business revenue declined from 43 % in 2021 to 40 % during 2022.

Operating Costs:

Total operating expenses ('opex') amounted to RO 493.8 Mn in 2022, increase of 10.4 % over FY 2021.



High Opex was recorded on account of increase in Wholesale hubbing voice revenue which increased by 36.5 % yoy. Further the shift in Fixed broad band subscribers from copper to fixedline wireless broadband (FWA)/FTTH, triggered an increase in modem and FTTH access costs. However, Omantel’s continuous focus on cost optimization has ensured the controllable opex to remain within the targeted levels.

As a percentage of total revenue, the Opex to revenue ratio is recorded at 87.3 % in 2022 compared to 84.1 % as posted in 2021.

Financial year ended 31 December

Figures in RO Mn	2020	2021	2022
Cost of Sales	179.7	199.8	245.1
Operating & Administrative Expenditure	134.5	132.5	143.4
Depreciation & Amortization	116.1	105.7	98.6
Provision for Impairment of Receivables	13.8	9.2	6.7
Total Operating Expenditure	444.0	447.1	493.8

Capital Expenditure

Omantel incurred a total capex of RO 87.2 Mn during the year, out of which the network infrastructure capex stands at RO 78.3 Mn and was predominantly spent on 5G roll out and 4G network expansion. We continue prioritizing our network and other capital expenditure during the year, with core focus on undertaking growth oriented critical investments, that support our 5G network buildout, ICT and digitization initiatives etc.



Earnings Per Share & Dividends:

Omantel Group maintains a healthy shareholder relationship with a history of consistent dividend distribution through years.

Group Earning per Share (EPS) in FY 2022 posted a significant growth of 36 % over FY 2021. For the year ended 31st Dec'22 the EPS is recorded at RO 0.121 compared to RO 0.089 for the corresponding period of year 2021.



For FY 2022, the Group has recommended a final dividend of 55 baiza /share, which corresponds to 55 % of the paid up capital. Further an interim dividend of 5 baiza per share is recommended to be paid in August 2023 which is subject to the approval of shareholders.

Net cash flows from operations remained RO 147.3 Mn in 2022 compared to RO 199.9 Mn as recorded in 2021. Cash generated during 2022 corresponds to 26 % of the total revenue, as against 37.6 % as recorded in 2021.



Investor Rating:

Omantel maintains a Long Term issuer default rating ('IDR') of BB assigned by Fitch Rating Services with a stable outlook. Omantel also carries a Corporate Family Rating ('CFR') of Ba3 assigned by Moody's. In October 2022 Moodys upgraded the outlook to Positive from Stable; a direct consequence of similar actions on the rating of Government of Oman. According to Moody's, Omantel's Baseline Credit Assessment Rating of 'Ba3' remains at par with the credit risk assessment of the Sultanate of Oman, reflects the company's (1) dominant market position in the Omani telecommunications market;(2) resilient operating performance, supported by the necessity-like consumer spending on telecommunications services; (3) good liquidity

Omantel continues to demonstrate resiliency against prevalent operational challenges by focusing more on cost savings, establishing new business streams based on digitization, M&A, network modernization, customer experience management and protection of market share. However, threats from several uncontrollable factors such as excessive competition in the mobile market, terminally declining voice revenue, data commoditization, persistent regulatory tightening, and a prevalent recessionary economic environment continue to put our credit ratings under pressure.

Internal Control Systems and their Adequacy:

Omantel maintains effective internal control systems and processes that provide reasonable assurance of efficient operations, internal financial control and compliance with laws and regulations. Internal controls comprise of operational

procedures, segregation of duties, periodic reconciliations and formal policies and procedures that facilitate complete, accurate and timely processing and recording of transactions and safeguarding of assets.

The Management receives independent feedback from the reports issued by Internal Audit of the Group, Statutory Auditors and the State Audit Institution on the adequacy of the internal controls and continues to strengthen the internal control. Also, as part of the internal control, the company has a defined authority manual and processes, which are followed across the organization. Internal controls are generally adequate for established activities and services. Internal controls are periodically tested, reviewed and enhanced.

Our Network

Omantel owns a nationwide state-of-the-art and modern integrated network infrastructure, which is a result of our continued commitment over decades to provide seamless connectivity experience to our customers. Our vast portfolio of multiple mobile technologies, advanced fixed line infrastructure, an array of several international submarine cable investments and cable landing stations defines Omantel as a one stop shop for all communication needs of both enterprise, individual and household customers.

Our 4G/LTE and 3G mobile networks cover 95.4% and 99.4 % of the population respectively. Over 92 % of households in Oman have access to Fixed Broadband services. During 2022, we continued our Fiber deployment in various high-population areas around the country.

Omantel was the pioneer telecom operator in the Sultanate to commercially launch the 5G network at the end of 2019. We were also first to launch 5G for mobile on January 2021, which will open new horizons for the mobile telecommunications sector and will heavily contribute towards supporting growth and digital transformation efforts across different sectors, by facilitating the adoption of the Fourth Industrial Revolution technologies i.e. smart cities, the Internet of Things (IoT) and Artificial Intelligence.

We continued expanding our 5G coverage during 2022 to accommodate the customer demand accelerated by the new traffic dynamics and requirements. With 5G Fixed Wireless Access (FWA), Omantel customers can get ultra-high-speed internet services at their homes with speeds up to 1Gbps. Customers can enjoy various lifestyle offers including basic home, gaming, entertainment and premium connectivity.

Omantel is building the next-generation digital network infrastructure to improve efficiency and enable business growth. Software driven and cloudified infrastructure is a key component of this initiative. Omantel has made a great progress in modernizing and cloudifying our core network. Omantel started the journey few years back by deploying state-of-the-art Telco Cloud infrastructure, which is a platform having advanced capabilities such as SDN and orchestration.



Virtualized 5G NSA packet core was deployed initially on this platform, which is currently carrying all 5G Fixed Wireless Access (FWA) and enhanced Mobile Broadband (eMBB) traffic as well as most of 2G/3G/4G data traffic. In the year 2022, Omantel migrated all VoLTE traffic to Cloud and is in the process of migrating many other mobile core functions from legacy to the Cloud infrastructure as per the roadmap.

Omantel maintains an extensive transport network infrastructure that supports services for the residential, enterprise, mobile, and wholesale businesses. Our transport network carries a footprint of over 10,000+ kilometers of highly meshed backbone fiber network across Oman, providing multiple protection paths across Muscat Governorate and Northern/Eastern/Southern/Wusta Rings.

Omantel maintains converged, highly resilient, and efficient nationwide IP/MPLS transport networks providing L2/L3 packet services to serve the extensive data demand in this new era. Our optical transport network is architected with the best-of-breed DWDM/OTN technologies that offer seamless connectivity to our customers. Omantel recently completed the modernization of the IP and Optical core transport networks and is continuing the modernization of the metro networks. Omantel is enhancing the mobile backhaul transport network to meet the high-capacity requirements of 5G by upgrading the metro access rings, extending the fiber to the radio sites, and deploying E-band microwave links where required.

Demand for coverage and user experience enhancement in rural areas is increasing with the popularization of mobile communications. It is also a requirement from the regulatory authorities. Backhauling in rural areas is challenging, often due to the nature of the terrain which limits the line-of-sight microwave or fiber deployment. During 2022, Omantel started deploying innovative and cost-effective solution Rural Star, which uses wireless backhaul technology that does not require line-of-sight, making it the perfect choice for challenging terrains in rural areas. Last year Omantel also launched VSAT services based on Ka-band technology.

Network Security

Omantel's Security Services continue to be second-to-none, with our revamped multi-layered DDoS protection service helping businesses to defend against complex and high-volume attacks in real-time. Our SecurNet product provides protection for customers and their families against malicious websites, with advanced parental control features such as content filters, pause, break time, and study time.

Other ICT products such as Virtual PBX and iVMS provide customers with the flexibility to scale up or down as needed, along with pay-as-you-go models, making Omantel the leading provider of ICT solutions for businesses of all sizes. Additionally, our partnership with Microsoft through the CSP program has allowed us to offer enterprise customers Microsoft cloud licenses, which enhances their productivity and digitization journey.



With the advent of 5G, various digital initiatives across industries and billions of new devices, the threat landscape in which Omantel operates is evolving at a fast pace. Being the premier telecom operator in Oman, Omantel provides vital infrastructure for business, mission, and society-critical applications, at the same time undertaking possible security measures to ensure that our customer's privacy, information and logical assets remain protected from the burgeoning cybercrimes

As the value and volume of personal, business sensitive and public service information increases with continued digitization, security and privacy laws and regulations have been expanding. Omantel recently introduced Oman Data Privacy Law which would mandate organizations to enforce privacy controls as mandated by law. Omantel has been on forefront of Data Privacy and achieved ISO 27701 Privacy Certification in 2021 and expanded the scope to even more critical applications.

In 2022, our resilient security infrastructure and policies continued to us to achieve incident free services by avoiding millions of signaling attacks and thousands of potential sabotage attempts or D-DoS threats ensuring a persistent network uptime. Omantel maintains an advanced risk management framework based on international standards, and our signaling network is regarded as one of the most secured signaling networks in the world.

Telecom networks' availability and performance are more valuable than ever, which makes them attractive targets for malicious actors. The threat landscape with 5G is more challenging than with previous generations due to the convergence with traditional IT, enabling threat actors to attack telecom networks in a similar way as they exploit IT. To deal with such threat, Omantel has implemented state of the art security monitoring and automation, identity management, effective incident response handling and solid business continuity planning to ensure secure networks.

Omantel is regarded as a highly reputable operator among the international regulatory bodies. We are amongst the pioneering contributors to the international bodies i.e. GSMA, ITU, towards improving global telecom security regulations, designing and implementation of global best practices in the network and cyber security domains. Over course of 2022, Omantel contributed to GSMA through several operator experience sharing, knowledge base enhancement and articulating Operator point of view on various areas related telecom security.

Our People:

Total number of Omantel employees as of Dec'22 stood at 2,315 (2,240 in Dec'21). With total number of 2,159 Omanis compared to 156 Non-Omani employees, the Group's Omanization stands above 93%. As at 31st Dec'22, total Male employees accounted for 1,719 whereas the number of female employees remained 596.



Achievements

Omantel's consistent pursuit of excellence in innovation, world-class services and superior customer satisfaction earned several awards and recognition from prestigious local, regional and international organisations and institutions. The awards crowned the efforts of the management and the different teams to achieve set goals and raise the bar on services.

The Brilliance Award in Employee Engagement & the Brilliance Award in Internal Communications. The two awards were presented at the International Brilliance Awards Ceremony organized by BOC institution in London, in recognition of strategic initiatives of Omantel's Employee Engagement and internal communication program, which had a positive impact on enhancing Omantel's leadership in the human resources sector.



Two Effie Awards. Omantel bagged two awards for its marketing campaigns at the MENA Effie Awards: one for the campaign 'The Future Shapers' in the Branded Content & Entertainment and the other for the 'From Imagination to Reality' campaign in the Internet & Telecom category. Both were animated films that focused on storytelling through the eyes of children.

Best AI Project of the Year, Best Service Awards. Omantel was awarded the Best AI Project of the Year and Best Service Awards presented at the CX Live Show Conference 2022. The awards were in recognition of Omantel's CEX strategy that leverages analytics and market intelligence using AI and voice biometrics for its well-designed and articulate customer experiences, keeping it friendly, helpful and simple.

Carrier Community Global Awards 2022. Omantel won awards in two categories at the CC-Global Awards 2022, presented by the Carrier Community, in Berlin. Omantel won in the Middle East Best Regional Operators and Best Regional Data Centre Operator categories, consolidating its regional wholesale prominence and capabilities that have contributed towards making Oman a strategic point in the global communications domain.



Comex 2022 Award. Omantel maintained its leadership in telecom and ICT by winning the “Excellence in Telecom” category at the COMEX 2022 Awards held during the COMEX Week in Muscat. The awards recognised achievements in innovation, customer service, sustainable approaches, vision and strategic manoeuvres that have led to enhanced service delivery. The award recognises Omantel’s expanding coverage, its tech solutions bouquet and its integrated ecosystem.



Two GOLD STEVIE AWARDS 2022. Omantel bagged gold in two categories at the Middle East and North Africa Stevie Awards 2022: Gold Stevie Winner in the Innovation in Business Utility App and Gold Stevie Winner in Innovative Use of Technology in Customer Service categories. The double victory was for its innovative and ground-breaking mobile app, which combines international best practices in online customer service, its fully online onboarding process, exceptional customer experience, Noor, the app’s Artificial Intelligence digital assistant, and round-the-clock customer service helpline.



IQPC Customer Experience Awards 2022. Omantel and Huawei won the 2022 IQPC Customer Experience Awards in the Telecoms, Media & Tech Summit. Omantel won the “Best in Class Example of ROI” award. As one of the largest mobile operator in the region, Omantel together with Huawei have built a continuous operation model based on a digital platform which is in line with Oman Vision 2040. By establishing a CX KQI system and analyzing business-network collaboration data, Omantel became a leading brand with outstanding network performance scores (NPS), and achieved remarkable business and revenue growth.

Best Brand in Telecom Sector by AIWA Magazine. Omantel was honoured with the award for “Best Brand in the Telecommunications Sector in Oman” at AIWA Awards. The recognition reflected the frontline position that Omantel enjoys as the leading telecommunications company in Oman. It reflects the satisfaction and loyalty of Omantel’s customers.

Best CEO in Telecom by Top CEO Awards 2022. Established in 2015, Top CEO is a prestigious Conference & Awards ceremony for business leaders in the Middle East. Every year, it brings the region’s Top100 listed companies’ most prominent executives.



CSR projects

A. Embracing Innovation



3 Key innovative initiatives

Reflecting its standing as a frontline innovation player, Omantel officially launched its path-breaking Innovation Labs on January 10, in addition to inaugurating its 5G experience center, the Omantel Innovation Oasis, and E-Dukaan, Middle East's first unmanned convenience store.



The Omantel Innovation Labs leverage Omantel's expertise, partnerships, reach and access to technology to contribute to Oman's Vision 2040 and promote innovation and entrepreneurship in new and emerging technologies: 5G, Internet of Things, Cybersecurity, Customer Experience technology and Big Data.

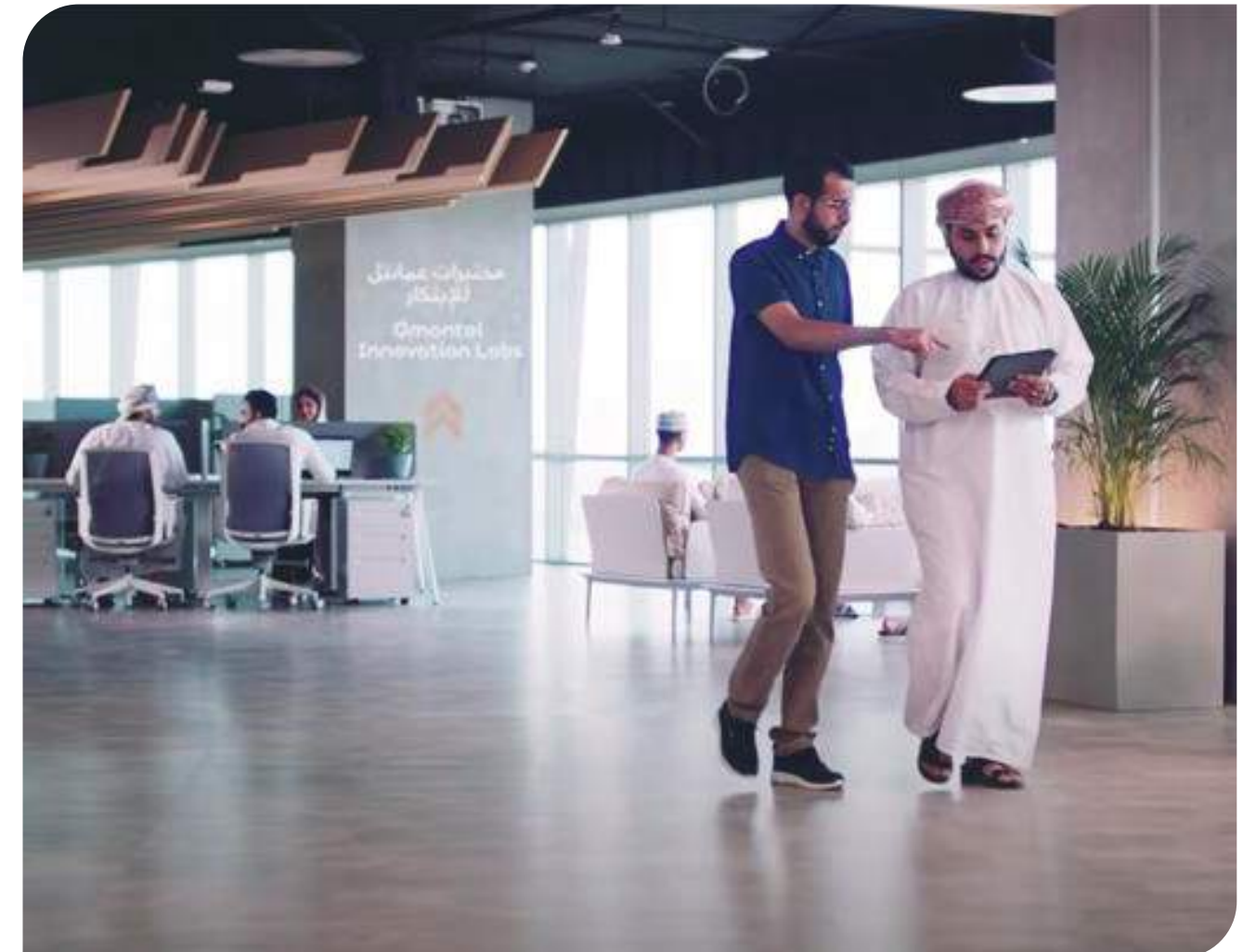
The Omantel Innovation Oasis, a showcase of uses of 5G technology and other frontier technologies, complements the Omantel Innovation Labs as a place where incubated tech start-ups can potentially showcase their innovations in the future. E-Dukaan, which is powered by Artificial Intelligence and IoT, brings queue-free, cashless, grab-and-go shopping experience. Shoppers can walk out with their items, without having to get their purchases scanned for prices or deal with physical money or bank cards.

Partnership with Sultan Qaboos University

In continuation of Omantel's ongoing partnership with Sultan Qaboos University, research projects were selected for the Omantel Grant, which supports faculty and researchers in the University who wish to pursue research projects identified in cooperation with Omantel in the areas of Information and Communications Technology (ICT) and Nanotechnology. A joint committee evaluated the 2022 research proposals to receive the Omantel Grant for advanced research and chose six – three each from the University's Nanotechnology Research Center, and the Communications and Information Research Center.

Innovation and Technology Transfer Center

Omantel entered into a cooperation with Sultan Qaboos University (SQU) for the fourth year in a row to contribute to the establishment of a state-of-the-art Innovation and Technology Transfer Center at SQU. The Cooperation Program is part of the mutual efforts to foster innovation in Oman and create the conditions that will enhance its contribution to driving economic growth, improving the lives of people in Oman, and creating an innovation and knowledge-based economy.



MoU with LG Uplus for 5G innovation

Omantel signed a Memorandum of Understanding with South Korean mobile network operator, LG Uplus Corporation, owned by LG Group, to enhance collaboration and knowledge exchange on 5G specialized services provided by LG. The expansive scope of the MoU included Augmented Reality (AR), Virtual Reality (VR), Multiview, Timeslice solution and any potential business cooperation opportunities on XR platforms.



Accelerator Demo Day

Omantel hosted its inaugural virtual Demo Day to honor the graduation of five technology startups from their first Omantel Innovation Lab Accelerator Program. The 6-month Omantel Accelerator program was established in 2021, as part of the Omantel Innovation Labs, to leverage Omantel’s expertise, partnerships, reach and access to technology to contribute to Oman’s Vision 2040 and promote innovation and entrepreneurship in new and emerging technology. The Demo Day allowed entrepreneurs to showcase their solutions and engage with corporates, government organizations, and regional and global investors in order to expedite the adoption and expansion of their sustainable innovations on a local and regional scale.



Omantel-Rihal MoU for RPA solutions

Omantel signed an MoU with Rihal, an Omani company specialized in providing data migration and management solutions, to enable a comprehensive training program in the field of robotic process automation (RPA) to a group of young people who are enrolled in the “Generation Z” program, an annual training program for graduates offered by Omantel to train a group of the program members on robotic automation in various fields. The MoU aims to support the efforts made to empower Omani youth and enhance their skills in the field of future technologies.

Omantel and the Ministry of Education signed an agreement to develop an IT and coding curriculum for primary school students in grades 1-4.

The agreement aims to develop an educational curriculum to provide students with the skills of the future and the fourth industrial revolution in line with Oman Vision 2040, which aims to create a knowledge-based economy. The curriculum will be applied to the students in grades 1-4 in public schools, single-language private schools and The Diwan schools, the Royal Omani Orchestra and the Royal Oman Police schools for a period of three academic years, starting from the academic year 2021/2022.

Omantel demonstrates Artificial Intelligence and the Future of Technology at the third Edition of Oman Science Festival Omantel participated in the third edition of Oman Science Festival under the theme “Together we live the Passion of Science”, targeting school students and students of higher education institutions, teachers and parents, government, private and military institutions, civil society institutions, scientists, researchers, specialists, academics, and those interested in science from different parts of the world.

Omantel’s innovative corner in the Festival included several activities for children to introduce them to the future of information technology with special focus on artificial intelligence and robotics.

CSR projects

B. Sustainability

3 Key innovative initiatives

Fifth Sustainability Report

Omantel released its Sustainability Report 2021 to shed light on the company's Social, Economic and Environmental performance for 2020-2021. The report reflected Omantel's commitment to reporting on its sustainability performance in order to increase accountability, identify and manage risks, explore new opportunities and contribute to regional and global sustainability goals.

While compiling this report, Omantel followed the principles of the GRI Standards of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness. Additionally, in an attempt to track its contribution to national and international sustainability commitments, Omantel conducted an in-depth exercise to align this initiative with the Oman Vision 2040 objectives and the UN's Sustainable Development Goals.

Partnership with Riyada to boost growth of SMEs

Omantel entered into a partnership with the Riyada, the Authority for Small and Medium Enterprises Development, to bolster support to Small and Medium Enterprises (SMEs) in the Sultanate of Oman. As part of the MoU, Omantel will be conducting workshops and discussion panels for SMEs. The first of these workshops was conducted at Omantel on December 27, with a turnout of over 60 SMEs, in addition to major companies providing guidance and support to upcoming SMEs.

Generation Z Program

Omantel launched the third edition of "Generation Z" program, with the participation of 56 trainees. The launch of this program is part of the company's endeavors to build the capacities of the Omani youth enabling them to compete for job opportunities in the market.



The first and second editions of Generation Z program included more than 80 male and female Omani youth who joined the program following their graduation from different universities and colleges in Sultanate of Oman and abroad. Majority of the graduates have been offered jobs at Omantel. Furthermore, the program graduates succeeded in the development of sheer amounts of work team-building solutions, high-level presentation skills, and other vital expertise to be capable to deal with real life work scenarios.

Trees Planting initiative

Supporting "مبادرة ظلال للتشجير" in the occasion of The Omani Tree Day. The initiative is in alignment with the national campaign to plant 10 million trees in 10 years.

Plastic Free Office internal awareness campaign

To improve the awareness within Omantel employees and to encourage employees to adopt environmentally friendly habits, CSR had launched an internal awareness campaign where the first phase included the distribution of over 3000 reusable water bottles to all employees within HQ and branches in parallel to the awareness campaign. The second phase under planning to stop/reduce the amount of plastic bottles distributed within the working spaces.

Mubadara Award (3rd edition)

Omantel continues its sustained efforts in bolstering women's roles in society. The 3rd edition of Mubadara Award took place during an annual ceremony held by the Ministry of Social Development to celebrate Omani Women's Day. The project's Evaluation Committee paid visits to over 23 Omani Women Associations throughout different governorates in order to have a close look at the projects and evaluation procedures. The efficiency and sustainability of these projects were also monitored by how useful they were for the targeted groups.

Mubadara Training Program

In its first edition, Mubadara training program was born as a new branch of Mubadara awards. In collaboration with the Ministry of Social Development and implementation by the Omani Society for Educational Technology with the participation of 60 females from the Omani Women's Associations across the Sultanate with the aim of empowering them through technology to enhance their homebased businesses.

Supporting the activities of the Oman Cancer Association

Omantel, in cooperation with the Oman Cancer Association, contributed to supporting cancer patients who undergoing Chemo and Radio Thereby through the provision of nutritional supplements in addition to participation in the virtual annual walkathon of the Association, which aimed to raise funds and support cancer patients. More than 1680 cancer patients benefited and more than 93,000 supplement bottles provided since 2018 from Omantel support.



‘My Home, My Haven” Program

Omantel joined hands with Dar Al Atta for the Eighth consecutive year to renovate houses of the underprivileged families, as part of social initiatives aimed at giving back to the community and ensuring better life for everyone. Omantel, being a responsible corporate citizen, seizes every opportunity to serve and ensure the welfare of the community. To this end, Omantel renewed its partnership with Dar Al Attaa Association to renovate the houses of underprivileged families. The move comes as part of Omantel CSR program to reinforce the sense of integration and solidarity with Omani society.

In sustainable partnership with Dar Al Atta charitable organization for continues since 2014, this project had contributed to maintaining 172 houses across Oman for underprivileged people.



Outward Bound Oman Next Generation courses

Omantel successfully completed another year of partnership with Outward Bound Oman (OBO) to groom and train young Omanis for the job market. As part of its corporate social responsibility towards education, training and skill-building, Omantel sponsored four OBO-Next-Generation courses reaching 80 young women and men aged 17 to 25 years during the month of May. These included fresh graduates and job seekers. In 2022, the programme had a special course targeted at participants with special needs. Omantel staff joined as mentors to share their knowledge and experience with the participants. Since 2013, over 450 young Omanis have been empowered through 31 courses sponsored by the Company.

Fak Kurba Drive

For the fifth consecutive year, Omantel and its staff extended support to the ‘Fak Kurba’ initiative, in line with its commitment of Corporate Social Responsibility and community service. The Fak Kurba initiative is managed by the Omani Lawyers Association in coordination with the Ministry of Social Development and the Council of Administrative Affairs of the Judiciary. Omantel launched an internal campaign to encourage employees to participate in this noble cause and donate through SMS. The collected donations will contribute to releasing prisoners who were convicted for their inability to honor their financial obligations.





C. Wholesale Business

“Mashorah” program

Omantel launched “Mashorah”, a volunteering program that aims to provide the necessary support and guidance for employees who face pressures and challenges, whether in the workplace or at a personal level. The program is designed with focus on the emotional wellbeing of the employees. Through the program, employees are encouraged to share the difficulties they encounter, whether at work or at a personal level, with company counselors who will provide them with the necessary assistance and guidance. Deal with Equinix to build first data center

Omantel, as the regional leading wholesale carrier of the Middle East sealed a partnership with Equinix, Inc., the world’s digital infrastructure company™, to build a brand new data center in Salalah. The data center will be commercially and operationally managed by Equinix as a carrier neutral and open access Equinix International Business Exchange™ (IBX®) data centre.

The new site, named SN1, demonstrates Equinix’s commitment to Oman and the Middle East region. SN1 will be the second carrier neutral data center to be built in Oman after MC1 in Muscat and will be Equinix’s fifth data center in the region alongside strategic sites in Dubai and Abu Dhabi. Once open, SN1 will become a key interconnectivity point for traffic flows between Asia, Europe, and Africa.

Sub.Co Partnership

Omantel firmed up a partnership with Sub.Co to extend the reachability of Sub.Co to various key telecom hubs in Europe through Omantel’s extensive subsea network. Through this arrangement, Omantel will be providing ultra-high capacity connections to Sub.Co from Muscat to London, Milan and Marseille. Sub.Co will be reaching Oman through the Oman Australia Cable (OAC) which is one of the longest direct subsea cables. The cable has a direct stretch of around 10,000 kilometers between Perth and Muscat.

The Oman Australia Cable (OAC) a 10,000km undersea cable between Muscat, Oman and Perth, Australia built and operated by SUBCO. OAC is the first fully diverse cable between EMEA and Asia that avoids the Malacca Strait, a narrow stretch of water between Indonesia and Malaysia that has a high level of seismic and marine activity causing regular outages on submarine cables and a single point of geographical risk.

Oman Emirates Gateway (OEG) Telecom Project

Omantel and UAE’s du have joined hands to link the Sultanate of Oman and UAE through a 275km international fibre optic submarine cable named the Oman Emirates Gateway (OEG) that will meet the evolving market demands, scale up speed, expand connectivity, deliver enhanced customer experience and provide wider commercial offerings. Oman and UAE are currently connected through terrestrial and submarine routes. The new cable system of OEG will serve as an express connection between both countries and the partnership will reiterate Omantel’s and du’s positions as leading wholesale players supporting the region to evolve into the new promising global communication hub. New agreements with key enterprise customers

D. Preferred Technology Partner

Omantel signed key agreements that underscore the trust which entities serving national interest and driving economic diversification and growth place in the Company. The entities are Ministry of Higher Education, Research and Innovation (MoHERI), Oman Chamber of Commerce and Industry (OCCI), Oman Airports and Omran.

Under these projects, Omantel will provide unified communications, comprehensive technology solutions, equipment and hardware support among a host of other services. The signing of these agreements reflects Omantel commitment to driving Digital Transformation objectives and building a knowledge-based society as outlined in Oman Vision 2040.

Omantel digitally empowers major projects in Dhofar

Omantel is leading the Sultanate’s march towards a digitally enabled and flourishing society with its ICT offerings driving digital transformation in important sectors. Smart solutions riding on Omantel’s expertise, experience and infrastructure are enhancing the efficiency of operations in these vital cogs of the economy and leading to faster growth and amplified returns. As the nation’s digital transformation enabler, Omantel signed a number of agreements in Dhofar governorate with important national entities to implement customized smart solutions.

Renewal of pact with MoHERI

The company consolidated its ties with the Ministry of Higher Education, Research and Innovation (MoHERI by) extending the mutual ‘OMREN” contract for a period of another five years starting January 2022. Under this contract, Omantel will continue to extend the network’s services to higher education organizations, research centres, and other educational institutions in Oman. Omantel has been the technology provider under this strategic partnership with MoHERI since 2017 in building, operating and maintaining OMREN (Oman Research and Education Network).

Omantel signs MoU to promote digital transformation in South Al Sharqiyah Governorate

Omantel signed MoU with South Al Sharqiyah Governorate in the field of communications, which includes exchange of experiences in related fields, including the support and implementation of the digital transformation programme in the Governorate. The memorandum includes exploring opportunities for cooperation in many fields including communications infrastructure, information technology, mobile communications solutions for business, marketing and sustainability programmes.

Omantel signs agreement with Musandam Governor's Office

Omantel signed an agreement with the Office of the Governor of Musandam signed to provide telecommunication and Internet services at the governor’s office. The agreement seeks to achieve harmony among communication networks and internet lines, merging all through one platform.

Omantel-Al Namma Poultry deal

Omantel and Al Namma Poultry Co SAOC, one of the subsidiaries of Oman Food Investment Holding Company (OFIC) signed a major agreement to provide end-to-end technology solutions that will cater to all the communications solutions and services needs of Al Namma Poultry Company. Omantel will provide all telecom needs of Al Namma Poultry project, including unique state-of-the-art ICT solutions that are implemented for the first time in the region, through Omantel's technology partner and global leader of ERP solutions "SAB".

Deal with Oman Air to distribute Tourist SIM cards

Fulfilling the vision of promoting Oman in the tourism industry, Omantel signed a partnership agreement with Oman Air to distribute Tourist SIM cards to tourists travelling on Oman Air's inbound flights to Oman. The 1-year partnership, which kicked off before the start of the Mundial in Qatar, is focused on providing a hassle-free Tourist SIM connectivity and thus boost the tourism industry in line with the Oman 2040 Vision.

Omantel-Salam Air partnership in SIM card distribution

Omantel partnered with Salam Air, one of Oman's two leading airlines, to provide Tourist SIM cards to tourists travelling on the airline's inbound international and domestic flights. Salam Air's unique flight coverage offered a different demographic

and target area that was of huge benefit to Omantel. Providing Tourist SIM cards and widening the demographic through brand awareness is one of the key elements to accelerate to the 2040 tourism scope.

Omantel-OTaxi tie-up

Omantel signed an agreement with OTaxi Company to provide special communication packages for passengers using the company's services and for visitors coming to the Sultanate of Oman. The partnership aims at providing seamless communication services for passengers and tourists, including the provision of new mobile SIM cards through 2,500 drivers affiliated with the company at special prices, offers and discounts, which in turn, contributes to serving and enhancing the tourism sector in the Sultanate of Oman.

Partnership agreement with TM Done!

Omantel, signed a Memorandum of Understanding (MoU) with the delivery app, TM Done!. Under the MoU, Omantel's several services such as points and coupon redemption, fintech solutions, mobile bill payment, post- and prepaid gift boxes and delivery will be available on TM Done! The deal is part of Omantel's strategic path to Oman Vision 2040 and represents a reiteration of its role of an enabler in economic growth by partnering with Omani companies which have shown promising potential.



Consolidated Annual Financial Statements and Independent Auditor's Report



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PR No. HMH/15/2015; MMA/9/2015

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 (IFRS).

Basis for qualified opinion

- As disclosed in Note 7.1 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.
- 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
<p>1. Revenue recognition and related IT systems</p> <p>The Group reported revenue of RO 2,683 million (2021: RO 2,408 million) for the year ended 31 December 2022.</p> <p>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.</p> <p>Due to the complexities and dependencies on different IT systems in the revenue recognition process, we have considered this as a key audit matter.</p> <p>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.</p>	<p>For significant revenue streams, our audit procedures included the following, on a sample basis:</p> <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • 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; • 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; • Testing the end-to-end reconciliation from business support systems to billing and rating systems to the general ledger; • 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; • 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
	<ul style="list-style-type: none"> • Assessed transactions taking place before and after year-end to ensure that revenue was recognized in the appropriate period; • Assessed the appropriateness of the Group's revenue recognition accounting policies including compliance with the relevant IFRS; • Reviewing the key reconciliations performed by management; • 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.
<p>2. Impairment of goodwill</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> • understanding the business process for the impairment assessment, evaluating the design and testing the implementation of the key controls over the impairment assessment process; • 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; • comparing actual historical cash flow results with previous forecasts to assess reasonableness of forecasts; • 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;

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
	<ul style="list-style-type: none"> • 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; • 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; • 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.
<p>3. Tower Sales and Lease back transaction</p> <p>As disclosed in Note B.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.</p> <p>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.</p>	<p>With the assistance of our accounting specialists, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Testing the design and operational effectiveness of controls relating to accounting for lease transactions; • Analysis of the asset transfer and lease agreements; • Evaluating management's assessment of transfer of control over tower assets. • Evaluating management's determination of off market adjustments. • Evaluating management's identification and separation of lease and non-lease components.

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
<p>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.</p> <p>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".</p> <p>The accounting policy for sale and leaseback is set out in note 2.3.14 and the related disclosures are made in note B.2 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • 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 • 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.

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.

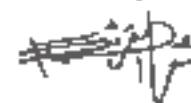
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



OMAN TELECOMMUNICATIONS COMPANY SAOG

Consolidated Statement of Financial Position as at 31 December 2022

	Note(s)	2022 RO ‘000	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

OMAN TELECOMMUNICATIONS COMPANY SAOG

Consolidated Statement of Financial Position as at 31 December 2022

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

OMAN TELECOMMUNICATIONS COMPANY SAOG

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

		2022	2021
	Note(s)	RO ‘000	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.

OMAN TELECOMMUNICATIONS COMPANY SAOG

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

	2022	2021
	RO ‘000	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.

OMAN TELECOMMUNICATIONS COMPANY SAOG

Consolidated Statement of Changes in Equity – Year ended 31 December 2022

	Attributable to equity holders of the parent											
	Share capital	Legal reserve	Voluntary reserve	Capital contribution	Capital reserve	Foreign currency translation reserve	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO '000	RO'000	RO'000	RO'000	RO'000	RO'000	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.

OMAN TELECOMMUNICATIONS COMPANY SAOG

Consolidated Statement of Changes in Equity – Year ended 31 December 2022

	Attributable to equity holders of the parent											
	Share capital	Legal reserve	Voluntary reserve	Capital contribution	Capital reserve	Foreign currency translation reserve	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO '000	RO'000	RO'000	RO'000	RO'000	RO'000	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

OMAN TELECOMMUNICATIONS COMPANY SAOG

Consolidated Statement of Cash Flows – Year ended 31 December 2022

		2022	2021
	Note(s)	RO'000	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)

OMAN TELECOMMUNICATIONS COMPANY SAOG

Consolidated Statement of Cash Flows – Year ended 31 December 2022

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	<p>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</p> <p>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.</p> <p>Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ - Cost of Fulfilling a Contract</p> <p>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).</p> <p>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’.</p>	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	<p>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.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p> <p>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.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making 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.	Annual periods beginning on or after 1 January 2023
Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8	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
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	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.
IFRS 17, 'Insurance contracts', as amended in June 2020	<p>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.</p> <p>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.</p>	Annual periods beginning on or after 1 January 2023.

A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	<p>The amendment relates to insurers' transition to the new Standard only-it does not affect any other requirements in IFRS 17.</p> <p>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.</p> <p>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.</p>	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.

2.3 Significant accounting policies

2.3.1 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 non-monetary 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		Nature of business
		2022	2021	
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	
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 Ajjal 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	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	RO ‘000
Trade receivables:	617,240	547,115
Customers	83,638	64,097
Distributors	133,151	114,525
Other operators (interconnect)	16,851	10,834
Roaming partners	(279,840)	(278,970)
Allowance for expected credit loss	571,040	457,601
Other receivables:	43,517	13,473
Accrued income	2,229	3,018
Staff	133,413	114,958
Deposits and other receivables	180,215	195,163
Prepayments and advances	195,330	191,564
Others (refer note below)	(3,744)	(3,472)
Expected credit loss	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 Riyadh 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	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	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	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	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.

	Oman	Kuwait	KSA	Iraq	Total (RO’000)	
					31 December 2022	31 December 2021
					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	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	177,967	28,572	206,539
(excluding assets of disposal group classified as held for sale)			

31 December 2022

	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	207,824	18,036	225,860
(excluding assets of disposal group classified as held for sale)			

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

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	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.

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.

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	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	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	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

OMAN TELECOMMUNICATIONS COMPANY SAOG

Notes to the Consolidated Financial Statements – 31 December 2022

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	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	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	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);

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Notes to the Consolidated Financial Statements – 31 December 2022

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.

Notes to the Consolidated Financial Statements – 31 December 2022

- 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

Notes to the Consolidated Financial Statements – 31 December 2022

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	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:

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

	2022	2021
	RO '000	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	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	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	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	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.

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

	2022	2021
	RO '000	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:

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.

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31 December 2022	Oman RO'000	Kuwait RO'000	Jordan RO'000	Sudan RO'000	Iraq RO'000	Bahrain RO'000	KSA RO'000	Others RO'000	Elimination	Total 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)
	<u>85,713</u>	<u>70,987</u>	<u>(15,472)</u>	<u>88,979</u>	<u>3,158</u>	<u>4,947</u>	<u>52,010</u>	<u>(5,204)</u>	<u>(39,456)</u>	<u>245,662</u>
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)										<u>21,198</u>
Profit for the year										<u><u>278,924</u></u>
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

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Investment securities at amortised cost										1,000
Investment in associates and joint venture										150,027
Others (net of eliminations)										<u>156,395</u>
Consolidated assets										<u><u>7,835,443</u></u>
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	<u>595,439</u>	<u>-</u>	<u>98,452</u>	<u>-</u>	<u>292,325</u>	<u>-</u>	<u>607,662</u>	<u>-</u>	-	<u>1,593,878</u>
										4,276,855
Unallocated items:										
Borrowings										693,773
Others (net of eliminations)										<u>(22,121)</u>
Consolidated liabilities										<u><u>4,948,507</u></u>
Net consolidated assets										<u><u>2,886,936</u></u>
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)										<u>1,173</u>
Total capital expenditure										<u><u>439,670</u></u>
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										<u>(1,470)</u>
Total depreciation and amortization										<u><u>551,536</u></u>

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

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31 December 2021	Oman RO'000	Kuwait RO'000	Jordan* RO'000	Sudan RO'000	Iraq RO'000	Bahrain RO'000	KSA RO'000	Others RO'000	Elimination RO'000	Total 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	<u>(11,531)</u>	<u>-</u>	<u>(9,840)</u>	<u>(7,036)</u>	<u>(8,626)</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(37,037)</u>
	<u>73,946</u>	<u>68,578</u>	<u>41,578</u>	<u>38,600</u>	<u>13,065</u>	<u>4,777</u>	<u>20,106</u>	<u>8,610</u>	<u>(52,000)</u>	<u>217,260</u>
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)										<u>7,964</u>
Profit for the year										<u><u>233,602</u></u>
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

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Investment in associates and joint venture										114,288
Others (net of eliminations)										<u>216,531</u>
Consolidated assets										<u><u>7,567,454</u></u>
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	<u>790,285</u>	<u>-</u>	<u>59,706</u>	<u>-</u>	<u>305,414</u>	<u>-</u>	<u>583,795</u>	<u>-</u>		<u>1,739,200</u>
	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)										<u>10,045</u>
Consolidated liabilities										<u>4,800,401</u>
Net consolidated assets										<u><u>2,767,053</u></u>
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)										<u>(4,813)</u>
Total capital expenditure										<u><u>468,868</u></u>
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										<u>(417)</u>
Total depreciation and amortization										<u><u>592,603</u></u>

* 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.

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:	225,714	103,057
- Company’s shareholders	56,243	17,897
- Non-controlling interests	281,957	120,954
	(174,792)	(190,315)
Cash dividend paid to non-controlling Interests	614,793	511,769
Net cash from operating activities	(326,366)	(424,682)
Net cash used in investing activities	(276,022)	(228,218)
Net cash flow used in financing activities	12,405	(141,131)
Net increase/(decrease) in cash flows		

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	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:

Currency	2022	2021
	Impact on net profit	Effect on equity
	RO '000	RO '000
Increase/decrease in market index	±1,539	±1,453

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	RO '000
Non-derivative liabilities exposed to US\$ LIBOR		
Measured at amortised cost		
Borrowings	2,037,265	1,066,760
	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				RO ‘000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	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	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	RO ‘000	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		
	Estimated total gross carrying amount at	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at	Expected credit loss rate	Lifetime ECL
Aging brackets of postpaid trade receivables	default			default		
	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	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.

Currency	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	595,912	958,422	788,102	278,688
Borrowings	1,378,588	-	-	-
Trade and other payables	115,168	194,833	331,406	167,614
Other non-current liabilities	113,636	49,475	116,641	133,525
Lease liabilities				
At 31 December 2021	638,772	646,633	1,024,703	382,055
Borrowings	1,295,054	-	-	-
Trade and other payables	85,371	183,978	185,570	162,352
Other non-current 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
RO ‘000	RO ‘000	RO ‘000

At 31 December 2022

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
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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
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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:

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%
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34. Fair value of financial instruments

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

31 December 2022

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

31 December 2022

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

31 December 2022

Currency	Level 1	Level 2	Level 3	Total
	RO ‘000	RO ‘000	RO ‘000	RO ‘000
Financial assets at fair value:	8,510	30,984	29,357	68,851
Investments at fair value through profit or loss	1,744	3,339	17,355	22,438
Investments at fair value through other comprehensive income	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.