

عمانتل
Omantel



ANNUAL
REPORT
2023

BUILDING CAPABILITIES,
CREATING POSSIBILITIES

عمانتل
Omantel

Oman Telecommunications Company SAOG
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His Majesty Sultan
Haitham Bin Tarik

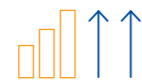


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GLIMPSE 2023

1



**2.9 billion
Omani Rials**
Omantel Group's
revenues.



OMR 315.5 million
Net profit of
Omantel Group.



88%
The coverage
percentage of 5G
network in populated
areas.



20%
increase in 5G stations.



More than **92%** of
households in the
Sultanate of Oman
can access fixed
broadband services.



**The launch of
Zain Omantel
International
(ZOI).**



Employment of over
120 graduates from the
Generation Z program since
its launch in 2020.



Approximately **OMR 6 million**
the value of projects awarded to 51
small and medium enterprises.



The winning of
Best 5G Adoption award at
SAMENA Telecom Awards.



More than 20
international submarine
cable systems connect over
120 cities worldwide.



Obtaining a **BB+**
rating from **Fitch
Ratings agency.**



Freelancing initiative
by signing contracts with
Omani Youth

CHAIRMAN'S MESSAGE

2



Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the year ended 31st December 2023.

Operating performance:

REVENUE: Group Revenue for the year ended 31st December 2023 has reached RO 2,942.7 million compared to RO 2,682.8 million for the corresponding period 2022, an increase of 9.7%. The Group revenue includes Zain Group, which contributed revenues of RO 2,361.4 Mn. Group's revenue increased across all operations with a major portion of that coming from Oman which increased YOY by 7.3%, KSA by 9%, Iraq by 20%, Sudan by 14% and Kuwait by 5% respectively.

EXPENSES: Group's total expenses (including depreciation) increased to RO 2,468.8 million compared to RO 2,235.5 Mn for the corresponding period 2022, an increase of 10.4%.

Group's cost of sales increased by 9.3% on account of costs related to revenue growth coming from device and international transit revenue. Group's Opex (including depreciation) cost increased by 11.3% primarily on account of increase in rental of telecom towers in Oman, Kuwait, KSA, Iraq and Jordan.

NET PROFIT: The Group Net Profit after tax has grown by 13.1% to RO 315.5 Mn compared to RO 278.9 Mn in 2022. After adjusting for minority interest the net profit for the period stands at RO 74.8 Mn compared to RO 91.3 Mn in 2022, a decrease of 18.1%.

Group net profit for year 2022 includes one-time capital gain on sale of telecom towers in Oman for RO 28 Mn (Net of taxes) which is the major reason for the decrease in Net profit in 2023 compared to year 2022.

Earnings per Share (EPS) attributable to parent shareholder for the year ended 31st December 2023, for the same reason above, has decreased to RO 0.100 compared to RO 0.121 for the corresponding period of year 2022.

Omantel Domestic operations (Domestic performance)

Revenues reached RO 606.5 million compared to RO 565.5 million for the corresponding period 2022. Revenue growth is mainly coming from wholesale transit voice revenue which increased by RO 17.2 Mn and device revenue which increased by RO 19.3 Mn. Growth in retail revenue is contributed by Mobile Postpaid revenue which increased by 10.2% and Fixed Broadband revenues which increased by 4.2%.

Net Profit for the year 2023 stands at RO 63.3 Mn compared to RO 85.7 Mn in the previous period. Net profit for the year 2022 includes one-time capital gain on sale of Towers for RO 28 Mn (Net of taxes). Excluding the Capital gain from the profit for year 2022, the net profit for year 2023 showed an increase of 9.7% compared to the previous year. This increase was on account of stable EBITDA and a decrease in Finance costs.

Dividend: The Board of Directors, subject to the approval of shareholders, recommends a distribution of a final dividend of 55 baiza per share (2022 - 55 baiza per share). This is in addition to interim dividend of 5 baiza per share distributed earlier in 2023 totaling 60 bz per share for the year 2023 reflecting a 60% payout ratio of the net profit.

Subscriber Base: The total domestic mobile subscriber base as of 31st December 2023 was 3.18 Mn (including Mobile Resellers) compared to 3.22 Mn of the corresponding period, the shortfall was due to a decrease in Prepaid subscriber base which is significantly off set by growth in Postpaid subscriber base.

Subsidiary Companies:

Mobile Telecommunication Company (Zain):

Zain Group revenues year ended 31st December 2023 was RO 2,361.4 Mn compared to RO 2,129 Mn of the corresponding period of the previous year, an increase of 10.9% over the last year. EBITDA stands at RO 871.3 Mn, compared to the corresponding period EBITDA of RO 828.6 Mn recording an increase of 5.2%. Net profit stands at RO 359.7 Mn compared to RO 276.5 Mn of the previous period, an increase of 30.1% over the last year. The Board of Directors of Zain Group recommended a final dividend of 25 fils per share which takes the total dividend for the year 2023 to 35 fils for the year 2023 reflecting a 70% payout ratio from the net profit. Key operations in Kuwait, Iraq, KSA and Jordan deliver impressive profit growth. The completion of Tower sales during the year in KSA and Iraq helped in creating value and efficiencies for the Group.

Domestic Market Share: Omantel's Mobile market share as of December 2023 (excluding Mobile Resellers) is 37.4%. The fixed broadband market share as of December 2023 is 55.9%.

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 2023:

Community Wellbeing

- Oman Charitable Organization (OCO):** Omantel Contributed RO 150,000 to the Oman Charitable Organization (OCO) as part of its ongoing Corporate Social Responsibility (CSR) initiatives.
- House Maintenance:** The company supported families with low income to live in healthy and safe homes by providing full house maintenance to houses with critical conditions that can cause hazard living in them. Omantel contributed OMR 115,000 through their collaboration with Dar Al Atta, benefiting 20 families..
- Fak Kurbah Donation Campaign:** A humanitarian initiative in collaboration with the Omani Lawyers

Association to contribute to the release of insolvents who are imprisoned due to their financial claim cases. The company set aside OMR 10,000 for this initiative in 2023, which benefited 16 Insolvents.

4. **Cancer Patients Support Campaign:** Supporting the training program for healthcare workers and stakeholders of Palliative Care for terminally ill patients. In addition, Omantel employees are taking part in the annual walkathon to support the association's efforts in raising awareness of the community regarding fundraising. The company set aside OMR 15,000 for this initiative in 2023, in collaboration with Oman Cancer Association (OCA).

Education

5. **IT & Coding Curriculum:** In continuation of the four-year agreement between Omantel and the Ministry of Education, Omantel contributed RO 100,000 in 2023. The development of an IT and coding curriculum for primary school students (Grade 3 and 4) to provide them with the skills of the future and the fourth industrial revolution in line with Oman Vision 2040. which benefited 240,000 Students.
6. **Applied Research Fund:** Promote scientific research in the fields of ICT and Nanotechnology in support of the efforts made to develop scientific research in Oman. The second collaboration will be for another 5 years focusing on the field of ICT (2024). OMR 60,000 were set aside for this initiative in year 2023. In collaboration with Sultan Qaboos University.
7. **Scholarships for students:** Provide educational opportunities for Omani students of General Diploma graduates to study in Oman with a 5-year financial support for scholarships in the specializations of ICT to enhance their competencies in this field to keep them up with the requirements of the Fourth Industrial Revolution. OMR 47,960 were set aside for this initiative in 2023. Which benefited 11 Students in total, in collaboration with Ministry of Higher Education, Research, and Innovation.
8. **Omantel Innovation Corner:** The corner is based on providing interactive learning tools with innovative and sophisticated technologies based on intelligent ICT solutions to educate young children and young people about digital literacy and encourage them to think about inventions by conducting various IT experiments. The corner will be reactivated in 2024. OMR 20,000 set aside for this initiative in 2023. Which benefited 11 Students in Total in collaboration with The Children Public Library.

9. **Innovation and Technology Transfer Center:** The center is one of the 14 research centers within SQU, addressing the urgent need to expand the activities in the field of innovation. OMR 50,000 is set aside for this initiative in year 2023, which benefited 2000 students. In collaboration by Sultan Qaboos University.

Environmental

Artificial Coral Reef: Supporting the cultivation of artificial coral reefs in the ocean, protecting and improving habitat and increasing populations of fish and other marine life. OMR 20,000 were set aside for this initiative in year 2023. In collaboration by InnoTech.

Future Outlook.

In 2023, Omantel maintained its position as a leader in the telecommunications sector in the sultanate of Oman and continue to maximize value to our esteemed shareholders. We eagerly look forward to building a totally connected community through innovation together with our customers. Our vision extends beyond traditional connectivity roles. Omantel is evolving into a technology company that is engaging in global diversification ventures.

Our corporate strategy, "Shift Gear," is steering our company's vision toward a digital-native future. We have made remarkable strides over the past three years, earning recognition for our top-notch digital experiences. As AI takes centre stage in our strategy, we are exploring its potential to enhance customer offerings and streamline operations, marking the start of a transformative journey from a Telco to Tech Company. In this context, Omantel Labs focuses primarily on developing entrepreneurial skills among the youth and accelerating the growth of technology startups in the Sultanate of Oman through five technological fields: 5G technology, Internet of Things, cybersecurity, subscriber experience concept, and big data. Additionally, Omantel obtained, through one of its subsidiaries, a license from the Central Bank of Oman to provide electronic payment services in the Sultanate through the OM Pay application. This service will enable Omantel to provide diverse payment options for individuals and businesses alike.

In 2023, Omantel advanced significantly in implementing the strategy by introducing new initiatives and strategic partnerships that will cement the foundation of our growth.

Through our endeavors to expand the horizons of

partnership and innovation, we have collaborated with AWS (Amazon Web Services) to address data residency and security requirements, especially for government entities and regulated industries in Oman.

We are also working with AWS to develop a marketplace that will run on AWS built platforms which leverages its Machine Learning and Data Analytics capabilities to provide a personalized customer experience.

Our continuous partnership with global tech giant Google empowers us to achieve our goals competently. Together, we have embarked on groundbreaking initiatives, including implementing Artificial Intelligence/Machine Learning (AI/ML) on prediction models and revenue maximization, network optimization, and the API monetization project aimed at serving enterprise businesses.

To accelerate digital transformation, the Huawei-powered national cloud will facilitate Oman's digital revolution with secure and local data hosting, coupled with cutting-edge cloud services and Hyperscaler capabilities brought to customers' doorsteps. Omantel is also partnering with other global giants to foster digital transformation and growth in Oman.

Through these alliances, we are confident we can develop a successful digital Infrastructure that will play a pivotal role in enabling customers, enterprises, including SMEs, and Government entities to advance their business and achieve more. These developments are also pivotal for accelerating Oman's digital transformation, aligning with its ambitions outlined in Vision 2040, and positioning Omantel as the vision Digital Arm.

Moreover, Omantel's participation in several international cable systems is also supported by an assemblage of several direct regional terrestrial links in our portfolio, which makes the Sultanate of Oman one of the most connected places in the region and an attractive international hub as the entrance to the Gulf for carriers, content, and cloud providers. The formation of Zain Omantel International (ZOI), in partnership with Zain Group, marks a strategic expansion in our services. With the new entity adopting a vibrant brand identity and a comprehensive service portfolio, ZOI is set to become a leading force in the global wholesale telecommunications sector.

Thanks and Appreciation.

We take this opportunity to express our heartfelt gratitude to our shareholders and loyal customers for their continued support, which enabled us to achieve these excellent results. We also wholeheartedly appreciate the sincere contribution of executive management and employees to the company's performance in the market's 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 life, health, and welfare so that Oman and its people can achieve more progress, prosperity, and welfare.

Mulham bin Basheer Al-Jarf
Chairman



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C.R. No. 1224013
 PR No. HHM/15/2015; HMA/9/2015

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 2023 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 2023 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 Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or 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 2023.

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 2023.	No exceptions noted.

12 March 2024
 Muscat



3

CORPORATE GOVERNANCE REPORT

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 31st March 2023, 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
Mulham bin Basheer Al-Jarf	Chairman	Non-Executive, Independent, Not shareholder	2	–	Yes
Khalid bin Abdullah AlKhalili ⁽¹⁾	Deputy Chairman	Non-Executive, Independent, Not shareholder	1	2	Yes
Aimen bin Ahmed Al Hosni	Member	Non-Executive, Independent, Not shareholder	2	1	Yes
Sayyid Zaki bin Hilal Al-Busaidi	Member	Non-Executive, Non-Independent, Not shareholder	2	1	Yes
Ibrahim bin Said Al-Eisry	Member	Non-Executive, Independent, Not shareholder	2	–	Yes
Atif bin Said Al-Siyabi	Member	Non-Executive, Non-Independent, Not shareholder	2	1	Yes
Musallam bin Mohammed Al-Barami	Member	Non-Executive, Independent, Not shareholder	2	–	Yes
Khalid bin Talib Al-Hasani ⁽²⁾	Member	Non-Executive, Independent, Not shareholder	2	–	Yes
Ishaq Bin Zaid Al Maawali ⁽³⁾	Member	Non-Executive, Independent, Not shareholder	2	3	Yes
Saud bin Ahmed Al-Nahari ⁽⁴⁾	Deputy Chairman	Non-Executive, Independent, Shareholder	2	1	Yes
Matar bin Saif Al-Mamari ⁽⁵⁾	Member	Non-Executive, Independent, Not shareholder	2	–	Yes

⁽¹⁾ He was appointed Deputy Chairman of the Board of Directors on March 31, 2023

⁽²⁾ ⁽³⁾ They were appointed members of the Board of Directors on March 31, 2023.

⁽⁴⁾ ⁽⁵⁾ The membership ended on March 31, 2023.



2. Profile of Directors and Executive Management

Mulham Bin Basheer Al-Jarf is having more than 26 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.

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 development 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, LIVA Insurance (Oman) SAOC. Deputy Chairman & member of the Executive Committee – OMINVEST (Oman International Development & Investment Company SAOG). Founder & Chairman – Sumail Development Company SAOC.

Aimen bin Ahmed Al Hosni is the CEO of Oman Airports and is acclaimed for his important role in elevating Oman Airports to a significant status globally and for his substantial contributions to the national efforts in transforming Oman's aviation sector. Under his leadership, major airports in the Sultanate were launched between 2015 and 2018, a period marked by numerous prestigious regional and international awards and accreditations. Elected as President of the Airports Council International's World Governing Board for 2021-2023, Al Hosni is currently serving as a past chair on the advisory board of the ACI for a four-year term starting from 2024. Beyond his notable achievements in aviation, Al Hosni holds key executive positions in various national and international companies, including Chairman of Oman National Engineering & Investment Company SAOG, Chairman of Oman Sats, and Chairman of Transom Ground Handling.

Sayyid Zaki bin Hilal Al-Busaidi held the position of CEO of the Institute of Public Administration (Now Royal Academy of management). He has vast experience in quality management systems, organizational structures and human resource management. He holds a master's degree in public administration from the University of Exeter, United Kingdom. He is a member of the State Council, and member of the authority Supreme Council of the Gulf Cooperation Council (GCC). He is a board member of an insurance public listed company.

Ibrahim bin Said Al-Eisry is the general manager of private Market at Oman Investment Authority in the Sultanate of Oman. He has more than 19 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 Brooks University and is a member of the Association of Chartered Certified Accountants.

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 20 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. He is a Board Member of Bank Nizwa SAOG.

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.

Khalid bin Talib Al-Hasani holds Master degree in Audit and Consulting Management in 2005, a Bachelor degree in Accounting in the year 1996, and a Professional Certificate in Internal Auditing (CIA) in 2004. He has more than 26 years of experience in financial management, investment and auditing.

Ishaq bin Zayed Al Maawali is the Investment Manager at the Social Protection Fund. He holds Master Degree in Finance. He is a Board Member of Bank Nizwa SAOG, Shell Marketing Company SAOG, Oman Cement Company SAOG, and a Board Member of Oman National Investments Development Company SAOC.

***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 is a board member licensed by the Capital Market Authority.

****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.

Talal Said Al Mamari boasts over 25 years of experience and has been serving as the Chief Executive Officer of Omantel since June 29th, 2014. He holds a bachelor's degree in Business Administration from Duquesne University in Pittsburgh, Pennsylvania, USA. Prior to his appointment as CEO of Omantel, he held several leadership positions including Chief Financial Officer and played an instrumental role in various initiatives including the IPO in 2005, restructuring of Omantel by bringing the mobile and fixed operations together and later the legal merger of Oman Mobile with Omantel. He also managed Omantel's acquisition of Zain Group. He sits on various Board Committees, such as Oman Centre for Governance & Sustainability.

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.

*His membership ended on March 31, 2023.

**His membership ended on March 31, 2023.

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 31 March 2023 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 10 meetings during the year 2023. These were in the following order:

Board Meetings	Date of the Meeting
1st Meeting	16- February -2023
2nd Meeting	9- Mar -2023
3rd Meeting	31 – Mar -2023
4th Meeting	14- May -2023
5th Meeting	30- May-2023
6th Meeting	22- June -2023
7th Meeting	9- August-2023
8th Meeting	12-October -2023
9th Meeting	14 -November-2023
10th Meeting	12-Dec-2023

Member's attendance at Board of Directors meetings:

Name of the Board Member	Position	Number of Meetings attended
Mulham bin Basheer Al-Jarf	Chairman	10
Khalid bin Abdullah Al-Khalili ⁽¹⁾	D. Chairman	9
Aimen bin Ahmed Al Hosni	Member	10
Sayyid Zaki bin Hilal Al-Busaidi	Member	9
Ibrahim bin Said Al-Esiry	Member	9
Atif bin Said Al-Siyabi	Member	10
Musallam bin Mohammed Al-Barami	Member	10
Khalid bin Talib Al-Hasani ⁽²⁾	Member	8
Ishaq Bin Zaid Al Maawali ⁽³⁾	Member	8
Saud bin Ahmed Al-Nahari ⁽⁴⁾	D. Chairman	2
Matar Saif Al-Mamari ⁽⁵⁾	Member	2

⁽¹⁾Appointed Deputy Chairman of the Board of Directors on March 31, 2023

⁽²⁾⁽³⁾They were appointed members of the Board of Directors on March 31, 2023.

⁽⁴⁾⁽⁵⁾Their membership ended on March 31, 2023.

The Committees stemming from the Board of Directors

1. Strategic and Investment Committee

A. Committee meetings

The Strategic and Investment committee held 3 meetings during the year 2023:

Name of the committee member	Position	Number of Meetings attended
Mulham bin Basheer Al-Jarf	Chairman	3
Khalid bin Abdullah Al-Khalili ⁽¹⁾	D. Chairman	3
Aimen bin Ahmed Al-Hosni	Member	3
Ibrahim bin Said Al-Esiry ⁽²⁾	Member	3
Khalid bin Talib Al-Hasani ⁽³⁾	Member	2
Sayyid Zaki bin Hilal Al-Busaidi ⁽⁴⁾	Member	–
Matar bin Saif Al-Mamari ⁽⁵⁾	Member	–

⁽¹⁾Appointed Deputy Chairman of the Committee on May 21, 2023

⁽²⁾⁽³⁾The committee was re-formed on March 31, 2023

⁽⁴⁾⁽⁵⁾The membership ended on March 31, 2023

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

A. Committee meetings

The committee held 9 meetings during the year 2023 as follows:

Name of the committee member	Position	Number of Meetings attended
Musallam bin Mohammed Al-Barami ⁽¹⁾	Chairman	9
Ishaq Bin Zaid Al Maawali ⁽²⁾	D. Chairman	6
Sayyid Zaki bin Hilal Al-Busaidi ⁽³⁾	Member	5
Ibrahim bin Said Al-Esari ⁽⁴⁾	Chairman	2
Saud bin Ahmed Al-Nahari ⁽⁵⁾	D. Chairman	2

⁽¹⁾The committee was re-formed, and he was appointed Chairman of the Committee on March 31, 2023

⁽²⁾Appointed Deputy Chairman of the Committee on May 14, 2023

⁽³⁾The committee was re-formed on March 31, 2023

⁽⁴⁾⁽⁵⁾The membership ended on March 31, 2023

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 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.

4. Nomination, Remuneration & HR Committee

A. Committee meetings

The HR committee held 12 meetings during the year 2023:

Name of the committee member	Position	Number of Meetings attended
Ibrahim bin Said Al-Esari ⁽¹⁾	Chairman	8
Ishaq Bin Zaid Al Maawali ⁽²⁾	D. Chairman	8
Musallam bin Mohammed Al-Barami ⁽³⁾	Member	8
Saud bin Ahmed Al-Nahari ⁽⁴⁾	Chairman	4
Sayyid Zaki bin Hilal Al-Busaidi ⁽⁵⁾	D. Chairman	4
Atif bin Said Al-Siyabi ⁽⁶⁾	Member	4

⁽¹⁾The committee was re-formed on March 31, 2023 and he was appointed Chairman of the Committee.

⁽²⁾He was appointed Deputy Chairman of the Committee on April 5, 2023

⁽³⁾The committee was re-formed on March 31, 2023

⁽⁴⁾⁽⁵⁾⁽⁶⁾The membership ended on March 31, 2023.

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.

5. Tender Committee

A. Committee meetings

The Tender committee held 6 Meetings during the year 2023:

Name of the committee member	Position	Number of Meetings attended
Atif bin Said Al-Siyabi ⁽¹⁾	Chairman	6
Sayyid Zaki bin Hilal Al-Busaidi ⁽²⁾	D. Chairman	5
Khalid bin Talib Al-Hasani ⁽³⁾	Member	6
Aimen bin Ahmed Al-Hosni ⁽⁴⁾	Chairman	–
Matar bin Saif Al-Mamari ⁽⁵⁾	D. Chairman	–
Musallam bin Mohammed Al-Barami ⁽⁶⁾	Member	–

⁽¹⁾The committee was re-formed on March 31, 2023 and he was appointed Chairman of the Committee.

⁽²⁾He was appointed Deputy Chairman of the Committee on May 2, 2023

⁽³⁾The committee was re-formed on March 31, 2023

⁽⁴⁾⁽⁵⁾⁽⁶⁾The membership ended on March 31, 2023.

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.

6. Digital Technology and Innovation Committee

A. Committee meetings

The Digital Technology and Innovation committee held 2 Meetings during the year 2023:

Name of the committee member	Position	Number of Meetings attended
Mulham bin Basheer Al-Jarf	Chairman	2
Aimen bin Ahmed Al-Hosni ⁽¹⁾	D. Chairman	2
Atif bin Said Al-Siyabi	Member	2

⁽¹⁾Appointed Deputy Chairman of the Committee on May 29, 2023

B. The committee's terms of reference:

- Reviewing and providing assurance to the Board on the effectiveness of the Company's digital innovation strategy, operations and technology investments in support of the Company's overall business and operating strategy;
- Providing advice to the Board on technology advances and their potential to further the Company's strategy;
- Reviewing and providing assurance to the Board on the effectiveness of the Company's policies and governance with respect to technology risks, including cybersecurity policies, governance, controls and procedures;
- References to "digital" include but not limited to ICT, fintech, cybersecurity, big data, emerging technologies, applications, and infrastructure, as well as solutions to enable the Company to deliver differentiated, customer-centric experiences and efficient and effective operations.

Remunerations

Board of Directors

The sitting fees and remuneration paid/payable to the board members for the year 2023 amounted to RO 80,600 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 2023:

Name of Board Member	Sitting fee (RO)
Mulham bin Basheer Al-Jarf	7,000
Aimen bin Ahmed Al Hosni	7,000
Sayyid Zaki bin Hilal Al Busaidi	10,000
Atif bin Said Al-Siyabi	10,000
Musallam bin Mohammed Al-Barami	10,000
Khalid bin Abdullah Al-Khalili	5,700
Ibrahim bin Said Al-Easri	9,700
Ishaq Bin Zaid Al Maawali	9,600
Khalid bin Talib Al-Hasani	7,200
Saud bin Ahmed Al-Nahari *	3,400
Matar Saif Al-Mamari **	1,000
Total	80,600

(*) (**) The Board membership ended on March 31, 2023.

Top Five Executives

The total remuneration paid/payable to the top five executives for the year 2023 was RO 1,204,775. 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
2023	202,000	Non-Compliance with TRA Regulations
2022	70,000	Non-Compliance with TRA Regulations
2021	5,000	Non-Compliance with TRA 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.

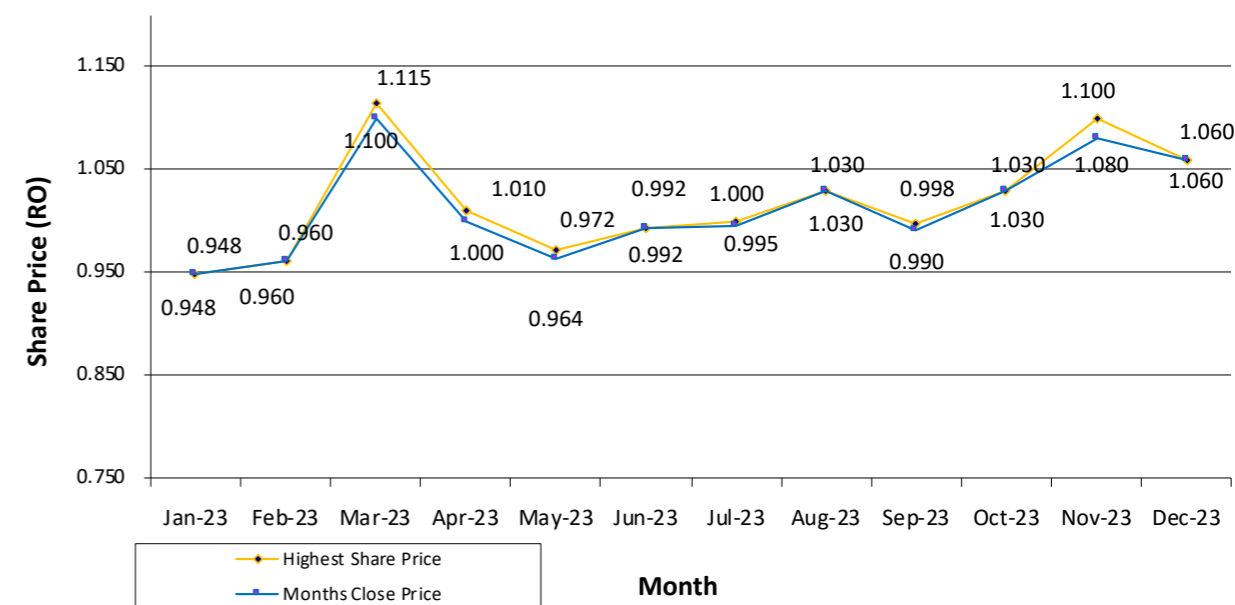
Details of Market Shares

A) Details of prices for traded company shares:

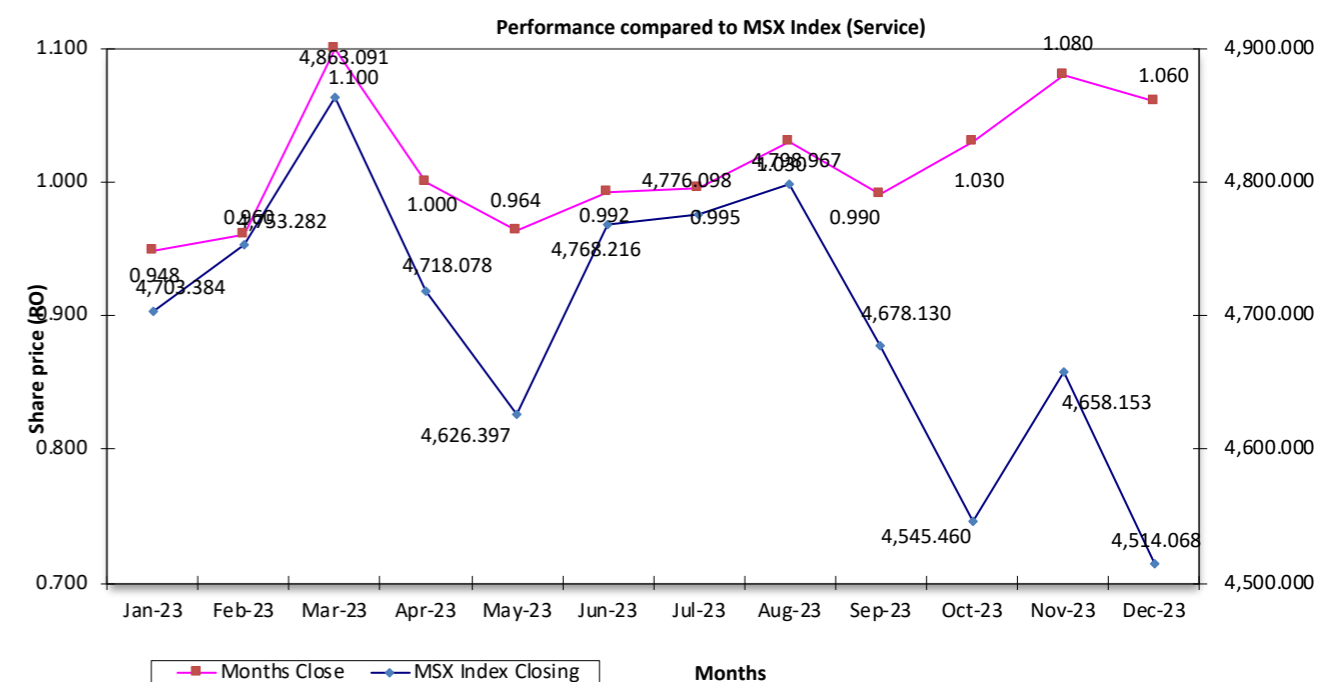
Following are the details of the company's shares traded on the Muscat Stock Exchange (MSX) during the year 2023:

Month	Highest Share Price	Lowest Share Price
January	0.948	0.948
February	0.960	0.944
March	1.115	1.100
April	1.010	1.000
May	0.972	0.960
June	0.992	0.988
July	1.000	0.995
August	1.030	1.020
September	0.998	0.990
October	1.030	1.012
November	1.100	1.080
December	1.060	1.030

Omantel Share Price Movement 2023



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 as of 31/12/2023:

Sl. No	Number of Shares	No. of Shareholders
1	1 – 500	11,512
2	501 – 1,000	3,859
3	1,001 – 5,000	4,430
4	5,001 – 10,000	857
5	10,001 – 15,000	321
6	15,001 – 20,000	124
7	20,001 – 50,000	257
8	50,001 – 800,000	201
9	800,001 – 1,000,000	3
10	1,000,001 – 15,000,000	37
11	15,000,001 and above	6
Total		21,607

Professional Background of External Auditors

External auditor for Omantel

EY is a global leader in assurance, tax, strategy & transactions, and consulting services.

The MENA practice of EY has been operating in the region since 1923. For over 100 years, EY has grown to over 8,000 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 EMEA practice. Globally, EY operates in more than 150 countries and employs 395,000 professionals in 700 offices.

The total audit fees paid/payable to the external auditor of the company for the financial year 2023 are as follows:

Details	Amount (RO)
Audit Services	113,000
Other Permitted Services	213,500
Total	326,500

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

4

SUSTAINABLE COMMUNITY PARTNERSHIP

First: Sustainability

Sustainability is a key focus for Omantel as we believe in conducting business in an ethical and responsible manner. We have defined our sustainability approach under four pillars, each in alignment with the United Nations Sustainable Development Goals (UNSDGs) and the Oman Vision 2040.

Our mission: Enable Omani society by building a digitally advanced and connected community and contributing to Oman's sustainable development.

Omantel Sustainability Steering Committee

Omantel recognizes the importance of sustainability initiatives and has established the Sustainability Committee to oversee and make informed decisions regarding these initiatives. The committee is tasked with addressing all matters pertaining to sustainability and provides regular updates and comprehensive reviews to the board, ensuring transparency and accountability in our sustainability efforts. The Sustainability Committee serves as the steering committee entrusted with supporting the Board of Directors in fulfilling its oversight duties regarding Omantel's sustainability strategy and initiatives. This encompasses environmental, social, and governance aspects, along with the integration of sustainability practices into Omantel's core business operations.



To ensure a comprehensive approach, the Sustainability Steering Committee comprises representatives from pertinent departments, senior management, and external experts as required.

Omantel Sustainability Framework

Our sustainability framework that we updated in 2023 guides us to identify, prioritize, and manage sustainability risks and opportunities. It also helps us to align our operations with international best practices and standards.

Our sustainability efforts are integrated into our business strategy and operations, and we regularly monitor and report our progress. We believe that by being a responsible and sustainable organization, we can create long-term value for our stakeholders, including customers, employees, shareholders, and society as a whole.



Omantel's Sustainability Pillars



Second: Social Responsibility

Omantel has always displayed strong commitment to create value and impact on Oman's communities through multi-level initiatives designed to give back to the community.

During 2023, Omantel through its corporate social responsibility, implemented more than 30 initiatives to support the local community. In this report, we are highlighting some of the main initiatives:

Community Wellbeing

The company extended support to Oman Cancer Association (OCA) through various activities, including the 19th Annual Walkathon to raise funds for cancer patients.



In collaboration with Al Noor Association for the Blind in Dhofar, Omantel conducted a smartphone workshop for the visually impaired where 15 participants were trained on using the digital devices to assist them in their daily life. The aim was to equip participants with smart phones and technology skills through hands-on sessions and tailored content, over five days.

Entrepreneurship

Omantel launched Mubadera initiative aimed to empowering Omani women Association members with digital skills and enhance the digital entrepreneurial skills. The training included 60 Omani women association members focusing on enhancing their skills in the field of digital innovation, enabling them to develop innovative digital solutions.

Environment

Omantel provided an interactive digital wall screen at Al Ansab Wetland Visitor Centre. The initiative provides awareness, informative and educational information to all visitors about 305 recorded species of resident and migrating birds. Al Ansab Wetland serves as a tourist destination for birdwatching and provides educational opportunities as an enduring monitoring site.

Omantel also collaborated with the Turtle Commandos team, to conduct a sea turtle observation and conservation initiative in Ras Al Hadd area in the Willayat of Sur, where 15 participants from Omantel's Volunteering Team (Ma'an Team) participated to raise awareness on turtle protection.

Education

Collaboration with Sultan Qaboos University to promote scientific research in the areas of Information and Communications Technology (ICT) and Artificial Intelligence (AI).

Omantel and Outward Bound Oman (OBO), collaborated to provide challenging outdoor experiences through courses where the young Omani participants were equipped with skills to help them reach their full potential.

4 outdoor courses were delivered for a total of 64 young people. The courses delivered were OBO's standard Skills for Life, Next Generation, Climate Shapers, and Special Needs courses.

Omantel collaborated with the Ministry of Education to develop an IT and coding curriculum for primary school students (Grade 3 and 4). Through this curriculum, students will be able to obtain the skills of the future and the fourth industrial revolution in line with Oman Vision 2040. The total number of benefitting students reached 240000 students.



5

MANAGEMENT DISCUSSION & ANALYSIS REPORT



The Global Telecom Landscape

The Evolution:

The telecommunications industry continues to evolve at breakneck pace while maintaining its leadership role in facilitating all technological advancements that are shaping the contemporary world. With a rising need for digital transformation in our personal and commercial lives, telecom operators undeniably remain the core catalyst in fueling the global digital revolution. Nearly all of the modern-day behaviors i.e. education, research, entertainment, healthcare, commerce and industry, are now hosted by telecommunication networks.

Operators have been witnessing enormous growth in data and content communications, their storage requirements, and the need for its security in massive proportions. As we enter 2024, several prominent communication trends are poised to reshape the industry, encompassing a wide array of advancements such as Generative Artificial Intelligence, digitization/cloudification, environmental sustainability, ecosystem partnerships and the burgeoning growth of the Internet of Things (IoT) etc.

The business philosophies of telecom operators are rapidly evolving. Enterprise sector has become a center stage for almost all newly emerging revenue segments. The rise of B2B2X offerings with an enterprise focus has marked a significant re-segmentation in telecom markets. Operators are increasingly transforming and rebalancing their services portfolios

towards other businesses (B2B) and collaborative services models.

The Outlook:

The much-anticipated maturity of long-gestating 5G technology is expected to achieve metaphorical positioning in coming years as majority operators around the world are critically focused on monetizing their 5G networks through entirely new business models.

5G network infrastructures will form the bedrock of the expanding enterprise segmentation and new offerings. Operators are increasingly developing enterprise-focused solutions and fostering a more symbiotic relationship with businesses.

Telecom operators and vendors are prioritizing sustainability in their operations. Enhanced focus on carbon footprint reduction, implementing eco-friendly practices, reducing e-waste and promoting renewable energy sources will become central pillars to the industry's commitment to sustainability in the coming years.

The future of telecommunications is not based on mere connectivity anymore. Telecom business philosophy is being rewritten to deliver personalised experiences, intelligent solutions, developing strategic partnerships with the customers and contributing to a sustainable and interconnected world.

The Challenge:

It is imperative to highlight that telecom operators are facing mounting challenges as conventional business practices which were mainly focused on voice, messaging, and data connectivity, are not yielding revenue growth in mature markets any longer.

Due to the worldwide commoditization of broadband data connectivity, the phenomenal growth in data consumption over 4G, 5G and high speed fiber networks has not been able to generate equivalent returns for the operators to compensate the declining voice and messaging revenue.

The classical definition of 'competition' which encompassed operators competing merely for better connectivity, coverage, and quality in their respective inland markets, has been evolved to incorporate the likes of System Integrators, Hyperscalers and OTT operators, offering all sorts of communication services without much regulatory control.

The exclusivity in the provisioning of telecommunications which was once enjoyed by the telecom operators is becoming a thing of the past. The crowding of non-conventional telecom players in the sector has significantly eroded the revenue streams of the conventional operators in recent times.

Requirement for undertaking persistent infrastructure investments is another growing challenge for the telecom operators. The relentless technological progression requires operators to constantly evolve and innovate by investing in their communications and digital infrastructure in order to sustain growth. For many telecom operators in competitive markets, this rapid modernization doesn't leave enough time for the operators to fully realize their desirable returns on existing infrastructure investments.

Global Economic Outlook and its Impact on Telecom Services

Over the past four years, the global economy has been battered by a wide-scale pandemic, supply chain disruptions, record levels of inflation, a meagre trade and industrial performance, escalated geo-political conflicts, skyrocketing interest rates, restrictive credit expansion and weak recovery in the labor markets etc. These factors raised fears of yet another painful economic downturn around the world.

However recent demonstration of a steady performance by emerging and large economies suggest that world has so far managed to avert the threat of a so-called new global economic meltdown. Several countries demonstrated a sturdy economic performance, whereas some key western regions in general struggled with deteriorating consumer spending due to inflation and high energy prices.

As recent recovery patterns begin to emerge globally and if the current headline deflationary trends persist during 2024, we may see further easing in the financial conditions around the world. This will lead to credit expansion and increased money flow towards industrial and trade sectors, thus resulting in overall retrieval of economic activity going forward.

Oman's economic positioning remained on a stronger footing during 2023 based on stable oil prices and improving hydrocarbon production. The country's economy is set to post an estimated 2023 budget surplus against a budgeted deficit as earlier expected.

After undergoing rigorous economic reforms towards managing liabilities and rationalizing overall government expenditure in recent years, Oman has successfully managed to reducing its public debt and is now channeling the resulting fiscal buffers towards development expenditures. During recent years, the government has successfully governed the domestic demand and supply chains. As a result, Sultanate's headline inflation remains among the lowest in the entire GCC region.

The anticipated growth in development and expansion expenditure by the Government will continue improving Sultanate's domestic money supply during 2024, eventually resulting in improvement in consumer spending across the country.

From a telecom economy's perspective, improved consumer spending will lead to a higher uptake of telecom services in the country. Telecom operators in Oman are also expected to gain from the expected global and regional economic turnaround as labor markets recovery will boost consumer spending across retail and services sectors.

Furthermore, the rapid surge of e-commercialization in the post-Covid era has triggered an immense growth of connectivity and digitization services across the world. Conventional physically oriented ways of doing business are increasingly transforming into online business practices. The world has witnessed a colossal growth of hundreds of millions of new retail players who are using online e-commerce platforms i.e. Facebook Marketplace, Alibaba, Amazon Seller, eBay, Instagram Shop, WhatsApp Business etc. This phenomenon has created an enormous opportunity for the domestic telecom operators in terms of providing connectivity, digitization, cloudification and solution-based services to the Omani enterprise sector.

Omantel's 2023 Journey – Aspirations, Challenges and Triumph

The year 2023 turned out to be yet another challenging year, through which we successfully navigated our way towards maintaining Omantel's signature flagship profile, progression and profitability.

Besides the recent global trend of declining growth, Omantel demonstrated a positive operational and financial performance in terms of generating domestic organic revenue growth in mobile and wholesale segments. Omantel Group (including Zain) posted a total revenue of RO 2.9 Billion, against RO 2.7 Billion revenue as recorded in 2022. The Group posted a net profitability of RO 315.5 Mn during the year 2023, compared to RO 278.9 Mn in 2022.

International Portfolio Diversification

2023 marked as another successful year, yielding several tactical achievements that elevated Omantel on the international landscape of operational and financial accolades. Omantel embarked on a strategic journey with Zain group and launched 'Zain Omantel International' ('ZOI'), a multi-sponsored international Wholesale joint venture between Omantel and Zain Group, which blends Omantel's robust infrastructure and wholesale experience with Zain Group's wide market reach across 7 countries serving more than 50 million customers.

As the only pan-regional network in the Middle East, ZOI offers the largest sub-sea cable infrastructure in the GCC, a strategic gateway to Europe, Africa, Asia and Australia, providing on-net access and connectivity in over 8 countries, and a preferred regional partner for the global hyperscalers. With the new entity adopting a vibrant brand identity and a comprehensive service portfolio, ZOI is set to become a leading force in the global wholesale telecommunications sector. ZOI will be primarily consolidated under Zain, and ultimately be consolidated under Omantel by virtue of Omantel's management control over Zain Group.

Financial Resource Management:

The intensely competitive telecom markets and rapid technological evolution has called for a wide scale transformation of business models beyond domestic operations and conventional connectivity. Mergers and acquisitions have remained the mainstay of the telecom industry for many years, as operators around the world have been actively acquiring these emerging capabilities through acquisitions.

In a similar strategic move back in 2017, Omantel undertook a major debt-funded acquisition of 21.9% strategic stake in the Zain Group, and expanded its geographical footprint to 8 regional countries with leadership positioning in 4 markets. This high value acquisition advanced Omantel to the international financial markets.

Since Zain's acquisition, Omantel has been successfully maintaining robust relationships with the international, regional as well as domestic banking and financial institutions, meeting our debt obligations and maintaining a healthy debtor profile all throughout.

In a recent high value achievement, Omantel successfully raised US\$ 500 million from the international financial markets by launching first of its kind telecom sukuk bonds in the region based on airtime data. The Sukuk is rated at 5.375%, and linked to 7-year US treasury rates. At the peak time during the launch process, Omantel's Sukuk attracted commitments of up to US\$ 3.8 Billion (~8 times) at the Initial price thoughts stage. This is the most recent testimony of the trust and confidence our international and regional investors have demonstrated towards Omantel.

Earlier in January, Omantel fully prepaid the term loan of US\$ 341 Mn, which was secured by a pledge on Zain's acquired shares. This prepayment was financed from tower sale proceeds.

In the recent demonstration to our commitment towards environmental sustainability, Omantel has developed a 'Sustainable Finance Framework' in March 2023. This framework has enabled Omantel to fund its future 'Sustainable Capital Projects' with innovative financial instruments that will be aligned with the global sustainability standards. Presence of the SFF framework creates the possibility of yielding potential interest rate savings on any new international financing going forward.

Addressing the Competition through Innovation and Diversification:

2023 was marked as another exciting year for Sultanate's telecom market. The competition continued to evolve further as the 3rd mobile operator stepped into mobile postpaid services segment. Although this shift demonstrated an improvement in the postpaid market size, the overall revenue and profitability margins of the operators remained under stress, demonstrating indications of saturation in core telco services.

To address the competitive challenges, Omantel has been successfully executing its Shift Gear strategy over the past few years. This has enabled us to minimize the impact of the competition in the Sultanate's telecom market, that has intensified over recent times.

While we remain vigilant as the improvements in domestic spending patterns are slow and cost saviness remains prevalent in the enterprise as well as consumer markets, Omantel will continue pursuing portfolio diversity in order to generate new revenue streams from digitization, services innovation and enterprise solution arenas.

As part of our corporate strategy, we have been steadily redefining Omantel's profile from being a 'Telecommunications Company' to become a 'Technology Operator' going forward. Omantel continues to pursue several transformation strategies based on technological evolution. These include cloudification, digitization, talent transformation/development, internal processes reengineering and optimization through artificial intelligence, implementing a P&L driven culture and converting several cost centers to profit centers by inducing a commercial philosophy etc.

Omantel has undertaken many pioneering initiatives towards establishing a full-fledged digital eco-system across several operational domains. Aligned with the Sultanate's 2040 vision, our ICT arm agenda aims to become an indispensable trusted partner for customers' technological needs. During 2023, Omantel initiated several digital transformation projects in the government, enterprise, and SME sectors.

We are persistently pursuing diversification in our business steams and services offerings based on digital platforms and tailored solutions to mitigate the cannibalization of conventional connectivity revenue. As pressure mounts on organic revenue growth and profitability margins, our cost optimization efforts continue to alleviate pressures from Omantel's profitability. Over recent years, Omantel has achieved significant cost savings through streamlining and re-engineering our internal processes, efficient utilization of resources, rejuvenated vendor management and network usage optimization etc.

In 2023, Omantel advanced significantly in implementing the strategy by introducing new initiatives and strategic partnerships that will cement the foundation of our growth. In terms of partnerships and innovation, Omantel has recently collaborated with AWS (Amazon Web Services) to address data residency and security requirements, especially for government entities and regulated industries in the country.

We are also working with AWS to develop a marketplace that will run on AWS built platforms which leverages its Machine Learning and Data Analytics capabilities to provide a personalized customer experience.

Omantel continues its prolific high value partnership with the global tech giant Google. Together, we have embarked on groundbreaking initiatives, including implementing Artificial Intelligence/Machine Learning (AI/ML) on prediction models and revenue maximization, network optimization, and the API monetization project aimed at serving enterprise businesses.

Our Huawei-powered national cloud will facilitate Oman's digital revolution with secure and local data hosting, coupled with cutting-edge cloud services and Hyperscaler capabilities brought to customers' doorsteps. Omantel is also partnering with other large global entities to foster digital transformation and growth in Oman.

Through these alliances, we are confident we can develop a successful digital Infrastructure that will play a pivotal role in enabling and accelerating Oman's digital transformation, aligning with its ambitions outlined in Vision 2040, and positioning Omantel as the country's leading Digital Arm.

Moreover, Omantel participation in several international cable systems is also supported by an assemblage of several direct regional terrestrial links in our portfolio which makes the Sultanate of Oman one of the most connected places in the region and an attractive international hub as entrance to the Gulf for carriers, content, and cloud providers. The formation of Zain Omantel International (ZOI), in partnership with Zain Group, marks a strategic expansion in our services. With the new entity adopting a vibrant brand identity and a comprehensive service portfolio, ZOI is set to become a leading force in the global wholesale telecommunications sector.

Omantel from an Investment Viewpoint

Apart from portfolio diversification to the investors, the telecom sector offers many other investment advantages, most apparent of which is resilience. Telecom stocks have proven to be among the best growth and/or defensive stocks in recent challenging economic times offering persistent dividends and valuation growth for investors.

Telecom operators are often considered as an attractive investment for growth and income-oriented investors. They play a critical economic role and provide innovative communication services to consumers and businesses. However, in recent times of disruptive technological evolution, only those operators have managed to anchor investor confidence that are constantly pursuing upgradation of their network infrastructure and services portfolio diversification.

Valuations of highly diversified operators remain buoyant in regional as well as global financial markets, whereas operators whose business models comprise of mere connectivity are suffering from valuation pressures and lack of investor interest.

Omantel has been successfully emerging as a widely diversified telecom operator having a rich portfolio of domestic and international telecom assets, strategic collaborations with international players, strong market positioning and a well established profitability trend. Omantel is steered by an experienced management team carrying a rich indigenous as well as transnational experience. This is evident from the fact that Omantel strongly maintains its revenue market leadership position even after rigorous market liberalization that the Sultanate has witnessed over the past decade.

Our investor-centric dividend policy aims at a persistent investor payouts, and has constantly delivered returns and value to our investors in an inevitable manner.

Our strong corporate governance enables us to maintain successful operating success, which is reflected through highly transparent financial communication to all our stakeholders. Omantel carries a strong corporate character which drives our trustworthiness, value creation and access to capital.

This claim is reinforced by the fact that Omantel is recognized by the global, regional and domestic investor and financial communities as a well-trusted organization capable of carrying out big ticket international transactions and meeting financial commitments.

Domestic Telecom Landscape

Sultanate's domestic telecom market remains widely liberalized relative to the country's population compared with the neighboring markets in the region. Multiple operators operate across fixed broadband, mobile, and international gateway segments. The recent expansion of 3rd mobile operator in the postpaid segment has further intensified competition in an already saturated market.

Subscriber growth in the domestic market has not yet recovered to prime levels of the past. One of the leading causes for the sluggish market growth is continuation of lackluster global economic trends that continue due to multiple international geo-political conflicts, high levels of inflation, subdued credit expansion and the resulting slow economic recovery among those high growth industrial countries, that are capable of driving global trading demand.

Despite the prevalent global economic distress, Oman demonstrated a steady and resilient economic recovery during 2023, and the same trend is expected to reflect in 2024. Domestic telecom market posted a significant recovery in subscriber growth during 2022, which was slowed down in 2023.

Relieved from the oil price shock and on path of a solid economic recovery, the government intends to grow its development expenditure in 2024, which will lead to job creation in the domestic economy. Such stability will yield favorable results for domestic operators in form of increasing subscriber and services growth in the country's telecom market.

Regardless of the impactful legacy of the abovementioned challenges on domestic economic echelons, Omantel demonstrated a resilient market performance during the year. While maintaining a revenue leadership position in both mobile and fixed segments, coupled with a sustainable profitability profile, Omantel continues to meet its committed performance targets. Our debt servicing capacity remains healthy resulting from recent de-leveraging initiatives, a focused cost optimization mindset and efficient cash management.

Omantel has strategically positioned itself as a premier operator offering best-in-class services to address healthcare, education, SMEs and a wide range of our enterprise customers. Our key focus remains on customer retention through better service delivery and quality excellence in order to defend our leadership role.

To address the challenges from massive structural changes in telecom business models and market competitiveness, we continue to modernize our fixed and mobile networks, and investing in new technologies with a promising potential for new business generation. After a successful launch of 5G services in 2019, Omantel remains the country's 5G leader, expanding its 5G footprint across country for both delivering fixed wireless access and mobile services.

Our Corporate Strategy – Shift Gear to Achieve Sustainable Profitability Growth

Our corporate strategy, Shift Gear, is steering Omantel towards a digital-native future. Over the past three years, we have made remarkable strides, earning recognition for our top-notch digital experiences. As Artificial Intelligence takes centre stage in our strategy, we are exploring its potential to enhance customer offerings and streamline operations, marking the start of a transformative journey from a telecom operator to a technology company.

As part of our strategic move towards transformation from Telco to Techo, Omantel has embarked on several high-profile international partnerships in emerging domains i.e. Artificial intelligence, cloudification and digital transformation of our services portfolio. Our collaboration with Huawei, AWS and Google are some of the fresh examples of our initiatives in this direction.

Resulting from the dynamic nature of our strategy, Omantel has been able to successfully grow its core revenues. Our core Telco revenue demonstrated growth, mainly resulting from our customer retention strategies converting customers from pre-paid to post-paid services. 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.

We continue to see growth potential in 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. We are also observing exciting opportunities in the domain of AI, and are evaluating strategic areas to play and develop diversified and new revenue streams.

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 that started under 'Omantel 3.0' and focusses on key business enablers i.e. positioning Omantel as the key international communications hub, transforming towards becoming a digital native operator, extracting value from data enhance Customer Experience & human capital.

Furthermore, our strategy focuses on developing new areas of growth 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 also a key part of our strategy. In addition, Omantel continues to implement stringent cost optimization mechanisms while continuing to invest in essential strategic domains.

Omantel ICT & Enterprise Services

In 2023, our ICT operations continued to register growth, particularly in the areas of digital transformation and the integration of advanced technologies. The year was marked by a strategic focus on sectors such as government, banking, education, energy, and healthcare services, leveraging the power of 5G, cloud computing, and AI to deliver innovative solutions.

Omantel achieved several key milestones. The successful pilot of a medical video conferencing system with major hospitals was a highlight, demonstrating the potential of technology in enhancing healthcare services. The renewal of significant contracts and the establishing of new agreements in the banking and infrastructure sectors underlined the trust and reliability of Omantel's services.

Another notable achievement was the significant progress made in the deployment of 5G technology, especially in surveillance solutions. This was complemented by proactive engagement with various government entities, aimed at spearheading their digital transformation initiatives.

Omantel has laid out ambitious plans for the coming years. There is a clear focus on further expanding cloud and security services and advancing 5G technology deployment. Strengthening collaborations with both government and private sectors remains our top priority. Central to these plans is the continued emphasis on innovation in ICT solutions, which is seen as a key driver for the digital transformation of Oman.

In terms of major projects and industry collaborations, the year was marked by significant initiatives. These included providing advanced ICT solutions for Invest Oman, collaborating with MOHERI for the OMREN project, and undertaking cloud migration projects for major banking institutions. There were also significant efforts in enhancing cybersecurity in healthcare IoT. Collaborations for upgrading digital infrastructure across various governorates stood out as a testament to Omantel's commitment to national development.

Lastly, some of the most share-worthy achievements of the year included transitioning the Oman Housing Bank to a full-fledged cloud infrastructure, a first in the nation. This was accompanied by securing multi-year contracts for network and security upgrades across several governorates. Omantel's active participation and hosting of key industry events like the COMEX and OMREN Technology Summit further highlighted its leadership and commitment to the ICT sector in Oman.

Overall, 2023 was a year of strategic advancements and robust growth for Omantel's ICT, setting a strong foundation for future innovations and continued contributions to Oman's digital landscape.

Omantel continues to lead the way in delivering top-notch products and services to enterprise customers in 2023. Our Mobile & Fixed Connectivity products have been designed to provide maximum value and flexibility to customers, ensuring they have access to the latest technologies. With Nama Professional, customers can choose the plan that suits their needs, which includes unlimited Free calling, data for local and GCC, International minutes, and worldwide roaming data.

Our 5G offerings provide ultra-high speed, instant response, and high-quality video streaming, enabling enterprise customers to take advantage of the latest technologies. To ensure our customers are satisfied with our services, we have also introduced our Try & Buy initiative, which allows customers to upgrade their current Fixed Business Broadband to the next available speed for free for a month, with no commitment.

SMEs also stand to benefit greatly from Omantel's products and services. The revamped A'amali, for example, offers unlimited internet, free mobile lines, with unlimited free calls between the postpaid lines, within the customer's company, providing a worry-free solution for businesses. In addition, Teamway ERP & POS is an all-in-one solution that enables businesses to manage their inventory, financial affairs, projects, tasks, employees, quotations, invoices, and purchased orders with customized modules to meet their specific needs.

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.

Omantel Wholesale – A Year of Strategic Growth & Collaboration

2023 witnessed certain landmark achievements for Omantel Wholesale. Showcasing our evolution as one of the most prominent regional wholesale operators, we have seamlessly integrated state-of-the-art solutions in interconnection, internet access, connectivity, carrier, roaming, infrastructure, including pioneering carrier-neutral data centers in the MENA region. Our expansion and innovation have positioned us as a key provider for telecom operators, Hyperscalers, and content providers on both local and global scales.

Omantel being a prominent international wholesale operator, specializes in provisioning of ultra low-latency connectivity to regional and international telecom operators and multinational technology companies. Capitalizing upon the Sultanate's geographic location at the nexus of Asia, Middle East and Africa, Omantel has build an extensive portfolio of international subsea cable systems and landing stations.

Over the past decade, we have deployed significant investments into our wholesale eco-system. Resultantly, Omantel now stands as a leading wholesale services provider in the region. Omantel holds an international investments portfolio of 20+ international subsea cable systems connecting 120+ cities across the world, and a diverse portfolio of cable landing stations in Oman and Marseille-France.

Our participation in several international cable systems is also supported by an assemblage of several direct regional terrestrial links in our portfolio which makes the Sultanate of Oman one of the most connected places in the region and an attractive international hub as entrance to the Gulf for carriers, content and cloud providers.

Incorporation of Zain Omantel International (ZOI): the formation of Zain Omantel International (ZOI), in partnership with Zain Group, marks a strategic expansion in our services. This joint venture blends Omantel's robust infrastructure and wholesale experience with Zain Group's expansive market reach across 7 countries serving more than 50 million customers. With the new entity adopting a vibrant brand identity and a comprehensive service portfolio, ZOI is set to become a leading force in the global wholesale telecommunications sector.

Key Partnerships:

Oman Emirates Gateway (OEG) Telecom Project: Omantel and du launched the Oman Emirates Gateway (OEG), a strategic submarine cable linking Oman and the UAE. This 275km cable is a major step in enhancing regional connectivity, offering improved services and higher capacities for hyperscalers, content providers, and carriers. The OEG project solidifies Omantel's and du's roles as key players in wholesale telecommunications, connecting data centers in Oman and UAE.

Omantel's Strategic Partnership with Djibouti Data Centre: Omantel forged a significant partnership with Djibouti Data Centre (DDC) to expand into the African market. This alliance, pivotal for both entities, enhances Omantel's position as a regional wholesale hub. The collaboration not only provides access to the African market but also establishes a direct link between Oman and Africa, creating new business opportunities and improving connectivity services. This strategic move demonstrates Omantel's commitment to global expansion and its role as a leading provider in telecommunications.

Alliance with China Mobile International (CMI): We entered a strategic partnership with China Mobile International (CMI) to drive innovation in the Internet of Things (IoT) and Internet of Vehicles (IoV) sectors across the Middle East. This collaboration combines CMI's advanced solutions and Omantel's state-of-the-art 5G roaming services, setting the stage for enhanced M2M IoT and IoV products. This partnership is pivotal in shaping competitive IoT and IoV solutions and unlocking new business opportunities in these rapidly evolving fields.

Sipartech Partnership: Strengthening our collaboration with Sipartech, we have undertaken initiatives like managing the Marseille landing of subsea cables and co-constructing infrastructure into the MRS-4 data center.

Cybernet Collaboration: Our partnership with Cybernet is set to explore further collaboration opportunities globally, aiming to meet the increasing demand for secure, diverse connectivity solutions.

Major Expansion Projects:

SN1 Data Center: The commencement of constructing SN1, the newly announced carrier neutral data center in Salalah in partnership with Equinix, the world's digital infrastructure company. Expected to be ready in 2024, it will enhance our infrastructure capabilities, reinforcing our commitment to providing cutting-edge data solutions.

Global Network Expansion: We continue to expand our global network coverage, maintain our position as a leading international connectivity provider.

Innovative R&D: Our participation in whitepapers and research, notably with Infinera on hitless C+L expansion, showcases our commitment to innovation and development in the industry.

Event Hosting and Industry Recognition

GCCM Hosting: Omantel successfully hosted GCCM for the third time, attracting over 800 participants and highlighting

Omantel's ongoing commitment to fostering industry collaboration and its role in the global telecommunications landscape. The event was also an opportunity to showcase the transition from Omantel Wholesale to ZOI.

Awards and Recognition: Our achievements have been recognized at major events like Carrier Community, highlighting our industry leadership and commitment to excellence. Below is the list of Awards won within Wholesale:

Best Subsea Cable Operator of the Year: This award at GCCM acknowledged Omantel's extensive network.

Most Influential and Inspirational Wholesale Executive of the Year: Sohail Qadir, VP of Wholesale and CEO of Zain Omantel International (ZOI), was recognized at the GCCM awards for his exemplary leadership.

Telecom and Tech Woman of the Year: Huda Al Ghabshi, Senior Manager of Capacity and Submarine Cables at Omantel, received this award at the Global Carrier Community Meeting (GCCM) awards, making her the first Middle Eastern woman to be honored with this title.

As we move forward, our focus will be fully leveraging Zain Omantel International (ZOI)'s capabilities to become an industry leader in the wholesale market. We will continue to invest in technological innovation, sustainable practices, and strategic expansions to maintain our leadership position.

Omantel Wholesale's journey through 2023, marked by the strategic inception of Zain Omantel International (ZOI), represents a significant chapter in the unit's history. The commitment to excellence and foresight will continue to drive Omantel Wholesale, and by extension with ZOI, towards new horizons of success and innovation in the telecommunications sector.

Omantel Group – Consolidated Performance – 2023

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

RO in Mn	2023	2022	% Change
Revenue	2942.7	2682.8	9.7%
EBITDA	1039.8	998.9	4.1%
Profit for the period	315.5	278.9	13.1%
Attributable to Shareholders of the Company	74.8	91.3	(18.1%)
Non-controlling interest	240.7	187.6	28.3%
Profit for the Period	315.5	278.9	13.1%

The Group revenue for the Year 2023 is RO 2,943 million compared to RO 2,683 million as recorded in Year 2022. The Group revenue includes acquired business of Zain Group, which contributed revenues of RO 2,361 Mn.

Performance & Key Operational Highlights of Zain Group

Zain Group recorded an increase of 10.9% Y-o-Y in revenue to reach RO 2.361 billion for the full year 2023 compared to the corresponding period revenues of RO 2.129 billion. Similarly, EBITDA for the year 2023 was RO 871.3 million, up 5.1% Y-o-Y with margins of 36.9%. Net profit stands at RO 359.7 million compared to RO 276.5 million in 2022 representing an increase of 30%. Across all the markets, the Group was agile in dealing with many socio economic and competitive challenges which is reflected in the the impressive operational performance. Throughout the year the Group invested heavily in network expansions, upgrades and technologies that drove data and B2B revenues.

The completion of the sale and lease back of the towers in KSA and Iraq during 2023 are driving efficiencies on multiple levels contributing to the financial performance. Zain Group further solidified its position as the region leader in Tower arena with a pioneering agreement with Qatar's Ooredoo Group and TASC towers which aims to incorporate nearly 30,000 towers across six countries with a combined enterprise value of USD 2.2 billion.

Performance Highlights of Zain Group's Cross Border Portfolio:

Kuwait: Revenue increased by 5% Y-o-Y to reach USD 1.2 billion EBITDA increased by 18% to reach USD 509 million reflecting and EBITDA margin of 43%. Net income was up by 26% to reach USD 339 million. The customer base increased by 4% to reach 2.7 million customers.

Saudi Arabia: Zain KSA reported 9% Y-o-Y jump in the revenue to USD 2.6 billion while EBITDA for the year stands at USD 794 million reflecting and EBITDA margin of 30%. Net income for the year soared 131% to reach USD 338 million. The customer base increased by 3% to reach 8.9 million.

Iraq: Zain Iraq's revenue increased 20% to reach USD 974 million and EBITDA grew 16% Y-o-Y amounting to USD 375 million reflecting an EBITDA margin of 39%. Net income for the year stood at USD 88 million compared to USD 15 million last year. The operators customer base reached 17.9 million customers.

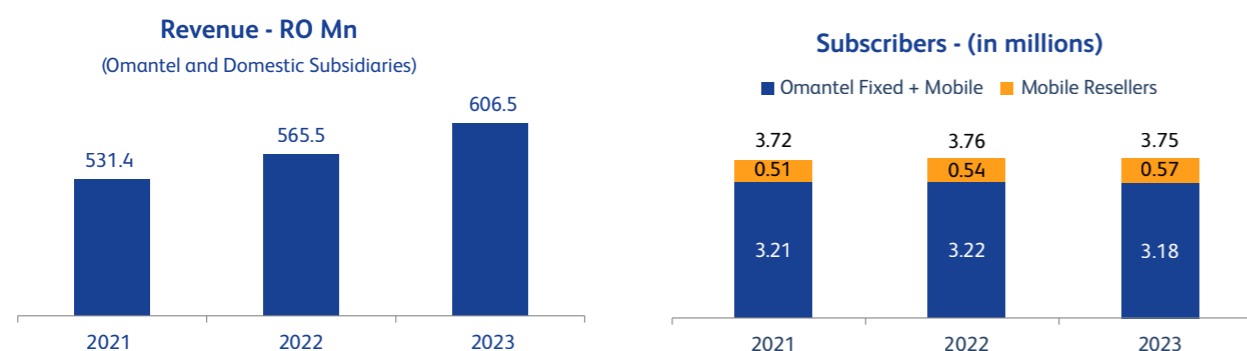
Sudan: Despite the ongoing conflict, the operator generated revenues of USD 558 million, up 14% with EBITDA amounting to USD 269 million, up 7% and reflecting an EBITDA margin of 48%. Net income for the year reached USD 216 million. The operators customer base reached 14.2 million.

Jordan: Zain Jordan revenue increased 3% to reach USD 525 million, EBITDA reached USD 217 million, reflecting an EBITDA margin of 41%. Net income for the year increased 10% to reach USD 76 million. The customer base increased by 3% to reach 3.9 million customers.

Bahrain: Zain Bahrain reported revenue growth of 7% Y-o-Y to reach USD 192 million. EBITDA for the year amounted to USD 60 million up 2% Y-o-Y, reflecting an EBITDA margin of 31%. Net income grew 2% to reach USD 15.4 million.

Performance of Omantel – Domestic Operations (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.).



Omantel Group revised the reporting of Omantel Domestic performance in year 2022 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.

Omantel maintained a 7.2% growth at domestic level, indicating a strong resilience towards competitive market conditions as well as the operational challenges. Revenue grew from RO 565.5 Mn in FY 2022 to RO 606.5 Mn in 2023.

The domestic telecom market growth slowed down during 2023 after posting a notable recovery in the year 2022 from earlier pandemic shocks. Competitive pressures continued to grow as the 3rd operator launched services in postpaid mobile segment. This resulted in reduction in the subscriber as well as revenue market share of the existing operators

In absolute terms, Omantel group maintained nearly the same customer base in December 2023, as was earlier reported for the year end 2022. Omantel postpaid subscribers posted a significant double digit growth during the year as the company stays focused on pursuing customer retention.

As at 31st Dec '23, Omantel's domestic customer base stood at 3.18 Mn (3.75 Mn including mobile resellers) as against a total customer base of 3.22 Mn (3.76 Mn including mobile resellers) in 2022.

Domestic Revenue for the Financial year ended 31 December

RO in Mn	2021	2022	2023
Fixed Business	145.8	143.6	145.3
ICT Business	7.6	8.1	10.3
Mobile Business	190.6	185.9	187.5
Wholesale Business	142.9	166.3	185.8
Device revenue	33.4	39.8	57.2
Total Revenue	520.3	543.7	586.1
Revenue from Domestic Subsidiaries (including eliminations)	11.1	21.8	20.4
Total Revenue - Omantel + Subsidiaries	531.4	565.5	606.5
Growth %	(0.3%)	6.4%	7.3%

For the year 2023, Omantel's fixed line business posted 1.2% growth supported by growth in fixed internet revenue (including broadband) which registered a growth of 4.2% YOY, which was offset by a decline in fixedline voice revenue.

ICT business posted a 27% growth during the year, whereas mobile postpaid and handset sales remained the key growth driver resulting from Omantel's augmented efforts towards conversion of our prepaid subscriber base towards postpaid services in order to tackle competition. Wholesale business posted a revenue growth of 12% mainly due to growth in international transit voice revenue, capacity sales revenue and reseller revenues.

EBITDA & Net Profitability (Excluding Zain Group):

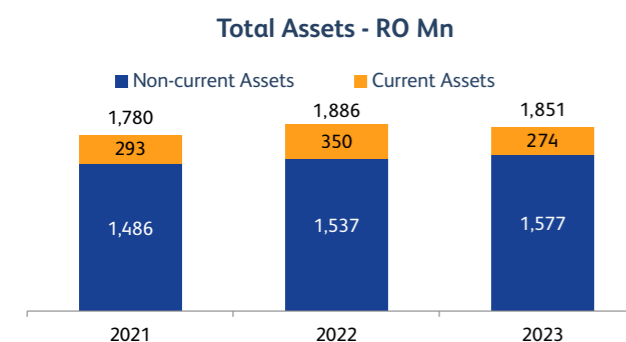
A high degree of market challenges i.e. additional mobile competition across both prepaid and postpaid segments in an already limited subscriber market, rapid data monetization, declining conventional voice and SMS business etc., continued to downplay operators' revenue and income. In spite of this Omantel was able to grow its Gross margin by RO 8.4 million representing an increase of 2.6%. This increase was contributed by both Retail and Wholesale segments. However, the growth in Gross margin was offset by increased in Operating costs (including depreciation) by RO 14.1 Mn mainly on account of increased costs coming from Tower rentals, IT application and infrastructure costs.

Omantel's EBITDA posted a marginal decline from RO 170.3 Mn in 2022 to RO 168.5 Mn in 2023.

Net Profit for the year 2023 stands at RO 63.3 Mn compared to RO 85.7 Mn in the previous period. Net profit for year 2022 includes Capital gain on sale of Towers for RO 28 Mn (Net of taxes). Excluding the Capital gain from the profit for year 2022, the net profit for year 2023 showed an increase of 9.7% compared to the previous year. This increase was on account of stable EBITDA and a decrease in Finance costs. Finance costs decreased by 11.5% YOY on account of over all reduction in borrowings.

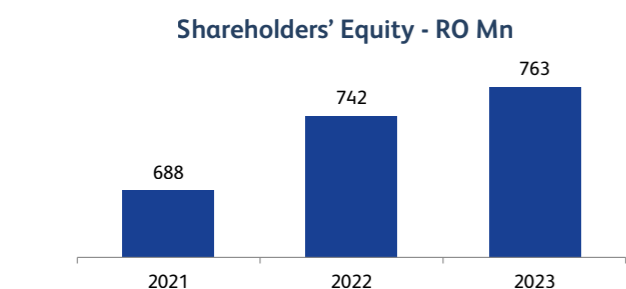


Financial Position - Domestic

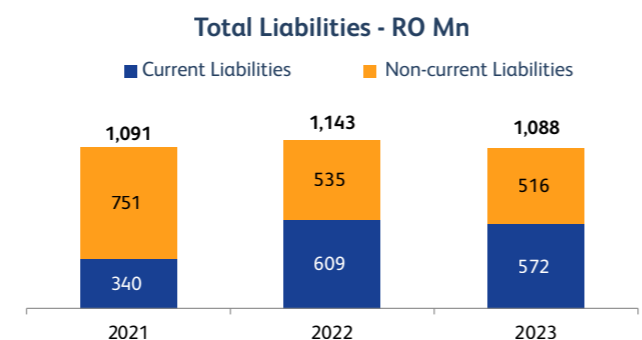
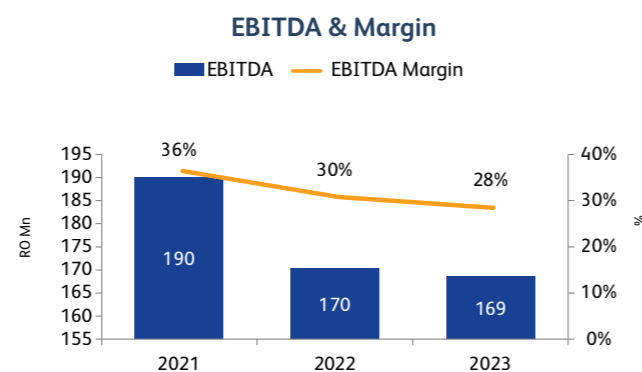


Overall assets depict a strong financial position, at the backdrop of both organic (network infrastructure) and cross border (Zain Group) investments. Omantel's Non-Current Assets, principally telecom equipment, investments and facilities currently account for 85% of overall asset base.

Shareholders' equity posted an increase of 2.8% during 2023. The Shareholders' equity increased from RO 742 Mn in 2022 to RO 763 Mn in 2023.



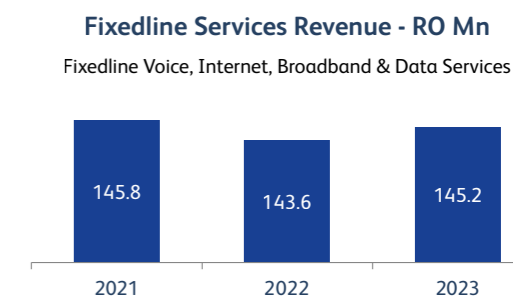
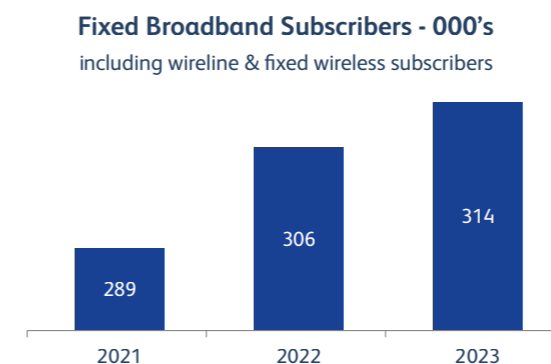
Omantel's domestic shareholders' equity has grown at a compounded growth rate of 5.2% in the last 3 years.



Revenue and Subscribers – Domestic Operations:

Fixed line Business:

Fixed line Business includes national and international fixed line voice, fixed broadband, dedicated internet and enterprise data services. Fixed broadband subscribers (incl fixed wireless based on 5G Technology) posted a growth of 3%.

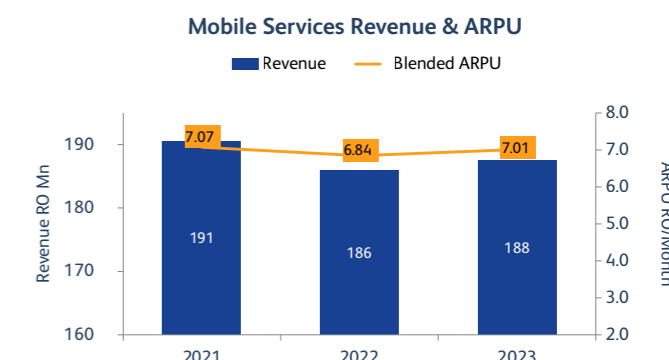
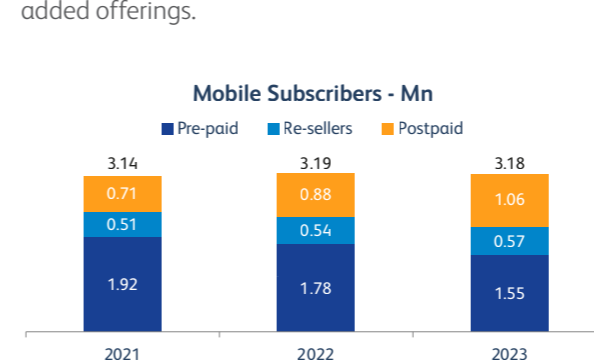


Fixed broadband revenues increased on the back of an increase in subscriber base by 3% whereas the ARPU were stable in comparison to previous year. Fixed broadband ARPU for the year 2023 stands at RO 25.76 compared to RO 25.95 in 2022.

Mobile Business:

Domestic mobile market witnessed heightened competitive pressure during 2023 as 3rd mobile operator rolled out services into postpaid segment due to introduction of 3rd mobile operator, a nominal growth in the prepaid subscriber market 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 double digit growth in postpaid mobile subscribers, and re-sellers.

The management remains focused on enhancing customer experience, service delivery management, innovative services packaging and premium network quality. Our mobile services portfolio is built around postpaid, prepaid and other value added offerings.



During 2023, mobile business retail revenue as well as mobile blended ARPU posted an encouraging growth resulting mainly from the healthy growth in Omantel's postpaid subscriber base. Share of mobile business in Omantel's overall domestic revenue remained at ~32% during 2023. Overall mobile business revenue posted a growth of 0.9%.

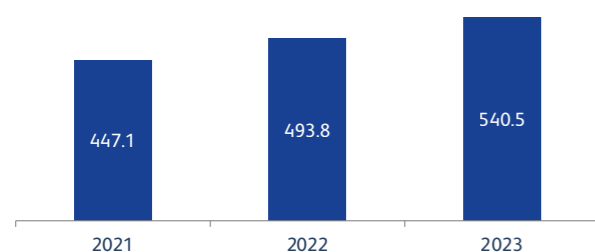
Operating Costs (including cost of sales):

Total Operating expenses (Including Cost of sales) amounted to RO 540.5 Mn in 2023, increase of 9.5% over FY 2022. High Opex growth is recorded resulting from growth in Wholesale hubbing business. Further, the strategic shift towards customer retention has enabled us to migrate a significant number of prepaid subscribers to postpaid. This resulted in a notable amount of increase in cost of handset sales over time.

Fixed broadband subscribers acquisition in both FTTH and fixed wireless access triggered an increase in 4G/5G modem and FTTH access costs. Increase in rentals payable for lease of Towers also contributed for the increase in costs. However, Omantel's continuous focus on cost optimization has ensured the controllable opex to remain within the targeted levels.

Operating Expenditure - RO Mn

Omantel and Domestic Subsidiaries



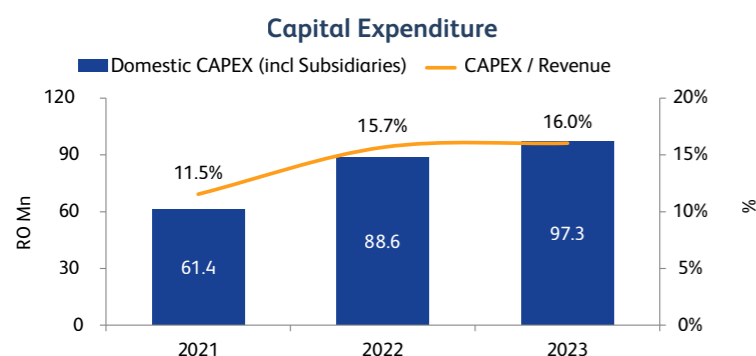
As a percentage of total revenue, Omantel's domestic Opex to revenue ratio remained 89.1% in 2023 compared to 87.3% as recorded in 2022

Financial year ended 31 December

Figures in RO Mn	2021	2022	2023
Cost of Sales	199.8	245.1	277.7
Operating & Administrative Expenditure	132.5	143.4	154.3
Depreciation & Amortization	105.7	98.6	102.6
Provision for Impairment of Receivables	9.2	6.7	5.9
Total Operating Expenditure	447.1	493.8	540.5

Capital Expenditure

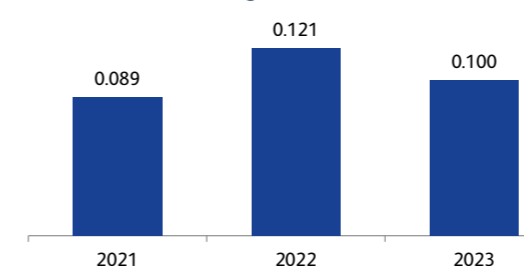
Omantel incurred a total capex of RO 97.3 Mn during the year, out of which the network infrastructure capex stands at RO 81.1 Mn and was predominantly spent on 5G rollout and 4G network expansion. We continue prioritizing our network and other capital expenditure during the year, with core focus on undertaking 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.

Earnings Per Share - RO



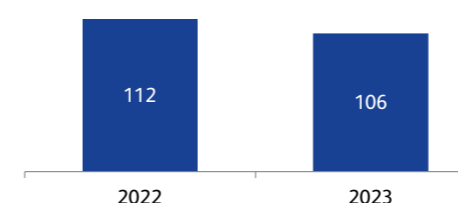
Domestic Earnings per Share (EPS) for the year ended 31st Dec 2023 are recorded at 100 Baiza. Main reason for the decline in the EPS in 2023 compared with FY 2022 is due to the one-off gains from sale and leaseback of Towers that was recorded in FY 2022.

For FY 2023, the Group has recommended a final dividend of **55 baiza /share**, which corresponds to **55%** of the paid up capital. This is in addition to interim dividend of 5 baiza per share distributed earlier in 2023 totaling 60 bz per share for the year 2023 reflecting a 60% payout ratio.

Free cash flows posted a 13% reduction compared with the cash flows generated in 2022.

Free Cash Flows - RO Mn

(Domestic Operations)



During 2023, Omantel's domestic free cash flows remained RO 105.8 Mn compared with RO 111.6 Mn as recorded in 2022.

Key reasons being reduction in cash generated from operating activities on account of increase in receivables from Consumer and Government segments.

Investor Rating:

Omantel carries a Corporate Family Rating ('CFR') of Ba2 assigned by Moody's, and BB+ as assigned by Fitch Rating Services. It is worth mentioning that Omantel's corporate rating of BB+ is similar to Sultanate of Oman's Sovereign rating from Fitch. Our investor-grade ratings are testament to the company's strong intrinsic profile, flagship market positioning, strong financial liquidity and recurring predictable dividend income from Zain.

Omantel's credit ratings remain resilient against the operational challenges. Omantel's focus continues to be on cost savings, services diversification, refinement of customer experience and capitalizing upon new technologies.

Internal Control Systems:

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 boasts an extensive, cutting-edge network infrastructure that spans the entire country. Our commitment over decades has culminated in a seamless connectivity experience for our customers. With a diverse portfolio encompassing various mobile technologies, advanced fixed line infrastructure, and strategic investments in international submarine cables and cable landing stations, Omantel stands as the ultimate destination for all communication requirements for enterprises, individuals & households.

Our 4G/LTE and 3G mobile networks cover 95.51 % and 98.80% of the population, respectively. Over 92 % of households in Oman have access to Fixed Broadband services. During 2023, we continued our Fiber deployment in various high-population areas around the country.

As the leading telecom operator in the Sultanate, Omantel has been at the forefront of 5G network development and implementation. We achieved a national milestone by being the first to launch the 5G network commercially in late 2019, and the first to offer 5G for mobile devices in January 2021.

Our 5G network enables new possibilities for the mobile telecommunications sector and supports the growth and digital transformation of various industries, by enabling the adoption of the Fourth Industrial Revolution advanced technologies such as smart cities, the Internet of Things (IoT) and Artificial Intelligence.

We continue to expand our 5G coverage to meet the increasing customer demand and the changing traffic patterns. With our 5G Fixed Wireless Access (FWA), our customers can enjoy ultra-high-speed internet services at their homes, with speeds up to 1Gbps. We also offer a range of lifestyle packages that cater to different customer needs, such as basic home, gaming, entertainment, and premium connectivity.

Omantel has made significant progress in transformation towards core network cloudification, by adopting Network Function Virtualization (NFV) and Software Defined Networking (SDN) technologies. These technologies enable better operational efficiencies and reduce time to market for new services. Omantel was the first operator in Oman to launch virtualized 5G NSA core.

Omantel migrated all VoLTE traffic to Telco Cloud and is in the process of migrating many other mobile core functions. In the year 2023, Omantel started the evolution from virtualized to Cloud Native architecture and became the first operator in Oman to deploy the Cloud Native 5G SA (Standalone) Enterprise Core and MEC (Multi-Access/Mobile Edge Computing) dedicated for enterprise use cases such as mobile VPN and local breakout initially. The Voice over Wi-fi (VoWiFi) was also introduced in 2023 which will enhance customer voice call experience for smartphone customers in the Wi-Fi coverage.

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.

Our state of the art highly scalable and resilient nationwide IP and Optical backbone network was recently modernized to support emerging services and capacity requirements. In 2023, Omantel continued the enhancement of the mobile backhaul network to meet the high-capacity requirements of 5G by upgrading the backhaul IP network capacity, extending the fiber to more 5G sites, and deploying high-capacity microwave links where required.

Omantel is always striving to enhance the user experience in the rural areas. Backhauling in rural areas is challenging, often due to the nature of the terrain which limits the fiber deployment or line-of-sight microwave deployment. In addition to other backhaul technologies such as VSAT, Omantel is using innovative and cost-effective wireless backhaul technology that does not require line-of-sight, making it the perfect choice for challenging terrains in rural areas.

To meet the growing demand for advanced connectivity solutions, Omantel launched Software Defined WAN services for enterprise customers. These services provide seamless connectivity, increased agility, simplified management, and enhanced application visibility. Recognizing the paramount importance of security, Omantel also unveiled new Managed Security services. This comprehensive offering includes Next Generation Firewall (NGFW) and Unified Threat Management (UTM) capabilities, ensuring a robust and holistic approach for safeguarding our customer networks.

Network Security

As a colossal volume of information and data is stored and transmitted online on Omantel's infrastructure, the company remains at the forefront of logical security by having established a state of the art security infrastructure. Our advanced security apparatus and protocols ensure that our customer's privacy, information and logical assets remain protected from the burgeoning cybercrimes and security incidents.

Aligned with the information security vision of the Sultanate, Omantel is the pioneering operator in the Sultanate to have secured ISO 27701 standard certification in the year 2021 for privacy and data protection, even before the introduction of the country's own Data Privacy Law.

The rapidly-expanding digital footprint of Omantel is catalyzed by widespread deployment of 5G, ICT, cloud and digital infrastructure has ensued a wide spread proliferation of connected devices in the country. Omantel continues to mitigate the resultant evolving threats in the cybersecurity domain through our unwavering commitment to safeguard data privacy, information, and logical assets of our customers amidst the burgeoning threat of global cybercrimes.

Omantel's resilient security infrastructure and stringent policies deliver incident-free services, thwarting millions of signaling attacks and thousands of potential sabotage attempts or DDoS hazards. Our advanced risk management framework, aligned with international standards, remains instrumental in fortifying Omantel's defenses against emerging threats, cementing our signaling network's reputation as one of the most secure telecom network in the world.

Omantel has always proactively responded to the threat landscape by constantly upgrading the security monitoring and automation mechanism, identity management protocols, and incident response mechanisms.

Throughout the year 2023, Omantel remained engaged with prolific international bodies, such as Gartner, GSMA, ETSI and 3gpp, underscoring our commitment to transform global telecom security regulations and implementing best practices in network and cybersecurity domains. We remain a preferred partner of GSMA in its drive to evolve global security regulations and policies at the backdrop of technological evolution.

Omantel has played a pivotal role within GSMA in shaping up signaling security and interconnectivity regulations and development of the 5G Cyber Knowledge Base by the GSMA. Likewise, Omantel's pioneering expertise has remained instrumental in carrying out initiatives aimed at enhancing the security and interoperability of telecom networks globally.

Further, based on our close coordination with Omantel, Omantel has been selected to host meeting for fraud and security group meeting #28 in 2024. We have secured several accolades and recognition among the global cybersecurity circles over recent times.

Omantel's Security Architecture & Governance team was honored with the prestigious GSMA Member Recognition Award for outstanding contributions to mobile fraud and security management, marking a significant first of its kind milestone for the Middle East region.

Our People

Omantel remains as one of the most desirable and prestigious employers in the Sultanate based on its rich legacy of employee care, career growth and learning opportunities provided to the employees.

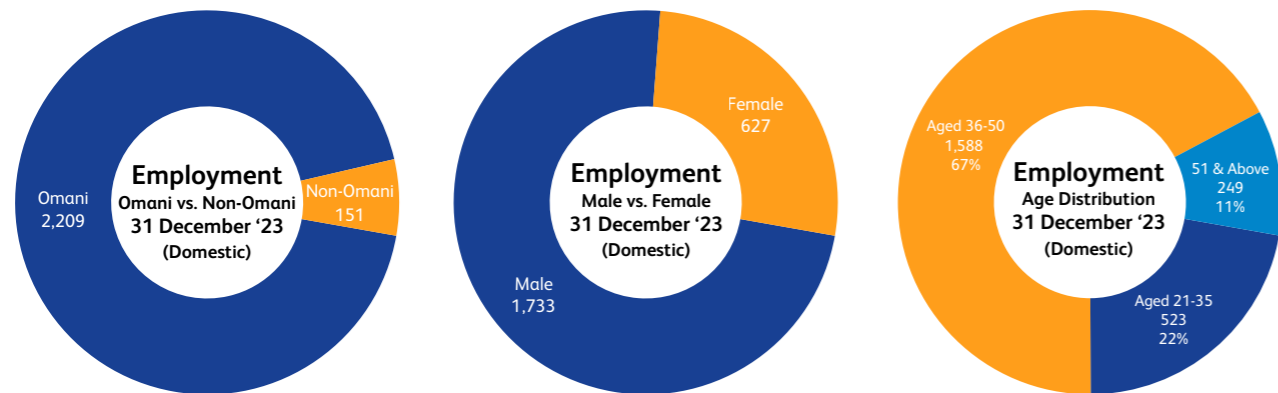
Over the years, Omantel has continuously supported the young talent by inducting fresh graduates and building their careers through structured training and talent development programs. Omantel also enables its employees to develop their knowledge base and stay abreast of the emerging technologies in the telecom sector. We have earned several awards and recognitions for our demonstrated excellence in learning, skill development and employee engagement programs that Omantel offers to the employees on a continuous basis.

Omantel maintains a highly diverse employee base incorporating a wide spectrum of high professional capabilities in domestic as well as international business management, strategic investments, network & technology rollout and management, IT, ICT and all domains of telecom infrastructure management, business development etc.

Our commitment to anchor and nurture the emerging talent in the Sultanate is evident from the fact that Omantel has till now rolled out 4 batches of Generation-Z in recent past that have already attracted a nationwide interest of thousands of graduates. Omantel has to date incorporated over 120 Generation-Z graduates in its mainstream employment force. This prolific induction of a fresh mindset in the company has produced several milestones in the fields of billing efficiencies enhancements, value added services, Omantel chatbot enhancement, robotic process automation, blockchain potential exploration and streaming services enhancements in our home broadband services segment.

Off late, Omantel secured an award from GEDEX series 'Future Skills & HRD – Learning & Development'. In addition, Omantel achieved recognition from OSHRM as 'High Business Impact Company by Adapting E-Learning' during the Covid-19 Pandemic.

Total number of Omantel employees as of Dec'23 stood at 2,360 (2,315 in Dec'22). With total number of 2,209 Omanis compared to 151 Non-Omani employees, the Group's Omanization stands above 93%. As at 31st Dec'23, total Male employees accounted for 1,733 whereas the number of female employees has grown from 596 in Dec'22 to 627 as of Dec'23.



THE JOURNEY

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In the thriving year of 2023, Omantel set foot further ahead in realizing its strategies and future aspirations by taking proactive measures to seamlessly integrate information technology and digitization systems. Positioned as a frontrunner in the information technology sector within the region, Omantel leverages innovation and digitization as core elements of its strategy. This pivotal approach has greatly enhanced the technological infrastructure and facilitated the delivery of efficient services across the Sultanate of Oman.



Digitization and Technology:

Omantel has emerged as a pioneering force in the ICT sector, meeting the diverse needs of customers with great success. Omantel's key focus on digital solutions and cutting-edge technologies has propelled the Sultanate of Oman into a realm of technological advancement. Through a multitude of initiatives and projects, Omantel has diligently worked towards enhancing technology infrastructure.

- 5G network coverage reaches 88% of populated areas, with a 20% increase in 5G stations.
- ICT business recorded a 22% annual growth rate, including subsidiaries, with cloud services playing a significant role.
- Collaboration with several government and private institutions to provide a range of digital solutions and technologies to support their digital transformation, empowering them to benefit from Omantel's state-of-the-art services and wide range of ICT solutions.
- Cooperation with ETCO Space, which targets several vital sectors such as energy, ports, and security by offering space pictures from the satellites.
- Partnership with National Finance and Thawani Technologies to enable eligible customers to benefit from the "Buy Now Pay Later" option.
- Collaboration with Samsung to establish a framework to accelerate the growth of Samsung services in Oman and enhance Omantel's ability to provide all Samsung products such as smart devices and solutions to individual customers and businesses.
- Collaborating with the National University of Science and Technology (NU) to provide integrated digital solutions.
- Omantel awarded OMR 6 million worth of businesses to 51 SMEs.
- Establishing a Sustainability Innovation Center in collaboration with the GCC ESG Telecommunications Alliance (STC, e&, Zain, Beyon, du, and Ooredoo) and other key regional and international partners to address climate change-related issues and facilitate access to reliable and affordable energy.
- Award contracts for archiving services for documents and records to a group of young Omani freelancers.

Omantel Innovation Labs

In 2023, Omantel Innovation Labs has grown to become one of the key support entities for startups in Oman. Leveraging Omantel's expertise and partnerships, Omantel Innovation Labs has catalyzed the rapid growth of local technology startups through its various programs and activations; promoting innovation and entrepreneurship in new and emerging technology in Oman.

The Omantel Accelerator

Omantel welcomed Cohort 2 of the Omantel Accelerator, a six-month acceleration program delivered by the Omantel Innovation Labs where startups received expert mentorship, a co-working space within Omantel, and access to international perks to support them in accelerating their growth. With a focus on 5G, IoT, Cybersecurity, CX technology, Big Data, AI and Fintech, the cohort brought together 5 of the most promising local startups:

- **SERB** – An Unmanned Traffic Management (UTM) platform that empowers safe and efficient drone operations for operators, managers, and regulators.
- **iON** – a social commerce platform that supports sellers to achieve higher conversion rates by providing them with the ability to post products/services on social media.
- **Touchpoynts** – a smart retail technology solution that enhances customer experience and increase loyalty.
- **Sayyad** – a one place shop dedicated to the fishing industry where Omani sellers and buyers can connect, trade and deliver goods and services.
- **ZabonEx** – a solution to support FMCG manufacturers and retailers to recapture the full value of their perishable products, reduce food waste and manage their stock through ML-powered dynamic distribution and sales prediction.

CBO Fintech Accelerator Powered by Omantel

Omantel and the Central Bank of Oman (CBO) successfully collaborated to launch a one-year accelerator program for the nation's most promising FinTechs. This partnership combined the expertise and shared vision of the CBO and Omantel to bolster the FinTech sector in Oman. The initiative aimed to support innovative fintech startups in navigating the challenges



of the highly competitive industry, providing mentorship, training, networking, and fundraising assistance. The accelerated startups were:

- **Hal Capital** – A sharia-compliant embedded finance platform offering alternative financing products and services to SMEs and Individuals.
- **Zumr** – A Fintech platform that uses smart algorithms to enhance traditional saving circles (Jamiyat) into a secure, widely accessible, and always available solution for individuals.
- **TasHeel** – A Travel Now, Pay Later platform available for local and international trips for individuals and businesses.
- **Wadiaa** – An equity-based crowdfunding and peer-to-peer lending for startups and SMEs.

Corporate Innovation

Omantel's Corporate Innovation Program continued to thrive and foster an innovation culture within Omantel by providing employees with a platform to propose, develop and launch innovative solutions. In 2023, the program engaged more than 200 employees through various activations, facilitating the development of more than 43 startup ideas and 54 Project ideas.

Conferences and Events

Omantel Innovation Labs provided opportunities for Omani startups to showcase their solutions through various technology and startup events. In 2023, Omantel sponsored the participation of 10 startups in the local technology event, COMEX, and six startups to exhibit in the leading annual technology event held in Riyadh, LEAP.

Of the six startups sponsored to attend LEAP, Serb was able to raise a \$2.7 million seed round with Saudi Investment Fund, Forming Future. All startups were able to secure partnership and investment leads from prominent regional institutions.

Omantel: New Partner of Alaian

Omantel, represented by Omantel Innovation Labs, joined Alaian, a pioneering initiative by Telefonica bringing together 9 major global telecommunications companies in a unique alliance with the mission to reinvent the industry by discovering the most disruptive startups. The partnership allows Omantel to continue to be at the forefront of innovation within the telco industry, working closely with its peers to identify and support relevant startups and providing a platform for local startups to showcase their solutions on a global stage.

Community Events

Omantel's commitment to promoting innovation and entrepreneurship has continued through Omantel Innovation Labs public engagements. With a database of more than 5000 entrepreneurs and aspiring entrepreneurs, Omantel Innovation Labs continues to provide educational and inspirational content to inspire entrepreneurs to enhance and develop viable solutions. In 2023, more than 12 public events were hosted including workshops, university talks and bootcamps.

Other Initiatives

In addition to the above, Omantel has also supported other social and national initiatives to reach out to the community in various domains, reaffirming its unwavering commitment to supporting social activities and promoting the spirit of solidarity.

- Participating in the ICT Exhibition "COMEX 2023" to provide a digital experience for visitors
- Launching "Change the Story" campaign during the holy month of Ramadan showcasing real inspiring stories from the community that highlight the impact of charitable work and encourage social solidarity.
- Launching "To Dhofar" campaign, which targets visitors to the governorate from home and abroad during Khareef Season and provide them with an exceptional experience through a number of initiatives and services.
- Supporting Omani talent in several cultural, social, sports and entertainment fields
- Taking part in various events held in the Sultanate of Oman



Awards

- Awards from OSHRM / High Business impact by Adapting E- Learning During The Pandemic Award and Best HR Initiative During The Pandemic Award”
- Award GEDEX SERIES “Future Skills & HRD – Learning & Development,”
- Employer of Choice” award at the HRM Summit Awards 2023 in Bahrain.
- Emerging women leader of the year - Telecom sector
- Oman’s Women leader 2023 World Leadership Award
- Best Investor Relations Professional -Oman
- Awards from COMEX 2023 / “Best Mobile Application”, “Cloud Computing Technology Category”, “Best of the Best”
- SAMENA Telecom Award for Best 5G Adoption
- Golden Gear Award as the largest supporter of the sports sector, presented by The Ministry of Culture, Sports and Youth.



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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2023

OMAN TELECOMMUNICATIONS COMPANY SAOG

Independent Auditor's Report



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C.R. No. 1224013
PR No. HMH/15/2015; HMA/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 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effect 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 2023 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

- a) As disclosed in Note 2.1 to the consolidated financial statements, the Group has excluded the effects reported therein of applying International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29. Our audit opinion in the prior year was also modified in respect of this matter.
- b) As disclosed in Note 34 to the consolidated financial statements, the Group is using US Dollar (USD), instead of Iraqi Dinar (IQD), as the functional currency for reporting its operations in Iraq, which, in our view, is a departure from the requirements of IAS 21 - The Effects of Changes in Foreign Exchange Rates. In the absence of a detailed assessment from management, we were unable to ascertain the impact of using USD as functional currency instead of IQD. Consequently, we are not able to determine necessary adjustments to the consolidated financial statements.

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)

Emphasis of matter

We draw attention to note 2.1 of the consolidated financial statements, which describe that the Group's operations in Sudan have been affected as a result of the military operations taking place in Sudan since 15 April 2023. Our opinion is not further modified in respect of this matter.

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 The Group reported revenue of RO 2,943 million (2022: RO 2,683 million) for the year ended 31 December 2023.</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 25 to the consolidated financial statements.</p>	<p>For significant revenue streams, our audit procedures included the following, among others, on a sample basis:</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;



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 As at 31 December 2023, the carrying value of goodwill amounted to RO 1,005 million (2022: RO 1,039 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. • 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;



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"> • benchmarking assumptions on long term growth rates of 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.

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2023 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.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information 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 Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



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

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

Responsibilities of management and Board of Directors for the consolidated financial statements (continued)

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

Board of Directors is responsible for overseeing the Groups financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.



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)

- 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 the Board of Directors 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 Board of Directors 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 applied.

From the matters communicated with Board of Directors, 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

We report that the consolidated financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019 and CMA of the Sultanate of Oman.

Ernst & Young

Mohamed Al Qurashi

Mohamed Al Qurashi
Muscat
12 March 2024



		2023	2022
	Note(s)	RO '000	RO '000
ASSETS			
Current assets			
Cash and bank balances	4.1	428,635	441,192
Bank balances held in customers account	4.2	15,975	10,132
Trade receivables and other current assets	5	1,276,006	1,122,000
Contract assets	19.2	125,754	108,940
Inventories	6	81,006	69,573
Investment securities at fair value through profit or loss	7	49,040	50,708
Investment securities at amortised cost	7	-	1,000
		1,976,416	1,803,545
Assets of disposal group classified as held for sale	8.1	6,254	322,956
Total Current assets		1,982,670	2,126,501
Non-current assets			
Contract assets	19.2	70,037	65,983
Investment securities at fair value through profit or loss	7	25,357	24,528
Investment securities at FVOCI	7	14,412	21,794
Investment securities at amortised cost	7	1,000	-
Investments in associates and joint venture	9	239,848	150,027
Other non-current assets	11	75,454	59,752
Deferred tax asset		28,428	29,269
Right of use of assets	10	257,787	206,539
Property and equipment	11	1,828,373	1,761,504
Intangible assets and goodwill	12	3,232,476	3,389,546
Total Non-current assets		5,773,172	5,708,942
Total Assets		7,755,842	7,835,443
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	1,566,444	1,466,164
Contract liabilities	19.2	120,235	122,772
Income tax payables	14	32,182	38,652
Borrowings	15	487,100	547,584
Lease liabilities	16	45,653	33,078
		2,251,614	2,208,250
Liabilities of disposal group classified as held for sale	8.1	1,244	109,318
Total Current liabilities		2,252,858	2,317,568

OMAN TELECOMMUNICATIONS COMPANY SAOG
Consolidated Statement of Financial Position as at 31 December 2023

Non-current liabilities			
Borrowings	15	1,880,046	1,740,067
Lease liabilities	16	309,574	210,914
Other non-current liabilities	17	406,216	679,958
Total Non-current liabilities		2,595,836	2,630,939
Total liabilities		4,848,694	4,948,507
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	(103,843)	(90,719)
Investment fair valuation reserve	18	(4,932)	(3,653)
Other reserves	18	822	5,204
Retained earnings		560,200	530,408
Attributable to the Company's shareholders		646,303	635,296
Non controlling interest		2,260,845	2,251,640
Total equity		2,907,148	2,886,936
Total Liabilities and Equity		7,755,842	7,835,443

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

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Consolidated Statement of Profit or Loss – Year ended 31 December 2023

	Note(s)	2023 RO '000	2022 RO '000
Continuing operations			
Revenue	19.1	2,942,717	2,682,776
Cost of sales		(1,016,298)	(930,161)
Gross profit		1,926,419	1,752,615
Operating and administrative expenses	20	(839,531)	(707,380)
Allowance for expected credit loss on financial assets		(47,070)	(46,383)
Depreciation, amortization and impairment	10,11,12	(565,948)	(551,536)
Operating profit		473,870	447,316
Interest income		19,869	8,567
Investment income	21	15,627	6,598
Share of results of associates and joint venture	9	4,373	5,466
Other (expense)/ income		(42,062)	(8,251)
Gain on disposal of units in associate	23	-	755
Gain on sale and lease back transactions	8	70,084	495
Gain on disposal of a subsidiary	8	686	-
Impairment of goodwill	12	-	(34,458)
Finance costs	22	(199,906)	(157,352)
Gain/ (loss) from currency revaluation		7,636	2,448

OMAN TELECOMMUNICATIONS COMPANY SAOG
Consolidated Statement of Profit or Loss – Year ended 31 December 2023

Profit before tax from continuing operations		350,177	271,584
Income tax expenses	23	(34,693)	(20,690)
Profit for the year from continuing operations		315,484	250,894
Discontinued operations			
Profit for the year after tax from discontinued operations	8	-	28,030
Profit for the year		315,484	278,924
Attributable to:			
Shareholders of the Company		74,792	91,316
Non-controlling interests		240,692	187,608
		315,484	278,924
Earnings per share (EPS)			
Basic and diluted – RO	24		
From continuing operations		0.100	0.084
From discontinued operations		-	0.037

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

	2023 RO '000	2022 RO '000
Profit for the year	315,484	278,924

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	(56,566)	1,367
Less: Gain reclassified to profit or loss on disposal of foreign operation	(98)	-
	(56,664)	1,367
Other reserves	(7,718)	28,906
	(64,382)	30,273

Items that will not be reclassified to consolidated statement of profit or loss:

Changes in the fair value of equity investments at FVOCI	(8,785)	(5,783)
Other reserves	685	-
	(8,100)	(5,783)

Total comprehensive income for the year

Total comprehensive income for the year	243,002	303,414
Total comprehensive income attributable to:		
Shareholders of the Company	56,007	97,341
Non-controlling interests	186,995	206,073
	243,002	303,414

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 2023

	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
At 1 January 2023	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
Profit for the year	-	-	-	-	-	-	-	-	74,792	74,792	240,692	315,484
Other comprehensive income for the year	-	-	-	-	-	(13,124)	(1,279)	(4,382)	-	(18,785)	(53,697)	(72,482)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(13,124)	(1,279)	(4,382)	74,792	56,007	186,995	243,002
On acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	205	205
Capital introduced by minority shareholders	-	-	-	-	-	-	-	-	-	-	890	890
Dividends paid	-	-	-	-	-	-	-	-	(45,000)	(45,000)	(178,885)	(223,885)
At 31 December 2023	75,000	25,000	49,875	7,288	36,893	(103,843)	(4,932)	822	560,200	646,303	2,260,845	2,907,148

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 2023

	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
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/(loss) for the year	-	-	-	-	-	(2,129)	(1,267)	9,421	-	6,025	18,465	24,490
Total comprehensive income/(loss) 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

OMAN TELECOMMUNICATIONS COMPANY SAOG
Consolidated Statement of Cash Flows – Year ended 31 December 2023

		2023	2022
	Note(s)	RO'000	RO'000
Cash flows from operating activities			
Profit for the year before tax from continuing operations		350,177	271,584
Profit for the year before tax from discontinuing operations		-	33,094
Profit for the year before tax		350,177	304,678
Adjustments for:			
Depreciation, amortization and impairment	10,11,12	565,948	551,536
Expected Credit Loss on financial assets		47,070	46,383
Interest income		(19,869)	(8,567)
Investment income	21	(15,627)	(6,598)
Share of results of associates and joint venture	9	(4,373)	(5,466)
Gain on sale and lease back transactions	8	(70,084)	(495)
Gain on disposal of discontinued operations and sale of subsidiary	8	(686)	(33,094)
Gain on disposal of units in associate		-	(755)
Impairment of goodwill	12	-	34,458
Finance costs	22	199,906	157,352
Gain from currency revaluation		(7,637)	(2,448)
(Gain)/loss on sale of property and equipment		1,062	(480)
Cash flows from operating activities before working capital changes		1,045,887	1,036,504
Increase in bank balances held in customers account		(5,881)	(10,080)
Increase in trade and other receivables		(214,804)	(167,240)
(Increase)/Decrease in inventories		(12,563)	10,641
Increase/(Decrease) in trade and other payables and deferred revenue		80,825	(90,082)
<i>Cash generated from operations</i>		893,464	779,743
Income tax		(22,643)	(28,305)
<i>Net cash from operating activities</i>		870,821	751,438
Cash flows from investing activities			
Deposits maturing after three months and cash at banks under lien	4	17,674	(16,333)
Purchase of financial instruments		(1,331)	(6,292)
Proceeds from sale of financial instruments		77,422	926
Investment in associate		(2,976)	(142)
Acquisition of property and equipment (net)		(362,338)	(285,111)
Acquisition of intangible assets (net)		(98,449)	(99,927)
Proceeds from sale of telecom assets (Discontinued operations)	8	-	99,816
Proceeds from sale of telecom assets (sale and lease back)	8	246,502	726
Proceeds from sale of building and units of PEARL REIF	9(i)	-	41,771
Acquisition of subsidiaries	3	(13,535)	-
Investment in subsidiaries (net)		-	(2,553)
Interest received		6,952	5,971
Dividends received		3,153	2,189
<i>Net cash used in investing activities</i>		(126,926)	(258,959)

OMAN TELECOMMUNICATIONS COMPANY SAOG
Consolidated Statement of Cash Flows – Year ended 31 December 2023

Cash flows from financing activities		
Proceeds from borrowings	436,944	566,214
Repayment of borrowings	(681,987)	(722,427)
Sale and lease back-Impact at above market terms-Financing	(8,690)	87,851
Repayment of lease liabilities	(70,188)	(90,462)
Dividends paid to Company's shareholders	(45,000)	(41,250)
Dividends paid to minority shareholders of subsidiaries	(179,121)	(138,066)
Share capital introduced by minority shareholder in subsidiary	480	191
Finance costs paid	(156,971)	(113,539)
Net cash used in financing activities	(704,533)	(451,488)
Net increase in cash and cash equivalents		
Effects of exchange rate changes on cash and cash equivalents	(34,229)	(6,378)
Cash and cash equivalents at beginning of year	422,152	387,539
Cash and cash equivalents at end of year	4 427,285	422,152

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).

The Company is a subsidiary of United International Telecommunications Investment and Projects LLC.

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Company on 10 March 2024 and are subject to approval of the shareholders at their forthcoming Annual General Meeting.

2. Basis of preparation and material 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), which is also the Parent Company’s functional currency 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. The consumer price index information is not available from Feb 2023. 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 2023.

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 34.

Political uncertainty in Sudan

A violent power struggle erupted on 15 April 2023, in Khartoum, the capital of Sudan, involving the two primary factions of the ruling military regime. This conflict has directly affected the Group’s operations in Sudan and its telecommunication assets, as certain areas in Sudan continue to experience high levels of hostility or temporary control by opposing forces. Given the Group’s extensive presence and service provision across Sudan, these events have had an adverse impact on the country’s economy and consequently, on the Group’s business and operational outcomes in Sudan.

As of the issuance date of these consolidated financial statements, the Group has not incurred any significant damage to crucial assets that would hinder its ability to sustain operations.

Since 15 April 2023, continuous monitoring of network and base station equipment has been in place, particularly in areas experiencing significant downtime. Various actions, such as reallocation of network traffic, capacity expansion, and other measures aimed at restoring network coverage and ensuring satisfactory network performance, are being implemented. Zain Sudan is actively involved in performing essential network maintenance, repairs, and optimizations utilizing both its current equipment and external resources. Zain Sudan currently holds agreements with suppliers of network equipment, and transportation routes for its delivery are accessible in all regions of Sudan, except for North Darfur, North Kordofan, Wad-Madani and Khartoum, which are facing the most significant impact from the ongoing hostilities.

The Group has taken appropriate actions to ensure the continuity of communication services and operations. The management has prepared and reviewed the updated financial forecasts for the year, taking into consideration most likely and possible downside scenarios for the ongoing business impacts of the war. These forecasts were based on the following key assumptions:

- there will be no substantial increase in the intensity of hostilities, thereby not adversely impacting the number of active sites, significantly.
- Zain Sudan will have the capability to conduct maintenance and repair tasks in the affected territories of Sudan, ensuring a satisfactory level of network performance in regions where it is feasible while considering the physical security of technical specialists;
- there will be no significant fluctuations in the fuel rate, foreign exchange rates and other major costs during the course of the conflict;
- Zain Sudan will be able to ensure the uninterrupted functioning of its crucial IT infrastructure, aligning with management’s implemented measures and incident response and disaster recovery plans;
- the generated revenue from service and product sales will be sufficient for Zain Sudan to meet both operating expenses and essential capital investments.

Based on these forecasts, considering possible adverse scenarios, management reasonably expects that the Group possesses adequate resources to effectively handle its operations in Sudan. Management will maintain ongoing monitoring of the potential repercussions and will proactively implement all available measures to minimize any adverse consequences.

If a worst-case scenario unfolds with widespread hostilities across Sudan, it can be anticipated that the Group’s operations may encounter disruptions for an indeterminate duration. This represents an uncertainty that is beyond the control of the Group. After evaluating the revised forecasts, management has examined Zain Sudan’s capability to operate as a going concern at the time of releasing these consolidated financial statements. As a result, it has determined that there are no significant uncertainties that could impede the Zain Sudan’s infrastructure and operations, thereby casting significant doubt on its ability to continue as a going concern. Consequently, Zain Sudan is expected to be able to realize its assets and fulfill its obligations in the ordinary course of business.

The management of Zain Sudan has concluded that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Because of the ongoing conflict in Sudan as described above, there have been some damages to network equipment, spares and inventories. Unfortunately, the current situation is not viable for the management of the Zain Sudan to access these areas and take stock of the actual damages and losses due to continuing hostilities in these regions. Based on an initial assessment of the damages due to the ongoing conflict mainly in the main warehouse, Zain Sudan has recorded an

impairment loss of SDG 25.51 billion (RO 16.67 million) on its property and equipment and a provision for obsolescence on its inventories amounting to SDG 2.31 billion (RO 1.51 million) respectively during the current year.

Due to security concerns in certain locations, Zain Sudan is not able to exercise control over some of its property and equipment with a net book value of SDG 4.57 billion (RO 2.08 million) representing 703 network sites as of 31 December 2023. The management of Zain Sudan does not expect any significant damage to the Zain Sudan's network sites in the Sudanese regions of North Darfur, North Kordofan, Wad-Madani and Khartoum and has concluded that the affected sites have the ability to generate future economic benefits.

The Zain Sudan's management estimate such losses are fully covered under the Political Violence Insurance Policy and has submitted an initial provisional claim of USD 47.980 million (RO 18.26 million) with the insurer mainly relating to the equipment, spares and commercial items in the main warehouse which was partially set on fire during the conflict. According to the Political Violence Insurance Policy, Zain Sudan also have a claim for Business Interruption loss over a twelve-month period. In the opinion of Zain Sudan's management, losses, if any, will be fully recovered from the insurance company and based on the current assessment per available information, no significant financial impact is anticipated on the consolidated financial statements as the Zain Sudan management consider this unrest to be temporary and expects it to be resolved on a priority basis.

Sudan experienced a network blackout starting from 7 February 2024 as all the three main internet operators in Sudan were either partially or completely offline and discussions to resolve this issue are in progress. Subsequently, Zain Sudan has restored its services in Port Sudan and other neighboring states by setting up a new switch and data center in Port Sudan.

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 Consolidated 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:

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which 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.
- Amendments to IAS 1 and IFRS Practice statement 2 – 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.
- Amendments to IAS 8 – The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.
- Amendment to IAS 12 – International tax reform – pillar two model rules – These amendments give companies

temporary exception from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. Following the amendments, an entity is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The application of this amendment did not have a significant impact on the Group's consolidated financial statements.

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
Amendment to IAS 1 – Current and Non-current liabilities	Classification of liabilities as current or non-current: 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.	1 January 2024
Non-current liabilities with covenants	Non-current liabilities with covenants – The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).	
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	1 January 2024

Standard, interpretation, amendments	Description	Effective date
IFRS S1 – General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from the regulator
IFRS S2 – Climate-related disclosures	This standard sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	1 January 2024 subject to endorsement from the regulator
Amendments to IAS 21 – Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (early adoption is available)

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 Material 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 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 revised 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
		2023	2022	
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	Oman	51 %	51 %	Engaged in provision of ICT solutions
Global Financial Technology LLC	Oman	55 %	55 %	Engaged in management and operations of data processing facilities
Future Cities SAOC (Refer note (ii) below)	Oman	51 %	51 %	Engaged in provision of Smart IOT solutions
Associate				
Oman Fibre Optic Company SAOC	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 (i))	Oman	28.01 %	33.5 %	Real Estate investment Trust Fund

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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 34).

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 26.

As of 31 December 2023 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 592.3 million (2022: RO 661.0 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	
		2023	2022
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	65.11%	65.11%
Mobile Telecommunications Company Lebanon ("MTCL")	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited ("Zain Sudan") ("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%
ZainTech Solutions FZ-LLC ("Zain Tech") (previously known as Nexgen Advisory Group FZ LLC)	UAE	100%	100%
Associate			
TASC Towers Holding Limited	UAE	92.87%	69.1%
IHS Kuwait Limited	Kuwait	30%	30%
Joint venture			
Zain Al Aijal S.A	Morocco	50%	50%

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Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC – "JMTC". Al Khatem owns 100% of Atheer. Zain Tech owns 100% of BIOS and 65% of Adfolks.

JMTC, 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.

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.

Zain Tech

In January 2023, the Group, through Zain Tech, acquired the entire equity interest of BIOS for a purchase consideration of AED 158.161 million (RO 16.29 million) of which an amount of AED 126.056 million (RO 12.93 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to AED 120.167 million (RO 12.32 million). BIOS is a company incorporated in UAE having multiple subsidiaries engaged in business of IT related activities and cloud services.

In May 2023, the Group, through Zain Tech, acquired 65% equity interest of Adfolks for a purchase consideration of AED 14.184 million (RO 1.47 million) of which an amount of AED 10.554 million (RO 1.09 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to AED 8.782 million (RO 0.91 million). Adfolks is a company incorporated in UAE engaged in cloud and related services.

The Group completed the purchase price allocation (PPA) in respect of these acquisitions during the year. The amounts assigned to the identifiable assets acquired and liabilities assumed are as set out below.

	BIOS	Adfolks
	RO '000	RO '000
Consideration transferred	16,287	1,471
Non-controlling interest share	-	66
Government certificates of deposits held by subsidiaries	16,287	1,537
Cash and cash equivalents	607	183
Trade and other receivables	904	438
Property and equipment	960	31
Intangible assets*	3,542	291
Other assets	140	-
Trade and other payables	(1,391)	(458)
Due to banks	-	(254)
Other non-current liabilities	(518)	(41)
Total identifiable net assets	4,244	190
Goodwill arising from business combination	12,043	1,347
Net cash outflow arising on acquisition:		
Cash consideration	12,930	1,093
Less: cash and cash equivalent balances acquired	(607)	(183)
	12,323	910

* Intangible assets recognized represents the value of the Customer Relationship that the Group acquired as part of the business combination.

Bookeey

During the year, the Group acquired 83.39% equity interest of Bookeey for a purchase consideration of RO 3 million, which was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to RO 0.25 million. The recognized amounts of net assets of Bookeey as at the date of acquisition was RO 0.83 million, resulting in a goodwill of RO 2.31 million. The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA). Bookeey is a company incorporated in Kuwait engaged in electronic payment and settlement systems services.

Others

In October 2023, the Group entered into an agreement for acquisition of 100% equity interest of Specialized Technical Services Company ("STS"), a company engaged in providing digital transformation solutions in the Middle East and North Africa, for a purchase consideration of US\$ 32 million (RO 12.19 million) (including contingent consideration). This acquisition is subject to regulatory approvals.

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.

4.1 Cash and bank balances

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

	2023	2022
	RO '000	RO '000
Cash on hand and at banks	276,999	356,844
Short-term deposits with banks	185,248	121,766
Government certificates of deposits held by subsidiaries	7	10
	462,254	478,620
Allowance for expected credit loss (refer note 29)	(33,619)	(37,428)
	428,635	441,192
Cash at banks under lien	(1,343)	(7,477)
Short term deposits with bank exceeding three months	-	(11,553)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(7)	(10)
Cash and cash equivalents	427,285	422,152

The weighted average interest rate on short term deposits with bank is 4.07% (2022: 1.73%).

4.2 Bank balances held in customers' account

Bank balances held in customers' Account as part of electronic payment services provided by the Group are presented separately from cash and cash equivalent in the statement of financial position of the Group. The regulations in respective locations require that these balances with banks are held in a manner to ensure that these balances are not co-mingled with the Group's cash and cash equivalents.

During current year Group management decided to present these Bank balances held in customers account separately from the other bank balances in order to achieve better presentation.

The comparative amounts in respect of this adjustment has been reclassified in line with the current year presentation. The impact in respect of this reclassification is not material to the consolidated financial statement of the Group.

This resulted in reclassification of an amount of RO 10.132 million from Cash and cash equivalent to Bank balances held in customers' account in the consolidated statement of financial position and the consolidated statement of cash flow of the Group.

5. Trade receivables and other current assets

	2023	2022
	RO '000	RO '000
Trade receivables:		
Customers	716,405	617,240
Distributors	97,126	83,638
Other operators (interconnect)	143,115	133,151
Roaming partners	20,998	16,851
Allowance for expected credit loss (refer note 29)	<u>(286,585)</u>	<u>(279,840)</u>
	691,059	571,040
Other current assets:		
Accrued income	27,486	43,517
Staff	2,882	2,229
Deposits and other receivables	203,373	133,413
Prepayments and advances	164,004	180,215
Others (refer note below)	195,226	195,330
Allowance for Expected credit loss (refer note 29)	<u>(8,024)</u>	<u>(3,744)</u>
	584,947	550,960
	1,276,006	1,122,000

For receivable from related parties refer note 27

In 2011, MTC 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, MTC 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.

On 27 July 2023, MTC filed a petition before the Supreme Judicial Counsel objecting the rejection of Riyadh Enforcement Court to enforce the Award. As a result, a study by judicial committee has been made with a conclusion that the Company has the right to enforce the Award after segregating the interest from the principal debit, the study suggest to the Minister of Justice, President of the Supreme Judicial Counsel (final signatory) that the Company should submit to the court of appeal a petition for reconsideration as to this regard.

Subsequently on 15 January 2024, MTC were informed by Supreme Judicial Council that Minister of Justice signed the study ordering the court of appeal to accept a request for reconsideration by the Company and hire an expert to segregate the interest from the principal debit then enforce the latter.

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:

	2023	2022
	RO '000	RO '000
Omani Riyals	109,949	92,085
Kuwaiti Dinar	69,801	73,239
US Dollar	340,762	344,383
Bahraini Dinar	14,891	16,094
Sudanese Pound	15,614	7,800
Jordanian Dinar	43,467	55,912
Iraqi Dinar	115,420	131,369
Saudi Riyals	541,895	393,819
Others	24,207	7,299
	1,276,006	1,122,000

6. Inventories

	2023	2022
	RO '000	RO '000
Handsets and accessories	94,103	79,736
Provision for obsolescence	<u>(13,097)</u>	<u>(10,163)</u>
	81,006	69,573

7. Investment securities

	2023	2022
	RO '000	RO '000
Current investments		
At amortised cost		
Debt securities	-	1,000
At fair value through profit or loss		
Unquoted equities	1,136	1,209
Quoted equities	5,760	8,445
Funds -mandatorily at FVTPL	3,733	4,031
Other funds	<u>38,411</u>	<u>37,023</u>
	49,040	50,708
Noncurrent investments		
At fair value through profit or loss		
Funds -mandatorily at FVTPL	18,739	18,330
Unquoted equities- designated at inception	<u>6,618</u>	<u>6,198</u>
	25,357	24,528
At fair value through other comprehensive income		
Quoted equities- designated at inception	2,715	2,300
Funds	<u>3,585</u>	<u>3,470</u>

Unquoted equities - designated at inception	8,112	16,024
	<u>14,412</u>	<u>21,794</u>
Debt securities at amortised costs	<u>1,000</u>	-

Investment securities are denominated in the following currencies:

	2023	2022
	RO '000	RO '000
Omani Rial	15,654	14,794
Kuwaiti Dinar	6,422	6,277
US Dollar	60,158	69,159
Other currencies	7,575	7,800
	<u>89,809</u>	<u>98,030</u>

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

In 2022, 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.

During the first quarter ended 31 March 2023 financial completion date was triggered and all respective conditions were completed, consequently the passive infrastructure of all the sites were derecognized from the books of the Group.

Additionally, and in accordance with the terms and conditions of the Mobile Tower Space use Agreement ("MTSA") with Golden Lattice Investment Company ("GLI"), the Group leased back the right to use specified spaces on each site recognizing the Right of Use Assets ("ROU") and Lease Liability ("LL") on the same. The total gain recorded from the above transaction was SAR 676.99 million (RO 68.76 million) and includes the impact of reallocating goodwill of SAR 338.47 million (RO 34.09 million) attributable to tower operations.

The ground leases for all sites, whether transferred or yet to be transferred but landlord consent is available, have been accounted in such a manner that the related ROU and LL have been derecognized with any resulting gain or loss recognized in the income statement. For all other cases, the related carrying amounts of ROU and LL have been retained. The total loss on termination due to the above accounting for ground leases amounted to SR 177 million (RO 17.93 million) recorded in the year 2023.

On 19 October 2023 SMTC received a request from PIF to exercise unconditional call option as per SHA. The investment in these unquoted equity shares were classified as investment securities at FVTPL in the consolidated statement of financial position. The Group sold this investment to PIF as PIF exercise the call option attached to issuance of the shares. The call option was exercised on 20 November 2023. The gain realized on this sale amounts to SAR 121 million (RO 12.30 million).

Due to the significant judgements and estimations involved in assessing transfer of control the accounting of the transaction was revisited in the fourth quarter of 2023 resulting in the above accounting treatment which could have a consequential impact on the reported figures for the respective quarterly financial information of 2023.

Iraq

During 2022, Atheer Telecom Iraq Limited received approval from its board of directors for the sale of its passive tower infrastructure. Under the terms of the offer received, Atheer was to sell and leaseback its passive physical towers infrastructure comprising of 4,604 towers.

In January 2023, Atheer sold and leased back from TTI Holding Limited (TTI, a subsidiary of the Group) 4,604 towers, for an aggregate value of US\$ 180 million (RO 68.03 million). This intercompany transaction was eliminated at the Group level.

In July 2023, the Group sold its controlling stake in TTI (including tower infrastructure) to TASC Towers Holding Limited ("TASC") (an associate of the Group), for a consideration of US\$ 238 million (RO 90.51 million). This resulted in a gain of US\$ 0.56 million (RO 0.22 million) after elimination of loss resulting from downstream transaction. This includes the impact of reallocating goodwill of US\$ 32.63 million (RO 12.36 million) attributable to tower operations and recycling of US\$ 0.26 million (RO 0.1 million) FCTR to income statement.

Kuwait

Between 2020 and 2022 the Company completed the sale and lease back of 1,398 telecom towers in Kuwait.

During August 2023, the Company completed sale and lease back of additional 101 telecom towers in Kuwait for a total sale consideration of US\$ 6.409 million (RO 2.43 million). Total gain from this transaction was RO 1.33 million which is recognized in the statement of profit or loss during the period.

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 Oman and Kuwait as follows.

	Total (RO'000)			
	Oman	Kuwait	31 December 2023	31 December 2022
Telecom tower assets	1,296	1,053	2,349	187,719
Right of use of assets	-	3,905	3,905	135,237
	<u>1,296</u>	<u>4,958</u>	<u>6,254</u>	<u>322,956</u>
Lease liabilities	-	1,244	1,244	109,318

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 December 2022, 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. Total gain from the transaction is RO 28 million (net of income taxes of RO 5.1 million) recognized in the statement of profit or loss.

9. Investments in associates and joint venture

Investments in associates

	2023	2022
	RO '000	RO '000
Oman Fibre Optic Co SAOC	8,945	8,264
Majan Telecommunications LLC	5,419	5,334
Equinix Muscat LLC	2,443	2,160
Pearl REIF Fund (refer note (i) below)	15,528	14,736
TASC Towers Holding Limited (refer note (ii) below)	98,406	16,543
IHS Kuwait Ltd	1,300	1,341
Others	1,374	201
	<u>133,415</u>	<u>48,579</u>

- i) 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. During the year PEARL REIF allotted new units to an investor in lieu of a property contribution to the fund. This resulted in dilution of the Parent company's shareholding in the PEARL REIF to 28.01% (31 December 2022: 33.51%)
- ii) The Group's hold 92.87% (31 December 2022 – 69.10%) interest in the equity shares of TASC Towers Holding Limited ("TASC"), a company incorporated in UAE.

During the year the Group increased its' holding in TASC from 69.10% to 92.87% as a result of issuing of additional shares to settle the consideration on sale of TTI as disclosed in note 8.

The Group determines that it does not have the control over TASC on the basis that the Group does not have ability to have majority representation in the Board under the terms agreed in the agreement between TASC shareholders. In December 2023, the Group signed definitive agreements with Ooredoo Group Q.P.S.C ("Ooredoo") for a merger transaction to combine both company's passive infrastructures (towers) via a cash and share deal. The Group and Ooredoo will contribute assets and cash to retain a 49.3% stake each in TASC. The transaction (initial market closings) is expected to be completed by 2024.

Summarised financial information in respect of TASC is set out below based on the management accounts.

	2023	2022
	RO '000	RO '000
Current assets	20,847	6,188
Non-current Assets	186,453	61,661
Current liabilities	34,145	24,451
Non-current liabilities	48,457	30,930
Equity attributable to owners of the parent company	106,201	12,467
Non-controlling interest	18,497	-
Revenue	33,409	9,696
Total comprehensive loss	(3,683)	(3,588)

Reconciliation of the above summarised financial information to the carrying amount of the interest in TASC recognised in the consolidated financial statements:

	2023	2022
	RO '000	RO '000
Net assets of associate	106,201	12,467
Group's interest	92.87%	69.10%
Proportion of the group's ownership interest in the associate	98,629	8,615
Others	(223)	7,928
Carrying amount of the group's interest in the associate	<u>98,406</u>	<u>16,543</u>

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 106.433 million (31 December 2022 - RO 101.448 million) interest in the joint venture, Zain Al Ajjal 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 2023

	RO'000		
	Land and building	Cellular and other equipment	Total
As at 1 January 2023	177,967	28,572	206,539
Add: Additions	111,114	40,088	151,202
Less: Amortisation	(38,579)	(14,540)	(53,119)
Less: Retirement	(8,345)	(24)	(8,369)
Transfers to assets of disposal group classified as held for sale	(35,487)	-	(35,487)
Exchange adjustments	(2,747)	(232)	(2,979)
Closing balance as at 31 December 2023 (excluding assets of disposal group classified as held for sale)	<u>203,923</u>	<u>53,864</u>	<u>257,787</u>

31 December 2022

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

Land and building comprises mainly of telecommunication sites on lease.

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

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

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

11. Property and equipment

	Land and buildings and leasehold improvements	Telecomm and other equipment	Projects in progress	Total RO '000
Cost				
As at 1 January 2022	212,829	5,228,648	203,007	5,644,484
Acquisition of subsidiaries	-	180	-	180
Additions	1,458	69,140	269,412	340,010
Transfers/Reclassification	2,786	270,551	(285,716)	(12,379)
Transfer to assets held for sale	-	(421,607)	(21)	(421,628)
Disposals/write off (including disposal of subsidiary)	(42,434)	(29,912)	(349)	(72,695)
Exchange adjustments	(118)	34,428	(2,025)	32,285
As at 1 January 2023	174,521	5,151,428	184,308	5,510,257
Acquisition of subsidiaries (note 3)	-	3,384	-	3,384
Additions	1,200	65,666	376,338	443,204
Transfers/Reclassification	3,294	208,124	(214,495)	(3,077)
Disposals/write off (including disposal of subsidiary)	(476)	(75,120)	(2,062)	(77,658)
Exchange adjustments	(1,699)	(26,134)	(13,621)	(41,454)
As at 31 December 2023	176,840	5,327,348	330,468	5,834,656
Accumulated depreciation				
As at 1 January 2022	91,881	3,569,613	-	3,661,494
Charge for the year	6,200	314,921	-	321,121
Transfers/reclassification	(306)	2,569	-	2,263
Related to disposals/write off (including disposal of subsidiary)	(6,704)	(20,341)	-	(27,045)
Transfer to assets held for sale	-	(238,157)	-	(238,157)
Exchange adjustment	601	28,476	-	29,077
As at 1 January 2023	91,672	3,657,081	-	3,748,753
Acquisition of subsidiaries (note 3)	-	1,226	-	1,226
Charge for the year	5,265	312,434	-	317,699
Transfers/reclassification	-	10,555	-	10,555
Disposals/write off (including disposal of subsidiary)	(473)	(68,647)	-	(69,120)
Impairment (note 2.1)	-	-	16,670	16,670
Exchange adjustment	(288)	(14,377)	(4,835)	(19,500)
As at 31 December 2023	96,176	3,898,272	11,835	4,006,283
Net book value				
As at 31 December 2023	80,664	1,429,076	318,633	1,828,373
As at 31 December 2022	82,849	1,494,347	184,308	1,761,504

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 52.28 million (2022: RO 27.78 million) paid for project in progress.

12. Intangible assets and goodwill

	Goodwill	Licences and spectrum fees	Others	CWIP	Total
	RO '000				
Cost					
As at 1 January 2022	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 1 January 2023	1,038,507	3,724,476	1,112,560	7,785	5,883,328
On acquisition of subsidiaries (note 3)	15,712	611	3,583	-	19,906
Additions	-	35,415	17,592	6,528	59,535
Disposals	(46,442)	(7,779)	(533)	-	(54,754)
Transfers/reclassification	-	-	2,334	(1,561)	773
Exchange adjustments	(2,781)	(11,168)	(5,950)	(30)	(19,929)
As at 31 December 2023	1,004,996	3,741,555	1,129,586	12,722	5,888,859
Accumulated amortization					
As at 1 January 2022	-	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 1 January 2023	-	1,903,037	590,745	-	2,493,782
On acquisition of subsidiaries (note 3)	-	32	-	-	32
Charge for the year	-	116,167	62,295	-	178,462
Disposals	-	(7,779)	(294)	-	(8,073)
Transfers/reclassification	-	-	(111)	-	(111)
Exchange adjustments	-	(4,992)	(2,717)	-	(7,709)
As at 31 December 2023	-	2,006,465	649,918	-	2,656,383
Net book value					
As at 31 December 2023	1,004,996	1,735,090	479,668	12,722	3,232,476
As at 31 December 2022	1,038,507	1,821,439	521,815	7,785	3,389,546

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:

	2023	2022
	RO '000	RO '000
Zain Kuwait	194,857	195,853
Zain Jordan (Pella)	179,393	179,477
Atheer	227,844	255,422
SMTC	386,521	407,084
Zain Tech (note 3)	13,403	-
Others	2,978	671
	1,004,996	1,038,507

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 within the four to five year period in revenue of up to 1.58% (2022: 1.81%) for Zain Kuwait, 8.76% (2022: 8.3%) for Atheer 2.73% (2022: 2.73%) for Pella and SMTC 3.55% (2022:6%) during the projected five year period. Value assigned reflects past experience and changes in economic environment.
Capital expenditure	Cash flows beyond the four to five year period have been extrapolated using a growth rate of upto of 4.7% (2022:2.5%) for Zain Kuwait, 4.7% (2022:2.5%) for Atheer 4.7% (2022:3.3%) for Pella and SMTC 4.7% (2022:3%). This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates. 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 8.5% (2022: 8.3%) for Zain Kuwait, 15.7% (2022: 16.4%) for Atheer 12.4% (2022: 12.7%) for Pella and SMTC 8.4% (2022: 8.2%). 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. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amounts of all CGUs were higher than the carrying amount of the CGUs.

License and spectrum

	End of amortisation period	2023 RO '000	2022 RO '000
Mobile licence and Spectrum-Sultanate of Oman	2034	55,547	60,980
Fixed licence and Spectrum-Sultanate of Oman	2029	2,311	3,277
License – SMTC	2047	1,201,227	1,257,905
License – Atheer	2030	138,637	158,855
License – Pella	2026 to 2036	171,789	165,776
Spectrum – SMTC	2032 to 2034	126,016	139,189
Spectrum-Atheer	2027	16,190	16,598
Others		23,373	18,859
		1,735,090	1,821,439

Atheer

This includes the fee paid for the initial license in 2007, its renewal in 2020, 3G license in 2015 and for the 4G license in 2020.

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.

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

	2023 RO '000	2022 RO '000
Trade payables and accruals	1,130,385	1,026,856
Due to roaming partners	28,278	24,371
Due to other operators (interconnect)	64,592	45,812
Dues to regulatory authorities (refer below)	74,102	165,852
Taxes payable	125,758	87,576
Dividend payable	31,179	30,939
Other payables	112,150	84,758
	1,566,444	1,466,164

Dues to regulatory authorities includes amount of SAR 148 million (RO 14.91 million) (2022: SAR 975.869 million, RO 98.7 million) payable by SMTC to Ministry of Finance KSA, RO Nil (2022: RO 13.88 million) payable by Atheer to CMC Iraq for the renewal of existing license.

14. Income tax payables

	2023 RO '000	2022 RO '000
Oman	8,629	15,615
Atheer – Iraq	7,083	12,419
Pella – Jordan	7,064	3,543
Other	9,406	7,075
	32,182	38,652

Tax assessments for Parent Company (Sultanate of Oman) are finalized till tax years 2019. During the year, Oman tax authority carried a reassessment for the tax year 2017 raising a demand for RO 1.8 million disallowing certain write offs with respect to an investment in an erstwhile subsidiary. The Company is in the process of filing an objection against the order.

For tax year 2019, Oman tax authority raised a demand for RO 2.6 million disallowing certain write offs on debtors and inventory. The Company is in the process of filing an objection against the order. The impact of such disallowances for the remaining tax years from 2020 to 2023 is estimated to be an additional amount of RO 3.6 million. The Company believes that no additional tax liability will arise upon completion of the assessments for the remaining tax years.

Atheer - Iraq

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT).

Atheer has booked the income tax expenses for the year from 2019 to date, based on self-assessment, considering most likely outcome. No assessment order has yet been received. Income tax assessment for all other years are paid and settled.

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

15. Borrowings

	2023	2022
	RO '000	RO '000
<i>Parent Company</i>		
Short term loan	25,000	-
Long term loan	-	58,816
Bridge loan	177,146	-
Other long term loans	7,684	10,130
	<u>209,830</u>	<u>68,946</u>
<i>Oztel</i>		
Long term loan	-	70,172
Bonds	264,988	441,487
	<u>264,988</u>	<u>511,659</u>
<i>Oman Data Park</i>		
Long term loans	9,400	8,045
<i>Mobile Telecommunications Company-Kuwait</i>		
Short term loans	30,278	26,507
Long term loans	692,836	667,268
	<u>723,114</u>	<u>693,775</u>
<i>SMTC</i>		
Long term loans	527,319	607,662
Payable to Ministry of Finance-KSA (Murhaba facility)	261,154	-
	<u>788,473</u>	<u>607,662</u>
<i>Pella</i>		
Long term loans	98,406	98,452
<i>Atheer</i>		
Bank overdrafts	633	3,116
Long term loans	266,347	289,209
	<u>266,980</u>	<u>292,325</u>
<i>Future cities SAOC</i>		
Long term loan	4,728	5,834
<i>Others</i>		
Bank Overdrafts	1,227	953
	<u>2,367,146</u>	<u>2,287,651</u>

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

	2023	2022
	RO '000	RO '000
Opening balance	2,287,651	2,402,908
Acquisition of a subsidiary	-	6,439
Accretion of interest	30,134	44,600
Reclassification from other liabilities-Payable to Ministry of Finance-KSA	309,463	-
Proceeds from bank borrowings	436,669	566,214
Repayment of bank borrowings	(681,987)	(722,417)
Payment of interest	(27,707)	(41,632)
Effect of change in foreign exchange rates	12,923	31,539
	<u>2,367,146</u>	<u>2,287,651</u>

The current and non-current amounts are as follows:

	2023	2022
	RO '000	RO '000
Current liabilities	487,100	547,584
Non-current liabilities	1,880,046	1,740,067
	<u>2,367,146</u>	<u>2,287,651</u>

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

	2023	2022
	RO '000	RO '000
US Dollar	1,127,542	1,411,388
Kuwaiti Dinar	509,178	366,962
Saudi Riyals	690,072	494,469
Omani Rial	40,354	14,832
	<u>2,367,146</u>	<u>2,287,651</u>

The effective interest rate as at 31 December 2023 was 0.76% to 7.09% (2022 – 0.76% to 7.09%) per annum.

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

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

Parent Company and Oztel**Short term loan**

During the period the Company drawn down RO 80 million (31 December 2022: Nil) and repaid RO 55 million from a revolving credit facility

The facility carries a fixed margin over the one year cost of fixed deposit of the bank.

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. During the year the Company prepaid the entire loan amount.

Other long term loans

Export credit loan with an outstanding balance of USD 20.0 million (RO 7.7 million) (2022-USD 26.3 million (RO 10.1 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.

Bridge loan

On 19 October 2023 the Parent company acquired a bridge loan of USD 460 million to repay the 5.5 year bonds. The bridge loan carries an interest rate of 3 months Term SOFR plus a margin of 1 percent with the effective interest rate being 6.39%. The loan is unsecured.

On 24 January 2024 the Parent Company through its Special Purpose vehicle OTEL Sukuk Limited issued a 7 year Sukuk for USD 500 million due on 23 January 2032 with coupon rate of 5.375%. The proceeds were utilized to repay the bridge loan of USD 460 million. The Sukuk is listed on Irish Stock exchange.

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 Nil (2022: USD 457.1 million) with coupon rate of 5.63% per annum. The bonds which were due for repayment in year 2023 were repaid out of a bridge loan facility for USD 460 million from Arab Banking Corporation. The effective interest rate on the bond is 6.05% per annum. The fair value of the bond is USD Nil (2022: USD 453.9 million)
- b) 10 years tranche USD 688.1 million (2022: USD 688.9 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 720 million (2022: USD 691.5 million)
- c) The bonds are guaranteed by the Parent company.

Mobile Telecommunications Company K.S.C.P (MTC)

During the year, the Company has;

- drawn down loans amounting to RO 185.55 million from the existing facilities (31 December 2022 - RO 177.63 million). This includes:
 - US\$ 80 million (RO 30.23 million) of a revolving credit facility amounting to US\$ 130 million.
 - RO 124.43 million of a revolving credit facility amounting to RO 246.4 million.
 - RO 18.48 million of a revolving credit facility amounting to RO 123.2 million.
 repaid loans amounting to RO 154.59 million (31 December 2022 – RO 157.8 million). This includes:
 - US\$ 70 million (RO 26.47 million) of a revolving credit facility amounting to US\$ 130 million
 - US\$ 30.514 million (RO 11.52 million) of export credit agency financing, amounting to US\$ 194.117 million
 - US\$ 107.692 million (RO 40.65 million) of export credit agency financing amounting to US\$ 200 million

- US\$ 21.176 million (RO 7.99 million) of export credit agency financing amounting to US\$ 87.705 million
- US\$ 65 million (RO 24.60 million) of a term loan facility amounting to US\$ 100 million
- US\$ 30 million (RO 11.42 million) of a long-term facility amounting to US\$ 317 million

The above facilities carry a fixed margin over three month CME term Secured Overnight Financing Rate (CME term SOFR) or over Central Bank Discount rate and are unsecured.

SMTC

Long-term loans include:

- 1) SAR 5,233 million (RO 527.32 million) (31 December 2022: SAR 5,488 million equivalent to RO 555.06 million) syndicated murabaha facility and SAR Nil (RO 52.59 million) (31 December 2022: SAR 520 million equivalent to RO 52.59 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 MTC 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 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.

In February 2023, SMTC has signed a revised agreement with the Ministry of Finance ("MOF"), Kingdom of Saudi Arabia under which the existing deferral of payment to MOF along with commercial commission payable is converted into a Murabaha facility with MOF and Al Rajhi Banking & Investment Corporation has been appointed as the Murabaha Facility Agent.

Pella

Long term loans include:

- 1) US\$ 160 million (RO 60.55 million) (31 December 2022 – US\$ 160 million equivalent to RO 60.09 million) term loan from a commercial bank which is repayable by 2025.
- 2) US\$ 100 million (RO 37.84 million) (31 December 2022 – US\$ 100 million equivalent to RO 38.36 million) term loan from a commercial bank which is repayable by 30 April 2027.

The loans are unsecured and are guaranteed by MTC.

Atheer

Long term loans include:

- 1) US\$ 50 million (RO 18.92 million) (31 December 2022 – US\$ 70 million equivalent to RO 26.5 million) term loan from a commercial bank which is repayable by 17 December 2024.
- 2) US\$ 105 million (RO 39.74 million) (31 December 2022 – US\$ 105 million equivalent to RO 39.75 million) term loan from a commercial bank which is repayable by 30 June 2026.
- 3) US\$ 125 million (RO 47.31 million) (31 December 2022 – US\$ 150 million equivalent to RO 56.8 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 2022 – US\$ 100 million equivalent to RO 37.3 million) term loan from a commercial bank which is repayable by 30 July 2026.
- 5) US\$ 50 million (RO 18.92 million) (31 December 2022 – US\$ 50 million equivalent to RO 18.93 million) term loan from a commercial bank which is repayable by 14 April 2024.
- 6) US\$ 48.75 million (RO 18.45 million) (31 December 2022 – US\$ 63.75 million equivalent to RO 24.14 million) term loan from a commercial bank which is repayable by 28 April 2025.
- 7) US\$ 125 million (RO 47.31 million) (31 December 2022 – US\$ 125 million equivalent to RO 47.43 million) term loan from a commercial bank which is repayable by 03 May 2025.
- 8) US\$ 100 million (RO 37.84 million) (31 December 2022 – US\$ 100 million equivalent to RO 37.86 million) term loan from a commercial bank which is repayable by 25 May 2024.

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

Future cities SAOC

Long term loans include RO 4.728 million term loan (2022- RO 5.834 million) from a commercial bank which is repayable by 31 July 2027. The loan is secured by assignment of receivables.

16. Lease liabilities

	2023	2022
	RO '000	RO '000
Balance as of 1 January	243,992	248,656
Additions	203,805	178,302
Accretion of interest	20,141	10,434
Payments	(77,177)	(83,322)
Retirements	(6,745)	(4,932)
Transfers to liabilities of disposal group classified as held for sale	(26,250)	(107,352)
Exchange adjustments	(2,539)	2,206
Closing balance as at 31 December	355,227	243,992
(excluding liabilities of disposal group classified as held for sale)	45,653	33,078
Current	309,574	210,914
Non-current	355,227	243,992

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 3.8% to 21% (2022: 3.5% to 21%).

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

	2023	2022
	RO '000	RO '000
Omani Rials	138,517	114,219
Saudi Riyals	124,263	68,760
US Dollar	16,069	14,909
Jordanian dinar	15,375	14,946
Bahraini dinar	17,512	15,616
Kuwaiti Dinar	8,740	7,067
Others	34,751	8,475
	355,227	243,992

17. Other non-current liabilities

	2023	2022
	RO '000	RO '000
Payable to Ministry of Finance – KSA (refer note (i) below)	-	251,563
Due for acquisition of spectrum	193,678	207,092
Payable towards Sale and Lease back-Financing	90,930	83,554
Customer deposits	5,567	9,827
Post-employment benefits	70,386	63,107
Others	45,655	64,815
	406,216	679,958

(i) 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.

In February 2023, SMTC has signed a revised agreement with the Ministry of Finance ("MOF"), Kingdom of Saudi Arabia under which the existing deferral of payment to MOF along with commercial commission payable is converted into a Murabaha facility with MOF and Al Rajhi Banking & Investment Corporation has been appointed as the Murabaha Facility Agent. Following this the amount is now reclassified to Borrowings (refer note 15).

18. Share capital and reserves

Share capital (par value of RO 0.100 per share)

	2023	2022
	<u>No. of shares</u>	<u>No. of shares</u>
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:

	2023	2022
	<u>No. of shares</u>	<u>No. of shares</u>
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 Telecommunication Regulatory Authority, Oman 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 0.5 million (2022- RO 5.2 million).

Dividend – 2022

The annual general meeting of shareholders for the year ended 31 December 2022 held on 31 March 2023 approved distribution of final dividends of 55 baiza per share for the year 2022.

Proposed 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 (2022 - 55 baiza per share) to the registered shareholders, after obtaining the approval at AGM. This is in addition to interim dividend of 5 baiza per share distributed earlier in 2023 totaling 60 baiza per share for the year 2023.

Unclaimed dividend

During the year unclaimed dividends of RO 116,130 (2022-RO 132,950) was transferred to Investor protection trust fund.

19. Revenue

19.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	2023	2022
	<u>RO '000</u>	<u>RO '000</u>
Airtime, data, subscription and other services	2,595,620	2,396,766
Trading income	347,097	286,010
	2,942,717	2,682,776

The total revenue disaggregated by primary geographical market and timing of revenue recognition is disclosed in note 25.

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

19.2 Contract balances

Contract assets

	2023	2022
	<u>RO '000</u>	<u>RO '000</u>
Assets relating to sale of handsets		
Current and non-current	203,591	181,606
Loss allowance	(7,800)	(6,683)
	195,791	174,923

The amount is disclosed in the statement of financial position as follows:

	2023	2022
	<u>RO '000</u>	<u>RO '000</u>
Current	125,754	108,940
Non current	70,037	65,983
	195,791	174,923

Contract liabilities

	2023	2022
	<u>RO '000</u>	<u>RO '000</u>
Deferred revenue-Prepaid customers	87,299	89,802
Billing in advance-others	32,936	32,970
	120,235	122,772

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

- Operating and administrative expenses also includes staff costs of RO 294.24 million (2022 – RO 265.87 million).
- A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communication (MOC) since 26 July 2011 was invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group's claim amounted to KD 24.680 million.
 - In June 2022 and in February 2023 the Courts of First Instance and the Court of Appeal respectively, issued judgements in favor of the Group.
 - In April 2023 MOC appealed to the Court of Cassation against the above ruling and to suspend its execution. The request to suspend the execution of order of Court of Appeal was rejected on 30 May 2023.

Based on the above, the Group received the above claim amounting to RO 30.53 million and has recognized an amount of RO 30.53 million in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

21. Investment income

	2023	2022
	RO '000	RO '000
Gain on investments at fair value through profit or loss	14,843	5,809
Dividend income	784	789
	15,627	6,598

22. Finance cost

	2023	2022
	RO '000	RO '000
Borrowings	141,267	118,012
Gain on bond buyback	-	(846)
Lease liabilities	27,125	16,754
License and spectrum	11,974	11,410
Communications, Space and Technology commission (KSA)	16,437	10,976
Others	3,103	1,046
	199,906	157,352

23. Income tax expenses

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

	2023	2022
	RO '000	RO '000
Income tax expense-Continued operations		
Corporate income tax	32,962	24,987
Reversal of corporate income taxes in respect of previous years	-	(6,184)
Other taxes	1,731	1,887
	34,693	20,690
Income tax expense-Discontinued operations		
Corporate income tax on profit for the year from discontinued operations	-	5,064
	34,693	25,754

The tax rate applicable to the taxable subsidiary companies is in the range of 7% to 26% (2022: 7% to 26%) whereas the effective income tax rate for the year ended 31 December 2023 is in the range of 4% to 24% (2022: 4% to 24%). 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.

Pillar 2 Income Taxes

In 2021, the OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) reached an agreement on a two-pillar approach to tackle tax challenges arising from the digitalization of the economy. Under Pillar 2, Multinational Entities (MNEs) with revenues exceeding EUR 750 million are liable to pay a minimum effective corporate income tax rate of 15% in each jurisdiction where they operate.

Omantel Group operates in jurisdictions that have joined the IF, including Oman. The Global Minimum Tax under Pillar 2 is applicable for all jurisdictions effective 2025 except Zain Sudan (held via ZIBV in the Netherlands) and Oman France in France, where this Global Minimum Tax is applicable effective 2024.

Currently, the Group is assessing its exposure to additional income taxes under Pillar 2 regulations. However, providing a reasonable estimate of the additional tax burden is challenging at this stage, as the relevant tax legislation has yet to be introduced in Oman and some other jurisdictions.

24. Earnings per share

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

	2023	2022
	RO '000	RO '000
Profit for the year attributable to shareholders of the Company		
From continuing operations	74,792	63,286
From discontinued operations	-	28,030
	750,000,000	750,000,000
	RO	RO
Basic and diluted earnings per share		
From continuing operations	0.100	0.084
From discontinued operations	-	0.037

25. 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.

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31 December 2023	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)	539,658	314,871	189,679	209,167	367,442	59,108	880,095	35,600	-	2,595,620
Segment revenues - trading income (Point in time)	66,805	131,023	9,877	2,688	2,966	13,805	119,174	759	-	347,097
Net profit before interest and tax	70,244	93,829	50,875	88,363	56,815	5,669	98,193	(12,274)	-	451,714
Interest income	2,492	3,666	846	4,221	860	409	7,043	278	-	19,815
Gain from discontinued operations and sale and leaseback transactions	-	1,327	-	-	12,252*	-	68,757	-	(12,252)	70,084
Dividend income from Zain group	41,531	-	-	-	-	-	-	-	(41,531)	-
Finance costs	(42,968)	(971)	(16,196)	(1,816)	(33,209)	(999)	(72,856)	(353)	-	(169,368)
Income tax expenses	(8,036)	-	(9,787)	(8,548)	(5,803)	-	-	(1,830)	-	(34,004)
	<u>63,263</u>	<u>97,851</u>	<u>25,738</u>	<u>82,220</u>	<u>30,915</u>	<u>5,079</u>	<u>101,137</u>	<u>(14,179)</u>	<u>(53,783)</u>	<u>338,241</u>
<i>Unallocated items:</i>										
Investment income										15,627
Share of results of associates and joint venture										4,373
Others (including unallocated income tax and finance costs net of elimination)										<u>(42,757)</u>
Profit for the year										<u><u>315,484</u></u>

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Segment assets including allocated goodwill	1,686,794	950,566	637,086	151,018	949,765	129,473	3,086,514	180,862	(854,545)	6,917,533
ROU asset	99,856	14,586	12,322	2,787	23,685	17,416	84,928	2,207	-	257,787
Unallocated items:										
Investment securities at FVTPL										74,397
Investment securities at FVOCI										14,412
Investment securities at amortised cost										1,000
Investment in associates and joint venture										239,848
Others (net of eliminations)										<u>250,865</u>
Consolidated assets										<u><u>7,755,842</u></u>
Segment liabilities	459,382	210,034	207,370	58,123	178,745	34,661	780,727	194,332	(4,209)	2,119,165
Lease liabilities (Current & non-current)	138,517	22,393	15,054	2,043	33,365	17,512	124,262	2,081	-	355,227
Borrowings	490,175	-	98,406	-	266,982	-	788,472	-	-	<u>1,644,035</u>
										<u>4,118,427</u>
<i>Unallocated items:</i>										
Borrowings										723,110
Others (net of eliminations)										<u>7,156</u>
Consolidated liabilities										<u><u>4,848,694</u></u>
Net consolidated assets										<u><u>2,907,148</u></u>
Capital expenditure incurred during the year	115,815	57,383	61,995	41,613	74,302	12,887	96,613	32,260	-	492,868
Unallocated (net of eliminations)										<u>1,334</u>
Total capital expenditure										<u><u>494,202</u></u>
Depreciation and amortization	92,299	84,607	30,556	17,064	76,857	12,992	187,109	7,907	-	509,391
Amortization of ROU assets	10,298	8,497	1,572	949	3,452	4,176	24,740	(565)	-	53,119
Unallocated										<u>3,438</u>
Total depreciation and amortization										<u><u>565,948</u></u>

*Eliminated at Group level

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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)
<i>Unallocated items:</i>	85,713	70,987	(15,472)	88,979	3,158	4,947	52,010	(5,204)	(39,456)	245,662
Investment income										6,598
Share of results of associates and joint venture										5,466
Others (including unallocated income tax and finance costs net of elimination)										21,198
Profit for the year										<u>278,924</u>

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Segment assets including allocated goodwill	1,747,303	943,443	613,723	113,418	980,620	134,171	3,279,117	123,820	(850,336)	7,085,279
ROU asset	74,708	12,555	12,042	3,164	7,243	15,570	79,890	1,367	-	206,539
Unallocated items:										
Investment securities at FVTPL										75,236
Investment securities at FVOCI										21,794
Investment securities at amortised cost										1,000
Investment in associates and joint venture										150,027
Others (net of eliminations)										295,568
Consolidated assets										<u>7,835,443</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	595,439	-	98,452	-	292,325	-	607,662	-	-	1,593,878
<i>Unallocated items:</i>										4,276,855
Borrowings										693,773
Others (net of eliminations)										(22,121)
Consolidated liabilities										<u>4,948,507</u>
Net consolidated assets										<u>2,886,936</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)										1,173
Total capital expenditure										<u>439,670</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										(1,470)
Total depreciation and amortization										<u>551,536</u>

26. Subsidiaries with significant non-controlling interests

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

	Zain Group	
	2023	2022
	RO '000	RO '000
Current assets	1,712,429	1,779,816
Non-current assets	4,442,269	4,349,161
Current liabilities	(1,689,793)	(1,718,016)
Non-current liabilities	(2,049,899)	(2,063,318)
Equity attributable to:		
- Owners of the Company	1,528,546	1,522,918
- Non-controlling interests	886,461	824,725
Revenue	2,361,361	2,129,037
Profit for the year	359,704	276,461
Other comprehensive income	(62,127)	5,496
Total comprehensive income	297,577	281,957
Total comprehensive income attributable to:	207,261	225,714
- Company's shareholders	90,316	56,243
- Non-controlling interests	297,577	281,957
Cash dividend paid to non-controlling Interests	(220,652)	(174,792)
Net cash from operating activities	670,589	614,793
Net cash from operating activities	(48,786)	(326,366)
Net cash used in investing activities	(480,053)	(276,022)
Net cash flow used in financing activities	141,750	12,405
Net increase/(decrease) in cash flows		

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

	SMTC		Al Khatem, Iraq	
	2023	2022	2023	2022
	RO '000	RO '000	RO '000	RO '000
Current assets	680,583	717,953	235,103	252,239
Non-current assets	2,078,528	2,157,172	885,100	885,366
Current liabilities	(799,572)	(910,954)	(265,086)	(296,027)
Non-current liabilities	(892,164)	(977,961)	(210,405)	(217,995)
Non-controlling interests	-	-	-	-
Equity attributable to:				
- Owners of the Company	395,412	365,342	489,973	473,914
- Non-controlling interests	671,966	620,868	154,738	149,670
Revenue	995,229	920,061	368,911	307,145
Profit for the year	133,082	50,639	33,473	5,862
Other comprehensive income	(2,872)	21,306	-	-
Total comprehensive income	130,210	71,945	33,473	5,862
Total comprehensive income attributable to:				
- Company's shareholders	48,236	26,652	25,440	4,455
- Non-controlling interests	81,974	45,293	8,033	1,407
Cash dividend paid to non-controlling Interests	(28,369)	-	-	-
Net cash flow from operating activities	113,198	195,488	129,491	105,336
Net cash flow from used in investing activities	162,991	(135,368)	(63,703)	(41,955)
Net cash flow used in financing activities	(192,543)	(70,968)	(59,676)	(46,128)
Effects of exchange rate changes on cash and cash equivalents	418	(139)	443	92
Net (decrease)/ increase in cash flows	55,277	(10,987)	6,112	17,253

27. 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:

	2023	2022
	RO '000	RO '000
Transactions with associate companies		
Revenue	10,780	13,289
Cost of sales and operating and maintenance expenses	30,302	10,872
Dividend income from associate	2,369	1,147
Sale of Head quarter building	-	55,000
Key management compensation		
Salaries and other short term employee benefits	1,909	2,074
Post-employment benefits	79	105
Director's remuneration	331	319
Balances with associate companies		
Trade receivables	6,648	787
Other receivables	10,515	17,244
Trade payables	4,421	5

Government of Sultanate of Oman (the Government), owns 51 % (2022: 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 is disclosed the below information, to meet the disclosure requirements of IAS 24:

Revenues related to transactions with government and government entities for the year ended 31 December 2023 amounted to RO 26.5 million (2022:RO 30.2 million). As of 31 December 2023 trade receivables from government and government entities amounted to RO 35.5 million (2022: RO 31.6 million).

28. Commitments and contingencies

	2023	2022
	RO '000	RO '000
Capital commitments	152,237	134,217
Uncalled share capital of investee companies	451	785
Letters of guarantee and credit	77,263	86,448

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.

Atheer- Iraq

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.

On 10 September 2023, the Communication and Media Commission of Iraq ("CMC") imposed a fine of US\$ 75 million (RO 28.36 million) on Atheer for failing to meet 4G QoS ('Quality of Service') KPIs for the year 2022. Atheer's position is that the penalties are not assessed in line with license agreement with CMC and did not comply with existing regulations. On 9 October 2023, Atheer challenged the decision before the Appeals Board. Based on the report from its attorneys, Atheer believes that the prospects of this matter being resolved in Atheer's favor are good.

Pella - Jordan

Pella is a defendant in lawsuits amounting to RO 27.86 million (31 December 2022 – RO 27.94 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

SMTC

SMTC received withholding tax assessments from Zakat, Tax and Customs Authority ("ZATCA") for an additional amount of SAR 252 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.

29. 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 2023			
Cash and bank balances	428,635	-	-
Bank balances held in customer account	15,975	-	-
Trade and other receivables	1,129,465	-	-
Contract assets	195,791	-	-
Investment securities	1,000	74,397	14,412
Other assets	17,649	-	-
	1,788,515	74,397	14,412
31 December 2022			
Cash and bank balances	441,192	-	-
Bank balances held in customer account	10,132	-	-
Trade and other receivables	968,291	-	-
Contract assets	174,293	-	-
Investment securities	1,000	75,236	21,794
Other assets	19,771	-	-
Investment securities	1,614,679	75,236	21,794

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	2023	2022
	RO '000	RO '000
US Dollar	19,737	26,487
Euro	1,965	1,684
Other	7,677	7,660

(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:

Market indices	2023		2022	
	Impact on net profit	Effect on equity	Impact on net profit	Effect on Equity
	RO '000	RO '000	RO '000	RO '000
Increase/decrease in market index	±1,412	±1,361	±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 'Investment at fair value through Other comprehensive income'.

(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 2023, 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 7.182 million (2022: RO 8.446 million).

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 2023					
Cash and bank balances	311,220	115,596	35,437	-	462,253
Less: ECL	(217)	(1,679)	(31,724)	-	(33,620)
	311,003	113,917	3,713	-	428,633
Customers	-	-	-	716,405	716,405
Distributors	-	-	-	97,126	97,126
Contract assets	-	-	-	203,590	203,590
Less: ECL	-	-	-	(283,680)	(283,680)
	-	-	-	733,441	733,441
Roaming partners	-	-	-	20,998	20,998
Other operators (interconnect)	-	-	-	143,115	143,115
Less: ECL	-	-	-	(10,704)	(10,704)
	-	-	-	153,409	153,409
Other receivables	-	201,488	-	3,850	205,338
Less: ECL	-	(7,082)	-	(942)	(8,024)
	-	194,406	-	2,908	197,314
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

Refer note 4, 5 and note 19 for the related expected credit loss on financial assets.

ECL allowance of trade receivables, contract assets and other current assets are assessed as follows:

	31 December 2023	31 December 2022
	RO '000	RO '000
Collectively assessed	283,146	275,001
Individually assessed	19,262	15,269
	302,408	290,270

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 2022	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 increase in loss allowance	28,807	367	29,174
31 December 2022	275,001	15,269	290,270
On acquisition of subsidiary	119	-	119
Amounts written off	(35,747)	(684)	(36,431)
Foreign exchange gains and losses	(2,345)	(83)	(2,428)
Net increase in loss allowance	46,118	4,760	50,878
31 December 2023	283,146	19,262	302,408

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.

Aging brackets of postpaid trade receivables	31 December 2023			31 December 2022		
	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	RO '000	%	RO '000	RO '000	%	RO '000
Not due / < 30 days	394,837	3%	12,186	399,599	3%	10,249
31 – 60 days	36,179	7%	2,464	29,601	7%	2,138
61 – 90 days	40,765	9%	3,787	23,866	18%	4,351
91 – 180 days	78,364	26%	20,602	47,354	24%	11,467
> 181 days	462,067	53%	244,107	382,064	65%	246,796
	1,012,212		283,146	882,484		275,001

Credit quality of roaming, interconnect and other balances:

	31 December 2023	31 December 2022
	RO '000	RO '000
Credit quality – Performing	364,583	288,662
Impaired	4,868	5,094
Expected credit loss	(18,729)	(13,664)
	350,722	280,092

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 76.46 million (2022 – RO 62.8 million) equivalent held in Sudan, South Sudan and Lebanon, all other cash and bank balances are maintained in freely convertible currencies.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RO '000	RO '000	RO '000	RO '000
At 31 December 2023				
Borrowings	597,985	1,059,822	1,053,752	275,329
Trade and other payables	1,447,148	-	-	-
Other non-current liabilities	34,941	61,465	158,581	138,341
Lease liabilities	163,948	32,202	80,268	151,801
At 31 December 2022				
Borrowings	595,912	958,422	788,102	278,688
Trade and other payables	1,378,588	-	-	-
Other non-current liabilities	115,168	194,833	331,406	167,614
Lease liabilities	113,636	49,475	116,641	133,525

30. 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 2023			
Derivatives held for hedging:			
Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate			
Interest rate swaps (maturing after one year)	6,187	-	209,408

At 31 December 2022

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

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.

31. 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:

	2023	2022
	RO '000	RO '000
Total borrowings including lease liabilities (refer note 15 and 16)	2,722,373	2,531,643
Less: Cash and bank balances (refer note 4)	(428,635)	(441,192)
Net debt	2,293,738	2,090,451
Total equity	2,907,148	2,886,936
Total capital	5,200,886	4,977,387
Gearing ratio	44.1%	42.0%

32. Fair value of financial instruments

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

31 December 2023

	Level 1	Level 2	Level 3	Total
				RO '000
Financial assets at fair value:				
Investments at fair value through profit or loss	5,760	32,358	36,279	74,397
Investments at fair value through other comprehensive income	2,715	3,586	8,111	14,412
Derivative asset held for hedging	-	6,187	-	6,187
Total assets	8,475	42,131	44,390	94,996

31 December 2022

	Level 1	Level 2	Level 3	Total
	RO '000	RO '000	RO '000	RO '000
Financial assets at fair value:				
Investments at fair value through profit or loss	8,445	33,213	33,578	75,236
Investments at fair value through other comprehensive income	2,300	3,471	16,023	21,794
Derivative asset held for hedging	-	15,364	-	15,364
Total assets	10,745	52,048	49,601	112,394

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.

33. 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 Consolidated financial information.

34. 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:

- These assets are available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- 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.

Determination of functional currency

The devaluation of the Iraqi Dinar (IQD) against the USD in December 2020 resulted in a reconsideration of the functional currency of Atheer. Previously the financial statements indicated that the functional currency was IQD however, since the IQD was pegged to the USD there was no material impact on the reported figures whichever currency had been identified as the functional currency. In consideration of the primary indicators in IAS 21: 9, following the devaluation the Company has immediately decided on an increase in tariffs to customers and is implementing those increases in order to follow its long term strategy to maintain a relatively consistent USD margin which is driven by its predominantly USD cost base. This provides a strong evidence that USD is the currency that mainly influences sales prices for goods and services and USD is also the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. Furthermore, in consideration of the secondary indicators in IAS 21:10, the majority of the Company's financing is generated in USD and the majority of the Company's funds from operating activities are retained in USD. Therefore, in accordance with IAS 21:12, the Company determined that, in its judgement, all the factors described above provide sufficient evidence that the USD is the functional currency that most faithfully reflect the underlying transactions, events and conditions relevant to the Company.

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 29.

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 goodwill

The Group annually tests goodwill 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.

35. Subsequent event

The Government of Iraq passed a resolution in April 2023 that all monetary transactions within the country will be denominated and settled in Iraqi Dinar, with no effective date of implementation. The Central Bank of Iraq announced in October 2023 banning all cash withdrawals and transactions in US Dollars with effect from 1 January 2024. Accordingly, Atheer has started the process of revising its contracts with suppliers in line with this change and believes that the functional currency of Atheer has changed from US Dollar to Iraqi Dinar with effect from 1 January 2024. This is because the currency of the primary economic environment in which Atheer operates has changed from US Dollar to Iraqi Dinar. Therefore, from 1 January 2024 onwards, the functional currency of Atheer is Iraqi Dinar. In accordance with IAS 21 this change has been accounted for prospectively from this date.