

Independent auditor's report to the Shareholders of Oman Telecommunications Company SAOG

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Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of **Oman Telecommunications Company SAOG** ("the Company") **and its subsidiaries** ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

As disclosed in Note 2.1 to the consolidated financial statements, the Group has excluded the effects reported therein of applying International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Emphasis of matter

We draw attention to note 28 of the consolidated financial statements, which describes uncertainty related to the outcome of claims against the Company's subsidiary in Iraq. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed that matter is provided in that context. In addition to the matter described in the basis for qualified opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matters
<p>Revenue recognition and related IT systems</p> <p>The Group reported revenue of RO 2,513 million (2019: RO 2,592 million) for the year ended 31 December 2020.</p> <p>There is an inherent risk around telecom services revenue recognition because of the complexity of the related Information Technology ("IT") environment, the processing of large volumes of data through a number of different IT systems and the combination of different products and prices.</p> <p>Due to the complexities and dependencies on different IT systems in the revenue recognition process, we have considered this as a key audit matter.</p> <p>The accounting policy for revenue recognition is set out in note 2.4.15 and the related disclosures are made in note 19 and note 25 to the consolidated financial statements.</p>	<p>Our audit approach included a combination of test of controls and substantive procedures, in particular, the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the significant revenue processes including performance of an end to end walkthrough of the revenue process and identifying the relevant controls (including IT systems, interfaces and reports related to billing and revenue process); • Evaluating the design and testing the implementation and operating effectiveness of the relevant controls; • involving our IT specialist to test IT general controls, covering pervasive IT risks around access security, change management, data center and network operations; • reviewing the key reconciliations performed by the Revenue Assurance team; • performing data analysis and substantive analytical procedures of significant revenue streams; • performing specific procedures to test the accuracy and completeness of revenue; and • assessing the disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs. <p>Further, we instructed and monitored that the component auditors of the Group's significant entities have performed consistent audit procedures as detailed above, as applicable.</p>

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Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Impairment of goodwill</p> <p>As at 31 December 2020, the carrying value of goodwill amounted to RO 1,063 million (2019 RO 1,063 million), or 13.74% (2019: 13.92%) of total assets as disclosed in Note 12 to the consolidated financial statements.</p> <p>In accordance with IAS 36 Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>We considered the impairment of goodwill to be a key audit matter, given the method for determining the recoverable amount and the significance of the amount in the Group's consolidated financial statements.</p> <p>In addition, the recoverable amounts are based on the use of important assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates and long-term growth rates.</p> <p>Uncertainty in the estimations have increased as the COVID-19 pandemic has led to significant market volatility during 2020, including an increase in country risk premium which also leads to additional complexity in determining the appropriate discount rate.</p> <p>Refer to the following notes to the consolidated financial statements:</p> <ul style="list-style-type: none"> • Note 2.14 - Accounting policy for impairment of non-financial assets • Note 12 - Carrying value of goodwill and key assumptions used in the impairment testing. 	<p>We tested the goodwill impairment models and the key assumptions used by management with the involvement of our internal valuation specialists. Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • understanding the business process for the impairment assessment, evaluating the design and testing the implementation of the key controls over the impairment assessment process; • evaluating whether the cash flows in the models used by management to calculate the recoverable value are in accordance with the requirements of IAS 36 Impairment of Assets; • comparing actual historical cash flow results with previous forecasts to assess reasonableness of forecasts; • with the support of our internal valuation experts, benchmarking and challenging key assumptions used in the Group's value-in-use calculation including the cash flow projections, discount rates and terminal growth rate and management's assessment of the impact of the COVID-19 pandemic; • assessing the methodology used by the Group to estimate the Weighted Average Cost of Capital (WACC) and benchmarking that with discount rates used by other similar businesses and market data, as available; • benchmarking assumptions on long term growth rates of local GDP and long-term inflation expectations with external sources of data published by global monetary agencies; • performing sensitivity analysis on the key assumptions used by management to understand the extent to which these assumptions need to be adjusted before resulting in additional impairment loss; and • assessing the disclosures in the consolidated financial statements relating to impairment of goodwill against the requirements of IFRS.

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Other information

Board of Directors (the Board) is responsible for the other information. The other information comprises of the information included in the Annual Report of the Group for the year ended 31 December 2020. The other information does not include the consolidated financial statements and our auditor's report thereon. We obtained the following reports prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2020 after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section of our report, of the Group has not applied the requirements of IAS 29 in relation to its subsidiaries in the Republic of Sudan. We were unable to determine if the other information is materially misstated in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and relevant disclosure requirements of the Commercial Companies Law, and the Capital Market Authority (the "CMA") of the sultanate of Oman and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

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

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

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

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

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Auditor's responsibilities for the audit of the consolidated financial Statements (continued)

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

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

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

Report on other legal regulatory requirements

Further, we report that the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 2019 and the disclosure requirements issued by the Capital Market Authority.



Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
10 March 2021



Signed by
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Partner
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