

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

**Consolidated Annual Financial Statements and
Independent Auditor's Report**

31 December 2022

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Mobile Telecommunications Company K.S.C.P. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of 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 a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

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.

Right of use assets (ROU), lease liabilities, assets of disposal group classified as held for sale and liabilities of disposal group classified as held for sale, which are carried in the consolidated statement of financial position at KD 106 million, KD 105 million, KD 260 million and KD 88 million respectively, include ROU, lease liabilities, ROU classified as held for sale and lease liabilities classified as held for sale pertaining to the Group's operations in a subsidiary of KD 65 million, KD 56 million, KD 82 million and KD 66 million respectively. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the ROU, lease liabilities, ROU classified as held for sale and lease liabilities classified as held for sale pertaining to the Group's operations in that subsidiary because we had not been able to complete the audit procedures relating to these amounts at the time of issuing this report. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P. (CONTINUED)**

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>The Group has recognized revenue from telecom services amounting to KD 1,728.058 million for the year ended 31 December 2022.</p> <p>There is inherent complexity in the telecom services revenue recognition process 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.</p> <p>The process from setting up of customers in network system through generation of call records till recognition of revenue in the accounting records is highly automated and does not involve significant judgements. However, there is a risk management override related to revenue occurrence as there could be inappropriate manual journal entries, given revenue is a key performance indicator for stakeholders</p> <p>Even though the inherent risk of complexities in the revenue recognition process is reduced through the highly automated nature of the systems, due to the inherent risk of fraud associated with revenue recognition, particularly occurrence of revenue as described above, 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>Our audit procedures included:</p> <ul style="list-style-type: none"> • an understanding of the significant revenue processes and identifying the relevant controls, IT systems, interfaces and reports; • an evaluation of the relevant IT systems, with the assistance of our internal IT specialists, and the design and implementation of internal controls related to revenue recognition. • testing the operating effectiveness of controls over the recording of revenue transactions and the change control procedures in place around the systems. • verifying key reconciliations performed by the Group's Revenue Assurance team, including testing end to end reconciliation from business support systems to billing and rating systems to the general ledger, this testing includes validation of material non standard journals processed in the revenue ledger. • using data analytic tools to identify revenue related manual journal entries posted to the general ledger and agreeing and evaluating these entries to source systems and the underlying supporting documentation on a sample basis.. • testing a sample of subscribers to determine that the revenue is recognised based on a valid customer contract. • testing a sample of subscribers invoices back to the cash receipts. • verifying reconciliation of deferred revenue to the charging system and the recognition of this revenue in profit or loss. <p>We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.</p>
<p>Impairment of Goodwill</p> <p>As at 31 December 2022, goodwill is carried at KD 568.916 million which represents 11.5% of the total assets.</p> <p>The impairment test of goodwill performed by management is significant to our audit because the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. Estimates of future cash flows are based on management's views of variables such as the growth in the telecommunications sector, economic growth, expected inflation rates and yield.</p> <p>Therefore, we identified the impairment testing of goodwill as a key audit matter.</p> <p>The Group's policy on assessing impairment of goodwill is set out in note 2.3.8 and related disclosures are made in note 12 to the consolidated financial statements.</p>	<p>We evaluated the design and implementation of controls over the impairment assessment process.</p> <p>With the support of our internal valuation experts, we benchmarked and challenged key assumptions forming the Group's value-in-use calculation including the cash flow projections and discount rate.</p> <p>We compared actual historical cash flows with previous forecasts and assessed differences, if any, were within an acceptable range. We assessed the cash flow forecasts and compared the discount rate and growth rate to market data.</p> <p>We analyzed the sensitivities such as the impact on the valuation if the growth rate would be decreased, or the discount rate would be increased.</p> <p>We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.</p>



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P. (CONTINUED)**

Other Information

Management is responsible for the other information. The other information comprises of the information included in the Annual Report of the Group for the year ended 31 December 2022. The other information does not include the consolidated financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2022 after the date of our auditor's report.

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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We are unable to conclude if the other information is materially misstated as a result of the matters described in the Basis for Qualified Opinion section of our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

- 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 the management.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P. (CONTINUED)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2022, that might have had a material effect on the business of the Company or on its financial position.



Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche - Al-Wazzan & Co.

Kuwait
14 March 2023

Mobile Telecommunications Company K.S.C.P.

Consolidated Statement of Financial Position as at 31 December 2022

	Note(s)	2022	2021
		KD '000	
ASSETS			
Current assets			
Cash and bank balances	4	240,409	231,884
Trade and other receivables	5	784,406	687,334
Contract assets	19.2	70,457	60,756
Inventories	6	48,144	59,218
Investment securities at fair value through profit or loss	7	34,129	28,423
		<u>1,177,545</u>	<u>1,067,615</u>
Assets of disposal group classified as held for sale	8.1	259,759	4,906
		<u>1,437,304</u>	<u>1,072,521</u>
Non-current assets			
Contract assets	19.2	49,155	42,857
Investment securities at FVOCI	7	17,600	18,165
Investments in associates and joint venture	9	96,533	78,602
Other non-current assets	11	42,328	57,673
Right of use of assets	10	106,461	163,745
Property and equipment	11	1,067,694	1,217,268
Intangible assets and goodwill	12	2,132,433	2,147,811
		<u>3,512,204</u>	<u>3,726,121</u>
Total Assets		<u>4,949,508</u>	<u>4,798,642</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	983,262	938,352
Deferred revenue	19.2	64,270	90,853
Income tax payables	14	18,604	23,900
Due to banks	15	213,559	406,217
Lease liabilities	16	19,424	33,599
		<u>1,299,119</u>	<u>1,492,921</u>
Liabilities of disposal group classified as held for sale	8.1	88,281	625
		<u>1,387,400</u>	<u>1,493,546</u>
Non-current liabilities			
Due to banks	15	1,152,999	899,343
Lease liabilities	16	85,375	148,708
Other non-current liabilities	17	427,874	445,029
		<u>1,666,248</u>	<u>1,493,080</u>
Equity			
Attributable to the Company's shareholders			
Share capital	18	432,706	432,706
Share premium		1,707,164	1,707,164
Legal reserve	18	216,354	216,354
Foreign currency translation reserve	18	(1,513,879)	(1,499,458)
Investment fair valuation reserve		(9,353)	(4,620)
Other reserves	18	3,855	(2,492)
Retained earnings		<u>392,999</u>	<u>339,781</u>
		<u>1,229,846</u>	<u>1,189,435</u>
Non-controlling interests	28	666,014	622,581
Total equity		<u>1,895,860</u>	<u>1,812,016</u>
Total Liabilities and Equity		<u>4,949,508</u>	<u>4,798,642</u>

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


Ahmed Tahous Al Tahous
Chairman


Bader Nasser Al Kharafi
Vice Chairman & Chief Executive Officer

Mobile Telecommunications Company K.S.C.P.

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

	Note(s)	2022	2021
		KD '000	
Continuing operations			
Revenue	19.1	1,728,058	1,517,251
Cost of sales		(565,587)	(461,156)
Operating and administrative expenses	20	(457,259)	(430,913)
Expected credit loss on financial assets (ECL)		(32,247)	2,605
Depreciation and amortization	10,11,12	(335,289)	(356,261)
Interest income		4,820	3,330
Investment income	22	5,478	410
Share of results of associates and joint venture	9	3,605	3,381
Other income	21	1,520	7,765
Gain on sale and lease back transactions	8	402	961
Gain on modification of financial liabilities		-	2,073
Impairment of goodwill	12	(21,197)	-
Finance costs	23	(88,303)	(68,296)
Gain/ (loss) from currency revaluation		1,883	(6,652)
Net monetary gain	35	-	313
Profit before contribution to KFAS, NLST, Zakat, income taxes and Board of Directors' remuneration		245,884	214,811
Contribution to Kuwait Foundation for Advancement of Sciences		(2,027)	(1,768)
National Labour Support Tax and Zakat	24	(8,091)	(5,524)
Income tax expenses	25	(10,939)	(20,596)
Board of Directors' remuneration		(435)	(435)
Profit for the year from continuing operations		224,392	186,488
Discontinued operations			
Profit for the year from discontinued operations	8.2	-	14,390
Profit for the year		224,392	200,878
Attributable to:			
Shareholders of the Company		195,972	185,745
Non-controlling interests		28,420	15,133
		224,392	200,878
Earnings per share (EPS)			
Basic and diluted – Fils	26		
From continuing operations		45	40
From discontinued operations		-	3

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

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

	2022	2021
	KD '000	
Profit for the year	224,392	200,878
Other comprehensive income:		
<i>Other comprehensive income items that may be transferred or reclassified to consolidated statement of profit or loss in subsequent periods:</i>		
Exchange differences on translating foreign operations	(8,051)	(110,713)
Other reserves	17,206	7,742
Other comprehensive income for the year	<u>233,547</u>	<u>97,907</u>
<i>Items that will not be reclassified to consolidated statement of profit or loss:</i>		
Changes in the fair value of equity investments at FVOCI	(4,694)	(654)
Total comprehensive income for the year	<u>228,853</u>	<u>97,253</u>
Total comprehensive income attributable to:		
Shareholders of the Company		
From continuing operations	183,204	65,254
From discontinued operations	-	13,889
	<u>183,204</u>	<u>79,143</u>
Non-controlling interests		
From continuing operations	45,649	17,609
From discontinued operations	-	501
	<u>45,649</u>	<u>18,110</u>

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

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

	Equity attributable to Company' shareholders								Total equity
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Other reserves	Retained earnings	Non-controlling interests	
Balance at 31 December 2021	432,706	1,707,164	216,354	(1,499,458)	(4,620)	(2,492)	339,781	622,581	1,812,016
Profit for the year	-	-	-	-	-	-	195,972	28,420	224,392
Other comprehensive income for the year	-	-	-	(14,421)	(4,694)	6,347	-	17,229	4,461
Total comprehensive income for the year	-	-	-	(14,421)	(4,694)	6,347	195,972	45,649	228,853
Realised loss on equity securities at FVOCI	-	-	-	-	(39)	-	39	-	-
Cash dividends (note 18)	-	-	-	-	-	-	(142,793)	-	(142,793)
Cash dividends to minority shareholders of subsidiaries (2021)	-	-	-	-	-	-	-	(2,216)	(2,216)
Balance at 31 December 2022	432,706	1,707,164	216,354	(1,513,879)	(9,353)	3,855	392,999	666,014	1,895,860
Balance at 31 December 2020	432,706	1,707,164	216,354	(1,390,619)	(3,966)	(5,383)	359,180	619,108	1,934,544
Profit for the year	-	-	-	-	-	-	185,745	15,133	200,878
Other comprehensive income for the year	-	-	-	(108,839)	(654)	2,891	-	2,977	(103,625)
Total comprehensive income for the year	-	-	-	(108,839)	(654)	2,891	185,745	18,110	97,253
Effect of change in ownership percentage of subsidiaries (note 3)	-	-	-	-	-	-	(19,080)	(10,196)	(29,276)
Cash dividends (2020) (note 18)	-	-	-	-	-	-	(186,064)	-	(186,064)
Cash dividends to minority shareholders of subsidiaries (2020)	-	-	-	-	-	-	-	(4,441)	(4,441)
Balance at 31 December 2021	432,706	1,707,164	216,354	(1,499,458)	(4,620)	(2,492)	339,781	622,581	1,812,016

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

Consolidated Statement of Cash Flows – Year ended 31 December 2022

	Note(s)	2022	2021
		KD '000	
Cash flows from operating activities			
Profit for the year before income tax, KFAS, NLST, and Zakat		245,449	228,766
Adjustments for:			
Depreciation and amortization	10,11,12	335,289	356,261
ECL on financial assets		32,247	(2,605)
Interest income		(4,820)	(3,330)
Investment income	22	(5,478)	(410)
Share of results of associates and joint venture	9	(3,605)	(3,381)
Gain on sale and lease back transactions	8	(402)	(961)
Gain on modification of financial liabilities	15	-	(2,073)
Impairment of goodwill	12	21,197	-
Gain on disposal of Discontinued Operations	8.2	-	(14,390)
Finance costs		88,303	68,296
(Gain)/ loss from currency revaluation		(1,883)	6,652
Net monetary gain	35	-	(313)
Loss/ (gain) on sale of property and equipment		136	(533)
Cash flows from operating activities before working capital changes		706,433	631,979
Increase in trade and other receivables		(114,103)	(94,543)
Decrease/ (increase) in inventories		11,270	(10,076)
Decrease in trade and other payables and deferred revenue		(83,289)	(87,264)
<i>Cash generated from operations</i>		520,311	440,096
<i>Payments:</i>			
Income tax		(11,338)	(18,637)
Kuwait Foundation for Advancement of Sciences (KFAS)		(6,816)	(4,062)
National Labour Support Tax and Zakat		(3,153)	(5,908)
<i>Net cash from operating activities</i>		499,004	411,489
Cash flows from investing activities			
Deposits maturing after three months and cash at banks under lien	4	(3,878)	27,326
Proceeds from sale of investment securities		758	2,044
Investments in securities		(5,107)	(20,686)
Acquisition of non-controlling interest		-	(8,758)
Investment in associate and joint venture		(115)	(777)
Acquisition of property and equipment (net)		(182,766)	(216,260)
Acquisition of intangible assets (net)		(77,424)	(129,881)
Proceeds from sale of telecom assets (sale and lease back)	8.1	589	3,134
Interest received		2,713	2,310
Dividends received		331	83
<i>Net cash used in investing activities</i>		(264,899)	(341,465)
Cash flows from financing activities			
Proceeds from bank borrowings	15	458,543	452,366
Repayment of bank borrowings	15	(420,518)	(338,584)
Repayment of lease liabilities		(64,635)	(57,331)
Dividends paid to Company's shareholders		(141,872)	(185,514)
Dividends paid to minority shareholders of subsidiaries		(2,215)	(4,480)
Finance costs paid		(53,340)	(45,117)
<i>Net cash used in financing activities</i>		(224,037)	(178,660)
Net increase/ (decrease) in cash and cash equivalents			
Effects of exchange rate changes on cash and cash equivalents		10,068	(108,636)
Cash and cash equivalents at beginning of year		(5,421)	(25,214)
Cash and cash equivalents at end of year	4	229,716	363,566
		234,363	229,716

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

1. Incorporation and activities

Mobile Telecommunications Company K.S.C.P. (the "Company") is a Kuwaiti shareholding company incorporated in 1983. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Company is at P.O. Box 22244, 13083 Safat, State of Kuwait.

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 7 other countries (31 December 2021 - Kuwait and 7 other countries) under licenses from the governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone systems; and invests surplus funds in investment securities.

The Company is a subsidiary of Oman Telecommunications Company SAOG, Oman ("Parent Company").

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Company on 13 March 2023 and are subject to approval of the shareholders at their forthcoming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). 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 Kuwaiti Dinars (KD), rounded to the nearest thousand.

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

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

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

Going concern

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

2.2 New and revised accounting standards

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

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

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

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p><i>Amendments to IFRS 3, 'Business combinations'</i> update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date</p> <p><i>Amendments to IAS 16, 'Property, plant and equipment'</i> prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p><i>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' - Cost of Fulfilling a Contract</i></p> <p>The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p> <p><i>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</i></p>	Annual periods beginning on or after 1 January 2022.

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

2.2.2 Standards issued but not effective

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

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p> <p>The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	<p>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.</p> <p>The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.</p>	Annual periods beginning on or after 1 January 2023
Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12-deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	<p>The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p>	Annual periods beginning on or after 1 January 2023.

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

2.3 Significant accounting policies

2.3.1 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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

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

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

2.3.2 Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

2.3.3 Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

(i) Debt instruments designated at amortised cost

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest rate method

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

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

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

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

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

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

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

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

(iii) Financial assets at FVTPL

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

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

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

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

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

Financial liabilities

Financial liabilities measured subsequently at amortised cost.

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

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

Derecognition of financial liabilities

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

Financial guarantee contract liabilities

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

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

- The amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above)
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derivative financial instruments and hedging activities

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

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

Hedge accounting

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

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

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

Hedges of net investments in foreign operations

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

Offsetting financial assets and financial liabilities

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

2.3.4 Cash and cash equivalents

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

2.3.5 Inventories

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

2.3.6 Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

2.3.7 Property and equipment

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

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

	Years
Buildings	50
Leasehold improvements	3 – 8
Cellular 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.

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.

Reacquired rights

These represents rights which were previously granted to the acquiree to use one or more of the recognized or unrecognized assets of the acquirer, but reacquired as part of a business combination. These reacquired rights are measured on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals of the contract or other binding arrangement in determining its fair value.

A reacquired right is an identifiable intangible asset and is recognized separately from goodwill and are amortised over the remaining contractual period in which the right was granted.

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.

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 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. The Group has used this practical expedient. 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 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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

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

2.3.19 Financial reporting in hyperinflationary economies

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

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

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

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

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

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

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

2.3.20 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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

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

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

2.3.21 Contingencies

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

3. Subsidiaries and Associates/Joint Venture

The principal subsidiaries and associates/joint venture are:

Subsidiary	Country of incorporation	Percentage of ownership	
		2022	2021
Zain International B.V. ("ZIBV")	The Netherlands	100%	100%
Pella Investment Company ("Pella")	Jordan	96.516%	96.516%
Zain Bahrain B.S.C ("MTCB")	Bahrain	65.11%	65.11%
Mobile Telecommunications Company Lebanon ("MTCL")	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited ("Zain Sudan")	Sudan	100%	100%
Kuwaiti Sudanese Holding Company ("KSHC")	Sudan	100%	100%
South Sudanese Mobile Telephone ("Zain South Sudan")	South Sudan	100%	100%
Al Khatem Telecoms Company ("Al Khatem")	Iraq	76%	76%
Atheer Telecom Iraq Limited ("Atheer")	Cayman Islands	76%	76%
Mobile Telecommunications Company Saudi Arabia ("SMTA")	Kingdom of Saudi Arabia	37.045%	37.045%
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat ("Mada Jordan")	Jordan	99.1%	99.1%
Nexgen Advisory Group FZ LLC ("Nexgen")	UAE	100%	100%
Associate/Joint Venture			
IHS Kuwait Limited	Kuwait	30%	30%
Zain Al Ajial S.A (Wana Corporate S.A is an associate of this joint venture)	Morocco	50%	50%
TASC Towers Holding Limited (TASC)	UAE	69.1%	25%

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

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.

Lebanon

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

SMTC

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

Financial support to Group companies

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

4. Cash and bank balances

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

	2022	2021
	KD '000	
Cash on hand and at banks	213,681	200,401
Short-term deposits with banks	56,336	47,919
Government certificates of deposits held by subsidiaries	8	11
	<u>270,025</u>	<u>248,331</u>
Expected credit loss	(29,616)	(16,447)
	<u>240,409</u>	<u>231,884</u>
Cash at banks under lien	(6,038)	(2,157)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(8)	(11)
Cash and cash equivalents	<u>234,363</u>	<u>229,716</u>

5. Trade and other receivables

	2022	2021
	KD '000	
Trade receivables:		
Customers	381,492	340,285
Distributors	63,040	46,706
Other operators (interconnect)	74,775	63,083
Roaming partners	12,584	7,775
ECL	<u>(162,188)</u>	<u>(166,871)</u>
	<u>369,703</u>	<u>290,978</u>
Other receivables:		
Accrued income	21,889	5,179
Staff	1,309	1,338
Deposits and other receivables	106,128	92,250
Prepayments and advances	130,501	144,568
Others (refer note below)	156,988	155,088
ECL	<u>(2,112)</u>	<u>(2,067)</u>
	<u>414,703</u>	<u>396,356</u>
	<u>784,406</u>	<u>687,334</u>

In 2011, the Group paid US\$ 473 million (equivalent to KD 144.756 million) to settle the guarantees provided by the Company 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 Company has initiated the legal procedures necessary to enforce the arbitration award in and outside KSA. In 2020, the courts in KSA rejected the Company's application to enforce the arbitral award in KSA. During 2020 the Company wrote to Supreme Judicial Counsel requesting that the matter be referred back to the enforcement court for reconsideration. The Supreme Judicial Counsel recommended that MTC file a second reconsideration motion with the Riyadh Appeal Court. On 21 June 2022, MTC filed its third reconsideration motion with the Riyadh Appeal Court. On 29 November 2022, the Riyadh Appeal Court dismissed MTC's motion for reconsideration. MTC is considering its strategy and options for proceeding with enforcement of the award.

In 2010, the Group paid US\$ 40 million (equivalent to KD 12.232 million) to settle guarantees provided by the Company to lending bank for loans to a founding shareholder of SMTC. In 2013, the Group won a legal action for the recovery of that amount and is currently pursuing further legal action for its implementation in KSA at the High Supreme Court.

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

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

	2022	2021
	KD '000	
Kuwaiti Dinar	59,145	54,707
US Dollar	230,799	205,068
Bahraini Dinar	12,997	11,438
Sudanese Pound	6,299	5,869
Jordanian Dinar	45,152	54,275
Iraqi Dinar	106,088	115,630
Saudi Riyals	318,032	235,117
Others	5,894	5,230
	<u>784,406</u>	<u>687,334</u>

6. Inventories

	2022	2021
	KD '000	
Handsets and accessories	53,290	65,469
Provision for obsolescence	(5,146)	(6,251)
	<u>48,144</u>	<u>59,218</u>

7. Investment securities

	2022	2021
	KD '000	
<i>Current investments</i>		
<i>At fair value through profit or loss</i>		
Unquoted equities	976	947
Funds -mandatorily at FVTPL	3,255	3,679
Other funds	29,898	23,797
	<u>34,129</u>	<u>28,423</u>
<i>Non-current investments</i>		
<i>At fair value through other comprehensive income</i>		
Quoted equities- designated at inception	1,857	1,412
Funds	2,803	2,702
Unquoted equities - designated at inception	12,940	14,051
	<u>17,600</u>	<u>18,165</u>

Investment securities are denominated in the following currencies:

	2022	2021
	KD '000	
Kuwaiti Dinar	5,069	5,091
US Dollar	45,582	40,563
Other currencies	1,078	934
	<u>51,729</u>	<u>46,588</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 – Kuwait, KSA and Iraq

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

KSA

During the year, SMTC has received board of directors' approval on the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud bin Fahd Bin Abdulaziz, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in SMTC's towers infrastructure comprising of 8,069 towers, valuing these assets at USD 807 million (KD 250.089 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 (KD 197.4051 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 (KD 197.142 million) along with a 20% equity stake in GLI.

Iraq

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

Subsequently in January 2023, the Group has agreed with TTI for sale and leaseback of towers infrastructure including 4,604 towers, for an aggregate value of USD 180 million (KD 54.936 million). The financial impact of this transaction is immaterial at Group level.

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

Kuwait

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

In September 2022, the Company completed the sale and lease back of additional 43 telecom towers in Kuwait for a total sale consideration of US\$ 2.729 million (KD 0.845 million). Total gain from this transaction was KD 0.402 million which is recognized in the statement of profit or loss during the year.

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

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

	KD'000			Total	
	Kuwait	KSA	Iraq	31 December 2022	31 December 2021
	Telecom tower assets	1,631	111,260	37,656	150,547
Right of use of assets	5,161	81,710	22,341	109,212	3,275
	6,792	192,970	59,997	259,759	4,906
Lease liabilities	1,588	65,503	21,190	88,281	625

8.2 Discontinued operations - Jordan

On 13 December 2021, the Group through Pella entered into a sale agreement to dispose of Al Masar Al Momtaz Leanzamet Al Itesalat (Al Masar) which carried out the majority of the Group's towers and related leased space operations in Jordan. The disposal was completed on 13 December 2021, on which date control of Al Masar passed to the acquirer (an associate of the Group).

The total assets and liabilities of discontinued operations amounted to KD 26.384 million and KD 19.738 million respectively. The profit from discontinued operations amounted to KD 14.390 million which includes gain from disposal of discontinued operations amounting to KD 14.196 million.

The consideration of JD 62.6 million (KD 26.673 million) was partially settled during the year 2022 by acquisition of additional shares in the associate of the Group. (Refer note 9)

9. Investments in associates and joint venture

Investments in associates

This includes the Group's :

- KD 1.083 million (31 December 2021 – KD 0.650 million) interest in IHS Kuwait Limited which represents 30% of the equity shares and voting rights of the associate. The associate became operational in February 2020 pursuant to the sale and lease back of telecommunication towers transaction with the Company.
- KD 13.360 million (31 December 2021 – KD Nil) interest in TASC Towers Holding Limited ("TASC") which represents 69.1% (31 December 2021 - 25%) of the equity shares of the associate.

During the year, the Group acquired the additional shares of TASC Towers Holding Limited and increased its shareholding to 69.1%. The purchase consideration amounting to KD 14.103 million was settled against the amount that was due to the Group from TASC.

However, the Group determined that it does not have the control over TASC on the basis that the Group does not have majority representation in the Board under the terms agreed in the agreement between TASC shareholders.

Notes to the Consolidated Financial Statements – 31 December 2022

The carrying value of the associates and their 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 KD 81.925 million (31 December 2021 - KD 77.866 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 2022

	KD'000		
	Land and building	Cellular and other equipment	Total
Balance as of 31 December 2021	153,665	10,080	163,745
Add: Additions	60,977	17,640	78,617
Less: Depreciation	(25,854)	(6,874)	(32,728)
Less: Retirement	(1,033)	(646)	(1,679)
Transfers to assets of disposal group classified as held for sale	(104,051)	-	(104,051)
Reclassification from intangible assets	377	-	377
Exchange adjustments	2,065	115	2,180
Closing balance as at 31 December 2022 (excluding assets of disposal group classified as held for sale)	<u>86,146</u>	<u>20,315</u>	<u>106,461</u>

31 December 2021

	KD'000		
	Land and building	Cellular and other equipment	Total
Balance as of 31 December 2020	163,424	5,868	169,292
Add: Additions	59,317	16,913	76,230
Less: Depreciation	(50,538)	(7,797)	(58,335)
Less: Retirement	(15,662)	(4,902)	(20,564)
Exchange adjustments	(2,876)	(2)	(2,878)
Closing balance as at 31 December 2021 (excluding assets of disposal group classified as held for sale)	<u>153,665</u>	<u>10,080</u>	<u>163,745</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.

Notes to the Consolidated Financial Statements – 31 December 2022

11. Property and equipment

	Land and buildings and leasehold improvements	Cellular and other equipment	Projects in progress	Total
	KD '000			
Cost				
As at 31 December 2020	112,027	3,063,808	154,686	3,330,521
Additions	1,306	105,191	101,375	207,872
Transfers	1,091	95,038	(96,283)	(154)
Disposals/write off	(38)	(42,102)	(715)	(42,855)
Exchange adjustments	(8,087)	(110,279)	(18,728)	(137,094)
As at 31 December 2021	106,299	3,111,656	140,335	3,358,290
Additions	1,183	56,096	149,253	206,532
Transfers/Reclassification	958	153,735	(161,621)	(6,928)
Disposals/ write off	(80)	(19,431)	(284)	(19,795)
Effect of derecognition of subsidiary	(7)	(23)	-	(30)
Transfers to assets of disposal group classified as held for sale	-	(342,202)	(17)	(342,219)
Exchange adjustments	(73)	20,440	(1,922)	18,445
As at 31 December 2022	108,280	2,980,271	125,744	3,214,295
Accumulated depreciation				
As at 31 December 2020	49,361	1,967,578	-	2,016,939
Charge for the year	2,504	198,541	-	201,045
Disposals	(38)	(35,149)	-	(35,187)
Exchange adjustments	(3,581)	(38,194)	-	(41,775)
As at 31 December 2021	48,246	2,092,776	-	2,141,022
Charge for the year	2,638	195,176	-	197,814
Transfer/Reclassification	(248)	2,085	-	1,837
Disposals	(65)	(18,878)	-	(18,943)
Effect of derecognition of subsidiary	(3)	(9)	-	(12)
Transfers to assets of disposal group classified as held for sale	-	(193,303)	-	(193,303)
Exchange adjustments	357	17,829	-	18,186
As at 31 December 2022	50,925	2,095,676	-	2,146,601
Net book value				
As at 31 December 2022	57,355	884,595	125,744	1,067,694
As at 31 December 2021	58,053	1,018,880	140,335	1,217,268

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

Advances of KD 22.443 million (2021: KD 47.50 million) paid for projects in progress are included under Other non-current assets in the statement of financial position.

12. Intangible assets and goodwill

	Goodwill	Licences and spectrum fees	Others	CWIP	Total
					KD '000
Cost					
As at 31 December 2020	624,156	2,713,822	275,644	-	3,613,622
Additions	-	103,836	6,112	-	109,948
Write off/ Disposal	(6,752)	-	-	-	(6,752)
Exchange adjustments	(20,895)	(18,728)	(1,526)	-	(41,149)
As at 31 December 2021	596,509	2,798,930	280,230	-	3,675,669
Additions	-	61,441	13,147	6,298	80,886
Transfers/ Reclassifications	-	-	6,808	-	6,808
Write off/ Disposal	-	-	(208)	-	(208)
Impairment	(21,197)	-	-	-	(21,197)
Exchange adjustments	5,546	31,036	2,137	(11)	38,708
As at 31 December 2022	580,858	2,891,407	302,114	6,287	3,780,666
Accumulated amortization/ Impairment					
As at 31 December 2020	18,694	1,294,156	133,236	-	1,446,086
Charge for the year	-	80,976	15,905	-	96,881
Write off/ Disposal	(6,752)	-	-	-	(6,752)
Exchange adjustments	-	(6,782)	(1,575)	-	(8,357)
As at 31 December 2021	11,942	1,368,350	147,566	-	1,527,858
Charge for the year	-	89,737	15,010	-	104,747
Transfers/ Reclassifications	-	-	(1,837)	-	(1,837)
Write off/ Disposal	-	-	(69)	-	(69)
Exchange adjustments	-	14,299	3,235	-	17,534
As at 31 December 2022	11,942	1,472,386	163,905	-	1,648,233
Net book value					
As at 31 December 2022	568,916	1,419,021	138,209	6,287	2,132,433
As at 31 December 2021	584,567	1,430,580	132,664	-	2,147,811

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

	2022	2021
	KD '000	
Pella	79,517	79,517
Zain Sudan	2,006	2,622
Atheer	470,115	485,320
SMTC	15,095	14,926
Others	2,183	2,182
	568,916	584,567

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	<p>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.</p> <p>Compounded annual growth in revenue of up to 20.1% (2021: 31.11%) for Zain Sudan, 13.3% (2021: 10.89%) for Atheer, 3.5% (2021: 4.60%) for Pella and 6.8% for SMTC during the projected five-year period. Value assigned reflects past experience and changes in economic environment.</p> <p>Cash flows beyond the five-year period have been extrapolated using a growth rate of upto of 3% (2021: 3%) for Zain Sudan, 2.2% (2021: 3%) for Atheer, 3% (2021: 3%) for Pella and 3% for SMTC. This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates.</p>
Capital expenditure	<p>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.</p>
Discount rate	<p>Discount rates of 25.2% (2021: 18.85%) for Zain Sudan, 20% (2021: 8.80%) for Atheer, 12.1% (2021: 7.65%) for Pella and 7.8% for SMTC. Discount rates reflect specific risks relating to the relevant CGU.</p>

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

Based on this, for Atheer, Group determined that the recoverable amount is lower than the carrying amount as a result of higher discount rate owing to increased interest rate and recognized an impairment loss of KD 21.197 million.

The recoverable amount of Atheer determined based on the value in use calculation was US\$ 2,293 million (KD 701.139 million).

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

License and spectrum

	2022	2021
	End of amortisation period	
	KD '000	
License – SMTC	2047	1,015,832
License – Atheer	2030	128,285
License – Pella	2026 to 2036	133,874
Spectrum – SMTC	2032 to 2034	112,403
Spectrum – Atheer	2027	13,404
Others		15,223
		<u>1,419,021</u>
		<u>1,430,580</u>

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 156,375,000 (KD 66.631 million) with payment terms being three equal instalments over a ten-year period without any interest charges.

In September 2022, JMTC 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 (KD 11.601 million), JD 36.1 million (KD 15.569 million) and JD 22.9 million (KD 9.876 million) respectively. (Refer note 30)

13. Trade and other payables

	2022	2021
	KD '000	
Trade payables and accruals	715,383	720,839
Due to roaming partners	15,259	10,803
Due to other operators (interconnect)	8,161	8,428
Dues to regulatory authorities (refer below)	101,608	63,537
Taxes payable	68,774	45,362
Dividend payable	24,985	24,066
Directors' remuneration	435	435
Other payables	48,657	64,882
	<u>983,262</u>	<u>938,352</u>

Dues to regulatory authorities include amount of SAR 975.862 million (KD 79.708 million) (2021: KD 57.191 million) payable by SMTC to Ministry of Finance and KD 11.204 (2021: Nil) payable by Atheer to CMC for the renewal of existing license.

14. Income tax payables

	2022	2021
	KD '000	
Atheer – Iraq	10,029	11,746
Pella – Jordan	2,861	5,917
Other	5,714	6,237
	<u>18,604</u>	<u>23,900</u>

Atheer - Iraq

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

Income tax assessment for 2011 is contested and is currently under the consideration of Appeals Committee of Iraq General Commission for Taxes (IGCT). Income tax assessment for the years 2012, 2013 and from 2014 to 2018 is paid and settled.

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

During the current year, Atheer revised the income tax computation for the year ended 31 December 2022 based on their correspondence with Ministry of Finance – General Commission for Tax and reversed income tax amounting to US\$ 9.803 million (KD 2.999 million) for prior years. This was offset by charge of income tax amounting to US\$ 3.714 million (KD 1.136 million) for current year.

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

Zain Sudan

Starting from financial year ended 31 December 2021, Zain Sudan filed its corporate income tax declaration claiming a 50% tax relief under the Double Taxation Avoidance Agreement (DTAA) signed between Republic of Sudan and the State of Kuwait. Accordingly, the Corporate Income Tax paid by the Zain Sudan for the financial year ended 31 December 2021 was @ 3.5%. This resulted in a reversal of SDG 3,754 Mn (KD 2.028 Mn) during the year, being the excess provision carried in the books for the year ended 31 December 2021.

15. Due to banks

	2022	2021
	KD '000	
<i>Company</i>		
Short term loans	21,406	39,273
Long term loans	538,854	498,060
	<u>560,260</u>	<u>537,333</u>
<i>SMTC</i>		
Long term loans	490,723	472,631
	<u>490,723</u>	<u>472,631</u>
<i>Zain Jordan</i>		
Long term loans	79,506	48,337
	<u>79,506</u>	<u>48,337</u>
<i>Atheer</i>		
Bank overdrafts	2,516	7,089
Long term loans	233,553	240,170
	<u>236,069</u>	<u>247,259</u>
	<u>1,366,558</u>	<u>1,305,560</u>

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

	2022	2021
	KD '000	
Opening balance	1,305,560	1,196,376
Proceeds from bank borrowings	458,543	452,366
Repayment of bank borrowings	(420,518)	(338,584)
Effect of change in foreign exchange rates	22,973	(4,598)
	<u>1,366,558</u>	<u>1,305,560</u>

The current and non-current amounts are as follows:

	2022	2021
	KD '000	
Current liabilities	213,559	406,217
Non-current liabilities	1,152,999	899,343
	<u>1,366,558</u>	<u>1,305,560</u>

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

	2022	2021
	KD '000	
US Dollar	670,902	862,260
Kuwaiti Dinar	296,343	25,000
Saudi Riyals	399,313	418,300
	<u>1,366,558</u>	<u>1,305,560</u>

The average effective interest rate as at 31 December 2022 was 4.06% (2021 – 2.81%) 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);

Company

During the year, the Company has;

- drawn down loans amounting to KD 143.489 million from the existing facilities (31 December 2021 - KD 164.139 million). This includes:
 - KD 45 million from a KD 70 million long- term loan facility.
 - US\$ 85 million (KD 26.053 million) and KD 30.397 million from a US\$ 330 million/ KD 100 million revolving credit facility.
 - US\$ 35.29 million (KD 10.816 million) and KD 20 million from a US\$ 226.850 million/KD 88.50 million long-term loan facility.
 - US\$ 32.68 million (KD 10.016 million) from a US\$ 129.718 million long- term loan facility.
- repaid loans amounting to KD 127.457 million (31 December 2021 – KD 275.53 million). This includes:
 - US\$ 100 million (KD 30.58 million) of a revolving credit facility amounting to US\$ 100 million
 - US\$ 100 million (KD 30.58 million) of a revolving credit facility amounting to US\$ 250 million
 - US\$ 60 million (KD 18.348 million) of a revolving credit facility amounting to US\$ 130 million
 - US\$ 30 million (KD 9.174 million) of a long-term facility amounting to US\$ 317 million

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

SMTC

Long-term loans include:

- 1) SAR 5,488 million (KD 448.259 million) (31 December 2021: SAR 2,955 million equivalent to KD 238.675 million) syndicated murabaha facility and SAR 520 million (KD 42.474 million) (31 December 2021: SAR 650 million equivalent to KD 52.5 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 (KD 490.080 million), consisting of SAR 4.880 billion (KD 0.399 billion) and US\$ portion of SAR 1.120 billion (KD 0.091 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (KD 0.284 billion) and balance for future specified business purposes.
- b. Includes a revolving working capital facility of SAR 1,000 million (KD 81.680 million) consisting of SAR 813.393 million (KD 66.438 million) and a US\$ portion totaling to SAR 186.607 million (KD 15.242 million).

The Murabaha Facility continues to be secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables. Under the Murabaha Financing Agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement.

A portion of above syndicated loan has been hedged through a profit rate swap contract.

- 2) During 2019, SMTC signed syndicated junior murabaha facility amounting to SAR 2,250 million (KD 183.780 million) (31 December 2021: SAR 2,247 million equivalent to KD 186.231 million) from a consortium of banks with a two- year tenure with an option to extend for one more year. During April 2022, SMTC has voluntary settled the outstanding principal as per the Murabaha Financing agreement.

During the period SMTC has:

- drawn down SAR 2,800 million (KD 228.704 million) from Syndicated Murabaha facility and SAR 520 million (KD 42.474 million) from working capital facility availed from a consortium of banks.
- repaid SAR 650 million (KD 53.092 million) of working capital facility availed from a consortium of banks.
- repaid SAR 2,250 million (KD 183.780 million) of syndicated junior murabaha facility

Zain Jordan

Long term loans include:

- 1) US\$ 160 million (KD 48.928 million) (31 December 2021 – US\$ 160 million equivalent to KD 48.336 million) term loan from a commercial bank which is repayable by 2025.
- 2) US\$ 100 million (KD 30.58 million) (31 December 2021 – US\$ Nil) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer

Long term loans include:

- 1) US\$ 70 million (KD 21.406 million) (31 December 2021 – US\$ 90 million equivalent to KD 27.189 million) term loan from a commercial bank which is repayable by 17 December 2024.
- 2) US\$ 105 million (KD 32.109 million) (31 December 2021 – US\$ 105 million equivalent to KD 31.721 million) term loan from a commercial bank which is repayable by 30 June 2023.
- 3) US\$ 150 million (KD 45.870 million) (31 December 2021 – US\$ 150 million equivalent to KD 45.315 million) revolving credit facilities from a commercial bank which is repayable by 17 December 2025.
- 4) US\$ 100 million (KD 30.580 million) (31 December 2021 – US\$ 100 million equivalent to KD 30.21 million) term loan from a commercial bank which is repayable by 31 July 2023.

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- 5) US\$ 50 million (KD 15.290 million) (31 December 2021 – US\$ 50 million equivalent to KD 15.105 million) term loan from a commercial bank which is repayable by 14 April 2024.
- 6) US\$ 63.75 million (KD 19.495 million) (31 December 2021 – US\$ 75 million equivalent to KD 22.658 million) term loan from a commercial bank which is repayable by 28 April 2025.
- 7) US\$ 125 million (KD 38.225 million) (31 December 2021 – US\$ 125 million equivalent to KD 37.763 million) term loan from a commercial bank which is repayable by 03 May 2025.
- 8) US\$ 100 million (KD 30.580 million) (31 December 2021 – US\$ 100 million equivalent to KD 30.21 million) term loan from a commercial bank which is repayable by 25 May 2024

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

16. Lease liabilities

	2022	2021
	KD '000	
Balance as of 1 January	182,307	182,128
Additions	63,361	74,522
Accretion of interest	7,046	11,837
Payments	(60,047)	(60,749)
Retirements	(2,802)	(23,079)
Transfers to liabilities of disposal group classified as held for sale	(86,693)	-
Exchange adjustments	1,627	(2,352)
Closing balance as at 31 December		
(excluding liabilities of disposal group classified as held for sale)	<u>104,799</u>	<u>182,307</u>
Current	19,424	33,599
Non-current	85,375	148,708
	<u>104,799</u>	<u>182,307</u>

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

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

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

	2022	2021
	KD '000	
Saudi Riyals	55,527	118,937
US Dollar	12,040	35,318
Jordanian dinar	12,070	10,263
Bahraini dinar	12,611	11,155
Kuwaiti Dinar	5,707	6,221
Others	6,844	413
	<u>104,799</u>	<u>182,307</u>

17. Other non-current liabilities

	2022	2021
	KD '000	
Payable to Ministry of Finance – KSA (refer below)	203,152	247,131
Due for acquisition of spectrum	167,239	137,466
Customer deposits	3,190	3,193
Post-employment benefits	46,648	40,908
Others	7,645	16,331
	<u>427,874</u>	<u>445,029</u>

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

18. Share capital and reserves

Share capital (par value of KD 0.100 per share)

	2022	2021
	No. of shares	No. of shares
<i>Authorised, Issued and fully paid up (in cash and bonus shares)</i>	4,327,058,909	4,327,058,909

Legal reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit for the year has to be appropriated towards legal reserve until such time it reaches a minimum of 50% of the share capital (the "threshold"). The Company has not made any transfers to legal reserve during the year as it has reached the threshold. This reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

Voluntary reserve

The Company's Articles of Association provide for the Board of Directors to propose appropriations to voluntary reserve up to a maximum of 50% of its share capital. During the year, the Board of Directors did not propose any transfer (2021 - Nil).

Foreign currency translation reserve

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

Other reserves

Other reserves mainly include hedge reserves gain amounting to KD 3.857 million (2021- loss amounting to KD 2.798 million).

Dividend

	2022	2021
	Fils	Fils
Interim dividend	10	10
Proposed dividend	25	23
Total dividend	<u>35</u>	<u>33</u>

Dividend – 2021

The annual general meeting of shareholders for the year ended 31 December 2021 held on 22 March 2022 approved distribution of cash dividends of 33 fils per share for the year 2021 (31 December 2020 - 33 fils).

Dividend 2022 – Proposed and interim

The Board of Directors recommends distribution of a cash dividend of 25 fils per share to the registered shareholders, for the second half of the year 2022, subject to shareholders and statutory approvals. This is in addition to the interim dividend of 10 fils distributed earlier in 2022 totaling 35 fils per share for the year 2022 as in the table above.

19. Revenue

19.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	<u>2022</u>	<u>2021</u>
	<u>KD '000</u>	
Airtime, data and subscription	1,528,212	1,362,106
Trading income	199,846	155,145
	<u>1,728,058</u>	<u>1,517,251</u>

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

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

19.2 Contract balances

Contract assets

	<u>2022</u>	<u>2021</u>
	<u>KD '000</u>	
Assets relating to sale of handsets		
Current and non-current	124,552	108,880
Loss allowance	(4,940)	(5,267)
	<u>119,612</u>	<u>103,613</u>

Contract liabilities

	<u>2022</u>	<u>2021</u>
	<u>KD '000</u>	
Deferred revenue- prepaid customers	<u>64,270</u>	<u>90,853</u>

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

20. Operating and administrative expenses

This includes staff costs of KD 146.531 million (2021 – KD 127.486 million).

21. Other income

Other income includes amount of JD 22.9 million (KD 9.876 million) allocated to the settlement of revenue sharing dispute in Pella Jordan based on the settlement agreement signed with the Government of Jordan (refer note 12 and 30)

22. Investment income

	<u>2022</u>	<u>2021</u>
	<u>KD '000</u>	
Gain on investments at fair value through profit or loss	5,147	327
Dividend income	331	83
	<u>5,478</u>	<u>410</u>

23. Finance cost

Finance cost consists of :

	2022	2021
	KD '000	
Due to banks	57,613	37,779
Lease liabilities	11,723	11,837
License and spectrum	9,261	8,016
CITC (KSA)	8,909	8,641
Others	797	2,023
	88,303	68,296

24. National Labour Support Tax (NLST) and Zakat

	2022	2021
	KD '000	
NLST- Kuwait	3,072	2,351
Zakat- Kuwait	1,229	941
Zakat – KSHC	7	2
Zakat- Sudan	1,901	859
Zakat- KSA	1,882	1,371
	8,091	5,524

NLST and Zakat in Kuwait represents taxes payable to Kuwait’s Ministry of Finance under National Labour Support Law No. 19 of 2000 and Zakat Law No. 46 of 2006, respectively.

25. Income tax expenses

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

	2022	2021
	KD '000	
Corporate income tax	14,427	20,280
Reversal of corporate income taxes in respect of previous years (refer note 14)	(5,019)	-
Other taxes	1,531	316
	10,939	20,596

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

26. Earnings per share

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

	2022	2021
	KD '000	
Profit for the year attributable to shareholders of the Company:		
From continuing operations	195,972	171,856
From discontinued operations	-	13,889
	Shares	Shares
Weighted average number of shares in issue	4,327,058,909	4,327,058,909
	Fils	Fils
Basic and diluted earnings per share		
From continuing operations	45	40
From discontinued operations	-	3

27. Segment information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its operations in Kuwait, the Company also operates through its foreign subsidiaries in Jordan, Sudan, Iraq, Bahrain, KSA, Lebanon and South Sudan. This forms the basis of the geographical segments.

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

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	31 December 2022						Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	
Segment revenues – airtime, data & subscriptions (Over time)	255,608	149,751	147,777	245,599	45,431	651,559	1,528,212
Segment revenues - trading income (Point in time)	86,517	6,913	2,157	2,439	9,261	91,444	199,846
Net profit before interest and tax	81,200	35,343	74,957	23,832	5,322	86,956	303,562
Interest income	1,811	1,180	1,608	59	118	846	5,700
Gain on sale and lease back transaction	402	-	-	-	-	-	402
Impairment of Goodwill	-	-	-	(21,197)	-	-	(21,197)
Finance costs	(760)	(8,608)	(281)	(19,656)	(798)	(46,908)	(77,122)
Income tax expenses	-	(6,677)	(4,031)	499	-	-	(10,352)
	82,653	21,238	72,253	(16,463)	4,642	40,894	200,993
<i>Unallocated items:</i>							
Investment income							5,478
Share of results of associates and joint venture							3,202
Others (including unallocated interest income, income tax and finance costs net of elimination)							14,719
Profit for the year							224,392
Segment assets including allocated goodwill	413,424	391,668	116,730	1,063,028	100,683	2,301,613	4,489,490
ROU asset	10,137	9,725	2,555	5,849	12,574	64,516	106,461
<i>Unallocated items:</i>							
Investment securities at FVTPL							34,129
Investment securities at FVOCI							17,600
Investment in associates and joint venture							96,533
Others (net of eliminations)							205,295
Consolidated assets							4,949,508
Segment liabilities	124,993	137,271	45,585	173,627	33,184	985,000	1,597,516
Lease liabilities (Current & non-current)	16,789	11,801	1,635	5,406	12,611	55,527	104,799
Due to banks	-	79,506	-	236,070	-	490,723	806,299
	141,782	228,578	47,220	415,103	45,795	1,531,250	2,508,614
<i>Unallocated items:</i>							
Due to banks							560,259
Others (net of eliminations)							(15,225)
Consolidated liabilities							3,053,648
Net consolidated assets							1,895,860
Capital expenditure incurred during the year	31,745	61,687	28,853	55,278	11,554	74,144	286,471
Unallocated (net of eliminations)							947
Total capital expenditure							287,418
Depreciation and amortization	41,816	27,807	2,721	64,544	9,465	151,830	303,755
Amortization of ROU assets	6,278	1,491	875	4,068	3,131	16,867	32,728
Unallocated							(1,194)
Total depreciation and amortization							335,289

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	31 December 2021							Total KD '000
	Kuwait	Jordan*	Sudan	Iraq	Bahrain	KSA	Others	
Segment revenues – airtime, data & subscriptions (Over time)	245,788	144,998	98,841	230,177	42,210	571,365	28,727	1,362,106
Segment revenues - trading income (Point in time)	72,417	5,615	715	1,688	9,604	64,991	115	155,145
Net profit before interest and tax	78,249	54,552	37,813	34,048	5,232	56,534	6,956	273,384
Interest income	1,656	731	780	238	87	106	10	3,608
Gain on sale and lease back transactions	899	62	-	-	-	-	-	961
Finance costs	(691)	(7,655)	(1,860)	(14,713)	(862)	(39,396)	(39)	(65,216)
Income tax expenses	-	(7,912)	(5,657)	(6,936)	-	-	(3)	(20,508)
Unallocated items:	80,113	39,778	31,076	12,637	4,457	17,244	6,924	192,229
Investment income	-	-	-	-	-	-	-	410
Share of results of associates and joint venture	-	-	-	-	-	-	-	2,013
Others (including unallocated interest income, income tax and finance costs net of elimination)	-	-	-	-	-	-	-	6,226
Profit for the year	404,944	382,304	60,875	1,080,558	93,929	2,190,901	75,757	4,289,268
Segment assets including allocated goodwill	9,224	8,783	776	26,307	11,117	107,503	35	163,745
ROU asset	-	-	-	-	-	-	-	200,878
Unallocated items:	-	-	-	-	-	-	-	4,798,642
Investment securities at FVTPL	-	-	-	-	-	-	-	28,423
Investment securities at FVOCI	-	-	-	-	-	-	-	18,165
Investment in associates and joint venture	-	-	-	-	-	-	-	78,602
Others (net of eliminations)	-	-	-	-	-	-	-	220,439
Consolidated assets	-	-	-	-	-	-	-	4,798,642
Segment liabilities	118,496	142,491	25,143	170,234	30,683	936,301	59,105	1,482,453
Lease liabilities (Current & non-current)	16,487	10,263	397	25,053	11,156	118,937	14	182,307
Due to banks	-	48,337	-	247,259	-	472,632	-	768,228
Unallocated items:	134,983	201,091	25,540	442,546	41,839	1,527,870	59,119	2,432,988
Due to banks	-	-	-	-	-	-	-	537,332
Others (net of eliminations)	-	-	-	-	-	-	-	16,306
Consolidated liabilities	-	-	-	-	-	-	-	2,986,626
Net consolidated assets	30,415	83,464	16,456	86,446	8,595	81,863	14,451	321,690
Capital expenditure incurred during the year	-	-	-	-	-	-	-	(3,870)
Unallocated (net of eliminations)	-	-	-	-	-	-	-	317,820
Total capital expenditure	-	-	-	-	-	-	-	298,223
Depreciation and amortization	36,223	27,573	3,046	60,734	9,307	157,144	4,196	58,335
Amortization of ROU assets	6,491	3,541	149	6,635	2,929	38,540	50	(297)
Unallocated	-	-	-	-	-	-	-	356,261
Total depreciation and amortization	-	-	-	-	-	-	-	356,261

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

28. Subsidiaries with significant non-controlling interests

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

	SMTC		Al Khatem, Iraq		Zain Bahrain	
	2022	2021	2022	2021	2022	2021
	KD '000					
Current assets	579,789	305,413	203,698	147,966	31,786	27,120
Non-current assets	1,742,043	1,946,208	714,985	789,629	81,471	77,926
Current liabilities	(735,649)	(831,903)	(239,059)	(234,563)	(34,437)	(30,898)
Non-current liabilities	(789,761)	(689,596)	(176,044)	(207,983)	(11,357)	(10,941)
Non-controlling interests	-	-	-	-	(1,217)	-
Equity attributable to:						
- Owners of the Company	295,035	270,474	382,713	376,229	43,925	41,154
- Non-controlling interests	501,387	459,648	120,867	118,820	23,538	22,053
Revenue	743,003	636,356	248,038	231,865	54,692	51,814
Profit for the year	40,894	17,244	4,734	12,637	4,642	4,457
Other comprehensive income	17,206	7,743	-	-	-	-
Total comprehensive income	58,100	24,987	4,734	12,637	4,642	4,457
Total comprehensive income attributable to:						
- Company's shareholders	21,523	9,257	3,598	9,603	3,023	2,901
- Non-controlling interests	36,577	15,730	1,136	3,034	1,619	1,556
	58,100	24,987	4,734	12,637	4,642	4,457
Cash dividend paid to non-controlling Interests	-	-	-	(3,015)	(822)	(650)
Net cash flow from operating activities	157,868	108,788	85,065	61,451	15,027	17,431
Net cash flow from used in investing activities	(109,318)	(70,067)	(33,881)	(119,338)	(13,002)	(11,257)
Net cash flow used in financing activities	(57,311)	(69,064)	(37,251)	(10,938)	(4,247)	(4,092)
Effects of exchange rate changes on cash and cash equivalents	(112)	(179)	74	(203)	39	(11)
Net (decrease)/ increase in cash flows	(8,762)	(30,343)	13,933	(71,840)	(2,222)	1,432

29. Related party transactions

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

	2022	2021
	KD '000	
Transactions		
Revenue	2,702	811
Cost of sales	8,775	7,076
Key management compensation		
Salaries and other short term employee benefits	2,514	2,245
Post-employment benefits	552	822
Balances		
Trade receivables (from parent company)	2,649	700
Other receivables (from associate)	13,996	25,959
Trade payables (to parent company)	8,355	6,872

30. Commitments and contingencies

	2022	2021
	KD '000	
Capital commitments	63,803	80,091
Uncalled share capital of investee companies	634	1,303
Letters of guarantee and credit	64,461	80,982

Income taxes in Iraq

Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US\$ 196 million (KD 59.937 million) and submitted its objections against the tax claim.

On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US\$ 88.8 million (KD 27.155 million). IGCT had the option to challenge this decision before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer did not receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer petitioned the Cassation Court to direct IGCT to issue the final settlement order. On 29 June 2022, the Cassation Court decided in Atheer's favor which is considered final.

Atheer received additional income tax claim of US\$ 19.3 million (KD 5.902 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer submitted its objection to this additional income tax claim which was rejected by the IGCT on 15 March 2020. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

Pella - Jordan

- a) During Q1 2022, a letter was issued by the Telecommunications Regulatory Commission (TRC) that included an extract from a decision that was issued by the cabinet of the Hashemite Kingdom of Jordan aiming to reform the telecom sector and boost the operators' appetite to introduce 5G technology in Jordan. In September 2022, a settlement agreement was entered into with the government which put an end to the disputes related to revenue sharing, extended the useful lives of existing licenses, and resulted in awarding of 5G license among other things. On 04 October 2022, the TRC approved the pre-conditions to the settlement agreement and as of that date the agreement has become effective. The details of agreement are as follows:
- To settle all the disputed amount between the TRC and operators for the years 2000 to 2020 regarding the revenue share calculation and dismiss all the related legal cases from the court.
 - To extend spectrum and individual licenses validities for additional 10 years and become a neutral band, therefore, the total license validity shall become 25 years with a possibility to extend for further 5 years based on a specific criterion which will be evaluated after 3 years from the date of settlement agreement signature.

- Grant the operator's spectrum licenses in the 3500MHZ band (5G), with 100MHZ per each operator, for 25 years, with operators' commitment to start launching within 18 months, and to cover 50% of population within a period not exceeding 4 years from the spectrum grant date.
 - The agreement envisages a total payment of JD 85.9 million (KD 37.046 million) as full and final settlement for all of the above component.
 - During Q4 2022 the management has completed the process of allocating the total settlement amount on the basis of their relative fair values of each of the above component and recognized provision for settlement of disputed amount (note.12).
- b) Pella is a defendant in lawsuits amounting to KD 22.573 million (31 December 2021 – KD 22.292 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

MTC Kuwait

A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communication since 26 July 2011 was invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group has a claim in the form of recovery of excess regulatory tariff paid amounting to KD 24.680 million. In June 2022, the first degree judgement was issued in favour of the Group. In February 2023 Court of Appeal judgement was issued in favour of the Group, which is now subject to appeal within 60 days.

SMTC

SMTC received withholding tax assessments from Zakat, Tax and Customs Authority ("ZATCA") for an additional amount of SAR 221.9 million (KD 18.125 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees. The SMTC believes that the outcome of those appeals will be in its favor with no material financial impact as SMTC has sufficient provisions to cover these amounts.

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

31. Financial risk management

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

	Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
	KD '000		
31 December 2022			
Cash and bank balances	240,409	-	-
Trade and other receivables	668,998	-	-
Investment securities	-	34,129	17,600
Other assets	15,967	-	-
	925,374	34,129	17,600
31 December 2021			
Cash and bank balances	231,884	-	-
Trade and other receivables	542,923	-	-
Investment securities	-	28,423	18,165
	774,807	28,423	18,165

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, 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, recognised liabilities and net investments in foreign operations.

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

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

Currency	2022	2021
	KD '000	
US Dollar	21,499	40,249
Euro	108	181
Other	6,217	6,803

(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 and FVTPL. 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.

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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	2022		2021	
	Impact on net profit	Effect on equity	Impact on net profit	Effect on Equity
				KD '000
Kuwait Stock Exchange	±163	±93	±184	±71

(iii) Cash flow and fair value interest rate risk

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

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

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

At 31 December 2022, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been lower/higher by KD 6.551 million (2021: KD 6.528 million).

Interest rate benchmark reforms

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

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

Progress towards implementation of alternative benchmark interest rates:

Interest rate benchmark transition for non-derivative financial instruments

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

Interest rate benchmark transition for derivatives and hedge relationships:

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

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

	31 December 2022	31 December 2021
		KD '000
<i>Non-derivative liabilities exposed to US\$ LIBOR</i>		
<i>Measured at amortised cost</i>		
Due to banks	471,252	795,570
Total non-derivative liabilities exposed to US\$ LIBOR	<u>471,252</u>	<u>795,570</u>

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

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, trade and other receivables, contract assets and loans to associates.

The Group manages the credit risk on bank balances by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to trade receivables and contract assets is limited due to dispersion across large number of customers. Group manages credit risk of customers by continuously monitoring and using experienced collection agencies to recover past due outstanding amounts. Credit risk of distributors, roaming and interconnect operators, due from associates and others including third parties on whose behalf financial guarantees are issued by the Group is managed by periodic evaluation of their credit worthiness or obtaining bank guarantees in certain cases.

Expected credit loss (ECL) measurement

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

Significant increase in credit risk

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

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

Financial instrument is determined to have low credit risk if:

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

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

Credit impaired assets

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

Incorporation of forward looking information

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

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

	ECL staging				KD '000 Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	12-month	Lifetime	Lifetime	Lifetime	
At 31 December 2022					
Cash and bank balances	153,292	85,280	31,453	-	270,025
Less: ECL	(123)	(1,185)	(28,308)	-	(29,616)
	153,169	84,095	3,145	-	240,409
Customers	-	-	-	381,492	381,492
Distributors	-	-	-	63,040	63,040
Contract assets	-	-	-	124,552	124,552
Less: ECL	-	-	-	(161,837)	(161,837)
	-	-	-	407,247	407,247
Roaming partners	-	-	-	12,584	12,584
Other operators (interconnect)	-	-	-	74,775	74,775
Less: ECL	-	-	-	(5,291)	(5,291)
	-	-	-	82,068	82,068
Other receivables	-	113,235	-	-	113,235
Less: ECL	-	(2,112)	-	-	(2,112)
	-	111,123	-	-	111,123
At 31 December 2021					
Cash and bank balances	179,375	36,320	32,636	-	248,331
Less: ECL	(84)	(540)	(15,823)	-	(16,447)
	179,291	35,780	16,813	-	231,884
Customers	-	-	-	340,285	340,285
Distributors	-	-	-	46,706	46,706
Contract assets	-	-	-	108,880	108,880
Less: ECL	-	-	-	(166,271)	(166,271)
	-	-	-	329,600	329,600
Roaming partners	-	-	-	7,775	7,775
Other operators (interconnect)	-	-	-	63,083	63,083
Less: ECL	-	-	-	(5,867)	(5,867)
	-	-	-	64,991	64,991
Other receivables	-	99,863	-	-	99,863
Less: ECL	-	(2,067)	-	-	(2,067)
	-	97,796	-	-	97,796

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

	31 December 2022	31 December 2021
	KD '000	
Collectively assessed	161,837	166,271
Individually assessed	7,403	7,934
	<u>169,240</u>	<u>174,205</u>

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 KD '000
1 January 2021	191,200	9,546	200,746
Recoveries	336	21	357
Amounts written off	(23,138)	(429)	(23,567)
Foreign exchange gains and losses	(542)	(132)	(674)
Net decrease in loss allowance	<u>(1,585)</u>	<u>(1,072)</u>	<u>(2,657)</u>
31 December 2021	<u>166,271</u>	<u>7,934</u>	<u>174,205</u>
Recoveries	161	-	161
Amounts written off	(25,108)	(765)	(25,873)
Foreign exchange gains and losses	1,280	161	1,441
Net increase in loss allowance	<u>19,233</u>	<u>73</u>	<u>19,306</u>
31 December 2022	<u>161,837</u>	<u>7,403</u>	<u>169,240</u>

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 2022			31 December 2021		
	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
	KD '000	%	KD '000	KD '000	%	KD '000
Not due /< 30 days	270,551	2%	5,296	205,419	3%	5,693
31 – 60 days	15,107	3%	523	15,232	3%	413
61 – 90 days	13,380	9%	1,161	9,427	12%	1,133
91 – 180 days	26,636	17%	4,514	19,296	18%	3,432
> 181 days	243,410	62%	150,343	246,497	63%	155,600
	<u>569,084</u>		<u>161,837</u>	<u>495,871</u>		<u>166,271</u>

Credit quality of roaming, interconnect and other balances:

	31 December 2022	31 December 2021
	KD '000	
Credit quality – Performing	170,248	164,189
Impaired	30,346	6,532
ECL	<u>(7,403)</u>	<u>(7,934)</u>
	<u>193,191</u>	<u>162,787</u>

The net decrease in the loss allowance during the year is mainly attributed to the increase in collections.

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 KD 50.757 million (2021 - KD 33.917 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
	KD '000			
At 31 December 2022				
Bank borrowings	258,518	702,759	585,534	-
Trade and other payables	787,441	-	-	-
<i>Other non-current liabilities</i>				
Payable to Ministry of Finance – Saudi Arabia	63,935	103,520	135,344	-
Due to CITC for acquisition of spectrum	17,947	37,722	101,948	59,119
Other	2,346	327	2,193	1,786
Lease liabilities	122,375	20,547	45,925	21,440
Net settled derivative liabilities - Interest rate swaps	-	-	-	-
At 31 December 2021				
Bank borrowings	431,441	251,319	710,780	-
Trade and other payables	822,519	-	-	-
<i>Other non-current liabilities</i>				
Payable to Ministry of Finance – Saudi Arabia	51,641	106,512	103,179	65,997
Due to CITC for acquisition of spectrum	15,241	30,482	45,723	63,582
Other	2,233	1,962	1,333	1,859
Lease liabilities	67,532	34,974	69,695	47,411
Net settled derivative liabilities - Interest rate swaps	32	9,320	2,618	-

32. Derivative financial instruments

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

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

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

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At 31 December 2022:	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
			KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed profit rate</i>			
Profit rate swaps (maturing after one year)	9,056		236,872
At 31 December 2021:			
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed profit rate</i>			
Profit rate swaps (maturing after one year)	-	8,895	258,464

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

33. Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

	2022	2021
	KD '000	
Total borrowings including lease liabilities (refer note 15 and 16)	1,471,357	1,487,867
Less: Cash and bank balances (refer note 4)	(240,409)	(231,884)
Net debt	1,230,948	1,255,983
Total equity	1,895,860	1,812,016
Total capital	3,126,808	3,067,999
Gearing ratio	39%	41%

34. Fair value of financial instruments

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

31 December 2022

	Level 1	Level 2	Level 3	Total
	KD '000			
Financial assets at fair value:				
Investments at fair value through profit or loss	-	12,021	22,108	34,129
Investments at fair value through other comprehensive income	1,857	2,803	12,940	17,600
Total assets	1,857	14,824	35,048	51,729

31 December 2021

	Level 1	Level 2	Level 3	Total
				KD '000
Financial assets at fair value:				
Investments at fair value through profit or loss	234	9,440	18,749	28,423
Investments at fair value through other comprehensive income	1,412	2,703	14,050	18,165
Total assets	1,646	12,143	32,799	46,588

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

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

35. Net monetary gain – South Sudan

Net monetary gain

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 gain for the current year is not material to the Consolidated financial statements.

36. Significant accounting judgments and estimates

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

Judgments

Business combinations

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

Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)

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 customer's 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

The Group has announced its decision to sell some of the telecom tower assets in Kuwait, KSA and Iraq. Part of these telecom towers were sold during the year and the remaining towers are recorded under "assets and liabilities of disposal group classified as held for sale". This is considered to have met the criteria as held for sale for the following reasons:

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

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

Classification of equity investments

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

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities or litigation is based on management's judgment.

Hyperinflation

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

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

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;

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

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

Determining the lease term

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

Discounting of lease payments

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

Sources of estimation uncertainty

Fair values - unquoted equity investments and business combinations

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

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

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

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

Tangible and intangible assets

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

Taxes

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

Impairment of non-financial assets

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