Notes to Consolidated Financial Statements

for the year ended 31 December 2022

1 Corporate information

Al Yah Satellite Communications Company (the "Company") was incorporated on 23 January 2007 as a private joint stock company in Abu Dhabi, United Arab Emirates (UAE). UAE Federal Decree-Law No. 32 of 2021 (the "Commercial Companies Law") is applicable to the Company and has come into effect on 2 January 2022.

On 16 June 2021, the Company was converted into a public joint stock company and on 14 July 2021, the Company's shares were listed on the Abu Dhabi Securities Exchange (refer to Note 30).

The Company is a subsidiary of Mubadala Investment Company PJSC (the "Parent Company" or the "Shareholder"), an entity wholly owned by the Government of Abu Dhabi.

These consolidated financial statements include the financial performance and position of the Company, its subsidiaries (collectively referred to as the "Group") and the Group's interest in its equity-accounted investees.

The Group's principal activity is the leasing of satellite communication capacity and providing telecommunication services via satellite to customers. Details of the Company's subsidiaries and its equity-accounted investees are set out in Notes 17 and 18.

2 Significant accounting policies

2.1 Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and comply where appropriate, with the Articles of Association and applicable requirements of the laws of the UAE.

The Group is required, for the year ended 31 December 2022, to be in compliance with the provisions of UAE Federal Decree Law No. 32 of 2021 on Commercial Companies or Commercial Companies Law, which was issued on 20 September 2021 and came into effect on 2 January 2022. The Commercial Companies Law replaced the previously applicable UAE Federal Decree-Law No. 2 of 2015 on Commercial Companies, as amended.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, other investments and investment property, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

These consolidated financial statements are presented in United States Dollars ("US$" or "$"), the functional currency of the Company and the presentation currency of the Group. Subsidiaries and its equity-accounted investees determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency. All financial information presented in US$ has been rounded to the nearest thousand ("$ 000"), unless stated otherwise.

2 Significant accounting policies continued

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. The basis of consolidation is referred in the following notes:

Basis of consolidation	Note
(i) Subsidiaries	17
(ii) Investments in associates	18
(iii) Transactions eliminated on consolidation	17,18
(iv) Business combinations	37
(v) Transfer of entities under common control	37
(vi) Loss of control of a subsidiary	37
(vii) Acquisition of an associate in a business combination	37

2.3 Summary of significant accounting policies

The Group has applied these accounting policies consistently to all periods presented in these consolidated financial statements.

A) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Non-derivative financial assets

Non-derivative financial assets comprise loans and receivables and cash and short-term deposits.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (FVOCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. However, the Group may make an irrevocable election at initial recognition to classify its equity instruments which are not held for trading as measured at FVOCI. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables, amounts due from related parties and other receivables.

The Group does not have financial assets at fair value through OCI.

2 Significant accounting policies continued

2.3 Summary of significant accounting policies continued

A) Financial instruments continued

(i) Non-derivative financial assets continued

The Group derecognises a financial asset only when the contractual rights to the cash flows of the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. 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 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.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, where the time value of money is material, receivables are measured at amortised cost using the effective interest method, less impairment losses, if any.

Cash and cash equivalents comprise cash balances and short-term deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise trade payables, amounts due to related parties, borrowings and other payables and accruals.

(iii) Derivative financial instruments including hedge accounting: Refer to Note 26.

B) Revenue from contract with customers

Refer Note 5.

C) Leases – the Group as a lessor

Refer Note 5 (Infrastructure services) and Note 14 (Investment property).

2 Significant accounting policies continued

2.3 Summary of significant accounting policies continued

(iii) Derivative financial instruments including hedge accounting: Refer to Note 26. continued

D) Finance income
Refer Note 11.

E) Other income
Refer Note 9.

F) Property, plant and equipment
Refer Note 13.

G) Investment property
Refer Note 14.

H) Leases – the Group as a lessee
Refer Note 15.

I) Intangible assets
Refer Note 16.

J) Borrowing costs
Refer Note 11.

K) Impairment

Financial assets
The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments not carried at FVTPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information including actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations.

Financial assets carried at amortised cost
The Group recognises lifetime expected credit loss (ECL) for trade receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using loss rates applied against each customer segment for each revenue type to measure expected credit losses. The Group determines the loss rates based on historical credit loss experience, analysis of the debtor's current financial position adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of current and forecast direction of conditions at the reporting date, including, where appropriate, time value of money.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in the consolidated statement of profit or loss. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

2 Significant accounting policies continued

2.3 Summary of significant accounting policies continued

(iii) Derivative financial instruments including hedge accounting: Refer to Note 26. continued

K) Impairment continued

Non-financial assets and investment in associates

The carrying amounts of the Group's non-financial assets and investments in associates are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss on investment in associates is recognised if its carrying amount exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss and included within share of results.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

L) Foreign currency

Transactions in foreign currencies are translated to US$ at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to US$ at the exchange rate at that date. The resultant foreign exchange gains and losses are recognised in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Where functional currencies of subsidiaries are different from US$, income and cash flow statements of subsidiaries are translated into US$ at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates and their assets and liabilities are translated at the exchange date ruling at the end of the reporting period. The resulting exchange differences are recognised in the consolidated statement of other comprehensive income.

The Group's share of results and share of movement in other comprehensive income of equity accounted investments are translated into US$ at average exchange rates for the year. Translation differences relating to investments in associates and monetary assets and liabilities that form part of a net investment in a foreign operation are recognised in the consolidated statement of other comprehensive income. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

M) Employee terminal benefits

Refer Note 7.

N) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2 Significant accounting policies continued

2.3 Summary of significant accounting policies continued

(iii) Derivative financial instruments including hedge accounting: Refer to Note 26. continued

O) Income tax

Refer Note 12.

P) Government Grants

Refer Note 28.

Q) Current vs non-current classification

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

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period

Or

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

All other assets are classified as non-current.

A liability is current when it is:

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

Or

- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

R) Fair value measurement

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes as explained below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The levels of fair value hierarchy are defined as follows:
Level 1: Measurement using quoted prices (unadjusted) from the active market.
Level 2: Measurement using valuation methods with parameters derived directly or indirectly from observable market data.
Level 3: Measurement using valuation methods with parameters not based exclusively on observable market data.

2 Significant accounting policies continued

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 orIFRIC 21 Levies, if incurred separately. At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments did not have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group applied these amendments to contracts for which it had not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applied the amendments. The amendment did not have a material impact on the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. These amendments had no impact on the consolidated financial statements of the Group as it is not a first time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the year.

IFRS 16 Leases – Lease incentives

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments did not have a material impact on the Group.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

2 Significant accounting policies continued

2.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. The Group is assessing the potential impact of this amendment.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendment clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendment is effective for annual periods beginning on or after 1 January 2023 with earlier adoption permitted. The amendment is not expected to have a material impact on the Group.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Making Materiality Judgements

The amendment refined its definition of material and issued non-mandatory practical guidance on applying the concept of materiality. The amendment is effective for annual periods beginning on or after 1 January 2023. The amendment is not expected to have a material impact on the Group.

Amendments to IAS 8: Definition of Accounting Estimate

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendment is effective for annual periods beginning on or after 1 January 2023. The amendment is not expected to have a material impact on the Group.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

i) Capital management (Note 36)
ii) Financial instrument risk management (Note 36)

Significant accounting judgements

Judgements relating to revenue from contract with customers

Refer Note 5.

3 Significant accounting judgements, estimates and assumptions continued

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period in the lease term for a) satellite capacity leases where the intention to renew is supported by an approved business case and b) for lease of buildings housing satellite gateways where there are no approved plans for relocation of gateways or cancellation of leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Classification of investments

The Group applies significant judgement with respect to the classification of investments, control (including de-facto control), joint control and significant influence exercised on those investments made by the Group. For assessing control, the Group considers power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. In case, where the Group has less than majority of the voting or similar rights in an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee and de-facto control on listed securities. Management's assessment considers the Group's ability to exercise control in the event of a deadlock situation with other vote holders and in situations where the Group holds convertible instruments, the Group considers potential voting rights.

Based on management's assessment, the classification of the Group's investments do not require any change as of 31 December 2022.

Significant accounting estimates

Impairment of non-financial assets

At the end of each reporting period, management applies the guidance in IAS 36 Impairment of Assets to identify whether there is any objective evidence of impairment of its non-financial assets. In such instances, the assets are subject to an impairment test by comparing their carrying amounts at the balance sheet date to their recoverable amounts. The recoverable amount for an individual asset is estimated and is the higher of its fair value less costs of disposal and its value in use. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets the recoverable amount of the cash-generating unit (CGU) to which the asset belongs is determined. An estimate of fair value less cost of disposal or the value in use of the CGU (or asset) is made, using estimated future cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (asset). The assumptions and judgements made in assessing the recoverable value include expectations of contract renewals, price increases on existing contracts and inflation rates.

During the year, the Group identified indicators that its BCS cash generating unit ('BCS CGU') may be impaired. Accordingly, the recoverable amount was calculated based on BCS CGU's estimated fair value less costs of disposal, calculated by discounting its projected cash flows from approved financial forecasts – a Level 3 fair value hierarchy assessment. The cash flow projections cover the period from 2023 to 2031 extrapolated into perpetuity at a 2.4% growth rate and discounted using a discount rate of 15.5%. The recoverable amount of the BCS CGU exceeded the carrying value by $7,272 thousand as of 31 December 2022, indicating the CGU is not impaired. An increase of 0.5% in the discount rate would result in a lower recoverable amount by $6,710 thousand.

Impairment of equity-accounted investments

At the end of each reporting period, management applies the guidance in IAS 28 Investments in Associates and Joint Ventures to identify whether there is any objective evidence of impairment of its equity-accounted investments. In such instances, the investments are subject to impairment tests by comparing the carrying amount to the recoverable amount of each investment. Considering the long term nature of these investments, the recoverable amount is determined based on discounted cash flows calculations. Estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The assumptions and judgements made in assessing the fair value less costs of disposal include expectations of contract renewals, price changes on existing contracts and inflation rates.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

3 Significant accounting judgements, estimates and assumptions continued

Significant accounting estimates continued

Impairment of equity-accounted investments continued

During the year, the Group identified indicators that its investment in HPE ('HPE cash generating unit' or 'HPE CGU'), which is an operating segment included in 'Others' (refer Note 4), may be impaired due to a rapid deterioration in the global macro-economic environment which primarily impacted the discount rate used in assessing the recoverable amount of this investment. The recoverable amount was calculated based on HPE CGU's estimated fair value less costs of disposal, calculated by discounting its projected cash flows – a Level 3 fair value hierarchy assessment. These cash flows reflect HPE CGU's approved business plan which include assumptions that are broadly in line with what a market participant would make. The cash flow projections cover the period from 2023 to 2037 considering various qualitative factors, extrapolated into perpetuity at a 3.0% growth rate and discounted using an estimated discount rate. The significant increases in interest rates, a significant strengthening of the US Dollar against a number of currencies and a general repricing of risk premiums led to a significant increase in the discount rate during this period to 14.0%. This impairment assessment resulted in a (non-cash) impairment loss of $40,575 (2021: nil) which has been recorded within the share of results of equity accounted investments (Note 18). Following the recognition of this impairment loss the carrying value of the Group's investment in the HPE CGU is equal to this estimated recoverable amount. An increase of 0.5% in the discount rate would result in a higher impairment loss of $3,850 thousand.

At the end of the year, management has not identified any indicator that suggests that the Group's investment in Al Maisan is impaired.

Impairment of goodwill allocated to Thuraya CGU

At the end of the year, the Group performed its annual impairment test of goodwill which is allocated to the Thuraya CGU. The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows using inputs to the valuation technique that fall under Level 3 of the fair value hierarchy. The recoverable amount as at 31 December 2022 has been determined using the budget and business plan approved by Thuraya's Board of Directors for the years 2023-2027. The cash flow projections are extrapolated into perpetuity at a 2.0% growth rate and discounted using an estimated discount rate of 10.9%. The recoverable amount of the CGU exceeded the carrying value by $335,074 thousand as of 31 December 2022, indicating the CGU is not impaired. An increase of 0.5% in the discount rate would result in a lower recoverable amount by $29,357 thousand.

Impairment losses on receivables and contract assets

The Group reviews its receivables and contract assets to assess impairment on a regular basis. In determining whether impairment losses should be recorded in the consolidated statement of profit or loss and other comprehensive income, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses (ECL) to be recognised from initial recognition of the receivables. An impairment analysis is performed at each reporting date using loss rates applied against each customer segment to measure expected credit losses. The provision rates are based on historical patterns of default for groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. 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.

As at 31 December 2022, the Group is carrying an allowance of US$ 16.2 million (2021: US$ 21.2 million).

Useful lives of property, plant and equipment and intangible assets

Management assigns useful lives to property, plant, equipment, and intangible assets based on the intended use of assets and the economic lives of those assets. Subsequent change in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives differing from initial estimates. Effective 1 November 2022, the Group reduced useful lives of certain items of plant and machinery and accounted for the change prospectively as a change in accounting estimate in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The change increased depreciation for the year by $187 thousand and is expected to result to an increased depreciation in the subsequent year by $829 thousand. For satellite systems, management reviews the satellite health reports including estimates of the fuel life of the satellites, in determining if any adjustments are required to the useful life. Management also considers other factors including inputs from the satellite insurance markets on total insurable life and availability of underwriters for insurance of the satellite payloads. For other items of property, plant and equipment and intangible assets management has reviewed the useful lives of major items and determined that no adjustment is necessary.

3 Significant accounting judgements, estimates and assumptions continued

Significant accounting estimates continued

Fair value of derivative financial instruments

The fair value of interest rate swaps is based on broker quotes, which are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Group applied incremental borrowing rates ranging from 4.1% to 6.3% to the lease liabilities.

Fair value of investment property

The fair valuation of the Group's investment property is performed by an independent valuer, specialising in real estate, using Investment method (also known as Income approach), which is typically adopted for income producing assets. The method involves the capitalisation of an income stream at a given rate. The capitalisation rate applied to the lease income is determined based on factors such as rental growth, perceived covenant strength, in addition to the specification and location of the property. The key valuation inputs and assumptions relate to market rent, capitalization rates, leasing costs, operational expenditure and letting periods. Any changes to the key valuation inputs could affect the reported fair value of investment property.

4 Segment information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments.

Accounting policies

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM) who is the Chief Executive Officer. The CODM makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

Information on segments

The CODM monitors the operating results of the segments for the purpose of making decisions, allocating resources and assessing performance. The segments are based on lines of business as follows:

- Infrastructure segment, which primarily provides long-term satellite capacity leases, and satellite operation services. This is the largest operating segment.
- Managed Solutions segment includes end-to-end managed solutions provided mainly to government customers (Yahsat Government Solutions) and other industry solutions.
- Mobility Solutions segment provides narrow-band satellite solutions under the trade name Thuraya.
- Data Solutions (BCS) segment primarily represents the Group's Yahclick business providing broadband satellite solutions in Africa, Middle East and Asia.
- 'Others' include two segments: a) Data Solutions – Brazil representing the Group's Brazilian associate HPE and b) Broadcast segment representing the Group's associate Al Maisan.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

4 Segment information continued

Information on segments continued

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss. The performance of the segments are evaluated on the following basis:

- Infrastructure and Managed Solutions segments are evaluated based on segment Adjusted EBITDA, a measure broadly consistent with Group Adjusted EBITDA.
- Data Solutions (BCS) and Mobility Solutions segments are evaluated based on segment Adjusted EBITDA and segment profit or loss which is measured consistently with profit for the year in the consolidated financial statements.
- Data solutions (Brazil) and Broadcast segments are evaluated based on the Group's share of results in the respective equity accounted investments (associates).

Elimination of inter-segment revenue, income, costs and other consolidation adjustments, if any, are presented under the column 'Reconciliation'.

Capital expenditure includes additions during the period to property, plant and equipment, right-of-use assets and intangible assets.

The breakdown of revenue from external customers by nature of business activity is provided in Note 5.

The segment information for the year ended 31 December 2022 is as follows:

	Infrastructure $ 000	Managed solutions $ 000	Mobility solutions $ 000	Data solutions (BCS) $ 000	Others $ 000	Reconciliation $ 000	Total $ 000
External revenue	237,528	90,606	80,983	23,423	–	–	432,540
Inter-segment revenue	3,087	602	254	634	–	(4,577)	–
Total revenue	240,615	91,208	81,237	24,057	–	(4,577)	432,540
Adjusted EBITDA	176,643	52,985	27,243	809	–	–	257,680
Depreciation, amortisation and impairment	(91,074)	(367)	(19,585)	(33,445)	–	–	(144,471)
Fair value adjustment on investment property	–	–	1,584	–	–	–	1,584
Finance income	18,753	–	331	1,713	–	(12,300)	8,497
Finance costs	(20,960)	–	(873)	(62)	–	12,300	(9,595)
Share of results – HPE	–	–	–	–	(54,600)	–	(54,600)
Share of results – Al Maisan	–	–	–	–	1,297	–	1,297
Income tax expense	–	–	(5)	(170)	–	–	(175)
Profit/(loss) for the year	83,362	52,618	8,695	(31,155)	(53,303)	–	60,217
Profit/(loss) for the year attributable to non-controlling interests	–	–	884	(6,231)	–	–	(5,347)
Profit/(loss) for the year attributable to the Shareholders	83,362	52,618	7,811	(24,924)	(53,303)	–	65,564
Capital expenditure	123,610	148	25,978	2,449	–	–	152,185

4 Segment information continued

Information on segments continued

The segment information for the year ended 31 December 2021 is as follows:

	Infrastructure $ 000	Managed solutions $ 000	Mobility solutions $ 000	Data solutions (BCS) $ 000	Others $ 000	Reconciliation $ 000	Total $ 000
External revenue	236,020	64,227	80,330	26,992	–	–	407,569
Inter-segment revenue	3,300	1,574	680	742	–	(6,296)	–
Total revenue	239,320	65,801	81,010	27,734	–	(6,296)	407,569
Adjusted EBITDA	183,335	33,184	27,477	(3,515)	–	–	240,481
Depreciation, amortisation and impairment	(90,918)	(115)	(24,581)	(32,976)	–	–	(148,590)
Fair value adjustment on investment property	–	–	(1,906)	–	–	–	(1,906)
Finance income	2,819	–	8	2,366	–	(4,798)	395
Finance costs	(21,380)	–	(956)	(165)	–	4,798	(17,703)
Share of results – HPE	–	–	–	–	(11,486)	–	(11,486)
Share of results – Al Maisan	–	–	–	–	1,897	–	1,897
Income tax expense	(31)	–	(13)	(171)	–	–	(215)
Profit/(loss) for the year	73,825	33,069	29	(34,461)	(9,589)	–	62,873
Loss for the year attributable to non-controlling interests	–	–	3	(6,892)	–	–	(6,889)
Profit/(loss) for the year attributable to the Shareholders	73,825	33,069	26	(27,569)	(9,589)	–	69,762
Capital expenditure	143,339	467	5,579	5,621	–	–	155,006

Geographical information

The information on Group's revenue by geography has been compiled based on the principal location of the customers. The Group's principal place of operations is the United Arab Emirates.

Information on significant revenues from a single customer is provided in Note 21.

	2022 $ 000	2021 $ 000
United Arab Emirates	**370,299**	337,292
Europe	**19,194**	23,732
Asia	**21,355**	23,510
Africa	**16,806**	15,084
North America	**3,729**	7,024
Others	**1,157**	927
Revenue	**432,540**	407,569

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

5 Revenue

Accounting policies

The Group has applied the following accounting policy for revenue recognition in the preparation of its consolidated financial statements.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations. Contracts can be written, oral or implied by the Group's customary business practices.
Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.
Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The Group is in the business of leasing of satellite communication capacity and providing telecommunication services via satellite to customers. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g.,discount). In determining the transaction price for the sale of goods or rendering of services, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Generally, the Group receives short-term advances from its customers, the Group uses the practical expedient in IFRS 15 and does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

5 Revenue continued

Accounting policies continued

The Group also receives long-term advances from customers for the satellite communication services. When a significant financing component is identified, the transaction price for such contracts is adjusted for time value of money, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception.

Infrastructure revenue primarily represents revenue from leasing of satellite capacity and related services. Lease revenue is recognised in accordance with IFRS 16 (refer to Leases – the Group as a lessor). Service revenue is recognised over time as rendered.

Managed solutions revenue represents end-to-end integrated satellite communication and managed solutions provided to customers (which includes supply of services, goods or both). Revenue is typically recognised in profit or loss based on milestones reached, time elapsed or units delivered. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, the associated costs or the possible return of the goods or the rejection of the services provided.

Mobility solutions revenue includes revenue from mobile satellite services (airtime revenue – voice, data and messaging services) and sale of related equipment and accessories. Service revenue is recognised over the period in which the services are provided. Revenue from the sale of goods (i.e. equipment and accessories) is recognised at the point in time when control of the asset is transferred to the customer, generally when the goods are delivered and titles have passed. Revenue is recognised net of returns, upfront discounts and sales commissions. Revenue from the sale of prepaid cards is recognised on the actual utilisation of the prepaid card and is deferred in deferred revenue until the customer uses the airtime, or the credit expires.

Data solutions revenue includes revenue from provision of satellite broadband services to customers and sale of related equipment and accessories. Service revenue is recognised as rendered. Revenue from the sale of goods (i.e. equipment and accessories) is recognised at the point in time when control of the asset is transferred to the customer, generally when the goods are delivered and titles have passed. Revenue is recognised net of returns, upfront discounts and sales commissions.

Leases – the Group as a lessor

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease.

The amounts due from lessees are recorded in the consolidated statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment.

Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases.

Income from operating leases are recognised in profit or loss on a straight-line basis over the lease term.

Infrastructure revenue primarily represents revenue from leasing of satellite capacity and related services. Satellite capacity lease payments are recorded on a straight-line basis over the term of the contract concerned. Deferred revenue represents the unearned balances remaining from amounts received from customers.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

5 Revenue continued

Leases – the Group as a lessor continued

Revenue	Notes	2022 $ 000	2021 $ 000
Service rendered		**400,523**	373,756
Sale of equipment and accessories		**32,017**	33,813
		432,540	407,569
Revenue from related parties is disclosed in Note 21.			
Revenue includes:			
Revenue from contracts with customers (IFRS 15)		**300,541**	276,648
Income from operating leases (IFRS 16)		**131,999**	130,921
		432,540	407,569
Disaggregation of revenue by operating segment:			
Services rendered:			
Infrastructure		**237,528**	236,020
Managed solutions*		**90,606**	64,227
Mobility solutions		**50,977**	49,472
Data solutions – BCS		**21,412**	24,037
Sale of equipment and accessories (recognised at a point in time)			
Mobility solutions		**30,006**	30,858
Data solutions – BCS		**2,011**	2,955
	4	**432,540**	407,569

* Managed solutions includes revenue recognised at a point in time of $10.8 million (2021: $0.9 million).

	Notes	2022 $ 000	2021 $ 000
Timing of recognition of revenue from contracts with customers:			
Over time		**257,751**	241,967
At a point in time		**42,790**	34,681
		300,541	276,648
Revenue by geography is disclosed in Note 4.			
Contracted future revenues			
a) Remaining performance obligations from contracts with customers, expected to be recognised as revenue:			
Within one year		**203,818**	162,401
More than one year		**1,284,190**	1,241,145
		1,494,008	1,403,546
b) Future minimum lease rental receivables under non-cancellable operating leases, where Group is a lessor (excluding investment property)	34	**497,723**	624,624
Total contracted future revenues		**1,991,731**	2,028,170
Contract balances:			
Trade receivables, net of loss allowance	22	**87,584**	110,651
Contract assets	22	**55,332**	17,836
Contract liabilities:			
Advances from customers – related parties	21	**280,157**	128,040
Advances from customers – others	24	**1,460**	1,592
Deferred revenue	27	**24,809**	26,988
Revenue recognised from contract liabilities at the beginning of the year		**4,397**	3,632

5 Revenue continued

Leases – the Group as a lessor continued

The disclosure on remaining performance obligations does not include the expected consideration related to performance obligations in respect of satellite services for which the Group elects to recognise revenue in the amount it has a right to invoice (e.g. subscription revenue on fixed and mobile satellite services).

Trade receivables and amounts due from related parties are non-interest bearing and are generally on terms ranging from 30 to 60 days.

The future minimum lease payments under operating lease arrangements, where the Group is a lessor, are disclosed in Note 34.

Significant accounting judgements and estimates

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining whether unsigned agreements meet the definition of contract under IFRS 15

In relation to certain projects with the UAE Government, its department or related parties performance obligations are fulfilled based on unsigned agreements. Management considers such unsigned contracts to meet the definition of a 'contract with customer' under IFRS 15 since the Group and the customers agree upon the essential elements of a contract and any other lawful conditions. Pending matters of detail to be agreed upon later, the contract is deemed to be binding even in the absence of agreement on these matters of detail. In addition, under Article 132 of the UAE Civil Code, a contract can be oral or written; a contract can also result from acts, which demonstrate the presence of mutual consent between the relevant parties.

Determination of transaction price

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, the existence of any significant financing component, non-cash consideration and consideration payable to the customer (if any).

On 17 June 2021, the Group signed the T4-NGS capacity services agreement with a government entity (T4-NGSA) for a total contract value of $708.4 million. The term of the T4-NGSA is 15 years from the date of commencement of Operational services of T4-NGS which is expected in the first half of 2025. Pursuant to the terms of T4-NGSA, the Group is entitled to receive an aggregate amount of $300 million as "Advance Payment" in two equal instalments starting from June 2022. Accordingly, the Group received the first instalment during the year amounting to $150 million plus applicable UAE value-added taxes. The Advance Payment will be offset against the quarterly payments for satellite services in equal instalments starting from the date of commencement of Operational services. Management has determined that the contract contains significant financing component based on the following factors.

a) There is a significant time gap between the receipt of the advance payment and the provision of services; and
b) There is a significant difference between the amount of promised consideration and the cash selling price of the promised services.

In making its judgment, the Group's management considered the terms and conditions of the T4-NGSA and relevant accounting standard. Hence, as required by IFRS 15, the Group has adjusted the transaction price to include the financing component of $46.3 million bringing the total transaction price to $754.7 million as of 31 December 2022. Revenue will be recognised over time on a straight line basis from the date of commencement of Operational services.

5 Revenue continued

Classification of leases

The Group entered into a Capacity Services Agreement ("CSA") with a government entity, for a period of 15 years. The capacity services include the lease of capacity of satellite transponders on the AY1 and AY2 satellites and provision of services relating to the operation of satellite network. The capacity charges payable under the terms of the CSA include a lease element and a service element which corresponds to the capacity lease and provision of services respectively.

The Group has made various judgements in the process of determining – a) whether this arrangement contains a lease, b) whether it is an operating lease or a finance lease and c) how the capacity charges relating to the lease element and service element will be accounted.

In making its judgements, the Group's management considered the terms and conditions of the CSA, the requirements of relevant standards and the relevant industry practice. The relevant standards include i) IFRS 16 – Leases and ii) IFRS 15 – Revenue from contracts with customers.

Based on the matters mentioned in the preceding paragraphs the Group management has determined that:

a) the arrangement contains a lease, as it conveys a right to use the asset and the fulfilment of the arrangement is dependent on the use of a specified asset
b) the lease element of the arrangement will be accounted as an operating lease as the Group does not transfer substantially risks and rewards incidental to ownership of the assets to the customer (Note 21) and
c) the service element of the arrangement will be accounted as revenue to be recognised over time.

6 Cost of revenue

	2022 $ 000	2021 $ 000
Cost of services sold*	**24,392**	18,636
Cost of equipment and accessories sold	**23,904**	26,842
	48,296	45,478

* Cost of services sold mainly represents supplies procured for managed services and mobile satellite services.

7 Staff costs

Accounting policies

Employee terminal benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

The Group operates unfunded defined benefit plan. Provision for employees' end of service benefits for non-UAE nationals is made in accordance with the Projected Unit Cost method as per IAS 19 Employee Benefits taking into consideration the UAE Labour Laws. The provision is recognised based on the present value of the defined benefit obligations. The calculation of the present value of the defined benefit obligation is performed annually by a qualified actuary using assumptions on the average annual rate of increase in salaries, average period of employment of non-UAE nationals and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate. The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference to high quality corporate bonds or other basis, if applicable.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. Remeasurements are not reclassified to profit or loss in subsequent periods.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. When there is a plan amendment, curtailment or settlement occurs during the annual reporting period, the Group determines the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability reflecting the benefits offered under the plan and the plan assets after that event. The Group also determines the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability reflecting the benefits offered under the plan after that event, and the discount rate used to remeasure that net defined benefit liability.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Pension contributions, a defined contribution plan, are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service.

	Notes	2022 $ 000	2021 $ 000
Employee costs		**73,193**	73,384
Outsourced staff costs		**12,281**	12,122
		85,474	85,506
Employee costs include:			
Pension contributions made in respect of UAE national employees in accordance with the UAE Federal Law No. (2), 2000		**2,843**	2,768
Charged during the year towards employee end of service benefits	29	**1,757**	2,148

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

8 Other operating expenses

	Notes	2022 $ 000	2021 $ 000
Satellite services operations costs		**10,400**	13,601
Insurance expenses		**5,872**	7,394
Facilities and asset maintenance costs		**4,553**	4,378
IT support costs		**4,472**	3,362
Marketing expenses		**3,934**	2,895
Consultancy, legal and advisory expenses		**3,473**	2,511
Business travel expenses		**2,599**	1,318
Board and committee fees	21	**2,473**	198
Registration and filing expenses		**1,459**	1,388
Currency exchange losses – net		**1,156**	916
Bank fees and charges		**516**	506
Learning and development expenses		**415**	312
Inventory obsolescence (reversal)	20	**168**	(1,087)
Reversal of allowance for expected credit losses	22	**(859)**	(2,418)
Other expenses		**4,343**	3,153
		44,974	38,427

The Group did not make any material social contributions during the current year and prior year.

9 Other income

Accounting policies

Income from claims for liquidated damages is recognised in profit or loss as other income or a reduction to operating costs when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to compensations for loss of income or are not towards incremental operating costs, the amounts are taken to the consolidated statement of financial position and recorded as a reduction in the cost of the related asset.

Insurance proceeds received from loss claims relating to assets insured is recognised in profit or loss as other income when the Group has an unconditional contractual right to receive the compensation.

Gain arising from transfer of Orbital rights is recognised in profit or loss, as other income, when:
a) Yahsat has fulfilled all its material obligations that allow the transfer of the rights and
b) any remaining Yahsat obligation(s), is merely administrative with a low risk of failure.

For the purpose of calculating the gain arising from transfer of Orbital rights, if the consideration for transfer comprises both cash and non-cash elements, the fair value of consideration is
a) The consideration agreed in cash plus
b) Fair value of non-monetary consideration. Where the non-monetary consideration is in the form of services to be rendered (either by the buyer of the orbital rights or by another third party), recent market transactions or quotations obtained from other service providers for a similar service forms the basis for estimating the fair value.

Rental income from lease of investment property is recognised on a straight-line basis over the term of the lease.

9 Other income continued

Accounting policies continued

	Notes	2022 $ 000	2021 $ 000
Rental income from investment property	14	**1,602**	1,287
Others*		**2,282**	1,036
		3,884	2,323

* Includes gain on derecognition of right of use asset and related lease liability amounting to $1,548 thousand as a result of termination of a lease contract (Note 15).

10 Depreciation, amortisation and impairment

	Notes	2022 $ 000	2021 $ 000
Depreciation of property, plant and equipment	13	**135,238**	139,307
Depreciation of right-of-use assets	15	**5,611**	5,377
Amortisation of intangible assets	16	**3,622**	3,906
		144,471	148,590

11 Finance costs and Finance income

Accounting policies

Finance income

Finance income comprises interest income on funds invested and is recognised as it accrues in profit or loss using the effective interest method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time the assets are substantially ready for their intended use.

Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation. In the case of general borrowings, a capitalisation rate, which is the weighted average rate of general borrowing costs, is applied to the expenditure on qualifying assets and included in the cost of the asset.

A borrowing originally made to develop a qualifying asset is treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense when incurred.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

11 Finance costs and Finance income continued

Accounting policies continued

Finance costs and Finance income	Notes	2022 $ 000	2021 $ 000
Finance income			
Interest on deposits with banks – third parties		**3,598**	204
Interest on deposits with banks – related parties	21	**4,899**	191
Total finance income		**8,497**	395
Finance costs			
Interest expense on borrowings – term loans		**(18,459)**	(9,019)
Interest expense on borrowings – lease liabilities	15	**(836)**	(973)
Interest on contract liabilities	21	**(2,096)**	–
Other interest and finance charges		**(742)**	(425)
Net fair value gain/(losses) on derivative financial instruments transferred from other comprehensive income		**3,430**	(11,595)
		(18,703)	(22,012)
Capitalised borrowing costs		**9,108**	4,309
Total finance cost		**(9,595)**	(17,703)
Net finance costs		**(1,098)**	(17,308)

12 Income tax expense

Accounting policies

The tax expense/credit for the year comprise current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Also deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill in a business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted in the jurisdiction of the individual companies by the end of the reporting period and are expected to apply when the related deferred income tax liability is settled or the deferred income tax asset is realised. A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

12 Income tax expense continued

Accounting policies continued

Deferred income tax assets and liabilities offset when:

a) a legally enforceable right exists to offset current income tax assets against current income tax liabilities
b) the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The taxes mainly relate to the subsidiaries in the Netherlands and South Africa and are not significant. Hence no further disclosures are provided.

UAE Corporate Tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

A rate of 9% will apply to taxable income exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance), a rate of 0% will apply to taxable income not exceeding this threshold. In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and taxable income. Therefore, pending such important decisions, the Group has considered that the Law, as it currently stands, is not substantively enacted as at 31 December 2022 from the perspective of IAS 12 – Income Taxes. The Group shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group will assess the possible impact on the consolidated financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

13 Property, plant and equipment

Accounting policies

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of a qualifying asset are capitalised.

The Group capitalises all costs relating to assets as capital work in progress, until the date of completion and commissioning of these assets. These costs are transferred from capital work in progress to the appropriate asset category upon completion and commissioning and depreciated over their useful economic lives from the date of such completion and commissioning.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income/other expenses in profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

13 Property, plant and equipment continued

Accounting policies continued

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at the financial year-end and adjusted if appropriate.

The estimated useful lives used in the current and comparative periods are as follows:

Asset category	Years
Buildings	15-40
Leasehold improvements (included in buildings)	5-10
Satellite systems	5-18 (2021: 9-18)
Plant and machinery	10-20 (2021: 15-40)
Furniture and fixtures	3-4
Office equipment and vehicles	3-5
Computers and software	3

	Land and building $ 000	Satellite systems $ 000	Plant and machinery $ 000	Other equipment $ 000	Capital work in progress $ 000	Total $ 000
Cost						
At 1 January 2021	100,534	2,979,982	16,840	34,726	98,531	3,230,613
Additions	59	4,265	128	3,163	146,851	154,466
Transfers	–	18,273	–	161	(18,434)	–
Transfer to intangible assets (Note 16)	–	–	–	(597)	–	(597)
Disposals	–	–	–	(159)	–	(159)
Write-offs	–	–	–	–	(5)	(5)
Exchange differences	–	–	–	(284)	–	(284)
At 31 December 2021	100,593	3,002,520	16,968	37,010	226,943	3,384,034
Depreciation						
At 1 January 2021	25,316	1,861,526	7,332	30,356	–	1,924,530
Charge for the year	2,674	133,642	853	2,138	–	139,307
Disposals	–	–	–	(141)	–	(141)
Exchange differences	–	–	–	(41)	–	(41)
Transfer to intangible assets (Note 17)	–	–	–	(464)	–	(464)
At 31 December 2021	27,990	1,995,168	8,185	31,848	–	2,063,191
Impairment						
At 1 January and 31 December 2021	5,485	184,064	–	–	–	189,549
Net book value	67,118	823,288	8,783	5,162	226,943	1,131,294

13 Property, plant and equipment continued

Accounting policies continued

Depreciation continued

	Land and building $ 000	Satellite systems $ 000	Plant and machinery $ 000	Other equipment $ 000	Capital work in progress $ 000	Total $ 000
Cost						
At 1 January 2022	100,593	3,002,520	16,968	37,010	226,943	3,384,034
Additions	169	608	49	2,440	143,268	146,534
Transfers	–	10,000	–	439	(10,439)	–
Transfer from investment property (Note 14)	1,834	–	–	–	–	1,834
Disposals	–	(1,221)	–	(124)	–	(1,345)
Write-offs	(213)	(9)	–	–	(8)	(230)
Exchange differences	–	–	–	(261)	–	(261)
At 31 December 2022	**102,383**	**3,011,898**	**17,017**	**39,504**	**359,764**	**3,530,566**
Depreciation						
At 1 January 2022	27,990	1,995,168	8,185	31,848	–	2,063,191
Charge for the year	2,703	129,005	989	2,541	–	135,238
Disposals	–	(1,221)	–	(124)	–	(1,345)
Exchange differences	–	(3)	–	(75)	–	(78)
At 31 December 2022	**30,693**	**2,122,949**	**9,174**	**34,190**	**–**	**2,197,006**
Impairment						
At 1 January 2022	5,485	184,064	–	–	–	189,549
Write-offs	(213)	–	–	–	–	(213)
At 1 January and 31 December 2022	**5,272**	**184,064**	**–**	**–**	**–**	**189,336**
Net book value	**66,418**	**704,885**	**7,843**	**5,314**	**359,764**	**1,144,224**

Capital work in progress as of the end of the reporting period comprise mainly of satellite systems of which $349.7 million (31 December 2021: $218.4 million) relates to the Thuraya 4 satellite (T4-NGS) under construction. Additions during the year relating to T4-NGS amounted to $131.3 million (2021: $141.6 million). Other equipment includes furniture and fixtures, office equipment, vehicles and computers.

Borrowing costs capitalised during the year relating to T4-NGS amounted to $9.1 million at a capitalisation rate of 2.7% per annum (2021: $4.3 million at a capitalisation rate of 3.7% per annum).

During the year, the Group received a government grant relating to the T4-NGS and has accounted for such grant as a grant related to an asset (refer to Note 28).

14 Investment property

Accounting policies

Investment properties are properties which are held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss in the period in which they arise.

Transfers between investment property and owner-occupied property are made only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

14 Investment property continued

Accounting policies continued

In case of transfer to investment property, the group depreciates the owner-occupied property up to the date when the property becomes an investment property carried at fair value and recognizes any impairment losses that have occurred relating to the property transferred.

In case of transfer to owner-occupied property, the fair value of the property units on the date of the transfer becomes the carrying value of the owner-occupied property unit, and are depreciated over the remaining useful life of the property.

	Notes	Land $ 000	Building $ 000	Total $ 000
Investment property accounted at fair value				
At 1 January 2021		16,911	5,226	22,137
Net loss from fair value adjustment		(1,446)	(460)	(1,906)
At 31 December 2021		15,465	4,766	20,231
At 1 January 2022		**15,465**	**4,766**	**20,231**
Transfer to property, plant and equipment	13	**(1,244)**	**(590)**	**(1,834)**
Net gain from fair value adjustment		**937**	**647**	**1,584**
At 31 December 2022		**15,158**	**4,823**	**19,981**

The investment property relates to the Dubai building and associated land (property) of Thuraya. The fair value measurement for the investment property is classified as Level 2. The fair value has been determined by an external valuer based on transactions observable in the market.

Leasing arrangements

The investment properties are leased to tenants under operating leases with rents payable periodically. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Rental income from investment property is recognised in other income (Note 9). Direct operating expenses incurred on investment property during the year amounted to $585 thousand (2021: $606 thousand).

	2022 $ 000	2021 $ 000
Minimum lease payments receivable on leases of investment properties are as follows:		
Year 1	**1,676**	891
Year 2	**1,067**	301
Year 3	**847**	265
Year 4	**678**	188
Year 5	**262**	188
Beyond Year 5	**–**	62
	4,530	1,895

15 Leases – Group as a Lessee

This note provides information for leases where the group is a lessee, related right-of-use assets and lease liabilities.

Accounting policies

Leases, where the Group is a lessee, are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

a) fixed payments (including in-substance fixed payments), less any lease incentives receivable
b) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
c) amounts expected to be payable by the group under residual value guarantees
d) the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
e) payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

a) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
b) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the lessee which does not have recent third party financing, and
c) makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

a) the amount of the initial measurement of lease liability
b) any lease payments made at or before the commencement date less any lease incentives received
c) any initial direct costs, and
d) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

15 Leases – Group as a Lessee continued

Accounting policies continued

A lease modification is a change in scope of the lease, or the consideration for the lease that was not part of the original terms of the lease. When a modification increases the scope of the lease adding more underlying assets and the consideration is commensurate, the modification is accounted as a separate lease contract. However, if a modification increases the scope of the lease without adding the right to use of more underlying assets, or the increase in lease consideration is not commensurate, the modification is accounted for by remeasuring the existing lease. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss. The lease liability is remeasured at the effective date of modification, using a revised discount rate, with a corresponding adjustment to the right of use asset. The lessee uses the incremental borrowing rate as the revised discount rate if the rate implicit in the lease for the remainder of the lease term is not readily determinable.

The estimated useful lives of right-of-use assets are as follows:

Asset category	Years
Right-of-use assets – satellite capacity	3.5
Right-of-use assets – buildings	4-10

A) Right-of-use assets

Carrying amounts and movements during the period	Satellite capacity $ 000	Buildings $ 000	Total $ 000
At 1 January 2021	7,303	13,342	20,645
Additions	–	20	20
Depreciation expense	(3,659)	(1,718)	(5,377)
At 31 December 2021	3,644	11,644	15,288
At 1 January 2022	**3,644**	**11,644**	**15,288**
Additions	**–**	**5,886**	**5,886**
Retirement	**–**	**(9,710)**	**(9,710)**
Depreciation expense	**(3,644)**	**(1,967)**	**(5,611)**
Exchange differences	**–**	**(1)**	**(1)**
At 31 December 2022	**–**	**5,852**	**5,852**

15 Leases – Group as a Lessee continued

Accounting policies continued

B) Lease liabilities

The table below provides the changes in the lease liabilities arising from financing activities, including both cash and non-cash changes:

	Notes	2022 $ 000	2021 $ 000
Lease liabilities			
At 1 January		16,536	19,797
Additions		5,886	20
Accretion of interest	11	836	973
Termination		(11,258)	–
Payments		(4,824)	(4,254)
Exchange differences		(11)	–
At 31 December	25	7,165	16,536
of which current		2,001	4,773
of which non-current		5,164	11,763
Amounts recognised in profit or loss in relation to leases			
Depreciation expense of right-of-use assets		5,611	5,377
Interest expense on lease liabilities		836	973
Expense relating to of low-value assets (included in other operating expenses)		256	196
Total		6,703	6,546
Cash flow information			
Total cash outflows for leases		4,824	4,254

The Group leases premises to host its satellite gateway equipment and leases satellite capacity assets. Rental contracts are typically made for fixed periods of 3 years to 10 years, but may have extension options.

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. Leased asset may not be used for borrowing purposes.

The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset and align with the Group's business needs. The extension and termination options held are usually exercisable only by the group and not by the respective lessor.

Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

During the year, the property lease relating to one of the Group's gateway premises in UAE, which was previously expected to renew, expired as the Group entered into a new lease agreement for the same premises directly from the main lessor for a 10-year period. Accordingly, the Group:
a) derecognised the carrying amounts of the right of use asset and the lease liability relating to the expired lease and recognised a gain of $1,548 thousand in other income (note 9).
b) recognised a new right of use asset and lease liability in respect of the 10-year lease at the lease commencement date.

During the year, the lease relating to satellite systems (satellite capacity) expired at the end of the term.

16 Intangible assets

Accounting policies

Licenses, representing a right to transmission of telecommunication signals utilising geo-stationary satellite and use of associated radio frequencies, are capitalised at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Refer Note 37 Business combinations, for accounting policy on goodwill.

The estimated useful lives for current and comparative periods are as follows:

Asset category	Years
Licenses	10
Development costs (user terminal development)	3-5
Software (including operation and billing support systems)	2-10

	Development costs $ 000	Licenses $ 000	Software $ 000	Goodwill $ 000	Total $ 000
Cost					
At 1 January 2021	72,569	180	14,921	3,745	91,415
Additions	–	–	520	–	520
Exchange differences	–	–	(6)	–	(6)
Transfer from property, plant and equipment (Note 13)	–	–	597	–	597
At 31 December 2021	72,569	180	16,032	3,745	92,526
Amortisation					
At 1 January 2021	67,049	128	11,155	–	78,332
Charge for the year	2,758	52	1,096	–	3,906
Exchange differences	–	–	(4)	–	(4)
Transfer from property, plant and equipment (Note 13)	–	–	464	–	464
At 31 December 2021	69,807	180	12,711	–	82,698
Net book value at 31 December 2021	2,762	–	3,321	3,745	9,828

16 Intangible assets continued

Accounting policies continued

	Development costs $ 000	Licenses $ 000	Software $ 000	Goodwill $ 000	Total $ 000
Cost					
At 1 January 2022	72,569	180	16,032	3,745	92,526
Additions	609	–	397	–	1,006
Exchange differences	–	–	(5)	–	(5)
At 31 December 2022	**73,178**	**180**	**16,424**	**3,745**	**93,527**
Amortisation					
At 1 January 2022	69,807	180	12,711	–	82,698
Charge for the year	2,413	–	1,209	–	3,622
Exchange differences	–	–	(3)	–	(3)
At 31 December 2022	**72,220**	**180**	**13,917**	**–**	**86,317**
Net book value at 31 December 2022	**958**	**–**	**2,507**	**3,745**	**7,210**

17 Group information

A) Subsidiaries

Accounting policies

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights of an entity that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Adjustments are made to the amounts reported by subsidiaries, when necessary, to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

The consolidated financial statements of the Group include:

Name	Principal activities	Country	Equity % 2022	Equity % 2021
Al Yah Advanced Satellite Communication Services PJSC (Al Yah Advanced)	Leasing of satellite communication capacity	UAE	**100%**	100%
Star Satellite Communications Company PJSC (Star)	Telecommunication services via Satellite and integrated satellite communication and managed services	UAE	**100%**	100%
Yahsat Treasury Sole Proprietorship LLC	Group corporate treasury	UAE	**100%**	100%
Thuraya Telecommunications Company PJSC (Thuraya)	Mobile telecommunication services via Satellite	UAE	**89.83%**	89.83%
Thuraya Telecommunications Japan Co. Ltd.	Mobile telecommunication services via Satellite	Japan	**89.83%**	89.83%
BCS Group (BCS)				
Broadband Connectivity Solutions (Restricted) Limited (BCS Holdco)	Holding company	UAE	**80%**	80%
BCS Investments LLC (BCS Opco)	Telecommunication services via satellite	UAE	**80%**	80%
Star Network Marketing Services Company (Proprietary) Limited (SNMS)	Marketing support office	South Africa	**80%**	80%
Al Najm Communications Company LLC (Al Najm)	Telecommunication services via satellite	UAE	**80%**	80%
Yala B.V. (Yala)	Telecommunication services via satellite	Netherlands	**80%**	80%
Broadband Connectivity Solutions Limited (BCS Nigeria)	Telecommunication services via satellite	Nigeria	**80%**	80%
YahClick – Prestação de Serviços, (SU), LDA, (BCS Angola)[(i)]	Telecommunication services via satellite	Angola	**80%**	–

(i) During the year, the Group incorporated a subsidiary, BCS Angola, on 30 August 2022.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

17 Group information continued

B) Material partly-owned subsidiaries

Financial information of subsidiaries that have significant non-controlling interests is provided below.

	31 December 2022		31 December 2021	
	Thuraya $ 000	BCS $ 000	Thuraya $ 000	BCS $ 000
Proportion of equity interest held by non-controlling interests	**10.17%**	**20.00%**	10.17%	20.00%
Non-controlling interests	**14,028**	**57,321**	13,111	63,591
Profit attributable to non-controlling interests	**884**	**(6,231)**	3	(6,892)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	31 December 2022		31 December 2021	
Summarised statement of profit or loss:	Thuraya $ 000	BCS $ 000	Thuraya $ 000	BCS $ 000
Revenue	**81,237**	**24,057**	81,010	27,734
Adjusted EBITDA	**27,243**	**810**	27,477	(3,515)
Depreciation, amortisation and impairment	**(19,585)**	**(33,445)**	(24,581)	(32,976)
Fair value adjustments on investment property	**1,584**	**–**	(1,906)	–
Operating profit/(loss)	**9,242**	**(32,635)**	990	(36,491)
Net finance income/(cost)	**(542)**	**1,651**	(948)	2,201
Income tax expense	**(4)**	**(170)**	(13)	(171)
Profit/(loss) for the year	**8,696**	**(31,154)**	29	(34,461)
Other comprehensive income	**314**	**(193)**	196	(99)
Total comprehensive (loss)/income	**9,010**	**(31,347)**	225	(34,560)
Attributable to non-controlling interests	**916**	**(6,269)**	23	(6,912)

Summarised statement of financial position:	Thuraya $ 000	BCS $ 000	Thuraya $ 000	BCS $ 000
Current assets (Inventories, receivables and cash balances)	**94,062**	**136,070**	86,935	142,875
Non-current assets (Property, plant and equipment and other assets)	**91,905**	**163,225**	93,648	194,405
Current liabilities (Trade and other payables, deferred revenue and borrowings)	**(41,369)**	**(12,279)**	(37,329)	(18,560)
Non-current liabilities (Borrowings and other liabilities)	**(6,658)**	**(410)**	(14,323)	(766)
Net assets/Total Equity	**137,940**	**286,606**	128,931	317,954
Attributable to:				
The Shareholders	**123,912**	**229,285**	115,820	254,363
Non-controlling interests	**14,028**	**57,321**	13,111	63,591

18 Equity-accounted investments

Accounting policies

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Please refer to Note 37 for the Group's accounting policies on acquisition of an associate in a business combination.

The group's associates are:

Name	Principal activities	Country	Equity % 2022	Equity % 2021
Al Maisan Satellite Communication Company LLC (Al Maisan)	Leasing of satellite capacity primarily for broadcasting customers	UAE	**65%**	65%
HNS Participações Empreendimentos S.A. (HPE; Brazil JV Co)	Telecommunication services via satellite	Brazil	**20%**	20%

Although Star holds more than 50% of the equity in Al Maisan, it does not control the financial and/or operating policies of Al Maisan. This is pursuant to an agreement, which provides the majority board representation to other shareholder of Al Maisan. However, as Star has the power to participate in the financial and operating policy decisions of Al Maisan due its representation on the board, it accounts for its investment as an associate.

Movement in the investments in associates:	2022 $ 000	2021 $ 000
At 1 January	**116,203**	125,574
Contributions made during the year	**–**	9,880
Return of investment from Al Maisan	**(4,225)**	(2,080)
Share of results for the year	**(53,303)**	(9,589)
Exchange differences	**5,379**	(7,582)
At 31 December	**64,054**	116,203

Share of results from Al Maisan:	2022 $ 000	2021 $ 000
Share of results of equity-accounted investee	**1,297**	1,897
Share of total comprehensive income of equity-accounted investee	**1,297**	1,897

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

18 Equity-accounted investments continued

Transactions eliminated on consolidation continued

Aggregate financial information of HPE:	2022 $ 000	2021 $ 000
Statement of comprehensive income (100%)		
Revenue	**106,605**	107,165
Loss for the year	**(70,124)**	(57,432)
Other comprehensive income	**–**	–
Total comprehensive loss	**(70,124)**	(57,432)
Group's share of total comprehensive loss (20%)	**(14,025)**	(11,486)
Impairment loss during the year(i)	**(40,575)**	–
Group's share of results in HPE after impairment	**(54,600)**	(11,486)
Statement of financial position (100%)		
Current assets	**54,149**	54,731
Non-current assets	**209,540**	451,323
Current liabilities	**(22,792)**	(19,103)
Non-current liabilities	**(8,110)**	(8,059)
Net assets 100%	**232,787**	478,892
Group's share in net assets (20%)	**46,557**	95,779
Other costs relating to the investment	**239**	239
Carrying amount of the investment in HPE	**46,796**	96,018

(i) During the year, the Group identified indicators that its investment in HPE ('HPE cash generating unit' or 'HPE CGU'), which is an operating segment included in 'Others' (refer Note 4), may be impaired due to a rapid deterioration in the global macro-economic environment which primarily impacted the discount rate used in assessing the recoverable amount of this investment. This impairment assessment resulted in a (non-cash) impairment loss of $40,575 thousand (2021: nil) which has been recorded within the share of results of equity accounted investments (see Note 3 for significant accounting estimates used in the impairment assessment).

19 Other investments

During the year, the Group invested in shares of eSAT Global Inc. ("eSAT Global"), which will provide direct-to-satellite, ultra-low power, two-way, and low-latency narrowband connectivity solutions for IoT devices anywhere on earth. The Group's investment consists of Series-A non-cumulative convertible preference shares ("preferred stock") which carry conversion option into common stock in addition to certain preferential right upon dissolution. The Group has concluded that the preferred stock does not carry residual interest and is not an equity instrument, and accordingly accounted for the investment at fair value through profit or loss. The fair value as at the reporting date of $2,950 thousand approximates its initial purchase price which represents recent market transaction.

20 Inventories

Accounting policies

Inventories are stated at the lower of cost and net realisable value, after making loss allowance to account for obsolete or slow moving items. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories	2022 $ 000	2021 $ 000
Equipment and accessories – satellite services	**16,597**	14,952
Ground operations spares	**1,589**	1,732
	18,186	16,684
Loss allowance	**(10,954)**	(10,821)
	7,232	5,863
Movement in loss allowance for inventories:		
At 1 January	**10,821**	11,908
Charge/(reversal) during the year, net	**168**	(1,087)
Write-off	**(35)**	–
At 31 December	**10,954**	10,821

During 2022, US$ 23.9 million (2021: US$ 26.8 million) of inventories were recognised as cost of equipment and accessories sold (Note 6).

21 Related party transactions and balances

Identity of related parties

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related party contained in International Accounting Standard 24 Related Party Disclosures.

The Group has a related party relationship with the Parent Company and business entities over which the Parent Company can exercise control or significant influence; entities which are under common control of the shareholders of the Parent Company and associates.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

21 Related party transactions and balances continued

Identity of related parties continued

a) Related party transactions:

Transaction with key management personnel	2022 $ 000	2021 $ 000
Key management personnel compensation:		
Short-term employment benefits	**4,630**	6,625
Post-employment benefits	**396**	344

Board of directors and committee fees charged to profit or loss during the year were $2,473 thousand (2021: $198 thousand) (Note 8).

Transaction with other related parties	Notes	2022 $ 000	2021 $ 000
Revenue			
Entities under common control*		**314,833**	283,972
Associate		**1,471**	1,379
Total		**316,304**	285,351
* Revenue from entities under common control includes US$ 305 million (2021: US$ 275 million) from a single customer (refer to Note 21 b)(i) below). Revenue from such customer is recorded under infrastructure, managed solutions and mobility solutions segments. There are no revenues from an individual customer, except as disclosed above, that represent 10 percent or more of the Group's total revenue.			
Interest income on short-term deposits			
Entities under common control	11	**4,899**	191
Interest on contract liability			
Entities under common control		**2,096**	–
Outsourced expenses, office lease rent, systems support			
Entities under common control		**1,152**	1,337
Cost of sales			
Entities under common control		**132**	443
Associate		**1,271**	1,952
Total		**1,403**	2,395

21 Related party transactions and balances continued

Identity of related parties continued

b) Related party balances

	Notes	2022 $ 000	2021 $ 000
Trade and other receivables due from related parties			
Entities under common control		**82,745**	71,307
Associates		**214**	157
Parent company		**5**	1,118
Total	22	**82,964**	72,582
Short-term deposits with related party banks			
Entities under common control	23	**266,172**	–
Current account balances with related party banks			
Entities under common control	23	**125,620**	215,587
Trade and other payables due to related parties			
Entities under common control		**4,860**	4,830
Associate		**242**	376
Parent company		**–**	74
Total	24	**5,102**	5,280
Deferred revenue			
Entities under common control		**2,677**	3,380
Associate		**189**	183
Total	27	**2,866**	3,563
Advances from related parties			
Entities under common control	24	**443,115**	291,000

(i) Transactions with an entity under common control

a) The Group provides capacity services pursuant to the Capacity Services Agreement ("CSA") with a government entity. The capacity charges payable under the CSA is billed semi-annually in advance. The future payments pertaining to the lease element included in the capacity charges, where the Group is the lessor, are provided in the table below.

In terms of the CSA, an aggregate amount of US$ 291 million (the "Down Payment") was payable by the customer in three annual instalments starting June 2008, as an advance. Accordingly, the Group received the first instalment of US$ 116.4 million in June 2008 and further two instalments of US$ 87.3 million, in June 2009 and June 2010, respectively from the customer.
The Down Payment will be set off against the capacity charges in equal instalments from 1 January 2023 until the termination of the agreement. The advance is attributable to the lease element at US$ 163 million (2021: US$ 163 million), and to service element (contract with customers) at US$ 128 million (2021: US$ 128 million) (see Note 5).

On 17 June 2021, the Group signed the T4-NGS capacity services agreement with a government entity (T4-NGSA) for a total contract value of $708.4 million. The term of the T4-NGSA is 15 years from the date of commencement of Operational services of T4-NGS which is expected in the first half of 2025. Pursuant to the terms of T4-NGSA, the Group is entitled to receive an aggregate amount of $300 million as "Advance Payment" in two equal instalments starting from June 2022. Accordingly, the Group received the first instalment during the year amounting to $150 million plus applicable UAE value-added taxes. The Advance Payment will be offset against the quarterly payments for satellite services in equal instalments starting from the date of commencement of Operational services. Management has determined that the contract contains a significant financing component (see Note 5).

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

21 Related party transactions and balances continued

Identity of related parties continued

b) Related party balances continued

(i) Transactions with an entity under common control continued

b) The Group has entered into various contracts with the government entity for the provision of end-to-end integrated satellite communication and managed services which include operation, maintenance, system capability management and technology refresh services. Revenue from such contracts are reported under managed services. The balance due from the government entity at the reporting date, includes amounts invoiced to date in relation to the afore-mentioned contracts.

c) The Government has allocated a plot of land (Secondary site in the emirate of Abu Dhabi) to the Company and has granted permission to the Company to construct and access a Satellite Ground Control Station on the plot. Title to the plot of land has not been transferred to the Company and accordingly the plot has not been recognised in the consolidated financial statements. In addition, refer to Note 28 to the consolidated financial statements which discloses information about another plot of land (Primary site) received by the Company.

Future revenue from capacity charges pertaining to lease element	2022 $ 000	2021 $ 000
Year 1	**128,184**	128,184
Year 2	**128,184**	128,184
Year 3	**128,184**	128,184
Year 4	**109,723**	128,184
Year 5	**–**	109,723
At 31 December	**494,275**	622,459

(ii) Transactions with other entities under common control

Star has also entered into contracts with various entities under common control for the provision of managed services.

(iii) Transactions with associates

a) Star charges both associates, Al Maisan and HPE for satellite operations support services.

b) Star also leases satellite capacity from Al Maisan to facilitate the requirements of its customers relating to managed services contracts.

The outstanding amounts at year end, except for advance from related parties which carry specific repayment terms as specified above, are expected to be settled in cash. No impairment charge has been recognised during the year in respect of amounts owed by related parties.

Also refer Note 25 for other related party transactions.

22 Trade and other receivables

	Reference	Notes	2022 $ 000	2021 $ 000
Trade receivables – third parties			**76,639**	70,096
Trade receivables – related parties*			**27,187**	61,747
Sub total	a		**103,826**	131,843
Allowance for expected credit losses	b		**(16,242)**	(21,192)
Trade receivables, net of allowance	c		**87,584**	110,651
Accrued income – third parties			**2,368**	7,031
Accrued income – related parties*			**52,964**	10,805
Contract assets	d		**55,332**	17,836
Prepayments – orbital services			**10,000**	10,000
Prepayments – others			**1,936**	2,686
Advances – third parties			**13,354**	11,348
Advances – related parties*			**30**	30
Other receivables – third parties			**7,622**	5,456
Other receivables – related parties*			**2,783**	–
Sub total	e		**35,725**	29,520
Total trade and other receivables	c+d+e		**178,641**	158,007
of which non-current			**10,382**	10,382
of which current			**168,259**	147,625
Additional information:				
*Total due from related parties	y	21	**82,964**	72,582
Total contract balances, net of allowance	a+b+d		**142,916**	128,487
Total contract balances, excluding allowance	a+d		**159,158**	149,679

	2022		2021	
	Gross carrying amount $ 000	Loss allowance $ 000	Gross carrying amount $ 000	Loss allowance $ 000
Categories of trade receivables and contract assets				
Managed solutions, government customers	**73,890**	**(611)**	64,689	(535)
Managed solutions, general category	**2,825**	**(428)**	6,326	(472)
Infrastructure services, government customers	**5,957**	**–**	5,892	–
Infrastructure services, general category	**–**	**–**	3,395	(3,395)
Data solutions, general category	**19,481**	**(8,979)**	19,648	(10,151)
Data solutions, high risk category	**888**	**(888)**	990	(990)
Mobility solutions, general category	**56,091**	**(5,336)**	47,555	(5,649)
Others	**26**	**–**	1,184	–
	159,158	**(16,242)**	149,679	(21,192)

22 Trade and other receivables continued

	2022 $ 000	2021 $ 000
Movement in the allowance for expected credit losses:		
At 1 January	**21,192**	24,864
Reversal of allowance for expected credit losses, net	**(859)**	(2,418)
Written off during the year as uncollectible	**(4,088)**	(1,254)
Exchange differences	**(3)**	–
At 31 December	**16,242**	21,192
The ageing of trade receivables is as follows:		
Not past due	**30,844**	40,960
Past due 0 to 90 days	**19,421**	23,579
Past due 91 to 180 days	**10,522**	17,964
Past due above 180 days	**43,039**	49,340
	103,826	131,843

The Group's exposure to credit risk is disclosed in Note 36.

Advances represent advances paid to suppliers for procurement of goods and services mainly relating to managed services contracts.

Other receivables include staff-related receivables of US$ 5.4 million (2021: US$ 3.8 million).

23 Cash and short-term deposits

	Notes	2022 $ 000	2021 $ 000
Cash on hand and in banks		**27,222**	62,151
Cash in banks – related parties	21	**125,620**	215,587
Short-term deposits with banks – others		**125,685**	122,536
Short-term deposits with banks – related parties	21	**266,172**	–
Cash and short-term deposits		**544,699**	400,274
Less: Short-term deposits with original maturities of over three months		**(330,705)**	(122,536)
Cash and cash equivalents		**213,994**	277,738

During the year, the Group a) placed short term deposits with banks (related parties $626,659 thousand and others $592,928 thousand) and b) received maturity proceeds on short term deposits (related parties $360,487 thousand and others $589,762 thousand). These deposits carry interest rates ranging from 1.95% to 9.00% per annum.

The short-term deposits earn interest at prevailing commercial rates.

For purposes of the consolidated statement of cash flows, changes in lease liabilities and borrowings arising from financing activities are disclosed in Notes 15(B) and 25, respectively.

24 Trade and other payables

	Notes	2022 $ 000	2021 $ 000
Trade payables – third parties		**47,980**	37,404
Trade payables – related parties*		**650**	677
Accruals		**35,699**	31,886
Other payables – third parties		**5,484**	6,091
Other payables – related parties*		**4,452**	4,603
Advances from customers – related parties	21	**443,115**	291,000
Advances from customers – others		**1,460**	1,592
Total trade and other payables		**538,840**	373,253
of which non-current		**367,679**	291,000
of which current		**171,161**	82,253
* Trade and other payables due to related parties	21	**5,102**	5,280
Contract liability:			
Included in advances from customers – related parties		**280,157**	128,040
Included in advances from other customers – others		**1,460**	1,592

Accruals include employee-related accruals of US$ 9.2 million (2021: US$ 10.3 million).

25 Borrowings

	Notes	2022 $ 000	2021 $ 000
The carrying amount of borrowings are as follows:			
A) Term loans			
Principal amounts		**535,208**	532,819
Unamortised transaction costs		**(14,045)**	(17,118)
Term loans – net of unamortised transaction costs		**521,163**	515,701
B) Lease liabilities	15	**7,165**	16,536
Total borrowings		**528,328**	532,237
of which current		**121,077**	62,669
of which non-current		**407,251**	469,568

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

25 Borrowings continued

A) Term loans

The breakdown of the carrying amounts of the term loans is as follows:

	Repayment tenor Years	Principal amount $ 000	Unamortised transaction costs $ 000	Carrying amount $ 000
At 31 December 2022				
Term loan 5	2022-2026	**340,000**	**(3,210)**	**336,790**
Term loan 6	2024-2032	**195,208**	**(10,835)**	**184,373**
		535,208	**(14,045)**	**521,163**
At 31 December 2021				
Term loan 5	2022-2026	400,000	(4,135)	395,865
Term loan 6	2024-2032	132,819	(12,983)	119,836
		532,819	(17,118)	515,701

The table below provides the changes in the term loans arising from financing activities, including both cash and non-cash changes:

	2022 $ 000	2021 $ 000
At 1 January	**515,701**	252,972
Additions (cash)	**61,687**	532,819
Additions (interest capitalised)	**1,671**	–
Transaction costs	**969**	(18,043)
Amortisation of transaction costs (non-cash)	**2,104**	3,670
Repayments (cash)	**(60,969)**	(255,717)
At 31 December	**521,163**	515,701

The principal amounts of the term loans are repayable as follows:

	Term loan 5 $ 000	Term loan 6 $ 000	Total $ 000
At 31 December 2022			
Within one year	**120,000**	**–**	**120,000**
1 – 2 years	**50,000**	**11,483**	**61,483**
2 – 5 years	**170,000**	**68,897**	**238,897**
Beyond 5 years	**–**	**114,828**	**114,828**
	340,000	**195,208**	**535,208**
At 31 December 2021			
Within one year	60,000	–	60,000
1 – 2 years	120,000	–	120,000
2 – 5 years	220,000	39,065	259,065
Beyond 5 years	–	93,754	93,754
	400,000	132,819	532,819

25 Borrowings continued

A) Term loans continued

Term loan 5: On 14 June 2021, the Group entered into a Term Facility Agreement for a facility amount of $400 million (Term loan 5 or 2021 Term Loan $400m Facility). Term loan 5 has a tenor of five years and is repayable in eight semi-annual installments starting from 14 December 2022. Term loan 5 bears interest at LIBOR plus margin of 1.30% per annum. During the year, the Group repaid first instalment of $60 million.

Term loan 6: On 14 June 2021, the Group entered into an export credit agency facility through a BPIFAE Facility Agreement (Term loan 6 or ECA Facility) to partly fund the capital expenditure relating to the T4-NGS. The total facility amount is $300.5 million with a tenor of 8.5 years and an availability period starting from 14 June 2021 until the date falling 5 months after the starting point of credit. On 19 August 2022, the ECA Facility was amended to reduce the total facility amount from $300.5 million to $273 million as a result of reduction in the purchase price of the T4-NGS satellite by way of government grant of $30 million (Note 28). The amendment was subject to completion of certain conditions precedent which were satisfied on 10 November 2022 being the effective date of the amendment. During the year, the Group repaid an amount of $969 thousand against the loan.

The ECA Facility bears interest at LIBOR plus margin of 0.60% per annum. During the year, an amount of $61.7 million was drawn from this facility. As of 31 December 2022, the unutilised facility amounted to $76.84 million (2021: $167.7 million).

Both Term loan 5 and Term loan 6 contain customary representations, warranties, covenants and undertakings including limitations on incurrence of financial indebtedness, mergers, acquisitions, disposals and negative pledge in relation to certain assets of the Group save, in each case, as permitted under the terms of the facility documents. In both facilities, the Group is required to maintain an interest cover ratio of not less than 4.00:1 and a net leverage ratio of no more than 3.00:1, in each case on a calculation date (which occurs on 30 June and 31 December in each financial year).

Borrowings include outstanding balances due to related party banks aggregating to US$ 97.75 million (2021: US$ 95 million). The net interest on loans from related party banks was negative (net credit) of US$ 548 thousand as a result of significant increase in fair value of derivative financial assets (2021: US$ 4.2 million expense).

B) Lease liabilities – Refer to Note 15 B.

26 Derivatives used for hedging

Accounting policies

Derivative financial instruments including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following 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.
- 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.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

26 Derivatives used for hedging continued

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Interest rate exposure

The Group has an obligation to pay interest at variable rates (LIBOR plus margin) in connection with its borrowings.

Previously, the Group entered into a cash flow hedge, by acquiring an interest rate swap (IRS), to hedge the variability in interest rate with respect to Term Loan 1. Under the IRS agreement, the Group received a variable rate of interest equal to LIBOR and pays fixed rate on notional amounts that mirror the drawdown and repayment schedule of the loan. The IRS settlements were made semi-annually until its termination in June 2021 as described below.

On 15 June 2021, the Group entered into interest rate swap (IRS) agreements to hedge the variability in interest rates with respect to Term loan 5 and the ECA Facility which the Group entered into during the year (refer to Note 24 A). The effective date for both IRS agreements is 14 July 2021.

On 22 June 2021, the Group terminated all, but one, IRS agreements relating to Term Loan 1 resulting in a total settlement of $8.6 million. Consequently, the Group discontinued hedge accounting which resulted in the reclassification of the related balance in the accumulated hedging reserve to profit or loss amounting to $5.2 million. The remaining IRS formed part of the new hedging arrangement relating to Term loan 5.

Interest rate swaps – fair value	2022 $ 000	2021 $ 000
A) Derivative financial assets	**49,416**	4,854
B) Derivative financial liabilities	**–**	(193)
C) Hedge reserve	**48,405**	5,426
A) Derivative financial assets		
Contractual maturities		
Within one year	**17,202**	1,644
1 – 2 years	**11,286**	1,280
2 – 5 years	**14,879**	1,699
After 5 years	**6,049**	231
	49,416	4,854
Notional amount outstanding	**490,801**	504,044
B) Derivative financial liabilities		
Contractual maturities		
Within one year	**–**	193
1 – 2 years	**–**	–
	–	193
Notional amount outstanding	**–**	8,196

26 Derivatives used for hedging continued

C) Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash-flow hedging instruments related to forecasted transactions.

Accounting estimates and judgements

The fair value of derivative financial instruments is based on their quoted market price, if available. Where the fair value of such instruments cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

The fair value measurement classification of the derivative financial instruments is disclosed in Note 36.

27 Deferred revenue

	Notes	2022 $ 000	2021 $ 000
Unutilised airtime balances from prepaid scratch cards		**14,149**	18,001
Others		**10,660**	8,987
Total deferred revenue		**24,809**	26,988
of which contract liabilities – related parties	21	**2,866**	3,563

28 Government grants

Accounting policies

As the Government of the Emirate of Abu Dhabi is the ultimate parent of the Parent Company of the Company, on receipt of any assistance from the Government of Abu Dhabi, the Group evaluates the assistance to determine if the transaction is a transaction with the Government in their capacity as the ultimate parent and therefore treated as equity contribution, or if not, then as a government grant. This determination is done after considering various factors not limited to the following:

- if the purpose of the assistance was a restricted purpose;
- are there conditions associated with the receipt of the assistance;
- is there evidence of an equity transaction;
- the legal form and documentation of assistance; and
- would similar support or assistance be given by the Government to an entity not owned by the Government.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Non-monetary government grants

The Group receives certain assets, primarily in the form of land, from entities related to the Government of the Emirate of Abu Dhabi, as grants to carry out its operations. When it is probable that future economic benefits will flow to the Group, such land received is recognised in the consolidated financial statements at nominal value.

Monetary government grants

Monetary grants that compensate the Group for expenses to be incurred are initially recognised in the consolidated statement of financial position as a deferred liability. Subsequent to initial recognition, such grants are released to profit or loss on a systematic basis over the periods in which the related expenses are recognised.

28 Government grants continued

Monetary government grants continued

Where monetary government grants compensate for the cost of assets, such assets are carried at cost, less the value of the monetary government grants received. Asset values so derived are depreciated over the useful life of the relevant asset. Monetary government grants for investments in other business enterprises are credited directly to the consolidated statement of changes in equity.

During 2009, the Company received a plot of land (Primary site) from the Urban Planning Council, of the Government of Abu Dhabi as a government grant. The plot of land has been used to construct the Satellite Ground Control Station, which forms an integral part of the satellite system. Accordingly, the plot of land has been classified as property, plant and equipment. Both the grant and the land have been recorded at nominal value in the consolidated financial statements.

During the year, the Group signed a commitment letter with the Government, whereby the Group was awarded $30 million as a grant in relation to the procurement of T4-NGS programme, in the form of reduction in the purchase price of the T4-NGS satellite (Note 13). The supplier has adjusted the future milestone payments in respect of the satellite by the grant amount. The grant is in recognition of the Group signing the T4-NGS capacity services agreement with a government entity at an agreed discounted price of $708.4 million included in the contract value. The grant is also subject to few conditions including the completion of the T4-NGS programme and the training of UAE National trainees in the T4-NGS design and manufacturing process. As of the reporting date, management believes that the conditions to the grant will be met and accordingly, the Group eligible for the grant. As the grant is in the form of a purchase credit, reducing the total purchase price of the satellite, no separate grant receivable is required to be recognised. The future milestone payments to the satellite will be recorded, as incurred, as capital-work-in-progress at the reduced purchase price. Accordingly, the capital commitments under the T4-NGS procurement contract have been reduced by $30 million (Note 33).

29 Provision for employees' end of service benefits

Accounting policies

For accounting policies on provision for employees' end of service benefits, refer Note 7.

The Group provides end of service benefits (defined benefit obligations) to its eligible employees. In the prior years, the provision for end of service benefits for non-UAE nationals was being calculated in accordance with the UAE Labour and was determined as the liability that would arise if the employment of all staff were terminated at the reporting date. An actuarial valuation was not performed on staff terminal and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the defined benefit obligations were not expected by management to be significant. Given significant rise in the interest rates during the year, the Group carried out actuarial valuation of the present value of the defined benefit obligations as at 31 December 2022 and for each prior period presented i.e. 31 December 2021 and 1 January 2021 by engaging an independent actuarial valuation specialist. The present value of defined benefit obligations and the related current and past service cost, were measured using the Projected Unit Credit Method. As a result of the actuarial valuation, management determined that the impact on the equity and comparative amounts disclosed for each prior period presented is not material and hence did not restate the comparative information.

	31 December 2022 $ 000	31 December 2021 $ 000
Unfunded plan		
Present value of defined benefit obligation	**9,897**	11,238

29 Provision for employees' end of service benefits continued

Accounting policies continued

The movement in defined benefit obligation is as follows:

	2022 $ 000	2021 $ 000
At 1 January	**11,238**	10,515
Current service cost/charge for the year	**1,757**	2,148
Interest cost	**416**	–
Benefits paid	**(1,612)**	(1,418)
Other movements	**31**	15
Actuarial gain	**(1,929)**	–
Exchange differences	**(4)**	(22)
At 31 December	**9,897**	11,238

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2022 $ 000	2021 $ 000
Current service cost/charge for the year	**1,757**	2,148
Interest cost	**416**	–
	2,173	2,148

Following are the significant assumptions used in the actuarial valuation:

	2022 $ 000	2021 $ 000
Discount rate	**4.64%**	2.53%
Price inflation	**2.00%**	2.00%
Salary growth rate	**2.25%**	2.25%

Sensitivity analysis

The calculations of the defined benefit obligations are sensitive to the significant actuarial assumptions set out above. The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the percentages shown below:

	Impact on defined benefit obligation 2022 $ 000	Impact on defined benefit obligation 2021 $ 000
Discount rate		
0.5% increase	**–4.10%**	**-4.70%**
0.5% decrease	**4.40%**	**5.00%**
Salary growth rate		
0.5% increase	**4.80%**	**5.20%**
0.5% decrease	**-4.50%**	**-4.90%**

29 Provision for employees' end of service benefits continued

Sensitivity analysis continued

The sensitivity analyses above may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

As at 31 December 2022, the weighted average duration of the defined benefit obligation was 8.72 years (2021: 10.21 years).

30 Share capital and additional paid-in capital

The movement in the share capital is as follows:

	2022		2021	
	Shares (000)	$ 000	Shares (000)	$ 000
At 1 January	**2,439,770**	**664,334**	10,000	2,722
Conversion of additional paid-in capital	–	–	2,429,770	661,612
At 31 December	**2,439,770**	**664,334**	2,439,770	664,334

On 17 June 2021, the Company's share capital increased from AED 10,000,000 to AED 2,439,770,265 by conversion of additional paid-in capital into share capital. Share capital is converted into US$ at the rate of AED 3.6725 to US$ 1.

On 14 July 2021, the Parent Company completed the secondary offering to the public of 975,908,106 shares representing 40% of the Company's share capital, upon which all of the Company's shares were listed on the Abu Dhabi Securities Exchange. Subsequent to the listing, the Parent Company continues to own 60% of the Company's share capital.

31 Dividends

	2022 $ 000	2021 $ 000
Cash dividends declared and paid:		
Final dividend for 2020:		
a) $3.60 (AED 13.22) per share prior to increase in the Company's share capital	–	36,000
b) 1.80 cents (6.62 fils) per share after increase in the Company's share capital	–	44,000
Interim dividend 2021: 2.15 cents (7.90 fils) per share)	–	52,500
Final dividend for 2021: 2.15 cents (7.90 fils) per share	**52,482**	–
Interim dividend for 2022: 2.19 cents (8.06 fils) per share	**53,545**	–
	106,027	132,500
Proposed dividend:		
Final dividend for 2022: 2.19 cents (8.05 fils) per share (2021: 2.15 cents (7.90 fils) per share)	**53,500**	52,482

The proposed dividend is subject to approval of the shareholders at the annual general assembly.

32 Statutory reserve

Article 241 of the UAE Federal Decree-Law No.32 of 2021 requires that 10% of the Company's profit be transferred to a non-distributable statutory reserve until the amount of the statutory reserve becomes equal to 50% of the paid-up share capital. The consolidated financial statements include statutory reserve of the Company and of its subsidiaries.

33 Capital commitments and contingent liabilities

	2022 $ 000	2021 $ 000
Capital commitments – committed and contracted	**157,836**	259,305
Contingent liabilities – performance bonds provided by banks in the normal course of business	**36,439**	30,956

Capital commitments mainly relate to T4-NGS project. During the year, the Group received a grant of $30 million in the form of reduction in the purchase price of T4-NGS. Accordingly, capital commitments as of 31 December 2022 have been reduced by $30 million (refer to Note 28).

34 Leases – Group as a Lessor

The future minimum lease rental receivables under non-cancellable operating leases are as follows:

	Notes	2022 $ 000	2021 $ 000
Satellite capacity leases – related party	21(i)	**494,275**	622,459
Investment property leases – third parties	14	**4,530**	1,895
Other leases:*			
Satellite capacity leases – third parties		**340**	353
Gateway hosting – third parties		**3,108**	1,812
At 31 December		**502,253**	626,519

* The future minimum lease rental receivables under non–cancellable operating leases relating to other leases are as follows:

	2022	2021
Year 1	**2,104**	1,033
Year 2	**672**	604
Year 3	**672**	528
At 31 December	**3,448**	2,165

35 Earnings per share

	2022 $ 000	2021 $ 000
Profit for the period attributable to the shareholders (in $'000)	**65,564**	69,762
Weighted average number of ordinary shares outstanding ('000)	**2,439,770**	2,439,770
Basic and diluted earnings per share (cents)	**2.687**	2.859
Basic and diluted earnings per share (fils)	**9.869**	10.501

36 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash held at bank.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	2022 $ 000	2021 $ 000
Derivative financial assets	26	**49,416**	4,854
Trade receivables and contract assets	22	**142,916**	128,487
Other receivables	22	**10,405**	5,456
Cash and short-term deposits	23	**544,699**	400,274
		747,436	539,071

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. New customers are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis is performed at each reporting date using loss rates applied against each customer segment to measure expected credit losses. The provision rates are based on historical patterns of default for groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The analysis and segmentation of customers is determined separately for each of the revenue streams, namely, data and mobility solutions satellite services, infrastructure services and managed solutions.

The Group does not hold collateral as security. The Group considers the risk of concentration as low, with respect to trade receivables and contract assets, since credit risk is mitigated by the financial stability of its customers of which approximately 52% (2021: 48%) are related parties or government related entities. Moreover, a substantial portion of the remaining customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

The Group had credit risk arising from its derivatives used for hedging, which are settled on a net basis. With respect to cash and short-term deposits, management manages its credit risk by only dealing with reputable banks.

36 Financial risk management continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Summarised below in the table is the maturity profile of financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Within one year	1 – 2 years	2 – 5 years	Beyond 5 years	Total
2022					
Term loans	**139,236**	**76,796**	**268,677**	**139,594**	**621,303**
Lease liabilities	**2,223**	**679**	**1,911**	**3,588**	**8,401**
Trade and other payables (excluding advances from customers)	**94,265**	**–**	**–**	**–**	**94,265**
At 31 December 2022	**235,724**	**77,475**	**270,588**	**140,182**	**723,969**
2021					
Term loans	65,713	124,426	267,662	98,206	556,007
Lease liabilities	5,569	2,322	6,743	4,415	19,049
Derivative financial liabilities	193	–	–	–	193
Trade and other payables (excluding advances from customers)	80,662	–	–	–	80,662
At 31 December 2021	152,137	126,748	274,405	102,621	655,911

The facility amounts relating to the Group's term loans are disclosed in Note 25.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Currency risk

The Group is exposed to currency risk in respect of transactions denominated in currencies other than US$. In respect of transactions denominated in the UAE Dirham ("AED"), the Group is currently not exposed to currency risk as the AED is pegged to US$. For significant transactions denominated in currency other than US$ and AED the Group utilises forward exchange contracts to reduce its currency risk exposure.

The Group is also exposed to currency risk in respect of its investment in its Brazilian associate. The Group regularly monitors the movement in exchange rates to assess the sensitivity and impact to its long term business plan.

ii) Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps. Short-term deposits earn fixed rates of interest.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

36 Financial risk management continued

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, after the impact of hedge accounting.

The Group's profit before tax for the year is affected through the impact on floating rate borrowings as follows. Amounts shown represent impact on profit if the market risk variables had been different at the end of the reporting period with all other variables held constant and has been computed on the basis of assumptions and indices used and considered by other market participants.

Interest expense	2022 $ 000	2021 $ 000
- 25 basis points	**64**	57
+ 25 basis points	**(64)**	(57)

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including replacement of some interbank offered rates (IBORS) with alternative nearly risk-free rates (referred to as 'IBOR reform'). In 2021, the Group undertook amendments to most financial instruments with contractual terms indexed to IBORs such that they incorporate new benchmark rates e.g Sterling Over Night Index Average (SONIA). As at 31 December 2022, the Group's remaining IBOR exposure is indexed to US Dollar LIBOR. The alternative reference rate for US Dollar LIBOR is the Secured Overnight Financing Rate (SOFR). The Group has engaged professional law firms to document the transition and process of implementing appropriate fallback clauses for all US Dollar LIBOR indexed exposures, in accordance with clause 22.7 (replacement of Screen Rate) and 22.8 (Replacement of Benchmark) under the Common Term Agreement. These clauses automatically switch the instrument from USD LIBOR to SOFR as and when US Dollar LIBOR ceases. As announced by Financial Conduct Authority (FCA) in early 2022, the panel bank submissions for US Dollar LIBOR will cease in mid-2023.

Both the Phase 1 and Phase 2 amendments of Interest Rate Benchmark Reform are relevant to the Group because it applies hedge accounting to its interest rate benchmark exposures and in the current period modifications in response to the reform are being considered to the Group's derivative. The amendments are relevant for the cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked cash flows. When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship. The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including FCA) and the US Commodity Futures Trading Commission) regarding the transition from LIBOR (including GBP LIBOR, USD LIBOR and JPY LIBOR) to the Sterling Overnight Index Average rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Tokyo Overnight Average rate (TONA) respectively. In response to the announcements, the Group has in place an interest rate benchmark transition programme comprised of the following work streams: risk management, tax, treasury, legal, accounting and systems. The Group is engaged and working closely with the global agent and the counterparties to mitigate the risk arising from the transition and looking at the options of early adoption of the replacement benchmark (SOFR).

The carrying amounts of Term loan 5 and Term loan 6 are disclosed in Note 25 while the fair value and notional amounts of the IRS are disclosed in Note 26.

Fair values

The fair value measurements of borrowings and derivative financial instruments are classified as 'Level 2' within the fair valuation hierarchy i.e. wherein fair value is determined using valuation techniques in which significant inputs are based on observable market data.

Derivatives

The fair value of interest rate swaps is based on broker quotes, which are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Derivatives fall into Level 2 of the fair value hierarchy.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date (Level 2 of fair value hierarchy).

36 Financial risk management continued

Non-derivative financial liabilities continued

The fair values of borrowings and other financial assets and financial liabilities approximate their carrying values.

There were no transfers between Level 1 and Level 2 during 2022 and 2021.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. The Group includes within net debt, interest bearing borrowings and cash and short-term deposits. Capital includes share capital, reserves and retained earnings.

	Notes	2022 $ 000	2021 $ 000
Interest bearing borrowings (excluding unamortised transaction costs)	25	**542,373**	549,355
Less: cash and short-term deposits	23	**(544,699)**	(400,274)
Net (cash)/debt		**(2,326)**	149,081
Total equity		**922,484**	918,086
Total equity and net debt		**920,158**	1,067,167
Gearing ratio (%)		**N/A**	14%

37 Business combinations and changes in ownership interests

This note provides information on changes to the group structure in the current and previous years and the significant accounting policies followed by the Group. There were no significant changes to the group structure in the current year and prior year.

Accounting policies

Business combinations

Business combinations are accounted for using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

37 Business combinations and changes in ownership interests continued

Accounting policies continued

Business combinations continued

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Transfer of entities under common control

Transfers giving rise to transfer of interests in entities that are under the common control of the shareholders are accounted for at the date that transfer occurred, without restatement of prior periods. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of transferor entity. The components of equity of the acquired entities are added to the same components within Group entity. Any cash paid for the acquisition is recognised directly in equity.

Loss of control of subsidiary

When the Group loses control of a subsidiary, the Group

a) derecognises the assets and liabilities of the former subsidiary at the carrying amounts at the date when control is lost
b) recognise the fair value of the consideration received from the event or transaction that resulted in the loss of control and recognise any interest retained in the former subsidiary at its fair value when the control is lost
c) reclassify to profit or loss the amounts recognised in other comprehensive income (OCI), including any cumulative exchange differences previously recognised in OCI, in relation to the subsidiary and
d) recognise any resulting difference as a gain or loss in profit or loss.

The fair value at the date that control is lost in b) above shall be regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 or the deemed cost on initial recognition of an investment in an associate or joint venture, if applicable.

Discontinued operation

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

a) Represents a separate major line of business or geographical area of operations
b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
c) Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

37 Business combinations and changes in ownership interests continued

Accounting policies continued

Acquisition of an associate in a business combination

On acquisition of an associate, the Group undertakes a notional purchase price allocation (PPA), identifying and valuing assets and liabilities of the associate, as if it had acquired a business. These fair value adjustments are not recorded separately, because the investment itself is a single line item. However, the fair values identified form the basis for additional depreciation, amortisation and similar adjustments that are reflected in the investor's share of the results in subsequent years. Adjustments in the notional purchase price allocation include assets not recognised by the associate or joint venture (such as internally developed intangible assets, reserves of natural resources and similar assets). Adjustments might also be made to recognise the fair value of assets carried by the investee at cost (such as property, plant and equipment) and to recognise liabilities at appropriate values.

Where the Group acquires an associate, it might be necessary to use provisional figures to undertake a provisional PPA to report the acquisition at the reporting date. Within one-year from the date of acquisition, the Group finalises the fair values and PPA, and reports in the following reporting period.

On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

a) Goodwill relating to an associate is included in the carrying amount of the investment.
b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the entity's share of the associate's profit or loss after acquisition are made for impairment losses such as for goodwill or property, plant and equipment.

38 Comparatives

Comparative numbers have been rearranged and reclassified to conform to the current year presentation, the effects of which are not material.