Al Yah Satellite Communications Company PJSC

Reports and Consolidated Financial Statements

31 December 2023

Al Yah Satellite Communications Company PJSC

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Contents

The Directors have pleasure in presenting their report, together with the audited consolidated financial statements of Al Yah Satellite Communications Company PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

Principal activities

The Group's principal activities include leasing of satellite communication capacity, end-to-end integrated satellite communication and managed services, long-term capacity services and providing fixed and mobile telecommunication services via satellites to customers.

Results for the year

For the year ended 31 December 2023, the Group reported revenue of $456,738 thousand (2022: $432,540 thousand) and profit for the year attributable to the shareholders of $110,368 thousand (2022: $65,564 thousand).

Transactions with related parties

Related party transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations. Related party transactions are disclosed in note 22 of the consolidated financial statements.

Directors

Musabbeh Al Kaabi
H.E. Tareq Abdul Raheem Al Hosani
H.E. Rashed Al Ghafri
Badr Al Olama
Masood M. Sharif Mahmood
H.E. Maryam Eid Khamis AlMheiri
Peng Xiao
Gaston Urda
Adrian Georges Steckel

Independent Auditors
RAI Audit and Tax Services LLC, was appointed as the external auditors ("auditors") for the financial year 2023, by the shareholders in the General Assembly on 5 April 2023.

On behalf of the Board of Directors

DocuSigned by:
Musabbeh Al Kaabi
9FA2035C5F534C1...
Chairman of the Board
Musabbeh Al Kaabi

Date: 4 March 2024

Independent Auditor's Report

To: The Shareholders of Al Yah Satellite Communications Company PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Yah Satellite Communications Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (referred to as the "ISA") and the applicable additional audit requirements to ISA issued by the Abu Dhabi Accountability Authority Chairman's Resolution Number (88) of 2021 pertaining to Standards on Auditing Financial Statements of Entities Subject to Abu Dhabi Accountability Authority (referred to as "Additional Audit Requirements of Abu Dhabi Accountability Authority"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Revenue Recognition</th></tr>
<tr><td colspan="2">See Note 5 to the consolidated financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr>
<td>
The Group reported revenue of USD 456.7 million during the year ended 31 December 2023.
We considered this as a key audit matter as revenue recognition involves the exercise of several key judgments and estimates around:

identification of performance obligations that the Group has in its contracts with customers;
timing of satisfaction of those performance obligations;
identification of the lease and non-lease components in revenue contracts and classification of leases; and
recognising revenue in accordance with the provisions of relevant accounting standards.

Further, the Group heavily relies on multiple information technology ("IT") tools and systems, reflecting a high volume and complexity of the Group's mobility and data solutions revenue transactions that warrant additional audit focus.
We also identified that revenue is highly susceptible to management override through inappropriate manual journal entries as revenue is a key indicator of performance.
</td>
<td>
Our audit procedures included a combination of internal controls testing and substantive testing which included, amongst others, those described below:

We obtained an understanding and performed end-to-end walkthroughs of the finance and operational processes surrounding the revenue cycle to identify key IT systems and applications, automated and manual controls that are relevant to revenue recognition, including management's revenue assurance reconciliations reports;
We evaluated the design and implementation and tested the operating effectiveness of the identified controls to obtain sufficient appropriate audit evidence that these operated effectively throughout the year as intended. We also involved our IT specialists to test the general IT environment and key controls in relevant IT systems and supporting tools, including interface controls between different IT systems;
On a sample basis, we have assessed the revenue contracts to identify the performance obligations of the Group under these contracts and assessed whether these performance obligations are satisfied over time or at a point in time based on the criteria specified in the relevant accounting standard. We also assessed, on a sample basis, whether revenue recognised during the year agrees with underlying revenue contracts;
We undertook analytical reviews and performed substantive analytical procedures on key revenue streams;
On a sample basis, we evaluated the lease and non-lease elements included in infrastructure contracts in accordance with the relevant accounting standards;
On a sample basis, we tested supporting evidence for journal entries relating to revenue recognised during the year based on identified risk criteria; and
We assessed whether the disclosures to the consolidated financial statements are adequate and consistent with the requirements of relevant accounting standards.

</td>
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</table>

Impairment of non-financial assets	
See Notes 3 and 19 to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2023, the carrying value of the Group's non-financial assets amounted to USD 1,213 million, which represented 61% of the Group's total assets as of that date. The Group performs impairment assessment of non-financial assets in accordance with relevant accounting standards if there are triggers for an impairment. Such assessments consider the recoverability of these assets by comparing their respective estimated fair value with carrying amounts. The recoverable amount might be impacted by events that may or may not be under the Group's control and is also dependent on the remaining useful life of the non-financial assets, particularly satellites. Computing the recoverable amount involves significant judgments and assumptions, including assumptions around the current and future market or economic conditions in the various geographies that the Group has operations, forecast cash flows and appropriateness of the discount rate. Given the significance of these non-financial assets and the significant level of estimation and judgments involved in assessing their recoverability, impairment of non-financial assets has been considered as a key audit matter.	Our audit procedures included a combination of internal controls testing and substantive testing which included, amongst others, those described below: • We obtained an understanding of the impairment assessment process, including assessment of triggering events, and identified key controls that are relevant to impairment assessment process; • We evaluated the design and implementation of controls over the Group's impairment assessment process; • We assessed the appropriateness of the Group's methodology in identification of Cash-generating units ("CGUs") given our understanding of its operating and business structure, and the reasonableness of evaluation of impairment indicators performed by the management; • We held discussions with management about any health issues pertaining to satellites of respective CGUs and evaluated their impact on the satellites' capabilities to generate future cash inflows; • We assessed the methodology used by management to determine the recoverable amount of the CGUs and compared with the requirements of relevant accounting standard. We also tested the arithmetical accuracy and logical integrity of the underlying calculations in the impairment models; • We tested the reasonableness of the business plans prepared by management or approved by the Board of Directors by comparing these to the CGUs' actual results and performance against budgets and undertaking a retrospective review of the estimate in the prior period; • We engaged our valuation expert to test the reasonableness of the key assumptions underpinning the valuation of the respective CGUs, including the discount and terminal growth rates; and • We assessed whether the disclosures in the consolidated financial statements are adequate and consistent with the requirements of relevant accounting standards.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 28 February 2023.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' report and information included in the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon). We obtained the Board of Directors' Report prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISA.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ISA and Additional Audit Requirements of Abu Dhabi Accountability Authority, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and the Company's Articles of Association;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Board of Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 20 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2023;

vi) note 22 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or in respect of the Company's Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2023.

Further, as required by the Abu Dhabi Accountability Authority's Chairman Resolution No. (88) of 2021 pertaining to Auditing the Financial Statements of Subject Entities, we report that, based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any relevant provisions of the applicable laws, regulations, resolutions and policies, as applicable, which would have a material impact on the consolidated financial statements as at 31 December 2023.

For RAI Audit and Tax Services,

A Eradhun

Auditor Name: **Ashraf Eradhun**
Entry Number: 5446
Date: 4 March 2024
Abu Dhabi, United Arab Emirates

Al Yah Satellite Communications Company PJSC

Consolidated statement of profit or loss

for the year ended 31 December 2023

	Notes	2023 $ 000	2022 $ 000
Revenue	5	456,738	432,540
Cost of revenue	6	(56,633)	(48,296)
Staff costs	7	(84,463)	(85,474)
Other operating expenses [(1)]	8	(53,987)	(44,974)
Other income	9	4,450	3,884
Adjusted EBITDA [(2)]		**266,105**	**257,680**
Depreciation and amortisation	10	(154,512)	(144,471)
Fair value (losses) gains [(3)]	11	(13,578)	1,584
Operating profit		**98,015**	**114,793**
Finance income	12	26,777	8,497
Finance costs	12	(11,499)	(9,595)
Net finance income (costs)		**15,278**	**(1,098)**
Share of results of equity-accounted investments [(4)]	19	(9,914)	(53,303)
Profit before income tax		**103,379**	**60,392**
Income tax expense	13	(1,213)	(175)
Profit for the year		**102,166**	**60,217**
Loss for the year attributable to non-controlling interests	18	(8,202)	(5,347)
Profit for the year attributable to the Shareholders		**110,368**	**65,564**
Earnings per share			
Basic and diluted (cents per share)	37	4.524	2.687

[(1)] Other operating expenses include expected credit losses on trade receivables and contract assets (refer note 23). For the year ended 31 December 2023, there was a net charge of expected credit losses of $7,187 thousand (2022: net reversal of $859 thousand).

[(2)] Adjusted EBITDA is a non-GAAP measure and refers to earnings before interest, tax, depreciation, amortisation, impairment, fair value (losses) gains and share of results of equity-accounted investments.

[(3)] Fair value (losses) gains include fair value changes on other financial assets (refer note 20) and investment property which is now classified as held for sale (refer note 25). During the year, a fair value gain of $2,057 thousand was recorded in respect of investment property (2022: $1,584 thousand). Fair value losses of $15,635 thousand were recorded in respect of other financial assets (2022: nil).

[(4)] Share of results of equity-accounted investments for the prior year include an impairment loss of $40,575 thousand in respect of the Group's investment in HPE Brazil (refer note 19).

The notes on pages 6 to 52 form part of these consolidated financial statements.
The auditor's report is set out on pages ii to vii.

Al Yah Satellite Communications Company PJSC

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Notes	2023 $ 000	2022 $ 000
Profit for the year		**102,166**	**60,217**
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge - effective portion of changes in fair value		6,288	46,409
Cash flow hedge - gain reclassified to profit or loss	12	(20,638)	(3,430)
Foreign operations - currency translation differences		3,043	5,300
		(11,307)	**48,279**
Items that may not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	31	**(355)**	**1,929**
Other comprehensive (loss) income for the year		**(11,662)**	**50,208**
Total comprehensive income for the year		**90,504**	**110,425**
Total comprehensive loss attributable to non-controlling interests	18	(8,291)	(5,353)
Total comprehensive income attributable to the Shareholders		**98,795**	**115,778**

The notes on pages 6 to 52 form part of these consolidated financial statements.

The auditor's report is set out on pages ii to vii.

Al Yah Satellite Communications Company PJSC

Consolidated statement of financial position

at 31 December 2023

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	Notes	2023 $ 000	2022 $ 000
Assets			
Property, plant and equipment	14	1,122,699	1,144,224
Investment property	15	-	19,981
Right-of-use assets	16	5,149	5,852
Intangible assets	17	14,840	7,210
Equity-accounted investments	19	49,912	64,054
Trade and other receivables	23	10,610	10,382
Derivative financial instruments	28	22,390	32,214
Other financial assets	20	5,865	2,950
Deferred income tax assets	13	199	132
Total non-current assets		**1,231,664**	**1,286,999**
Inventories	21	14,357	7,232
Trade and other receivables	23	139,521	168,259
Derivative financial instruments	28	12,574	17,202
Income tax assets		182	182
Cash and short-term deposits *	24	562,080	544,699
		728,714	**737,574**
Non-current assets classified as held for sale	25	**28,040**	**-**
Total current assets		**756,754**	**737,574**
Total assets		**1,988,418**	**2,024,573**
Liabilities			
Trade and other payables	26	159,117	171,161
Borrowings	27	62,753	121,077
Deferred revenue	29	24,577	24,809
Income tax liabilities		276	215
Total current liabilities		**246,723**	**317,262**
Trade and other payables	26	449,077	367,679
Borrowings	27	377,956	407,251
Defined benefit obligations	31	8,929	9,897
Deferred income tax liabilities	13	965	-
Total non-current liabilities		**836,927**	**784,827**
Total liabilities		**1,083,650**	**1,102,089**
Net assets		**904,768**	**922,484**
Equity			
Share capital	32	664,334	664,334
Hedging reserve	28	34,055	48,405
Statutory reserve	34	30,049	20,929
Translation reserve		(21,255)	(24,353)
Remeasurement reserve		1,580	1,901
Retained earnings		132,947	139,919
Equity attributable to the Shareholders		**841,710**	**851,135**
Non-controlling interests	18	63,058	71,349
Total equity		**904,768**	**922,484**

* Cash and short term deposits include cash and cash equivalents of $263,698 thousand (31 December 2022: $213,994 thousand).

These consolidated financial statements were authorised for issue by the Board of Directors on 4 March 2024 and approved on their behalf by:

DocuSigned by:
Musabbeh Al Kaabi
9FA2035C5F534C1...
Chairman of the Board
Musabbeh Al Kaabi

DocuSigned by:
13AA0BE7E75B451...
Chief Executive Officer
Ali Hashem Al Hashemi

DocuSigned by:
Andrew Francis Cole
A6BF0B65FED14B7...
Chief Financial Officer
Andrew Francis Cole

The notes on pages 6 to 52 form part of these consolidated financial statements.

The auditor's report is set out on pages ii to vii.

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Attributable to the Shareholders						
	Share capital	**Hedging reserve**	**Other Reserves [1]**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
	(Note 32)	(Note 28)				(Note 18)	
At 1 January 2022	**664,334**	**5,426**	**(20,120)**	**191,744**	**841,384**	**76,702**	**918,086**
Profit for the year	-	-	-	65,564	65,564	(5,347)	60,217
Other comprehensive income:							
Currency translation differences	-	-	5,334	-	5,334	(34)	5,300
Cash flow hedge - effective portion of changes in fair value	-	46,409	-	-	46,409	-	46,409
Cash flow hedge - net gain reclassified to profit or loss (Note 12)	-	(3,430)	-	-	(3,430)	-	(3,430)
Remeasurement of defined benefit obligation (note 31)	-	-	1,901	-	1,901	28	1,929
Other comprehensive income (loss) for the year	**-**	**42,979**	**7,235**	**-**	**50,214**	**(6)**	**50,208**
Total comprehensive income (loss) for the year	**-**	**42,979**	**7,235**	**65,564**	**115,778**	**(5,353)**	**110,425**
Transfer to statutory reserve	-	-	11,362	(11,362)	-	-	-
Transactions with the Shareholders:							
Dividends (Note 33)	-	-	-	(106,027)	(106,027)	-	(106,027)
At 31 December 2022	**664,334**	**48,405**	**(1,523)**	**139,919**	**851,135**	**71,349**	**922,484**
At 1 January 2023	**664,334**	**48,405**	**(1,523)**	**139,919**	**851,135**	**71,349**	**922,484**
Profit for the year	-	-	-	110,368	110,368	(8,202)	102,166
Other comprehensive income:							
Currency translation differences	-	-	3,098	-	3,098	(55)	3,043
Cash flow hedge - effective portion of changes in fair value	-	6,288	-	-	6,288	-	6,288
Cash flow hedge - net gain reclassified to profit or loss (Note 12)	-	(20,638)	-	-	(20,638)	-	(20,638)
Remeasurement of defined benefit obligation (note 31)	-	-	(321)	-	(321)	(34)	(355)
Other comprehensive (loss) income for the year	**-**	**(14,350)**	**2,777**	**-**	**(11,573)**	**(89)**	**(11,662)**
Total comprehensive (loss) income for the year	**-**	**(14,350)**	**2,777**	**110,368**	**98,795**	**(8,291)**	**90,504**
Transfer to statutory reserve	-	-	9,120	(9,120)	-	-	-
Transactions with the Shareholders:							
Dividends (Note 33)	-	-	-	(108,220)	(108,220)	-	(108,220)
At 31 December 2023	**664,334**	**34,055**	**10,374**	**132,947**	**841,710**	**63,058**	**904,768**

[1] Other reserves include statutory reserve, translation reserve and IAS 19 remeasurement reserve.

The notes on pages 6 to 52 form part of these consolidated financial statements.

The auditor's report is set out on pages ii to vii.

	Notes	2023 $ 000	2022 $ 000
Operating activities			
Profit before income tax		103,379	60,392
Adjustments for:			
Share of results of equity-accounted investments	19	9,914	53,303
Depreciation and amortisation	10	154,512	144,471
Allowance (reversal of allowance) for expected credit losses	23	7,187	(859)
Allowance for inventories	21	248	168
Fair value losses (gains)	11	13,578	(1,584)
Finance income	12	(26,777)	(8,497)
Finance costs	12	11,499	9,595
Gain on termination of lease		-	(1,548)
Current service cost	31	1,151	1,757
Write-off of property, plant and equipment	14	7	17
Operating profit before working capital changes		**274,698**	**257,215**
Working capital changes:			
Trade and other receivables		3,902	(19,775)
Inventories		(6,884)	(1,537)
Trade and other payables [(1)]		63,386	154,815
Deferred revenue		(232)	(2,179)
Payments for defined benefit obligations	31	(2,924)	(1,612)
Income tax paid		(264)	(121)
Net cash from operating activities		**331,682**	**386,806**
Investing activities			
Purchases of property, plant and equipment		(135,251)	(131,164)
Additions to intangible assets	17	(6,942)	(1,006)
Return of investment in an associate	19	7,501	4,225
Acquisition of other financial assets	20	(1,050)	(2,950)
Receipts of short-term deposits with original maturity of over three months		659,927	288,030
Investments in short-term deposits with original maturity of over three months		(631,435)	(496,199)
Interest received		26,696	8,497
Net cash used in investing activities		**(80,554)**	**(330,567)**
Financing activities			
Proceeds from term loans	27	21,438	61,687
Repayment of term loans	27	(120,000)	(60,969)
Payment of lease liabilities	16	(1,271)	(4,824)
Interest received (paid), net of derivative settlements		2,723	(10,910)
Refund of transaction costs on borrowings	27	-	969
Dividends paid to the Shareholders	33	(108,220)	(106,027)
Net cash used in financing activities		**(205,330)**	**(120,074)**
Net increase (decrease) in cash and cash equivalents		**45,798**	**(63,835)**
Net foreign exchange difference		3,906	91
Cash and cash equivalents at 1 January		213,994	277,738
Cash and cash equivalents as at 31 December	24	**263,698**	**213,994**

[(1)] Includes receipt of the first and second instalments of the T4-NGSA Advance Payment of $150 million each in 2023 and 2022 (note 22).

The notes on pages 6 to 52 form part of these consolidated financial statements.
The auditor's report is set out on pages ii to vii.

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.

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 32).

The Company is a subsidiary of Mamoura Diversified Global Holding PJSC (the “Parent Company” or the "Shareholder"), which is owned by Mubadala Investment Company PJSC, an entity wholly owned by the Government of Abu Dhabi.

On 19 December 2023, the Board of Directors of Yahsat and Bayanat AI PLC ("Bayanat"), a leading AI-powered geospatial solutions provider also listed on ADX, announced a recommendation to shareholders for the merger of these two entities. The proposed merger aims to create an AI-powered space technology champion in the MENA region with global reach and will be executed through a share swap with Bayanat as the remaining legal entity to be rebranded as "Space42". The merger is subject to a number of terms and conditions as set out under the Merger Agreement entered into between Yahsat and Bayanat on 18 December 2023, including regulatory approvals from governmental authorities including the Securities and Commodities Authority and the ADGM Registration Authority and the approval of shareholders representing 75% of the voting rights present and voting at a quorate general assembly meeting of each of Bayanat and Yahsat. Bayanat and Yahsat will continue to operate independently until the merger is effective.

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 consolidated financial statements of the Group have been prepared on a going concern basis given that there are no significant doubts on the Group’s ability to continue its business activities post the merger as it is merely a change in ownership and the proposed merger is dependent on a number of conditions and approvals as mentioned in the above paragraph.

The Group’s principal activities include leasing of satellite communication capacity, end-to-end integrated satellite communication and managed services, long-term capacity services and providing fixed and mobile telecommunication services via satellites to customers. Details of the Company’s subsidiaries and its equity-accounted investees are set out in Notes 18 and 19.

2 Material 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.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, investment property and other financial assets, which are measured at fair value and assets held for sale which are measured at the lower of carrrying amount and fair value less cost to sell. 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 (“USD” or "$"), the functional currency of the Company and the presentation currency of the Group. Subsidiaries and its equity-accounted investees determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency. All financial information presented in USD has been rounded to the nearest thousand ("$ 000"), unless stated otherwise.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. The basis of consolidation is referred in the following notes:

Basis of consolidation	Note
(i) Subsidiaries	18
(ii) Investments in associates	19
(iii) Transactions eliminated on consolidation	18,19
(iv) Business combinations	39
(v) Transfer of entities under common control	39
(vi) Loss of control of a subsidiary	39
(vii) Acquisition of an associate	39

2 Material accounting policies (continued)

2.3 Summary of material accounting policies

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

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require disclosure of 'material' rather than 'significant' accounting policies. Management reviewed the accounting policies and made updates in certain instances in line with the amendments.

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

The Group's non-derivative financial assets comprise 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 fair value through profit or loss (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.

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.

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

The Group's non-derivative financial liabilities comprise trade payables, amounts due to related parties, borrowings, other payables and accruals.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments, as appropriate.

Non-derivative 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.

(iii) Derivative financial instruments including hedge accounting: Refer to Note 28.

2 Material accounting policies (continued)

2.3 Summary of material accounting policies (continued)

B) Revenue from contract with customers
Refer Note 5.

C) Leases - the Group as a lessor
Refer Note 5 (Infrastructure services) and Note 15 (Investment property).

D) Finance costs and finance income
Refer Note 12.

E) Other income
Refer Note 9.

F) Property, plant and equipment
Refer Note 14.

G) Investment property
Refer Note 15.

H) Leases - the Group as a lessee
Refer Note 16.

I) Intangible assets
Refer Note 17.

J) Borrowing costs
Refer Note 12.

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 recognizes 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 recognized 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.

Non-financial assets and equity accounted investments

The carrying amounts of the Group's non-financial assets and equity accounted investments 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 and in case of impairment loss on equity accounted investments, these are included within share of results recognised in profit or loss.

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.

2 Material accounting policies (continued)

2.3 Summary of material accounting policies (continued)

L) Foreign currency

The Group's share of results and share of movement in other comprehensive income of equity accounted investments are translated into USD at average exchange rates for the year. Translation differences relating to equity accounted investments 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.

O) Income tax

Refer Note 13.

P) Non-current assets classified as held for sale

Refer Note 25.

Q) Government Grants

Refer Note 30.

R) 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.

S) 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 Material accounting policies (continued)

2.4 Changes in material 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 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17: Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts

This standard did not have any material impact on the Group's consolidated financial statements.

Amendments to IAS 8: Definition of Accounting Estimate

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments did not have a material impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments did not have a material impact on the Group's consolidated financial statements.

Amendments to IAS 12: International Tax Reform—Pillar Two Model Rules

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:
• A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
• Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023. The amendments had no impact on the Group's consolidated financial statements as the Group will be subject to corporate tax under the regular UAE CT regime until the Pillar Two Rules adopted by the UAE (refer Note 13).

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 IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

2 Material accounting policies (continued)

2.5 Standards issued but not yet effective (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 21: Lack of exchangeability
In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21) which specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments must be applied prospectively. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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.

Significant accounting judgements

Judgements relating to revenue from contract with customers
Refer Note 5.

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 2023.

3 Significant accounting judgements, estimates and assumptions (continued)

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 Al Yah 3 satellite (“AY3”) may be impaired. Accordingly, the recoverable amount for the BCS cash generating unit (mainly comprising of satellites AY2, AY3 and other related non-current assets) (“BCS CGU”) was calculated based on its 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 covered the period from 2024 to 2027 extrapolated into perpetuity at a 2.4% growth rate and discounted using a discount rate of 14%. The recoverable amount of the BCS CGU exceeded the carrying value by $53,245 thousand as of 31 December 2023, indicating the CGU is not impaired. An increase of 0.5% in the discount rate would result in a lower recoverable amount by $7,566 thousand. A similar exercise was performed in the prior year by discounting the projected cash flows from approved financial forecasts using a discount rate of 15.5% and growth rate of 2.4%. The decrease in discount rate during the year is primarily attributable to reduction in the global interest rates. As of 31 December 2022, the recoverable amount of the BCS CGU exceeded the carrying value by $7,272 thousand indicating the CGU was not impaired.

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.

During the prior 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 were based on HPE CGU’s approved business plan which include assumptions that were broadly in line with what a market participant would make. The cash flow projections covered 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 that period to 14.0%. This impairment assessment resulted in a (non-cash) impairment loss of $40,575 which was recorded within the share of results of equity accounted investments (Note 19). Following the recognition of that impairment loss the carrying value of the Group’s investment in the HPE CGU became equal to this estimated recoverable amount.

At the end of the year, management has neither identified any indicator that suggests that the Group's investment in HPE or Al Maisan is impaired nor any indicator of reversal of impairment of investment in HPE.

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 2023 has been determined using cash flow projections from the budget and business plan approved by the Board of Directors for the years 2024-2027. The cash flow projections are extrapolated into perpetuity at a 2.0% growth rate and discounted using an estimated discount rate of 10.2%. The recoverable amount of the CGU exceeded the carrying value by $221,819 thousand as of 31 December 2023, indicating the CGU is not impaired. An increase of 0.5% in the discount rate would result in a lower recoverable amount by $19,730 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 consolidated statement of 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 forecast economic conditions.

As at 31 December 2023, the Group is carrying an allowance for expected credit losses of $22.7 million (2022: $16.2 million) (refer note 23).

3 Significant accounting judgements, estimates and assumptions (continued)

Significant accounting estimates (continued)

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.

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.

During the year, the Group submitted an insurance claim as a result of certain anomalies impacting the estimated useful life of the Al Yah 3 satellite (AY3). In order to safeguard the future operability of the satellite, the Group has, in conjunction with recommendations from the satellite manufacturers, implemented immediate and long-term remedial actions. A revised estimate of the satellite's remaining lifetime was completed during the second quarter using operational data from the two previous quarters. The satellite meanwhile continues to operate normally, despite the anomalies, and no loss of service to customers has occurred.

In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' the Group has updated the remaining useful life of AY3 and related ground assets prospectively from 1 April 2023 to reflect the change in estimate. This has increased the depreciation charge for the current year by $15.4 million (from $12.5 million to $27.9 million) and for the year ending 31 December 2024, the increase is expected to be $17.7 million (from $12.5 million to $30.2 million).

There is no change in the end of life of the other four satellites (AY1, AY2, T2 and T3) which continue to operate normally, with no impact on satellite services.

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.

Fair value of derivative financial instruments
Refer Note 28

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 4.11% to 7.25% 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. The valuation is most sensitive to the capitalization rates which range from 7.5% to 10%.

Fair value of convertible loan
The fair valuation of the Group's convertible loan is determined using the discounted cash flow method by converting the projected cash flows to their present value using an appropriate discount rate. The key valuation inputs are discount rate commensurate with the risk associated with the cashflows of the convertible loan and repayment period taking into account contractual terms and the prevailing circumstances. Any changes to the key valuation inputs could affect the reported fair value of the convertible loan.

4 Segment information

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

Material 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, long-term capacity services 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.

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's 'Adjusted EBITDA', a measure broadly consistent with Group Adjusted EBITDA.
- Data Solutions (BCS) and Mobility Solutions segments are evaluated based on segment's 'Adjusted EBITDA' and '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 year 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 2023 is as follows:

	Infrastructure	Managed solutions	Mobility solutions	Data solutions (BCS)	Others	Reconciliation	Total
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
External revenue	240,189	92,072	99,702	24,775	-	-	456,738
Inter-segment revenue	2,515	541	516	525	-	(4,097)	-
Total revenue	**242,704**	**92,613**	**100,218**	**25,300**	**-**	**(4,097)**	**456,738**
Cost of revenue	-	(18,107)	(38,851)	(3,049)	-	3,374	(56,633)
Staff costs	(59,391)	(14,727)	(21,297)	(7,752)	-	18,704	(84,463)
Other operating expenses	(23,696)	(1,212)	(17,329)	(12,473)	-	723	(53,987)
Other income	20,689	-	2,427	38	-	(18,704)	4,450
Adjusted EBITDA	**180,306**	**58,567**	**25,168**	**2,064**	**-**	**-**	**266,105**
Depreciation, amortisation and impairment	(91,982)	(457)	(17,389)	(44,684)	-	-	(154,512)
Fair value losses	(1,045)	-	(12,533)	-	-	-	(13,578)
Operating profit (loss)	**87,279**	**58,110**	**(4,754)**	**(42,620)**	**-**	**-**	**98,015**
Finance income	19,771	-	1,024	5,982	-	-	26,777
Finance costs	(9,127)	-	(289)	(2,083)	-	-	(11,499)
Net finance income	**10,644**	**-**	**735**	**3,899**	**-**	**-**	**15,278**
Share of results - HPE	-	-	-	-	(11,003)	-	(11,003)
Share of results - Al Maisan	-	-	-	-	1,089	-	1,089
Profit (loss) before income tax	**97,923**	**58,110**	**(4,019)**	**(38,721)**	**(9,914)**	**-**	**103,379**
Income tax expense	(584)	-	(392)	(237)	-	-	(1,213)
Profit (loss) for the year	**97,339**	**58,110**	**(4,411)**	**(38,958)**	**(9,914)**	**-**	**102,166**
Loss for the year attributable to non-controlling interests	-	-	(410)	(7,792)	-	-	(8,202)
Profit (loss) for the year attributable to the Shareholders	**97,339**	**58,110**	**(4,001)**	**(31,166)**	**(9,914)**	**-**	**110,368**
Capital expenditure	117,927	7,440	20,907	1,020	-	-	147,294

4 Segment information (continued)

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

	Infrastructure	Managed solutions	Mobility solutions	Data solutions (BCS)	Others	Reconciliation	Total
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 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**
Cost of revenue	-	(22,884)	(26,309)	(2,974)	-	3,871	(48,296)
Staff costs	(60,049)	(14,371)	(20,751)	(8,296)	-	17,993	(85,474)
Other operating expenses	(22,430)	(968)	(10,272)	(12,010)	-	706	(44,974)
Other income	18,507	-	3,338	32	-	(17,993)	3,884
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 gain	-	-	1,584	-	-	-	1,584
Operating profit (loss)	**85,569**	**52,618**	**9,242**	**(32,636)**	**-**	**-**	**114,793**
Finance income	6,453	-	331	1,713	-	-	8,497
Finance costs	(8,660)	-	(873)	(62)	-	-	(9,595)
Net finance (costs) income	**(2,207)**	**-**	**(542)**	**1,651**	**-**	**-**	**(1,098)**
Share of results - HPE	-	-	-	-	(54,600)	-	(54,600)
Share of results - Al Maisan	-	-	-	-	1,297	-	1,297
Profit (loss) before income tax	**83,362**	**52,618**	**8,700**	**(30,985)**	**(53,303)**	**-**	**60,392**
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

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 22.

	2023	2022
	$ 000	$ 000
United Arab Emirates	375,437	370,299
Europe	19,785	19,194
Asia	36,834	21,355
Africa	20,227	16,806
North America	3,346	3,729
Others	1,109	1,157
Revenue	**456,738**	**432,540**

The Group's non-current assets other than financial instruments and deferred taxes by geography are presented below. The satellites are allocated to the country where the legal owner of the asset is incorporated.

	2023	2022
	$ 000	$ 000
United Arab Emirates	1,146,404	1,181,758
South America	39,166	46,872
Europe	14,637	18,054
Africa	2,888	4,788
Asia	115	231
	1,203,210	**1,251,703**

5 Revenue

Material accounting policies

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.

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. The interest is accrued during the advance period and the transaction price is increased by a corresponding amount. Such interest is accounted for within finance costs in the consolidated statement of profit or loss.

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 recognized 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 recognized 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.

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 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.

Leases - the Group as a lessor

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.

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. 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.

5 Revenue (continued)

Revenue	Notes	2023 $ 000	2022 $ 000
Service rendered		412,330	400,523
Sale of equipment and accessories		44,408	32,017
		456,738	**432,540**
Revenue from related parties is disclosed in Note 22.			
Revenue includes:			
Revenue from contracts with customers (IFRS 15)		325,109	300,541
Income from operating leases (IFRS 16)		131,629	131,999
		456,738	**432,540**
Disaggregation of revenue by operating segment:	4		
Services rendered:			
Infrastructure		240,189	237,528
Managed solutions *		92,072	90,606
Mobility solutions		57,895	50,977
Data solutions - BCS		22,174	21,412
Sale of equipment and accessories (recognised at a point in time)			
Mobility solutions		41,807	30,006
Data solutions - BCS		2,601	2,011
		456,738	**432,540**
* Amount for the prior year includes revenue recognised at a point in time of $10.8 million.			
Timing of recognition of revenue from contracts with customers:			
Over time		280,701	257,751
At a point in time		44,408	42,790
		325,109	**300,541**
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		209,980	209,818
More than one year		6,244,514	1,284,190
		6,454,494	**1,494,008**
b) Future minimum lease rental receivables under non-cancellable operating leases, where Group is a lessor (excluding investment property)	36	367,689	497,723
Total contracted future revenues		**6,822,183**	**1,991,731**

During the year, the Group has received an Authorization to Proceed (“ATP”) from the UAE Government (the “Government”) to provide satellite capacity and managed services for 17 years. This mandate, valued at AED 18.7 billion (USD 5.1 billion), combines related operations, maintenance and technology management services of ground segment satellite systems and terminals currently provided under a separate contract. The mandate has significantly increased the Group's contracted future revenues as at 31 December 2023.

5 Revenue (continued)

	Notes	2023 $ 000	2022 $ 000
Contract balances:			
Trade receivables, net of loss allowance	23	86,813	87,584
Contract assets	23	21,636	55,332
Contract liabilities:			
Advances from customers - related parties	22	404,006	280,157
Advances from customers - others	26	2,104	1,460
Deferred revenue	29	24,577	24,809
Revenue recognised from contract liabilities at the beginning of the year		34,682	4,397

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 recognize 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 36.

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 two instalments of $150 million each during July 2022 and June 2023, respectively. 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 judgement, 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 $90.4 million bringing the total transaction price to $798.9 million as of 31 December 2023. The significant financing component was calculated using a discount rate of 3.22% p.a. Interest is accrued on the Advance Payment during the term of the contract and revenue will be recognized over time on a straight line basis from the date of commencement of Operational services.

5 Revenue (continued)

Significant accounting judgements and estimates (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 22) and
c) the service element of the arrangement will be accounted as revenue to be recognized over time.

6 Cost of revenue

	2023 $ 000	2022 $ 000
Cost of services sold *	22,197	24,392
Cost of equipment and accessories sold	34,436	23,904
	56,633	**48,296**

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

7 Staff costs

Material 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 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.

7 Staff costs (continued)

	Note	2023 $ 000	2022 $ 000
Employee costs		73,240	73,193
Outsourced staff costs		11,223	12,281
		84,463	**85,474**
Employee costs include:			
Pension contributions made in respect of UAE national employees in accordance with the UAE Federal Law No. (2), 2000		2,792	2,843
Current service cost on defined benefit obligations	31	1,151	1,757
Termination benefits costs		2,885	-

8 Other operating expenses

	Note	2023 $ 000	2022 $ 000
Satellite services operations costs		10,165	10,400
Allowance (reversal of allowance) for expected credit losses	23	7,187	(859)
Marketing expenses		5,346	3,934
Consultancy, legal and advisory expenses *		4,730	3,473
Insurance expenses		4,521	5,872
Facilities and asset maintenance costs		4,399	4,553
IT support costs		4,134	4,472
Business travel expenses		2,508	2,599
Currency exchange losses - net		2,058	1,156
Board and committee fees	22	1,770	2,473
Registration and filing expenses		1,979	1,459
Bank fees and charges		387	516
Learning and development expenses		302	415
Allowance for inventories	21	248	168
Other expenses		4,253	4,343
		53,987	**44,974**

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

* Includes legal and advisory costs of $2,280 thousand in relation to the proposed merger transaction as disclosed in note 1.

9 Other income

Material accounting policies

The Group recognises income from claims for liquidated damages 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.

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

	Notes	2023 $ 000	2022 $ 000
Rental income from investment property	15 / 25	2,305	1,602
Others *		2,145	2,282
		4,450	**3,884**

* Includes liquidated damages of $674 thousand in connection with a supplier contract recognised during the year. The prior year amount 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 16).

10 Depreciation and amortisation

	Notes	2023 $ 000	2022 $ 000
Depreciation of property, plant and equipment	14	151,622	135,238
Depreciation of right-of-use assets	16	688	5,611
Amortisation of intangible assets	17	2,202	3,622
		154,512	**144,471**

11 Fair value (losses) gains

	Notes	2023 $ 000	2022 $ 000
Fair value gain on investment property	25	2,057	1,584
Fair value losses on other financial assets *	20	(15,635)	-
		(13,578)	**1,584**

* Represents fair value losses on preference shares and convertible loan agreement (refer note 20).

12 Finance costs and Finance income

Material accounting policies

Finance costs and finance income

The Group's finance costs include interest on borrowings, contract liabilities, reclassification of net gains/losses previously recognised in OCI on derivative financial instruments and other finance costs. Finance income comprises interest income on funds invested with banks.

Finance cost or finance income 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.

Finance costs and Finance income	Notes	2023 $ 000	2022 $ 000
Finance income			
Interest on deposits with banks - third parties		6,520	3,598
Interest on deposits with banks - related parties	22	20,257	4,899
Total finance income		**26,777**	**8,497**
Finance costs			
Interest expense on borrowings - term loans		(33,856)	(18,459)
Interest expense on borrowings - lease liabilities	16	(221)	(836)
Interest on contract liabilities	22	(7,021)	(2,096)
Other interest and finance charges		(2,668)	(742)
Net fair value gain on derivative financial instruments transferred from other comprehensive income		20,638	3,430
		(23,128)	**(18,703)**
Capitalised borrowing costs	14	**11,629**	**9,108**
Total finance cost		**(11,499)**	**(9,595)**
Net finance income (costs)		**15,278**	**(1,098)**

13 Income tax

Material 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.

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.

UAE Corporate Tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("UAE Corporate Tax Law" or "Law"). The Law became effective on 25 October 2022, and applies to taxable persons for financial years commencing on or after 1 June 2023. Accordingly, the Group's first tax year will commence on 1 January 2024. The UAE Cabinet of Ministers Decision No. 116/2022, which came into effect in January 2023, confirmed that AED 375,000 is the threshold of income over which the 9% tax rate would apply. The Law is enacted and accordingly the standard corporate tax rate of 9% is expected to apply to the Group.

As required by IAS 12 Income Taxes, the Group assessed deferred tax implications in its consolidated financial statements and recorded deferred tax liabilities arising on taxable temporary differences as at 31 December 2023. The UAE current income tax is nil since the first tax year of the Group commences on 1 January 2024 and consequently no reconciliation of tax expense and accounting profit has been provided.

The other income taxes relate to the subsidiaries in the Netherlands, Nigeria and South Africa and Japan are not significant.

The major components of income tax expense for the years ended 31 December 2023 and 2022 are:

	2023 $ 000	2022 $ 000
Current income tax (relating to foreign subsidiaries)	325	182
Deferred tax (relating to origination and reversal of temporary differences)	888	(7)
Income tax expense reported in the consolidated statement of profit or loss	**1,213**	**175**

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2023 $ 000	2022 $ 000	2023 $ 000	2022 $ 000
Property, plant and equipment *	(518)	82	600	(33)
Intangible assets (goodwill) *	(337)	-	337	-
Others	89	50	(49)	26
Net deferred tax (liabilities)/assets	**(766)**	**132**	**888**	**(7)**

Reflected in the consolidated statement of financial position as follows:

Deferred tax assets	199	132
Deferred tax liabilities	(965)	-
Net deferred tax (liabilities)/assets	**(766)**	**132**

13 Income tax (continued)

Reconciliation of deferred tax (liabilities)/assets, net

	2023 $ 000	2022 $ 000
At 1 January	132	130
Tax (expense) credit recognised in profit or loss	(888)	7
Translation differences	(10)	(5)
At 31 December	**(766)**	**132**

* Deferred tax liability mainly relates to consolidation adjustments for borrowing costs capitalized on qualifying assets (PPE) and goodwill recognized on acquisition of Thuraya (Intangible assets) - both items have no corresponding tax base, no tax deduction is available against the taxable future economic benefits that will flow in respect of these assets.

There are no income tax consequences attached to the payment of dividends in either 2023 or 2022 by the Group to its shareholders.

There are no temporary differences associated with investments in the Group's subsidiaries and associates since these investments meet participation interest exemption allowed under the UAE Corporate Tax Law pursuant to which substantially all income and expenses related to these investments are exempt except certain scenarios which are not applicable to the Group.

Global Minimum Tax

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another, in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules and in February 2023 further administrative guidance.

The UAE is a member of the OECD Base Erosion and Profit Shifting (BEPS) Inclusive Framework and is committed to addressing the challenges faced by tax jurisdictions internationally. Until such time as the Pillar Two rules are adopted by the UAE, the Group will be subject to corporate tax under the regular UAE CT regime therefore, neither the mandatory recognition nor the disclosure requirements in IAS 12 relating to International Tax Reform – Pillar Two Model Rules apply to the Group.

14 Property, plant and equipment

Material 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.

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 both the current and comparative periods are as follows:

Asset category	Years
Buildings	15-40
Leasehold improvements	5-10
Satellite systems	5-18
Plant and machinery	10-20
Furniture and fixtures	3-4
Office equipment and vehicles	3-5
Computers and software	3

14 Property, plant and equipment (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 15)	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 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**
Cost						
At 1 January 2023	102,383	3,011,898	17,017	39,504	359,764	3,530,566
Additions	110	-	8	681	138,991	139,790
Transfers	-	10,825	921	749	(12,495)	-
Transfer to non-current assets held for sale (note 25)	(12,374)	-	-	-	-	(12,374)
Transfer to inventories	-	-	-	(245)	(474)	(719)
Transfer to intangible assets (note 17)	-	-	-	-	(2,890)	(2,890)
Write-offs	-	-	-	(31)	(7)	(38)
Exchange differences	-	(28)	-	(295)	(107)	(430)
Other transfers	-	-	-	-	-	-
At 31 December 2023	**90,119**	**3,022,695**	**17,946**	**40,363**	**482,782**	**3,653,905**
Depreciation						
At 1 January 2023	30,693	2,122,949	9,174	34,190	-	2,197,006
Charge for the year	2,459	144,593	1,871	2,699	-	151,622
Transfer to inventories	-	-	-	(230)	-	(230)
Transfer to non-current assets held for sale (note 25)	(1,283)	-	-	-	-	(1,283)
Write-offs	-	-	-	(31)	-	(31)
Exchange differences	-	(4)	-	(121)	-	(125)
Transfer to intangible assets (Note 17)	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-
At 31 December 2023	**31,869**	**2,267,538**	**11,045**	**36,507**	**-**	**2,346,959**
Impairment						
At 1 January 2023	**5,272**	**184,064**	**-**	**-**	**-**	**189,336**
Transfer to non-current assets held for sale (note 25)	(5,089)	-	-	-	-	(5,089)
At 31 December 2023	**183**	**184,064**	**-**	**-**	**-**	**184,247**
Net book value	**58,067**	**571,093**	**6,901**	**3,856**	**482,782**	**1,122,699**

14 Property, plant and equipment (continued)

On 16 June 2023, the Group signed an Authorization-To-Proceed (ATP) with Airbus Defence and Space SAS to commence initial activities in relation to the Al Yah 4 and Al Yah 5 satellite programme. The ATP preserves the programme schedule, pending execution of the satellite procurement contract (Contract), with the commencement of initial activities such as system requirements review, design work and procurement activities for long-lead items (ATP activities).

An initial payment of $15.3 million was made in respect of the first ATP on 5 July 2023. The Group exercised the option to extend the ATP by making a second payment of $28.1 million on 6 September 2023. Both payments will be adjusted against the purchase price of the satellite programme upon execution of the Contract and are currently recorded under capital work in progress as at 31 December 2023.

Following the expiration of the ATP on 31 December 2023 it was further extended until 29 February 2024, by which time management believes the Contract will be signed, failing which a further extension will be sought.

Capital work in progress as of the end of the reporting period comprise mainly of satellite systems of which $430.2 million (31 December 2022: $349.7 million) relates to the Thuraya 4 satellite (T4-NGS) under construction. Additions during the year relating to T4-NGS amounted to $80.5 million (2022: $131.3 million). Other equipment includes furniture and fixtures, office equipment vehicles and computers.

Borrowing costs capitalised during the year amounted to $11.6 million at a capitalisation rate of 2.6% per annum (2022: $9.1 million at a capitalisation rate of 2.7% per annum) (refer note 12).

During the year, the Group submitted an insurance claim as a result of certain anomalies impacting the estimated useful life of the Al Yah 3 satellite (AY3) updated the remaining useful life of the satellite and related ground assets prospectively from 1 April 2023 to reflect the change in estimate (refer note 3).

During the prior 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 (note 30).

15 Investment property

Material 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.

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 2022		15,465	4,766	20,231
Transfer to property, plant and equipment		(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**
At 1 January 2023		15,158	4,823	19,981
Transfer to non-current assets held for sale	25	(15,158)	(4,823)	(19,981)
At 31 December 2023		**-**	**-**	**-**

On 3 April 2023, the Board of Directors approved a proposal to initiate sale of Thuraya's property located in Dubai and appointed a committee to manage the sale process. Consequent to the Board approval effective from that date, the property, a non-current asset under Mobility solutions segment, meets the criteria for classification as held for sale on the basis that its carrying amount is expected to be recovered principally through a sale transaction. As per the requirements of IFRS-5 'Non-current Assets Held for Sale and Discontinued Operations' the property has been classified as held for sale (refer note 25).

Leasing arrangements

The majority of the property is 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.

15 Investment property (continued)

Rental income from the property is recognized in other income (note 9). Direct operating expenses incurred on the property during the year amounted to $676 thousand (2022: $585 thousand).

	2023 $ 000	2022 $ 000
Minimum lease income receivable on leases of the property are as follows:		
Year 1	1,794	1,676
Year 2	1,199	1,067
Year 3	776	847
Year 4	263	678
Year 5	-	262
	4,032	**4,530**

16 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.

Material 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.

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.

16 Leases - Group as a Lessee (continued)

Material accounting policies (continued)

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

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

A) Right-of-use assets

Carrying amounts and movements during the year	Satellite capacity $ 000	Buildings $ 000	Total $ 000
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**
At 1 January 2023	-	5,852	5,852
Retirement	-	(13)	(13)
Depreciation expense	-	(688)	(688)
Exchange differences	-	(2)	(2)
At 31 December 2023	**-**	**5,149**	**5,149**

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	2023 $ 000	2022 $ 000
Lease liabilities			
At 1 January		7,165	16,536
Additions		-	5,886
Accretion of interest	12	221	836
Termination		(15)	(11,258)
Payments		(1,271)	(4,824)
Exchange differences		(10)	(11)
At 31 December	27	**6,090**	**7,165**
of which current		1,426	2,001
of which non-current		4,664	5,164
Amounts recognized in profit or loss in relation to leases			
Depreciation expense of right-of-use assets		688	5,611
Interest expense on lease liabilities		221	836
Expense relating to of low-value assets (included in other operating expenses)		235	256
Total		**1,144**	**6,704**
Cash flow information			
Total cash outflows for leases		1,463	4,824

16 Leases - Group as a Lessee (continued)

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.

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

17 Intangible assets

Material accounting policies

Licenses, representing a right to transmission of telecommunication signals utilizing geo-stationary satellite and use of associated radio frequencies, are capitalized 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 39 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

17 Intangible assets (continued)

	Development costs $ 000	Licenses $ 000	Software $ 000	Goodwill $ 000	Capital work in progress $ 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**
Cost						
At 1 January 2023	73,178	180	16,424	3,745	-	93,527
Additions	644	-	748	-	5,550	6,942
Transfer from property, plant and equipment (Note 14)	-	-	-	-	2,890	2,890
Transfers	-	-	8,440	-	(8,440)	-
Exchange differences	-	-	(6)	-	-	(6)
At 31 December 2023	**73,822**	**180**	**25,606**	**3,745**	**-**	**103,353**
Amortisation						
At 1 January 2023	72,220	180	13,917	-	-	86,317
Charge for the year	740	-	1,462	-	-	2,202
Exchange differences	-	-	(6)	-	-	(6)
At 31 December 2023	**72,960**	**180**	**15,373**	**-**	**-**	**88,513**
Net book value at 31 December 2023	**862**	**-**	**10,233**	**3,745**	**-**	**14,840**

18 Group information

A) Subsidiaries

Material 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 % 2023	Equity % 2022
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)	Telecommunication services via satellite	Angola	80%	80%

18 Group information (continued)

B) Material partly-owned subsidiaries

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

	31 December 2023		31 December 2022	
	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	13,606	49,452	14,028	57,321
(Loss) profit attributable to non-controlling interests	(410)	(7,792)	884	(6,231)

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

	31 December 2023		31 December 2022	
Summarised statement of profit or loss:	Thuraya $ 000	BCS $ 000	Thuraya $ 000	BCS $ 000
Revenue	100,218	25,300	81,237	24,057
Adjusted EBITDA	**25,166**	**2,065**	**27,243**	**810**
Depreciation, amortisation and impairment	(17,389)	(44,684)	(19,585)	(33,445)
Fair value (losses) gains	(12,533)	-	1,584	-
Operating (loss) profit	**(4,756)**	**(42,619)**	**9,242**	**(32,635)**
Net finance income (cost)	735	3,898	(542)	1,651
Income tax expense	(12)	(237)	(4)	(170)
(Loss) profit for the year	**(4,033)**	**(38,958)**	**8,696**	**(31,154)**
Other comprehensive (loss) income	(128)	(381)	314	(193)
Total comprehensive (loss) income	**(4,161)**	**(39,339)**	**9,010**	**(31,347)**
Attributable to:				
The Shareholders	(3,738)	(31,471)	8,094	(25,078)
Non-controlling interests	(423)	(7,868)	916	(6,269)

Summarised statement of financial position:	Thuraya $ 000	BCS $ 000	Thuraya $ 000	BCS $ 000
Current assets (Inventories, receivables and cash balances)	77,317	138,380	94,062	136,070
Non-current assets (Property, plant and equipment and other assets)	99,781	118,817	91,905	163,225
Current liabilities (Trade and other payables, deferred revenue and borrowings)	(37,548)	(9,828)	(41,369)	(12,279)
Non-current liabilities (Borrowings and other liabilities)	(5,769)	(102)	(6,658)	(410)
Net assets / Total equity	**133,781**	**247,267**	**137,940**	**286,606**
Attributable to:				
The Shareholders	120,175	197,815	123,912	229,285
Non-controlling interests	13,606	49,452	14,028	57,321

Summarised cash flow information:	Thuraya $ 000	BCS $ 000	Thuraya $ 000	BCS $ 000
Operating	(10,588)	(6,013)	23,574	(3,207)
Investing	(9,322)	(3,605)	(29,759)	16,080
Financing	(1,271)	-	(1,630)	(3,195)
Net (decrease) increase in cash and cash equivalents	**(21,181)**	**(9,618)**	**(7,815)**	**9,678**

19 Equity-accounted investments

Material 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 39 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 % 2023	Equity % 2022
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:	2023 $ 000	2022 $ 000
At 1 January	64,054	116,203
Return of investment from Al Maisan	(7,501)	(4,225)
Share of results for the year	(9,914)	(53,303)
Exchange differences	3,273	5,379
At 31 December	**49,912**	**64,054**

Share of results from Al Maisan:	2023 $ 000	2022 $ 000
Share of results of equity-accounted investee	1,089	1,297
Share of total comprehensive income of equity-accounted investee	1,089	1,297

19 Equity-accounted investments (continued)

Aggregate financial information of HPE:	2023 $ 000	2022 $ 000
Statement of comprehensive income (100%)		
Revenue	107,210	106,605
Loss for the year	(55,016)	(70,124)
Other comprehensive income	-	-
Total comprehensive loss	**(55,016)**	**(70,124)**
Group's share of total comprehensive loss (20%)	(11,003)	(14,025)
Impairment loss during the year (i)	-	(40,575)
Group's share of results in HPE after impairment	**(11,003)**	**(54,600)**
Statement of financial position (100%)		
Current assets	55,097	54,149
Non-current assets	169,586	209,535
Current liabilities	(22,735)	(22,792)
Non-current liabilities	(7,815)	(8,110)
Net assets 100%	**194,133**	**232,782**
Group's share in net assets (20%)	38,827	46,557
Other costs relating to the investment	239	239
Carrying amount of the investment in HPE	**39,066**	**46,796**

(i) During the prior 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 which was recorded within the share of results of equity accounted investments (see note 3 for significant accounting estimates used in the impairment assessment).

At the end of the year, management has neither identified any indicator that suggests that the Group's investment in HPE or Al Maisan is impaired nor any indicator of reversal of impairment of investment in HPE.

20 Other financial assets

	Notes	2023 $ 000	2022 $ 000
Preference shares (i)		2,955	2,950
Convertible loan (ii)		2,910	-
		5,865	**2,950**

Movement in the other financial assets:	Notes	2023 $ 000	2022 $ 000
At 1 January		2,950	-
Additions during the year - preference shares (cash)		1,050	2,950
Conversion of trade receivables to convertible loan (non-cash)		17,500	-
Fair value changes	11	(15,635)	-
At 31 December		**5,865**	**2,950**

i) In 2022, the Group invested in convertible preference shares ("preferred stock") of a start-up venture which aims to provide direct-to-satellite, ultra-low power, two-way, and low-latency narrowband connectivity solutions for IoT devices anywhere on earth. The preferred stock (Series-A) are non-cumulative, carry an option to convert into common stock and carry certain preferential rights upon dissolution. As the preferred stock does not carry any residual interest, the Group accounts for the investment at fair value through profit or loss. Based on an independent valuation exercise, the Group determined that the fair value of the preferred stock was $2,955 thousand thereby recording a loss of $1,045 thousand during the year ended 31 December 2023 reported in the consolidated statement of profit or loss under 'Fair value (losses) gains'.

20 Other financial assets (continued)

ii) During the year, the Group entered into a Convertible Loan Agreement ("CLA") with a customer for a total Convertible Loan ("Loan") amount of $17,500 thousand. At the date of signing the CLA, trade receivable balances amounting to $15,750 thousand due from the customer were settled through conversion to the Loan and the remaining amount of $1,750 thousand was converted to CLA after it became due on 1 October 2023. The key terms of the CLA are as follows:

1) The maturity date of the loan is 31 December 2026.
2) The loan carries a simple interest of 8% per annum which is payable upon conversion, a redemption event, or maturity date, whichever occurs first.
3) The Group has the right to convert the outstanding amounts of the Loan (Loan amount and accrued interest) on the date of conversion into equity at any time before the maturity date. The conversion price is determined based on a pre-money valuation of qualifying financing rounds, subject to a cap.
4) In the event, the conversion option is not exercised, the outstanding amounts at the maturity date will be repaid to the Group.

The conversion option meets the definition of a derivative since the Loan (which has a fixed value) may be settled by the customer in the future, by exchanging it for a variable number of its shares whose value may change according to the underlying performance of its business. Therefore, the CLA is classified as a Hybrid contract with an embedded derivative which comprises both a host asset (the Loan) and a derivative (the conversion option), and accordingly measured at fair value through profit or loss in accordance with the requirements of IFRS 9 ‘Financial Instruments’. As at 31 December 2023, Management determined the fair value of the Loan as $2,910 thousand (against the carrying amount of $17,500 thousand) and accordingly recognized a fair value loss of $14,590 thousand in the consolidated statement of profit or loss under ‘Fair value (losses) gains’ during the year ended 31 December 2023 (2022: nil).

21 Inventories

Material 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	Notes	2023 $ 000	2022 $ 000
Equipment and accessories - satellite services		24,021	16,597
Ground operations spares		1,538	1,589
		25,559	**18,186**
Loss allowance		(11,202)	(10,954)
		14,357	**7,232**
Movement in loss allowance for inventories:			
At 1 January		10,954	10,821
Charge during the year		248	168
Write-off		-	(35)
At 31 December		**11,202**	**10,954**

During the year, $34,436 thousand (2022: $23,904 thousand) of inventories were recognised as cost of equipment and accessories sold (note 6).

22 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.

a) Related party transactions:

Transaction with key management personnel	2023 $ 000	2022 $ 000
Key management personnel compensation:		
Short term employment benefits	4,411	4,630
Post-employment benefits	344	396

Board of directors and committee fees charged to profit or loss during the year were $1,770 thousand (2022: $2,473 thousand) (note 8).

22 Related party transactions and balances (continued)

a) Related party transactions: (continued)

Transaction with other related parties	Notes	2023 $ 000	2022 $ 000
Revenue			
Entities under common control *		310,632	314,833
Associate		1,539	1,471
Total		**312,171**	**316,304**
Interest income on short term deposits - with banks			
Entities under common control	12	20,257	4,899
Interest on term loans from banks, net of hedges			
Entities under common control		(15,002)	(584)
Interest on contract liability			
Entities under common control	12	7,021	2,096
Outsourced expenses, office lease rent, systems support			
Entities under common control		1,057	1,152
Cost of sales			
Entities under common control		271	132
Associate		1,548	1,271
Total		**1,819**	**1,403**

* Revenue from entities under common control includes USD 300 million (2022: USD 305 million) from a single customer (refer to Note 22 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.

b) Related party balances

	Notes	2023 $ 000	2022 $ 000
Trade and other receivables due from related parties			
Entities under common control		42,052	82,745
Associates		30	214
Parent company		5	5
Total	23	**42,087**	**82,964**
Short-term deposits with related party banks			
Entities under common control	24	248,356	266,172
Current account balances with related party banks			
Entities under common control	24	227,736	125,620
Trade and other payables due to related parties			
Entities under common control		2,970	4,860
Associate		119	242
Total	26	**3,089**	**5,102**
Deferred revenue			
Entities under common control		2,016	2,677
Associate		195	189
Total	29	**2,211**	**2,866**
Advances from related parties			
Entities under common control	26	524,721	443,115

22 Related party transactions and balances (continued)

b) Related party balances (continued)

(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 $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 $116.4 million in June 2008 and further two instalments of $87.3 million, in June 2009 and June 2010, respectively from the customer. The Down Payment is being set off against the capacity charges in equal instalments from 1 January 2023 until the termination of the agreement. As at 31 December 2023, the advance attributable to the lease element is $120.8 million (2022: $163 million), and to service element (contract with customers) is $94.8 million (2022: USD 128 million).

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 two instalments of $150 million each during July 2022 and June 2023, respectively. 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).

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 recognized in the consolidated financial statements. In addition, refer to note 30 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	2023 $ 000	2022 $ 000
Year 1	128,184	128,184
Year 2	128,184	128,184
Year 3	109,723	128,184
Year 4	-	109,723
At 31 December	**366,091**	**494,275**

(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 significant expected credit loss has been recognised during the year in respect of amounts owed by related parties.

Also refer note 27 for other related party transactions.

23 Trade and other receivables

	Reference	Notes	2023 $ 000	2022 $ 000
Trade receivables - third parties			89,216	76,639
Trade receivables - related parties*			20,248	27,187
Sub total	a		**109,464**	**103,826**
Allowance for expected credit losses	b		(22,651)	(16,242)
Trade receivables, net of allowance	c		**86,813**	**87,584**
Accrued income - third parties			1,078	2,368
Accrued income - related parties*			20,558	52,964
Contract assets	d		**21,636**	**55,332**
Prepayments - orbital services			10,270	10,000
Prepayments - others			2,094	1,936
Advances to suppliers - third parties			18,016	13,354
Advances to suppliers - related parties*			30	30
Other receivables - third parties			10,021	7,622
Other receivables - related parties*			1,251	2,783
Sub total	e		**41,682**	**35,725**
Total trade and other receivables	c+d+e		**150,131**	**178,641**
of which non-current			10,610	10,382
of which current			139,521	168,259
Additional information:				
*Total due from related parties	y	22	42,087	82,964
Total contract balances, net of allowance	c+d		108,449	142,916
Total contract balances, excluding allowance	a+d		131,100	159,158

	2023		2022	
	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	35,373	(100)	73,890	(611)
Managed solutions, general category	6,975	(205)	2,825	(428)
Infrastructure services, government customers	6,376	-	5,957	-
Infrastructure services, general category	13	-	26	-
Data solutions, general category	19,761	(6,674)	19,481	(8,979)
Data solutions, high risk category	4,112	(3,107)	888	(888)
Mobility solutions, general category	56,392	(10,467)	53,998	(3,243)
Mobility solutions, high risk category	2,098	(2,098)	2,093	(2,093)
	131,100	**(22,651)**	**159,158**	**(16,242)**

Movement in the allowance for expected credit losses:	2023 $ 000	2022 $ 000
At 1 January	16,242	21,192
Allowance (reversal of allowance) for expected credit losses, net	7,187	(859)
Written off during the year as uncollectible	(762)	(4,088)
Exchange differences	(16)	(3)
At 31 December	**22,651**	**16,242**

23 Trade and other receivables (continued)

The ageing of trade receivables is as follows:	2023 $ 000	2022 $ 000
Not past due	49,156	30,844
Past due 0 to 90 days	18,505	19,421
Past due 91 to 180 days	10,317	10,522
Past due above 180 days	31,486	43,039
	109,464	**103,826**

The Group's exposure to credit risk is disclosed in note 38.

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

Other receivables include staff-related receivables of USD 6 million (2022: USD 5.4 million).

24 Cash and short-term deposits

	Notes	2023 $ 000	2022 $ 000
Cash on hand and in banks		9,170	27,222
Cash at banks - related parties	22	227,736	125,620
Short-term deposits with banks - others		76,818	125,685
Short-term deposits with banks - related parties	22	248,356	266,172
Cash and short-term deposits		**562,080**	**544,699**
Less: Short-term deposits with original maturities of over three months		(298,382)	(330,705)
Cash and cash equivalents		**263,698**	**213,994**

During the year, the Group a) placed short term deposits with banks (related parties $774,682 thousand and others $154,360 thousand) and b) received maturity proceeds on short term deposits (related parties $819,727 thousand and others $173,995 thousand). These deposits carry interest rates ranging from 1.95% to 10.00% per annum (2022: 1.95% to 9.00%).

For purposes of the consolidated statement of cash flows, changes in lease liabilities and borrowings arising from financing activities are disclosed in notes 16(B) and 27, respectively.

25 Non-current assets classified as held for sale

Material accounting policies

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. The measurement requirements of IFRS 5 do not apply to investment property which continues to be measured at fair value as per the requirements of IAS 40 'Investment Properties'.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

	Notes	2023 $ 000	2022 $ 000
Investment property		22,038	-
Property, plant and equipment	14	6,002	-
		28,040	**-**

25 Non-current assets classified as held for sale (continued)

On 3 April 2023, the Board of Directors approved a proposal to initiate sale of Thuraya's property located in Dubai and appointed a committee to manage the sale process. The majority of the property was on lease or available for lease, hence was classified as an investment property, with the remainder of the property self-occupied by Thuraya and accounted under Property, Plant and Equipment at historical cost depreciated over its remaining useful life. Consequent to the Board approval effective from that date, the property, a non-current asset under Mobility solutions segment, meets the criteria for classification as held for sale on the basis that its carrying amount is expected to be recovered principally through a sale transaction. As per the requirements of IFRS-5 'Non-current Assets Held for Sale and Discontinued Operations' the property has been classified as held for sale. During the year, Management recognised a gain of $2,057 thousand (2022: $1,584 thousand) resulting from the fair valuation of investment property determined by an external valuer based on transactions observable in the market.

The disposal group comprising of the investment property and property, plant and equipment is carried at the lower of its carrying amount and fair value less costs to sell. Since the fair value less costs to sell of the property exceed the carrying amount of $28,040 thousand, no further adjustments have been made.

26 Trade and other payables

	Notes	2023 $ 000	2022 $ 000
Trade payables - third parties		22,093	47,980
Trade payables - related parties*		243	650
Accruals		49,750	35,699
Other payables - third parties		6,437	5,484
Other payables - related parties*		2,846	4,452
Advances from customers - related parties	22	524,721	443,115
Advances from customers - others		2,104	1,460
Total trade and other payables		**608,194**	**538,840**
of which non-current		449,077	367,679
of which current		159,117	171,161
*Trade and other payables due to related parties	22	3,089	5,102
Contract liability:			
Included in advances from customers - related parties		404,006	280,157
Included in advances from customers - others		2,104	1,460

Accruals include employee-related accruals of USD 10,734 thousand (2022: USD 9,235 thousand).

27 Borrowings

	Notes	2023 $ 000	2022 $ 000
The carrying amount of borrowings are as follows:			
A) Term loans			
Principal amounts		446,657	535,208
Unamortised transaction costs		(12,038)	(14,045)
Term loans - net of unamortised transaction costs		434,619	521,163
B) Lease liabilities	16	6,090	7,165
Total borrowings		**440,709**	**528,328**
of which current		62,753	121,077
of which non-current		377,956	407,251

27 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 2023				
Term loan 5	2022-2026	220,000	(2,287)	217,713
Term loan 6	2024-2032	226,657	(9,751)	216,906
		446,657	**(12,038)**	**434,619**
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**

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

	2023 $ 000	2022 $ 000
At 1 January	521,163	515,701
Additions (cash)	21,438	61,687
Additions (interest capitalised)	10,011	1,671
Refund of transaction costs	-	969
Amortisation of transaction costs (non-cash)	2,007	2,104
Repayments (cash)	(120,000)	(60,969)
At 31 December	**434,619**	**521,163**

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

	Term loan 5 $ 000	Term loan 6 $ 000	Total $ 000
At 31 December 2023			
Within one year	50,000	13,333	63,333
1 - 2 years	110,000	26,666	136,666
2 - 5 years	60,000	79,998	139,998
Beyond 5 years	-	106,660	106,660
	220,000	**226,657**	**446,657**
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**

27 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 instalments starting from 14 December 2022. Term loan 5 bears interest at compounded reference rate plus margin of 1.30% (previously, LIBOR plus margin of 1.30% per annum before IBOR reform, see Note 38). The compounded reference rate is based on Secured Overnight Financing Rate (SOFR) and credit adjustment spread. During the year, the Group repaid two instalments of $60,000 thousand each.

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 30). 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 prior year, the Group repaid an amount of $969 thousand against the loan.

The ECA Facility bears interest at compounded reference rate plus margin of 0.60%% (previously, LIBOR plus margin of 0.60% per annum before IBOR reform, see note 38). During the year, an amount of $31,449 thousand was drawn from this facility including interest capitalization of 10,011 thousand. As of 31 December 2023, the unutilised facility amounted to $45,393 thousand (2022: $76,842 thousand).

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).

On 18 December 2023, the Group entered into a short-term Bridge Facility Agreement (Bridge Facility) to finance the capital expenditure relating to AY4/5 Satellite Program. The total facility amount is $300 million with a repayment period of 12 to 18 months from the date of the agreement. The Bridge Facility bears interest at SOFR plus margin of 0.68% per annum. As of 31 December 2023, the entire Bridge Facility remains undrawn.

The Bridge Facility contains customary representations, warranties, covenants and undertakings. 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 $63,250 thousand (2022: $97,750 thousand). The net interest on loans from related party banks was negative (net credit) of $15,002 thousand as a result of significant increase in fair value of derivative financial assets (2022: $584 thousand).

B) Lease liabilities - Refer to Note 16 B.

28 Derivative financial instruments

Material 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.

28 Derivative financial instruments (continued)

Material accounting policies (continued)

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

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 in connection with its borrowings.

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 (note 27 A). The effective date for both IRS agreements is 14 July 2021.

Effective from 3 October 2023, the Group has amended its IRS agreements to effect transition from USD LIBOR to SOFR from the USD LIBOR Index Cessation Effective Date (note 38).

	2023	2022
Interest rate swaps - fair value	**$ 000**	**$ 000**
A) Derivative financial assets	34,964	49,416
of which current	12,574	17,202
of which non-current	22,390	32,214
B) Hedge reserve	34,055	48,405
A) Derivative financial assets		
Contractual maturities		
Within one year	12,574	17,202
1 - 2 years	8,845	11,286
2 - 5 years	9,455	14,879
After 5 years	4,090	6,049
	34,964	**49,416**
Notional amount outstanding	414,404	490,801

B) 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

Fair value of derivative financial instruments

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 judgement 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 38.

29 Deferred revenue

	Notes	2023 $ 000	2022 $ 000
Unutilized airtime balances from prepaid scratch cards and SIM cards		13,816	14,149
Others *		10,761	10,660
Total deferred revenue		**24,577**	**24,809**
of which contract liabilities - related parties	22	2,211	2,866

* Mainly include deferred revenue from managed services, Orbital resources (Channel bandwidth) and airtime contracts.

30 Government grants

Material 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.

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.

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 prior 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 was 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, as at 31 December 2022, the capital commitments under the T4-NGS procurement contract were reduced by $30 million (note 35).

31 Defined benefit obligations

Material accounting policies

For material accounting policies on defined benefit obligations, refer note 7.

The Group provides end of service benefits (defined benefit obligations) to its eligible employees. An actuarial valuation is performed by engaging an independent actuarial valuation specialist. The present value of defined benefit obligations and the related current and past service cost, are measured using the Projected Unit Credit Method.

	2023 $ 000	2022 $ 000
Unfunded plan		
Present value of defined benefit obligation	**8,929**	9,897

The movement in defined benefit obligation is as follows:	2023 $ 000	2022 $ 000
At 1 January	9,897	11,238
Current service cost	1,151	1,757
Interest cost	430	416
Benefits paid	(2,924)	(1,612)
Other movements	20	31
Actuarial loss (gain)	355	(1,929)
Exchange differences	-	(4)
At 31 December	**8,929**	**9,897**

The amounts recognised in the consolidated statement of profit or loss are as follows:	2023 $ 000	2022 $ 000
Current service cost	1,151	1,757
Interest cost	430	416
	1,581	**2,173**

Following are the significant assumptions used in the actuarial valuation:	2023 $ 000	2022 $ 000
Discount rate	5.07%	4.64%
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	
	2023 $ 000	2022 $ 000
Discount rate		
0.5% increase	-3.70%	-4.10%
0.5% decrease	3.90%	4.40%
Salary growth rate		
0.5% increase	4.30%	4.80%
0.5% decrease	-4.00%	-4.50%

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 2023, the weighted average duration of the defined benefit obligation was 7.91 years (2022: 8.72 years).

32 Share capital

The movement in the share capital is as follows:

	2023		2022	
	Shares (000)	$ 000	Shares (000)	$ 000
At 1 January and 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 USD at the rate of AED 3.6725 to USD 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. As of 31 December 2023, the Parent Company owns 62.98% of the Company's share capital.

33 Dividends

	2023	2022
	$ 000	$ 000
Cash dividends declared and paid:		
Final dividend for 2022: 2.19 cents (8.06 fils) per share	53,545	-
Interim dividend for 2023: 2.24 cents (8.23 fils) per share	54,675	-
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
	108,220	**106,027**
Proposed dividend:		
Final dividend for 2023: 2.24 cents (8.23 fils) per share (2022: 2.19 cents (8.06 fils) per share)	**54,675**	**53,500**

The proposed dividend for 2023 is subject to approval of the shareholders at the annual general assembly.

34 Statutory reserve

The UAE Federal Decree-Law No.32 of 2021 requires that 10% of the Company's profit (5% of the Limited Liability Companies' 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.

35 Capital commitments and contingent liabilities

	Note	2023	2022
		$ 000	$ 000
Capital commitments - committed and contracted		248,431	157,836
Contingent liabilities - performance bonds provided by banks in the normal course of business		31,041	36,439

Capital commitments mainly relate to T4-NGS project and AY4/5 Satellite Program. During the prior 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 were reduced by $30 million (note 30).

36 Leases - Group as a Lessor

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

	Note	2023 $ 000	2022 $ 000
Satellite capacity leases - related party	22 (i)	366,091	494,275
Investment property leases - third parties	15 / 25	4,032	4,530
Other leases: *			
Satellite capacity leases - third parties		254	340
Gateway hosting - third parties		1,344	3,108
At 31 December		**371,721**	**502,253**

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

	2023	2022
Year 1	926	2,104
Year 2	672	672
Year 3	-	672
At 31 December	**1,598**	**3,448**

37 Earnings per share

	2023	2022
Profit for the period attributable to the shareholders of the Company (in $'000)	110,368	65,564
Weighted average number of ordinary shares outstanding ('000)	2,439,770	2,439,770
Basic and diluted earnings per share (cents)	4.524	2.687
Basic and diluted earnings per share (fils)	16.613	9.869

38 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, derivative financial instruments, other financial assets 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	2023 $ 000	2022 $ 000
Derivative financial assets	28	34,964	49,416
Other financial assets	20	5,865	2,950
Trade receivables and contract assets	23	108,449	142,916
Other receivables	23	11,272	10,405
Cash and short-term deposits	24	562,080	544,699
		722,630	**750,386**

38 Financial risk management (continued)

Credit risk (continued)

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, infrastructure, data, mobility 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 32% (2022: 52%) 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.

Derivative financial instruments and bank balances

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

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 operational and capital 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
	$ 000	$ 000	$ 000	$ 000	$ 000
2023					
Term loans	86,413	151,837	160,871	117,461	516,582
Lease liabilities	1,628	633	2,110	2,743	7,114
Trade and other payables (excluding advances from customers)	81,369	-	-	-	81,369
At 31 December 2023	**169,410**	**152,470**	**162,981**	**120,204**	**605,065**
2022					
Term loans	139,236	76,796	268,677	136,594	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**

The facility amounts relating to the Group's term loans are disclosed in note 27.

38 Financial risk management (continued)

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 USD. 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 USD. For significant transactions denominated in currency other than USD 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.

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.

	2023 $ 000	2022 $ 000
Interest expense		
- 25 basis points	52	64
+ 25 basis points	(52)	(64)

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'). The Group finished the 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 the overnight and 12-month US Dollar LIBOR ceased on 30 June 2023. In addition, the FCA announced in early 2023 that one, three and six-month synthetic US dollar LIBOR settings will cease on 30 September 2024.

The Group engaged and worked closely with the Global Agent and the counterparties to mitigate the risk arising from the transition and executed the options of adoption of the replacement benchmark (SOFR). The group received a confirmation from the Global Agent that all the condition precedents regarding the Amended and Restated Loan Agreement ("ARA") are met effective from 26 September 2023 in relation to the Term Loan 5, although the ARA was signed on 5 July 2023. The Group is working with the Global Agent to complete the conditions precedent in relation to Term Loan 6 to effect transition to SOFR.

The Group has also amended its IRS agreements to effect transition from USD LIBOR to SOFR from the USD LIBOR Index Cessation Effective Date which is 30 September 2024 as announced by FTA. The Group has updated the hedge documentation in response to the changes in the hedging instruments and hedged items as a result of IBOR reform and concluded that the hedge remains effective.

The carrying amounts of Term loan 5 and Term loan 6 are disclosed in note 27 while the fair value and notional amounts of the IRS are disclosed in Note 28.

38 Financial risk management (continued)

Fair values

Investment property
The fair value measurement for the Thuraya building classified as held for sale as at 31 December 2023 (Investment property as at 31 December 2022) is classified as Level 2. The fair value has been determined by an external valuer based on transactions observable in the market.

Other financial assets
The fair value measurement of the preference stock is classified as Level 2. The fair value was determined by an external valuation expert giving due weightage to both Market and Income approaches. Market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business while Income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

The fair value of the Convertible loan was determined using the discounted cash flow method by converting the projected cash flows to their present value using a discount rate commensurate with the risk associated with the cashflows of the CLA. The fair value measurement of the CLA is classified as Level 3.

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).

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

There were no transfers between Level 1, Level 2 and Level 3 during 2023 and 2022.

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	2023 $ 000	2022 $ 000
Interest bearing borrowings (excluding unamortised transaction costs)	27	452,747	542,373
Less: cash and short-term deposits	24	(562,080)	(544,699)
Net cash		(109,333)	(2,326)
Total equity		904,768	922,484
Total equity and net debt		**795,435**	**920,158**
Gearing ratio (%)		N/A	N/A

39 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 material accounting policies followed by the Group.

There were no significant changes to the group structure in the current year and prior year.

Material 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.

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 recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognized less (when appropriate) cumulative amortisation recognized 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 recognized at the carrying amounts recognized 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 recognized 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) recognize 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 recognized in OCI, in relation to the subsidiary and
d) recognize 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.

39 Business combinations and changes in ownership interests (continued)

Material accounting policies (continued)

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.

Acquisition of an associate
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.

The consolidated financial statements are presented in United States Dollars ("USD" or "$"), the functional currency of the Company and the presentation currency of the Group. The following selected supplemental information is presented in United Arab Emirates Dirhams (AED) solely for convenience. AED amounts have been translated at the rate of AED 3.6725 to USD 1, except for share capital and additional paid-in capital which are translated using historical rates. For the purpose of this translation, numbers have been rounded where necessary.

i) Consolidated statement of profit or loss

	2023 AED 000	2022 AED 000
Revenue	1,677,370	1,588,503
Cost of revenue	(207,985)	(177,367)
Staff costs	(310,190)	(313,903)
Other operating expenses [(1)]	(198,267)	(165,167)
Other income	16,343	14,264
Adjusted EBITDA [(2)]	**977,271**	**946,330**
Depreciation, amortisation and impairment	(567,445)	(530,570)
Fair value (losses) gains [(3)]	(49,865)	5,817
Operating profit	**359,961**	**421,577**
Finance income	98,339	31,205
Finance costs	(42,230)	(35,238)
Net finance income (costs)	**56,109**	**(4,033)**
Share of results of equity-accounted investments [(4)]	(36,409)	(195,755)
Profit before income tax	**379,661**	**221,789**
Income tax expense	(4,455)	(643)
Profit for the year	**375,206**	**221,146**
Loss for the year attributable to non-controlling interests	(30,122)	(19,637)
Profit for the year attributable to the Shareholders	**405,328**	**240,783**
Earnings per share		
Basic and diluted (fils per share)	16.61	9.87

[(1)] Other operating expenses include expected credit losses on trade receivables and contract assets. For the year ended 31 December 2023, there was a net charge of expected credit losses of AED 26,394 thousand (2022: net reversal of AED 3,155 thousand).

[(2)] Adjusted EBITDA is a non-GAAP measure and refers to earnings before interest, tax, depreciation, amortisation, impairment, fair value (losses) gains and share of results of equity-accounted investments.

[(3)] Fair value (losses) gains include fair value changes on other financial assets (note 20) and investment property which is now classified as held for sale (note 25). During the year, fair value gain of AED 7,554 thousand was recorded in respect of investment property (2022: AED 5,817 thousand) whereas fair value losses of AED 57,420 thousand were recorded in respect of other financial assets (2022: nil).

[(4)] Share of results of equity-accounted investments for the prior year include impairment loss of AED 149,012 thousand in respect of the Group's investment in HPE Brazil.

ii) Consolidated statement of comprehensive income

	2023 AED 000	2022 AED 000
Profit for the year	**375,206**	**221,146**
Other comprehensive (loss) income:		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedge - effective portion of changes in fair value	23,093	170,437
Cash flow hedge - gain reclassified to profit or loss	(75,793)	(12,597)
Foreign operations - currency translation differences	11,175	19,464
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligation	(1,304)	7,084
Other comprehensive (loss) income for the year	**(42,829)**	**184,388**
Total comprehensive income for the year	**332,377**	**405,534**
Total comprehensive loss attributable to non-controlling interests	(30,449)	(19,659)
Total comprehensive income attributable to the Shareholders	**362,826**	**425,193**

iii) Consolidated statement of financial position

	2023 AED 000	2022 AED 000
Assets		
Property, plant and equipment	4,123,112	4,202,163
Investment property	-	73,380
Right-of-use assets	18,910	21,491
Intangible assets	54,500	26,479
Equity-accounted investments	183,302	235,238
Trade and other receivables	38,965	38,128
Derivative financial instruments	82,227	118,306
Other financial assets	21,539	10,834
Deferred income tax assets	731	485
Total non-current assets	**4,523,286**	**4,726,504**
Inventories	52,726	26,560
Trade and other receivables	512,391	617,931
Derivative financial instruments	46,178	63,174
Income tax assets	668	668
Cash and short-term deposits *	2,064,239	2,000,407
	2,676,202	**2,708,740**
Non-current assets classified as held for sale	102,977	-
Total current assets	**2,779,179**	**2,708,740**
Total assets	**7,302,465**	**7,435,244**
Liabilities		
Trade and other payables	584,358	628,590
Borrowings	230,460	444,655
Deferred revenue	90,259	91,111
Income tax liabilities	1,014	790
Total current liabilities	**906,091**	**1,165,146**
Trade and other payables	1,649,235	1,350,301
Borrowings	1,388,043	1,495,629
Defined benefit obligations	32,792	36,347
Deferred income tax liabilities	3,544	-
Total non-current liabilities	**3,073,614**	**2,882,277**
Total liabilities	**3,979,705**	**4,047,423**
Net assets	**3,322,760**	**3,387,821**
Equity		
Share capital	2,439,770	2,439,770
Hedging reserve	125,067	177,767
Statutory reserve	110,355	76,862
Translation reserve	(78,063)	(89,440)
Remeasurement reserve	5,677	6,981
Retained earnings	488,249	513,852
Equity attributable to the Shareholders	**3,091,055**	**3,125,792**
Non-controlling interests	**231,705**	262,029
Total equity	**3,322,760**	**3,387,821**

* Cash and short term deposits include cash and cash equivalents of AED 968,431 thousand (31 December 2022: AED 785,893 thousand).

iv) Consolidated statement of changes in equity

	Attributable to the Shareholders						
	Share capital	Hedging reserve	Other Reserves [1]	Retained earnings	Total	Non-controlling interests	Total equity
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2022	**2,439,770**	**19,927**	**(73,894)**	**704,180**	**3,089,983**	**281,688**	**3,371,671**
Profit for the year	-	-	-	240,783	240,783	(19,637)	221,146
Other comprehensive income:							
Currency translation differences	-	-	19,589	-	19,589	(125)	19,464
Cash flow hedge - effective portion of changes in fair value	-	170,437	-	-	170,437	-	170,437
Cash flow hedge - net gain reclassified to profit or loss	-	(12,597)	-	-	(12,597)	-	(12,597)
Remeasurement of defined benefit obligation (note 31)	-	-	6,981	-	6,981	103	7,084
Other comprehensive income (loss) for the year	**-**	**157,840**	**26,570**	**-**	**184,410**	**(22)**	**184,388**
Total comprehensive income (loss) for the year	**-**	**157,840**	**26,570**	**240,783**	**425,193**	**(19,659)**	**405,534**
Transfer to statutory reserve			41,727	(41,727)	-	-	-
Transactions with the Shareholders:							
Dividends	-	-	-	(389,384)	(389,384)	-	(389,384)
At 31 December 2022	**2,439,770**	**177,767**	**(5,597)**	**513,852**	**3,125,792**	**262,029**	**3,387,821**
At 1 January 2023	**2,439,770**	**177,767**	**(5,597)**	**513,852**	**3,125,792**	**262,029**	**3,387,821**
Profit for the year	-	-	-	405,328	405,328	(30,122)	375,206
Other comprehensive income:							
Currency translation differences	-	-	11,377	-	11,377	(202)	11,175
Cash flow hedge - effective portion of changes in fair value	-	23,093	-	-	23,093	-	23,093
Cash flow hedge - net gain reclassified to profit or loss	-	(75,793)	-	-	(75,793)	-	(75,793)
Remeasurement of defined benefit obligation (note 31)	-	-	(1,304)	-	(1,304)	-	(1,304)
Other comprehensive (loss) income for the year	**-**	**(52,700)**	**10,073**	**-**	**(42,627)**	**(202)**	**(42,829)**
Total comprehensive (loss) income for the year	**-**	**(52,700)**	**10,073**	**405,328**	**362,701**	**(30,324)**	**332,377**
Transfer to statutory reserve	-	-	33,493	(33,493)	-	-	-
Transactions with the Shareholders:							
Dividends	-	-	-	(397,438)	(397,438)	-	(397,438)
At 31 December 2023	**2,439,770**	**125,067**	**37,969**	**488,249**	**3,091,055**	**231,705**	**3,322,760**

[1] Other reserves include statutory reserve, translation reserve and actuarial remeasurement reserve.

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iv) Consolidated statement of cash flows

	2023 AED 000	2022 AED 000
Operating activities		
Profit before income tax	379,661	221,789
Adjustments for:		
Share of results of equity-accounted investments	36,409	195,755
Depreciation and amortisation	567,445	530,570
Allowance (reversal of allowance) for expected credit losses	26,394	(3,155)
Allowance for inventories	911	617
Fair value losses (gains)	49,865	(5,817)
Finance income	(98,339)	(31,205)
Finance costs	42,230	35,238
Gain on termination of lease	-	(5,685)
Current service cost	4,227	6,453
Write-off of property, plant and equipment	26	62
Operating profit before working capital changes	**1,008,829**	**944,622**
Working capital changes:		
Trade and other receivables	14,330	(72,624)
Inventories	(25,281)	(5,645)
Trade and other payables (1)	232,785	568,558
Deferred revenue	(852)	(8,002)
Payments for defined benefit obligations	(10,738)	(5,920)
Income tax paid	(970)	(444)
Net cash from operating activities	**1,218,103**	**1,420,545**
Investing activities		
Purchases of property, plant and equipment	(496,709)	(481,700)
Additions to intangible assets	(25,494)	(3,695)
Return of investment in an associate	27,547	15,516
Acquisition of other financial assets	(3,856)	(10,834)
Receipts of short-term deposits with original maturity of over three months	2,423,582	1,057,790
Investments in short-term deposits with original maturity of over three months	(2,318,945)	(1,822,291)
Interest received	98,041	31,205
Net cash used in investing activities	**(295,834)**	**(1,214,009)**
Financing activities		
Proceeds from term loans	78,731	226,546
Repayment of term loans	(440,700)	(223,909)
Payment of lease liabilities	(4,668)	(17,716)
Interest received (paid), net of derivative settlements	10,000	(40,067)
Refund of transaction costs on borrowings	-	3,559
Dividends paid to the Shareholders	(397,438)	(389,384)
Net cash used in financing activities	**(754,075)**	**(440,971)**
Net increase (decrease) in cash and cash equivalents	**168,194**	**(234,435)**
Net foreign exchange difference	14,344	335
Cash and cash equivalents at 1 January	785,893	1,019,993
Cash and cash equivalents as at 31 December	**968,431**	**785,893**

(1) Includes receipt of the first and second instalments of the T4-NGSA Advance Payment of AED 550.95 million each in 2023 and 2022.