



Contents

Introduction to the Company	1	Statement of Comprehensive Income	77
Message from the Chairman	2	Consolidated Statement of Changes in Equity	78
Group Chief Executive's Review of Operations	6	Company Statement of Changes in Equity	79
Board of Directors	17	Statement of Cash Flows	80
Corporate Management Team	23	Notes to the Financial Statements	81
Business & Financial Review	28	US Dollar Financial Statements -	
Corporate Governance Report	46	Statement of Financial Position	152
Report of the Board Audit Committee	54	US Dollar Financial Statements -	
Report of the Related Party Transactions		Statement of Comprehensive Income	153
Review Committee	57	Group Value Added Statement	154
DIAL Share Information	58	Five Year Summary	155
		Group Real Estate Portfolio	156
Financial Statements		Notice of Annual General Meeting	157
Annual Report of the Board of Directors for		Administrative Details for the 24th	
the year ended 31 December 2020	64	Annual General Meeting	159
The Statement of Directors' Responsibility	69	Form of Proxy	161
Independent Auditor's Report	70		
Statement of Financial Position	76	Corporate Information	<i>Inner Back Cover</i>

Our Vision

To be the undisputed leader in the provision of multi-sensory connectivity resulting always, in the empowerment and enrichment of Sri Lankan lives and enterprises.

Our Mission

To lead in the provision of technology enabled connectivity touching multiple human sensors and faculties, through committed adherence to customer-driven, ethical, responsive and flexible business processes, and through the delivery of quality service and leading edge technology unparalleled by any other, spurred by an empowered set of dedicated individuals who are driven by an irrepressible desire to work as one towards a common goal in the truest sense of team spirit.

Dialog Values

- ▶ Service from the Heart
- ▶ Create the Future
- ▶ Champions of Change
- ▶ Exceptional Performance
- ▶ Uncompromising Integrity
- ▶ Responsible Leadership
- ▶ One Team

Scan the QR Code
to directly access the
Dialog Annual Report
2020 online



Scan the QR Code to
directly access the Dialog
Sustainability Report
2020 online



Introduction to the Company

Dialog Axiata PLC, a subsidiary of Axiata Group Berhad (Axiata), operates Sri Lanka's Leading Quad-Play Connectivity Provider. The Company ranks among the largest listed companies on the Colombo Stock Exchange in terms of market capitalisation. Dialog is also Sri Lanka's largest Foreign Direct Investor (FDI) with cumulative investments totalling USD 2.8 Billion.

The winner of six Global Mobile Awards, Dialog has the distinction of being voted by Sri Lankan Consumers as the 'Telecommunication Brand of the Year' for a record ninth year running, 'Service Brand of the Year', and 'Youth Choice – Service Brand of the Year' at the SLIM-Nielsen Peoples Awards 2020. The Company was awarded 'Sri Lanka's Most Valuable Brand' for the Second Consecutive Year and 'Most Valuable Telecommunications Brand' for the 13th consecutive year in the Brand Finance league table in 2020. It also won the TM Forum 2020 Excellence Award in Customer Experience & Trust Category.

Dialog is an ISO 9001 certified Company and has received numerous local and international awards, including the National Quality Award and the Sri Lanka Business Excellence Award, and endorses the worldwide Sustainable Development Goals (SDGs) which aim to build a sustainable future for all by 2030.

Dialog has been at the forefront of innovation and digitisation in the mobile industry in Sri Lanka since the late 90's, propelling the nation's mobile telephony infrastructure to a level of advancement on par with the developed world. The Company delivers advanced mobile telephony and high-speed mobile broadband services to a subscriber base of 16.2 Million Sri Lankans, via 2.5G and 3G/3.5G and 4G/4.5G networks.

The Company forayed into new digital frontiers, spearheading technology firsts in South Asia and Sri Lanka with the commissioning of South Asia's first fully functional and standards-compliant 5G pilot transmission and Sri Lanka's first 5G trial network, showcasing next-generation technology that will propel Sri Lanka into the future.

Dialog Axiata supplements its market leading position in the Mobile Telecommunications sector with a robust footprint and market presence in Sri Lanka's Fixed Telecommunications, Digital Pay Television, and Financial Services markets through its subsidiaries, Dialog Broadband Networks (Private) Limited (DBN), Dialog Television (Private) Limited (DTV), Digital Holdings Lanka (Private) Limited, and Dialog Finance PLC. DBN is Sri Lanka's second largest Fixed Telecommunications service provider, serving residential and enterprise customers with voice, broadband, leased lines and customised telecommunication services.

Message from the Chairman



DAVID NAI PEK LAU

Chairman/Non-Independent, Non-Executive Director

"I am incredibly proud of our 3,000-strong Dialog family and business partners across the country and thankful for their remarkable efforts to keep Sri Lanka connected while enabling Sri Lankans to move forward as one digital society during this time of need."



“We harnessed the power of technology to extend an expansive suite of digital solutions and services to over 16 million of our customers in our mission of enabling families, enterprises and communities to cope with the pandemic.”

My dear shareholders,

No words can describe the challenges we faced in 2020, which saw the COVID-19 pandemic spread across the world and affect all of us in ways that we could not have imagined.

When I took over in July, I was pleased to see significant work done by Supun and the team, guided by our previous Chairman and the Board of Directors, to help navigate Dialog through this unprecedented time. I am incredibly proud of our 3,000-strong Dialog family and business partners across the country and thankful for their remarkable efforts to keep Sri Lanka connected while enabling Sri Lankans to move forward as one digital society during this time of need. I strongly believe that we will come out of the pandemic a much stronger and agile organisation.

Our earlier work on Digitisation in the previous few years has helped to cushion our revenue which was hit hard by reduced roaming and virtually no income from tourists. Despite the challenges, we harnessed the power of technology to extend an expansive suite of digital solutions and services to over 16 million of our customers in our mission of enabling families, enterprises and communities to cope with the pandemic.

I am especially proud to see Dialog playing a key role in supporting affected industries such as health care and education with our connectivity network. On health care, we conducted a myriad of initiatives to support the sector, including investing Rs. 200Mn towards the development of state-of-the-art Intensive Care Units

at the Homagama Base Hospital and the Negombo Hospital. We also provided critical connectivity, telemedicine and telepresence solutions to hospitals and quarantine centres island-wide and launched a toll-free, national COVID-19 medical advisory helpline. The Dialog team also conducted multiple nationwide COVID-19 relief operations.

To minimise the disruption to the education system due to the early closure of schools, Dialog extended toll-free Distance Learning Solutions to schools across the country and provided free access without any Data charges to all official e-Learning platforms of State Universities, Guru.lk, and e-thaksalawa. To facilitate working and learning from home during these challenging times, we extended a host of free services, concessions and special offers for our Mobile, Home Broadband, Dialog Television and Dialog Enterprise customers.

Though the pandemic has certainly challenged all facets of our business, it has also affirmed that we are on the right track in transforming Sri Lanka into a digital nation. We remain committed to continuing our investment programme to provide robust connectivity across the country, which has now become even more imperative as we try and overcome the pandemic while also championing digital transformation and the use of data analytics across the country. Following South Asia's first standards-based 5G transmission in 2018, we continue to pioneer 5G innovation in the country, with the establishment of a 5G trial network in collaboration with the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) for the piloting of pre-commercial 5G services.

Message from the Chairman

“Your Company recorded growth across its core business segments to achieve a consolidated revenue of Rs. 120.1Bn...Bottom line Group profitability recorded a 12% YoY growth which stood at Rs. 12Bn for FY 2020.”

Against the backdrop of a difficult year, I am pleased to note that Dialog sustained its performance in 2020. Your Company recorded growth across its core business segments to achieve a consolidated revenue of Rs. 120.1Bn in FY 2020, representing a Year-on-Year (YoY) growth of 3%. The combined efforts of the Group resulted in an Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) of Rs. 50.9Bn, which represents a 9% growth compared to FY 2019. Bottom line Group profitability recorded a 12% YoY growth which stood at Rs. 12Bn for FY 2020.

We remain committed to creating sustainable growth in value for our shareholders, and the Board of Directors of Dialog Axiata PLC is pleased to propose for your consideration a full year Dividend of 74 cents (Rs. 0.74) per share which represents a Dividend Payout of 50% of net profit for the year 2020. This represents a Dividend Yield of 6%, and together with the appreciation in Dialog's share price, results in a 6.8% Total Shareholder return.

In line with our singular focus on delivering digital empowerment to all and bridging socio-economic divides, we continued to invest in expanding our service portfolio and network infrastructure during the year under review. On this note, I am pleased to announce that your Company continues to be the country's top foreign direct investor with infrastructure investments totalling USD156.4Mn in 2020. We remain committed to continuing to invest similarly in future years to drive the nation's digital transformation.

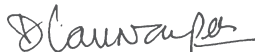
On behalf of the Company, I would like to extend my sincere thanks to Datuk Azzat Kamaludin, who served as your Chairman for more than 11 years, for his steadfast leadership, valued contribution and counsel to the Group. I warmly welcome Mr. Azwan Khan Osman Khan and Dr. Indrajit Coomaraswamy to the Board. Their combined management experience, expertise and insight will be invaluable in our pursuit of further excellence. I also wish to extend my sincere thanks to Dato' Mohd Izzaddin Idris, who resigned from the Board on 31st December 2020, for his valuable contribution, as he took up the position of President and CEO of the Axiata Group.

I wish to place on record my sincere appreciation for the Government of Sri Lanka, the Telecommunications Regulatory Commission of Sri Lanka, the Ministry of Technology, the Ministry of Parliamentary Reforms and Mass Media, the Central Bank of Sri Lanka, Board of Investment of Sri Lanka, our valued shareholders and other agencies who have encouraged, enabled and facilitated the development of our Company and its operations.



"On behalf of the Company,
I would like to extend my
sincere thanks to Datuk Azzat
Kamaludin, who served as
your Chairman for more than
11 years, for his steadfast
leadership, valued contribution
and counsel to the Group."

I would also like to take this opportunity to thank
the Dialog team led steadfastly by our Group
Chief Executive and our business partners for their
hard work and contribution to what has been an
unprecedented year for the Company, especially for
their unwavering efforts in empowering and enriching
Sri Lankan lives and enterprises.



David Nai Pek Lau
Chairman

30 April 2021

Group Chief Executive's Review of Operations



Supun Weerasinghe
Director/Group Chief Executive

"As we move further into this new normal, we will continue to invest in critical resources and develop solutions that have a positive societal impact and empower Sri Lanka's transformation into a digital nation."



“Amidst this volatile health crisis, the Dialog family stepped up to the challenge to not only keep Sri Lanka connected but to also bring Dialog’s purpose and values to life by utilising the transformative power of technology to empower and enrich lives and enterprises.”

Dear Shareholders,

I am pleased to announce that your Company delivered excellent business results despite challenges posed by the COVID-19 pandemic. The global pandemic severely impacted all aspects of our lives and was ‘unprecedented’ in every sense. Amidst this volatile health crisis, the Dialog family stepped up to the challenge to not only keep Sri Lanka connected but to also bring Dialog’s purpose and values to life by utilising the transformative power of technology to empower and enrich lives and enterprises.

With the prevailing situation turning online conveniences into daily necessities, the Dialog Family has been nothing short of exceptional in ensuring a fully connected world for Sri Lankans. I am in awe of all that the team has facilitated during this time despite the gruelling challenges. My sincere thanks and gratitude go to the Dialog family and our partners for their relentless and continuing efforts to keep Sri Lanka connected and continuously progressing.

SERVICE FROM THE HEART – OUR RESPONSE TO THE COVID-19 CHALLENGE

Living our value of Service from the Heart, your Company promptly rolled out numerous initiatives to address some of the biggest challenges presented by the pandemic and in turn, keep all Sri Lankans safe and connected. In addition to keeping our customers connected, these initiatives aimed to take care of our

Colleagues as they serve in the frontline as an essential service provider, help the most vulnerable segments in our Community, and support the Government’s initiatives by uplifting critical healthcare infrastructure and enabling online education.

► Keeping Our Customers Connected

We provided over Rs. 7Bn worth of consumer concessions to keep our customers connected during lockdown periods. Over 25Mn GBs of free mobile data, 7.7Bn minutes of voice calls and 7.7Bn SMS were provided to more than 8.5Mn customers. Amidst the complete lockdown in April 2020, all 1.5Mn Dialog Television (DTV) equipped homes were provided with the full channel bouquet for free, and over 324,000 households were provided with free DTV services for 30 days. We also provided free Home Broadband (HBB) data to over 450,000 HBB customers. At the same time, our Enterprise customers impacted by the pandemic were provided with Rs. 375Mn worth of concessions and benefits to help sustain their operations.

► Our Colleagues

Throughout this challenging period, the health and safety of the Api Dialog family including our partners was our top priority. Although a part of our workforce had to be on the front lines to ensure the uninterrupted operation of our critical communications infrastructure, a majority of our workforce shifted to remote work. While the Dialog family placed duty above all else to ensure that Sri Lanka stays connected

Group Chief Executive's Review of Operations

"The Group EBITDA Margin improved to 42.3% up 2.4pp for the year. Group Net Profit After Tax (NPAT) demonstrated a growth of 12% YoY to reach Rs. 12Bn for FY 2020 underpinned by strong EBITDA performance and a stable currency."

during this tumultuous time, we set out to ensure their safety and wellbeing by extending a comprehensive support mechanism ranging from facilitating PCR testing and accommodation at Care centres, fulfilling island-wide PPE requirements, delivering dry rations to homes, and conducting regular knowledge sharing and engagement sessions throughout the year.

We will continue our efforts to keep the Api Dialog family safe so that they can keep you, our valued customers, connected.

► Our Communities

In addition to serving our customers and colleagues, we supported the community's most vulnerable to the pandemic and ensuing lockdowns. The Dialog family together with our media partners rallied together to distribute dry rations worth over Rs. 78Mn to over 174,000 people in over 400 villages across 22 districts during the lockdown periods.

► Our Country

In supporting the health care sector, we invested Rs. 200Mn towards the development of state-of-the-art Intensive Care Units at the Homagama Base Hospital and the Negombo District Hospital. Additionally, we provided critical connectivity solutions to the National Institute of Infectious Diseases (Infectious Disease Hospital) and over 110 quarantine centres while extending Dialog Television services to over 300 quarantine centres across the country.

Dialog also provided 4000 PCR test kits to the Ministry of Health to enable high-speed Robotic PCR Testing at the Bandaranaike International Airport. Additionally, the Company provided telepresence and connectivity solutions to 30 hospitals, extended telemedicine solutions to 16 hospitals across the country, launched the toll-free/trilingual 1390 COVID-19 national medical advisory hotline, and enabled free video and audio consultations with both private and Government sector doctors through the MyDoctor app.

In supporting the education sector, Dialog enabled the Ministry of Education to extend toll-free Distance Learning Solutions to 92 Schools across the country through the toll-free hotline 1377, and facilitated free access without any Data charges to all official e-Learning platforms including State University systems, Guru.lk, and e-thaksalawa, the education portal of the Ministry of Education.

The timely execution of these and countless other efforts are a testament to Dialog's corporate ethos. As we move further into this new normal, we will continue to invest in critical resources and develop solutions that have a positive societal impact and empower Sri Lanka's transformation into a digital nation.

PERFORMANCE OVERVIEW

Despite the challenges posed by the pandemic, Dialog Axiata PLC recorded consolidated revenue of Rs. 120.1Bn, a 3% YoY growth driven by all our business segments, namely Mobile, Fixed, Broadband, Television, ICT and International. On the back of stringent cost management initiatives, the Group Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) was recorded at Rs. 50.9Bn for FY 2020 representing a growth of 9% YoY. The Group EBITDA Margin improved to 42.3% up 2.4pp for the year. Group Net Profit After Tax (NPAT) demonstrated a growth of 12% YoY to reach Rs. 12Bn for FY 2020 underpinned by strong EBITDA performance and a stable currency.



SEGMENTAL REVIEW

► Mobile

At the heart of Sri Lanka's digital future, Dialog plays a critical role in advancing the nation's digital infrastructure with our substantial investments and converged offerings, which deliver vital connectivity and services to Sri Lankan homes and enterprises. Dialog's mobile business continued to strengthen its market-leading position, where we recorded a subscriber base of over 16.2Mn by the end of FY 2020, which represents an approximate 9% growth over 2019. The mobile business continues to contribute to the majority of Revenue and EBITDA, accounting for 69% of Group Revenue and 74% of Group EBITDA in FY 2020, respectively. Revenue for the segment stood at Rs. 82.4Bn in FY 2020 while recording an EBITDA of Rs. 37.7Bn with an NPAT of Rs. 11.7Bn over the same period, which represents a Year to Date (YTD) growth of 6% and 1% respectively.

► Fixed Broadband

The fixed broadband business witnessed strong revenue growth during the year, mainly driven by an increase in the overall subscriber base. During the year under review, the fixed broadband business recorded revenue growth of 21% and robust subscriber growth of 45%, leading to a total base of over 850,000 subscribers. The strong growth in the HBB subscriber base was driven by the introduction of several new packages on the Home Broadband front in response to the increased demand for data for the Working/ Learning from Home and entertainment requirements. In 2020, we also focused on further expanding our fixed LTE network, reaching a cumulative base of over 2,400 sites.

► International Business

Despite the travel restrictions and lockdowns put into effect due to the pandemic, Dialog continued to invest in infrastructure development in line with its ambitions of becoming a digital telco champion in Sri Lanka and the region. Together with its consortium partners, Dialog commissioned the Maldives Sri Lanka Cable

system (MSC), enabling the delivery of high-speed broadband services and establishing the single largest infusion of International Bandwidth between Sri Lanka and the Maldives to date. In addition to launching 5G outbound roaming services, Dialog's voice roaming was expanded to reach 685 operators in 230 destinations, while our LTE roaming footprint was expanded to reach 374 operators in 151 destinations globally.

► Television

Dialog Television strengthened its market leadership position in the digital pay television space with a subscriber growth of 12% YoY to reach 1.6Mn households. DTV revenue remained stable YTD, recording Rs. 8.7Bn, and due to cost management initiatives carried out over the year, DTV EBITDA recorded a growth of 3% YTD at Rs. 2.5Bn for FY 2020. However, DTV Net Loss increased to Rs. 0.9Bn for FY 2020 relative to a Net Loss of Rs. 0.5Bn recorded in FY 2019. The expansion in Net Loss resulted from increased amortisation of customer acquisition cost stemming from new subscriber acquisitions. Furthermore, the currency depreciation during the year impacted the financial performance of DTV at an estimated Rs. 129Mn and Rs. 176Mn at EBITDA and PAT levels, respectively.

CONNECTIVITY

With majority of the population shifting to working and learning from home, we experienced an unexpected surge in network traffic which we had to address to fulfil the increasing capacity and coverage requirements of our customers. Furthermore, occupational risks related to COVID-19, travel restrictions, closure of authority offices, material importation, and mobilisation limitations were some of the constraints the teams had to endure during this unprecedented time. Despite these arduous challenges, the Dialog team demonstrated unwavering commitment towards increasing bandwidth and strengthening the resilience and security of networks, while managing congestion.

Group Chief Executive's Review of Operations

Your Company invested approximately Rs. 28.8Bn in 2020, which represents 23% of Sri Lanka's FDI for the year. Dialog, along with our valued investors, holds the distinguished position as the #1 FDI in the country with a total investment of USD 2.8Bn since inception.

In staying true to its vision of driving digital inclusion across the nation, the Company invested Rs. 23Bn on Data Leadership focusing on 4G upgrades and continued to expand its coverage by adding 334 new sites. As a result of these endeavours and our continued efforts on network optimisation through analytics and automation, Dialog covers more than 90% of the Sri Lankan population with 4G broadband; and according to Open Signal, Dialog has the widest 4G coverage and availability in Sri Lanka.

CONTRIBUTIONS TO THE GOVERNMENT OF SRI LANKA

It gives me great pride to note that even in the most challenging of times, your Company continues to be a major contributor to the revenues of the Government of Sri Lanka and hence to national development and public welfare. Over the course of 2020, your Company contributed Rs. 6.0Bn in direct taxes and collected Rs. 12.8Bn in consumption taxes, amounting to a total pay-out of Rs. 18.8Bn.

COMMITTED LONG TERM INVESTOR

Your Company invested approximately Rs. 28.8Bn in 2020, which represents 23% of Sri Lanka's FDI for the year. Dialog, along with our valued investors, holds the distinguished position as the #1 FDI in the country with a total investment of USD 2.8Bn since inception.

In 2020, Dialog Axiata PLC and its fully owned subsidiary Dialog Broadband Networks (Private) Limited also entered into two supplementary agreements with the Board of Investment of Sri Lanka (BOI) for an additional investment of USD 254.1Mn (LKR 46.1Bn) in Sri Lanka's ICT Infrastructure. These agreements span a broad scope of ICT infrastructure development by Dialog Axiata PLC and Dialog Broadband Networks (Private) Limited encompassing the expansions of mobile and fixed 4G-LTE networks, the evolution of IP and fibre networks, and the further development of Wi-Fi and broadband networks. Moreover, the investment is set to yield significant economic benefits to the economy through the deployment of 5G connectivity, which will position Sri Lanka as a pioneer in 5G technology.

As we constantly explore and push the boundaries of technological possibilities to reimagine telecommunications and digital services, we remain committed to driving Sri Lanka's digital transformation underpinned by inclusive and equitable access to technology.

DIVIDEND TO SHAREHOLDERS

Dialog continued to demonstrate resilience against the backdrop of the unprecedented impact of the pandemic. I am pleased to announce that the Board of Directors has recommended a total dividend payment of Rs. 6.0Bn, which translates to a dividend of 74 cents per share, representing a Dividend Payout of 50% of net profit for the year 2020. This represents a Dividend Yield of 6%, which is at the higher end amongst listed companies in the Colombo Stock Exchange.

Your Company also adopted a dividend policy which came into effect with the declaration of the dividends out of FY2020 profits. The policy aims to pay out a minimum dividend of 50% of Profit after Tax and Minority Interest ('PATAMI') whilst giving due cognizance to business prospects, capital requirement, and other factors the Board deems relevant.



ADVANCING IN THE NEW NORMAL

Our unwavering dedication towards meaningful innovation enables us to consistently deliver on consumer preferences. As espoused in our brand signature, we are committed to delivering the Future. Today, and our team is driven by the passion to Champion Change and Create the Future.

► Enterprise ICT Solutions

As the pandemic unfolded together with the new norm, we deployed breakthrough solutions across consumer segments to propel creative ecosystems and support working from home (WFH). Dialog's Work from Home suite of solutions included Corporate Data on any Broadband to empower the WFH initiatives of corporates. Other solutions include Cloud-based collaboration applications, Remote Device Management and Endpoint Security to manage and support devices remotely and ensure security and SDWAN Solutions to provide secure connectivity and optimised access to corporate applications.

Marking another first, Dialog Enterprise Cloud received Sri Lanka's first VMware Cloud Verification Status, joining the ranks of just 235 service providers worldwide, for delivering a full set of interoperable VMware Cloud infrastructure capabilities as-a-service to its Enterprise customers. For the first time in Sri Lanka, Dialog Direct Cloud Connect (DDCC) offers a dedicated direct cloud connection to a preferred cloud service provider, on par with global standards in providing low latency, cost-effective and secure connectivity to cloud services.

Dialog's SmartLife continues to harness the power of ambient technologies to deliver ubiquitous, responsive and interconnected smart home solutions.

Our Acquisition of a 100% stake in H One (Private) Limited, Sri Lanka's number 1 Microsoft reseller and award-winning tier-1 partner, would supplement Dialog's expansive suite of enterprise solutions and would facilitate accelerated digital transformation

"As espoused in our brand signature, we are committed to delivering the Future. Today, and our team is driven by the passion to Champion Change and Create the Future."

across Sri Lanka's Enterprise Sector. The combination of Dialog's expertise in advanced digital technologies and the cutting-edge capabilities of H-One will create a Centre of Excellence for scalable Microsoft Platforms and Enterprise Solutions.

► The Future. Today.

Dialog's 5G trial network deployed in collaboration with the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) in the 3.5GHz band was expanded to cover selected areas in Colombo city and suburbs, Kandy, Peliyagoda, Wattala, Negombo and Galle. The trial network was further augmented with the launch of 5G outbound roaming - another first, not only for Sri Lanka but also for the entire region.

Designed for gigabit speeds with millisecond latency, 5G offers the potential for revolutionary applications converging connectivity, edge computing and Internet of Things (IoT) technologies. Dialog aims to play a critical role in making these innovative services come to life by providing reliable network capabilities and driving demand-focused service innovation. Through this network modernisation, we envision a differentiated 5G experience to better service our customers and explore new possibilities through an ecosystem of like-minded partners.

As in previous years, Dialog continued to lead Sri Lanka's connectivity sector in terms of inclusive and value-adding innovations catalysing the transformation of our business and the outcomes we deliver to our customers, society and the nation at large.

Group Chief Executive's Review of Operations

We also developed a Contactless Temperature Screening Solution for enterprises, including the basic features of reading the temperature of employees, customers, and visitors as they enter a building or a defined area. Our Intelligent Video Analytics platform can also help identify the details and images of those who enter the defined location without wearing masks and detect persons whose temperatures exceeds a pre-defined threshold.

To support the social distancing efforts of corporates, we extended the VDOmeet solution, a video calling platform enabling enterprises to service their customers via a video consultation, further eliminating the risk and necessity of physically meeting. Furthermore, we created a portfolio of Industrial IoT applications, ranging from energy monitoring, cold storage monitoring, water consumption monitoring and environmental monitoring. These solutions were provided to leading companies in the country in various industry verticals to help them digitise their business operations.

We also introduced Vaayu, an Air Quality Monitoring System in partnership with the National Building Research Organisation (NBRO). Vaayu is currently available in Colombo and will soon be made available island-wide.

In keeping our promise of delivering The Future. Today., we established a state-of-the-art Innovation Laboratory to empower and drive post-COVID-19 innovations under the aegis of the Dialog Innovation Foundry, founded with a vision of leapfrogging industries in emerging markets in order to elevate the country's economic growth.

► Digital Services

In adapting to the new reality formed by the pandemic, we set out to strengthen our service propositions and redefine 'convenience' for our customers and communities by leveraging our digital capabilities.

In line with this ambition, eZ Cash, the country's first and largest mobile money solution, maintained its number one status through expansive partnerships with retail and banking platforms. Meanwhile, Genie received the PCI-DSS Version 3.2.1 certification for the 4th consecutive year and enhanced its ePayment security with tokenization and 3DS verification for a more secure payment service. Genie also successfully enabled International Card acceptance across its merchant platform, allowing users to make digital payments via International cards.

The Touch Corporate Fuel Solution extended its fuel station network to 100 Ceylon Petroleum Corporation stations and partnered ride-hailing apps to enable customer payments using the allocated quota as a payment option within their respective apps.

The Company's InsureTech vertical, the first of its kind in the country, partnered with the largest insurers in the industry to offer exclusive value-added and COVID-19 inclusive services such as per-day Insurance to customers.

Ideamart's innovative AppMaker platform continued to drive the mobile app revolution by enabling content creators and service providers to create apps with zero coding knowledge and monetise their app. In addition to being declared the winner of the Inclusion and Empowerment category of the e-Swabhimani Digital Social Impact Awards conducted by ICTA, in 2020, AppMaker was also recognised as the Gold Winner by NBQSA under the ICT Service Solution Category.

We enhanced our efforts in the edutech space in 2020 with our partner Headstart to transform schools into smart-schools, empower students and educators via the immersive learning platform - Guru.Ik, and extend hassle-free end-to-end eLearning solutions for corporates.



► Dialog Axiata Digital Innovation Fund

Since its establishment in 2017, the Dialog Axiata Digital Innovation Fund has invested in 7 digital start-ups to date. During the year under review, Agrithmics, an agile cloud-based end-to-end Process Automation and Fintech solution for the Agri industry tracked strong revenue figures, and MyDoctor merged with Dialog's subsidiary Company Doc990, creating an unparalleled HealthTech portfolio for customers.

DIALOG - SRI LANKA'S MOST VALUABLE BRAND

Your Company's vision of empowering and enriching Sri Lankan lives and enterprises is deeply ingrained in our DNA and exemplified by the Api Dialog family's relentless pursuit to uplift communities and revolutionise the industries that we operate in. The strength of our brand stems from our passion to deliver 'Service from the Heart' and our commitment to 'Creating the Future', while positioning ourselves as a trusted digital companion in the hearts of over 16 million customers. Dialog being awarded 'Sri Lanka's Most Valuable Brand' by Brand Finance for the second consecutive year in 2020, with a brand value of Rs. 48.8Bn and a AAA brand strength rating are reflective of the Company's resolve in delivering "The Future. Today."

Recognising your Company as a consumer champion and a responsible corporate citizen that strives towards maintaining trust in a connected world, Sri Lankans across the country voted Dialog as the 'Service Brand of the Year', 'Youth Choice – Service Brand of the Year', and for a record ninth year running, the 'Telecommunication Brand of the Year' at the SLIM-Nielsen Peoples Awards 2020. These accolades reflect the sentiments of Sri Lankans and the value we create and deliver as we continue to use the power of technology as a force for good and transform Sri Lankan hearts and minds in truly positive and significant ways.

"The strength of our brand stems from our passion to deliver 'Service from the Heart' and our commitment to 'Creating the Future', while positioning ourselves as a trusted digital companion in the hearts of over 16 million customers."

CUSTOMER EXPERIENCE

Our corporate mission is fuelled by our unwavering commitment towards delivering unparalleled customer experiences and service delivery excellence as advocated in our core value - 'Service from the Heart'. Being awarded the winner under the Customer Experience & Trust Category at the coveted TM Forum 2020 Excellence Awards bears testimony to our efforts in creating and managing complex digital services to deliver even better customer experiences while building trust and loyalty. Furthermore, being certified as a 'Great Place to Work Certified TM' in Sri Lanka and as one of the '10 Best Workplaces for Women in Sri Lanka' reflects the people-centric culture and service ethos Dialog aims to foster.

We remain committed to placing the Company at the forefront of service innovation and delivering unparalleled experiences while enabling a connected future for every Sri Lankan.

DIGITAL TRANSFORMATION

We continued to leverage new technologies and drive simplification to accelerate our digital transformation programme to deliver unparalleled experiences for our customers while also significantly reducing our costs. In 2020, we embarked on an accelerated journey of democratising the analytical capability across the organisation. The key focus is to empower the functional units to serve our customers faster and better while improving operational efficiency.

Group Chief Executive's Review of Operations

Digitisation of the retail space continues to be a key focus area, with 'Retail Hub' enabling over 40,000 of our retail partners to perform key operations previously done manually. Retail Hub is Sri Lanka's first-ever true end-to-end Digital Customer Onboarding Platform that transformed and fully automated the retail landscape, thus digitising the most critical Customer Channel interface for Dialog while providing customers with a positive onboarding experience. 'Dialog Retail Hub' is a secure and fully standards-compliant platform that is future-ready to provide a completely digital customer experience.

The 'MyDialog' digital self-care app is the most downloaded telecom app in Sri Lanka, with more than 7 million customer registrations and listed as one of the top Mobile apps in Sri Lanka.

These actions have led to 100% automation of distribution channel activations, automation of the key manual processes and 70% of all payments being automated, leading to the upliftment of the Group EBITDA.

With the pandemic driving the adoption of digital services, we will remain focused on further enhancing our digital transformation programme by bringing in upgrades during 2021 - in terms of breaking boundaries, offering a connected customer experience, automating sales and front-end functions, and resolving back-office restrictions. We will keep introducing new digital skills such as AI/ML, Big data analytics, hyper-automation, cloud computing, and cybersecurity to achieve business agility and robust growth.

ORGANISATIONAL TRANSFORMATION AND CULTURE

Even with the majority of our team working remotely, we managed to sustain our productivity levels through our efforts towards executing 'agile at scale' to deliver on the value of flexible work. With the initiation of 'Work from Home', we saw an opportunity to shift into high-gear with our training and up-skilling initiatives.

In line with this commitment, all training and learning initiatives were completely digitised. For example, we conducted the Axiata Analytics Academy online with 90 staff, 52 webinars with over 3,500 participants, Online Agile training with 350 participants (where 236 staff were certified), and the Corporate Induction programme online covering over 750 hours.

Our team is committed to building a sustainable business by driving long term strategy, growing our market with cutting edge innovations, fortifying our brand image and acquiring the highest skilled talent. During the year under review, we maximised value creation in a constantly evolving industry through economies of scale and leveraging synergies while driving operational excellence. The Sustainability Report for 2020 discusses the contribution of our people towards driving your Company forward.

CORPORATE SUSTAINABILITY

The year under review was deeply challenging, but it was also a time for us to pause, reflect on the new normal and adapt to support the national efforts in mitigating the adverse effects of the pandemic. While I highlighted some of the initiatives we conducted to support these efforts earlier in the review, it would be impossible to present an exhaustive overview of the great lengths the Dialog team has gone to in taking care of our customers, colleagues, communities and the country.

In addition to the wide spectrum of initiatives we continue to carry out in support of the national efforts in combating the pandemic, we remain focused on practising better principles of sustainability and social responsibility across the board.

► Strengthening Local Livelihoods and Businesses

As agents of change at the forefront of social innovation, we launched 'Saviya', an easy-to-use and affordable mobile-based advisory service for dairy farmers to improve dairy production capacity, quality of milk produced, and the health of livestock. This



model follows the footsteps of the revolutionary trilingual ‘Govi Mithuru’/‘Uzhavar Thozhan’ agronomy advisory service, which saw an unprecedented rapid uptake in rural areas, with farmers discovering the significant livelihood-related value in their phones through this service. To support the acceleration of Sri Lankan agriculture and the enhancement of crop quality through affordable and automated agriculture kits, we launched SARU in collaboration with the University of Moratuwa and the University of Ruhuna.

During the year under review, we also launched ‘Sayuru’, a free, tri-lingual and fully-fledged SMS and Voice messages based weather and warning service to help safeguard the lives of the coastal fisheries communities, similar to the digitally inclusive and accessible solutions we have powered previously, including the Disaster Emergency Warning Network (DEWN) service to deliver crucial alerts to the entire country. Furthermore, aiming to bridge the gap in business knowledge amongst entrepreneurs and stakeholders affiliated with Micro, Small and Medium Enterprises (MSMEs), we launched Diriya.lk, a trilingual web-based knowledge portal.

As the nation emerges from the pandemic, there is a real focus on building back in a more sustainable and resilient manner. In realising this vision, we remain committed to driving social innovation and delivering solutions that will make a real difference in the lives of Sri Lankans and equip our nation with the power to do more. I refer readers to our 2020 Sustainability Report for a more detailed description of our work in this area.

SUPPORTING NATIONAL SPORTS

Despite the challenges faced by the COVID-19 pandemic, Dialog Axiata continues to be Sri Lanka’s prolific promoter of sports through our unyielding support of Sri Lanka’s National Cricket, Rugby, Volleyball and Netball teams. The Company has a close association with the President’s Gold Cup Volleyball, National Junior and Senior Netball tournaments, Club Rugby League and Clifford Cup knock out tournaments,

“... we remain focused on practising better principles of sustainability and social responsibility across the board.”

Schools Rugby, Premier Football, Schools’ Cricket, Junior Volleyball and Paralympic sports – whilst also powering the Army Para Games, National Para Games and the Sri Lankan contingent to the Olympic and World Paralympic Games. We also remain committed to being an enabler of eSports in the country and power the next generation of sports.

OUTLOOK FOR THE FUTURE

While the pandemic has affected all facets of our business, it has also strengthened our status as a national strategic partner with the ongoing shift to ‘remote working and learning’ driving demand for network infrastructure. While roaming and enterprise revenues were hindered by lockdowns and limitations in domestic and global travel, the pandemic also created a sharp increase in demand for mobile communications and business solutions that are agile, customised and collaborative.

As we attempt to move beyond the pandemic, our success in the new normal will depend on building our network resilience and meeting the diverse needs and expectations of our customers while driving positive perceptions. Amid uncertainties, we remain committed to advancing the country’s digital infrastructure to bridge the digital divide in society. In shaping Sri Lanka’s digital future, we will continue to build our broadband networks, introduce 5G technology and use digital as the mainstream platform to serve, communicate and operate, thereby impacting the processes, systems, people and the overall value chain of the business. This is supplemented by our efforts in scaling internal digitisation initiatives and digital transformation programmes, which was a powerful catalyst for customer engagement and growth in 2020.

Group Chief Executive's Review of Operations

"As we navigate the new normal, we will continue to focus on new product innovations across existing verticals, invest in new growth areas that complement our vision and roll out cutting-edge technology in staying true to our brand ethos of delivering 'The Future. Today'".

As we navigate the new normal, we will continue to focus on new product innovations across existing verticals, invest in new growth areas that complement our vision and roll out cutting-edge technology in staying true to our brand ethos of delivering "The Future. Today".

APPRECIATIONS

First, I would like to thank all our customers for their valued patronage of our services. Their encouragement and loyalty have provided the Dialog team with the courage and determination to steer operations through challenging environments.

The performance of the Dialog Group and the countless initiatives carried out to support our customers and communities during this challenging year stands testimony to the sheer determination and unwavering dedication of the team and our partners, the extended Dialog family. I take this opportunity to thank the senior leadership and the entire Api Dialog team for their Yes We Can attitude, teamwork, and indomitable spirit. It has been an honour and a privilege to work alongside them during this turbulent period. Together, we thank all our stakeholders for their valued patronage and loyalty.

I thank our shareholders for their continued confidence in us as we redefine the boundaries of the industry in this new normal. I also extend my thanks to the support lent by the Government of Sri Lanka and its agencies, the Telecommunications Regulatory Commission of Sri Lanka (TRCSL), the Central Bank of Sri Lanka and the Ministry of Telecommunications and Digital Infrastructure, the Board of Investment of Sri Lanka, the Information Communication Technology and the Ministry of Mass Media and Information.

In closing, on behalf of the entire Dialog team, I would like to convey our deepest appreciation and gratitude to Tan Sri Jamaludin Ibrahim, the former President & Group Chief Executive Officer of Axiata, who retired from his position in December 2020, for his visionary leadership, steadfast support and guidance extended at all times over the last 12 years, in shaping Dialog as Sri Lanka's number one and premier connectivity provider. On behalf of the Dialog team, I further wish to warmly welcome Dato' Izzaddin Idris, who took over the helm of Managing Director/President & Group Chief Executive Officer at Axiata Group Berhad from January 2021.

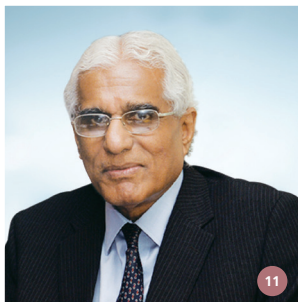
I extend my gratitude to our Chairman, Mr David Nai Pek Lau and my fellow Board members for their strategic insight, direction and invaluable counsel made available to me at all times in what continues to be a challenging and uncertain environment.



Supun Weerasinghe
Director/Group Chief Executive

30 April 2021

Board of Directors



Board of Directors

1

MR. DAVID NAI PEK LAU

**Chairman/ Non-Independent,
Non-Executive Director**

Mr. David Lau was appointed as the Chairman of the Board of Directors of Dialog Axiata PLC with effect from 1 July 2020 and as a member of the Board with effect from 13 May 2020.

Mr. Lau has over 35 years of professional experience in finance and leading financial organisations in various locations in Australia, Brunei, China, Malaysia, New Zealand, Netherlands and UK. Mr. Lau retired from Shell Malaysia in August 2011 after serving the Shell Group for about 30 years. His major assignments include the Finance Director for Shell Malaysia, Finance Director for Shell China, Global Controller for the Exploration & Production Division of Royal Dutch Shell, and Vice-President Finance for Shell International Exploration and Production B.V., in the Netherlands.

Mr. Lau was an independent non-executive Director of Axiata Group Berhad from April 2008 to July 2020, the last 2 years as the Senior Independent Non-Executive Director. From June 2009 to October 2020, he was an Investment Panel member of the Malaysia Employees Provident Fund. He is also a board member of Malaysia Airlines Berhad and KKB Engineering Bhd.

Mr. Lau graduated from Canterbury University, New Zealand with a Bachelor of Commerce and is a Member of the Malaysian Institute of Accountants and a Member of the Chartered Accountants Australia and New Zealand.

2

MR. SUPUN WEERASINGHE

**Group Chief Executive/Non-Independent,
Executive Director**

Mr. Supun Weerasinghe was appointed as the Group Chief Executive and as a Member of the Board of Dialog Axiata in January 2017.

Mr. Weerasinghe commenced his career in telecommunications at Dialog Axiata in 1999 and held multiple roles, such as Head of Strategy and CEO of the Mobile Business before being appointed as Group Chief Operating Officer of Dialog Axiata in 2010.

In 2013, he was seconded to Axiata Group Berhad, in Malaysia as its Group Chief Strategy Officer. At Axiata, he also served as the Head of Network Transformation Strategic Business Unit under which he led Group Technology, Carrier Collaboration and the Axiata Intelligence Unit. From January 2014 to October 2016, he functioned as the CEO and Managing Director of Robi Axiata Limited in Bangladesh, the second largest mobile network provider in Bangladesh.

Mr. Weerasinghe serves on several Boards of subsidiary and associate companies of Dialog as well as UNGC Network Sri Lanka.

Mr. Weerasinghe is a fellow member of the Chartered Institute of Management Accountants, UK and holds a Bachelor of Science in Accountancy and Financial Management from the University of Sri Jayawardenepura, Sri Lanka. Mr. Weerasinghe also holds an MBA from the University of Western Sydney, Australia and is an alumnus of the Harvard Business School.

3

DR. HANS WIJAYASURIYA

Non-Independent, Non-Executive Director

Dr. Hans Wijayasuriya was appointed to the Board of Dialog Axiata PLC on 19 January 2001.

Dr. Wijayasuriya joined Dialog Axiata's founding management team in 1994, and subsequently functioned as the Group Chief Executive of the Company from 01 September 1997 to 31 December 2016. Dr. Wijayasuriya currently holds the position of Chief Executive Officer – Telecommunications Business & Group Executive Vice President of the Axiata Group.

Dr. Wijayasuriya serves on the Boards of several Axiata Group Companies, and also on the Board of John Keells Holdings PLC as an Independent, Non-Executive Director and on the Board of Sri Lankan Airlines Limited as a Non-Executive Director. Dr. Wijayasuriya is presently the Chairman of the Ceylon Chamber of Commerce and is also a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association.

In 2016, the GSMA, the worldwide association governing the Global Mobile Industry, honoured Dr. Wijayasuriya with the 'Outstanding Contribution to Asian Mobile Industry' Award – the highest honour at the Asia Mobile Awards. In 2008, Dr. Hans Wijayasuriya was named the 'Sri Lankan of the Year' by Sri Lanka's premier business journal, the LMD.

Dr. Wijayasuriya holds a degree in Electrical and Electronic Engineering from the University of Cambridge, UK, a MBA from the University of Warwick UK and a PhD in Digital Mobile Communications from the University of Bristol, UK. Dr. Wijayasuriya is a Fellow of the Institute of Engineering Technology of the UK (IET), and a Chartered Professional Engineer.

4

MR. MOHAMED V. MUHSIN

Independent, Non-Executive Director

Mr. Mohamed V. Muhsin was appointed to the Board of Dialog Axiata on 14 June 2006.

He is a former Vice President and Chief Information Officer (CIO) at the World Bank, where he was responsible for aligning information technology with the organisation's business strategy. Mr. Muhsin successfully led the implementation of major reforms in enterprise-wide business & information systems, global telecommunications and video conferencing. The work he accomplished is featured in the Harvard Business School Case Study, Enabling Business Strategy with IT at the World Bank.

Mr. Muhsin has also worked in senior positions in the private sector in Sri Lanka. He served for several years as the Group Financial Director of Zambia's Industrial and Mining conglomerate (ZIMCO) and as an advisor on state enterprise reform in the office of the then President of Zambia, Dr. Kenneth Kaunda.

Mr. Muhsin's experience includes working as a Strategic Management Consultant and Director on international corporate and Foundation Boards. He is also the Chairman of the Islamic Community Center of Potomac in Maryland, USA. He is a freelance columnist and journalist.

Mr. Muhsin is a Fellow of The Institute of Chartered Accountants of Sri Lanka.

Board of Directors

5

MR. JAMES MACLAURIN

Independent, Non-Executive Director

Mr. James Maclaurin was appointed to the Board of Dialog Axiata on 10 May 2011.

Mr. Maclaurin currently serves as an Advisor and Consultant to various telecoms and technology companies in Asia and Europe. Prior to this, he functioned as the Group Chief Financial Officer of Axiata Group Berhad from April 2011 to December 2013 and thereafter as the Founding Chief Executive Officer of edotco Group Sdn Berhad, the infrastructure spinout of Axiata. Prior to this, James worked in the telecommunications and technology industry for 25 years and held a number of senior finance and general leadership positions including CFO for Africa and Central Europe at Vodafone, Group CFO of Celtel, the pan-African mobile operator, Group CFO of UbiNetics, the HSDPA+ technology developer and EVP Finance of Marconi plc (formerly GEC plc), the UK-based telecoms and technology vendor. In the mid 90's he worked in Asia and served as the Finance Director of General Electric Co. of Singapore and Finance Director of the General Electric Co. of Bangladesh. Mr. Maclaurin currently serves on the boards of a number of international public listed and private limited companies.

Mr. Maclaurin is a member of the Institute of Chartered Accountants of Scotland and holds degrees in Engineering and Finance from Scottish Universities.

6

DESHAMANYA MAHESH AMALEAN PHD H.C.

Independent, Non-Executive Director

Mr. Mahesh Amalean was appointed to the Board of Dialog Axiata on 15 May 2014.

Mr. Amalean is the Chairman and Co-Founder of MAS Holdings (Private) Limited ("MAS"), South Asia's largest manufacturer of intimate and sportswear

which provides design-to-delivery solutions to leading global fashion brands. Headquartered in Sri Lanka, the Company has 52 manufacturing facilities located in 17 countries, providing employment to over 95,000 associates.

Mr. Amalean was conferred the title 'Deshamanya' [Pride of the Nation – an honour awarded by the Government of Sri Lanka for "highly meritorious service"] in 2005 by the President of Sri Lanka in recognition of his service to the Nation.

In 2011, The Open University of Sri Lanka conferred an honorary doctorate (honoris causa) to Mr. Amalean in recognition of his contribution to the Country.

In 2013, Mr. Amalean was one of five global business leaders recognised with a UN Award at the Women's Empowerment Principles (WEP) inaugural Leadership Awards presentation where he received the award for Cultural Change for Empowerment. He was ranked amongst the Top 20 Progressive Asian Leaders by the World Business Magazine.

Mr. Amalean was honoured with the 'Humanitarian Award' at the 2019 Femmy Awards organised by the Underfashion Club in New York, for his contribution in empowering people and uplifting the communities.

He is a visionary leader and is engaged in nurturing teams, uplifting communities and committed towards creating a sustainable future for the next generation. He strongly believes in attracting and investing in talent for future growth and has mentored several young leaders.

Mr. Amalean completed his executive education in Strategic Leadership from Columbia University in New York (USA) and holds a Bachelor of Technology Degree in Chemical Engineering from the University of Madras (India).

7

MR. WILLEM LUCAS TIMMERMANS

Non-Independent, Non-Executive Director

Mr. Willem Lucas Timmermans was appointed to the Board of Dialog Axiata on 10 May 2017.

Mr. Timmermans served as a Director and Chief Corporate Transformation Officer of PT XL Axiata TBK, a subsidiary of Axiata Group Berhad from 2006 until March 2018.

Mr. Timmermans commenced his career as an Expert in Finance at TVM Insurance Company and held strategic positions in KPN Netherlands from 1988 until 1997. Mr. Timmermans furthered his career and served as Finance Director of PT Bakrie Elektronik (Indonesia) and was appointed Vice President Business Control and Investor Relation of PT Telkomsel prior to his appointment as Director and Chief Financial Officer of PT XL Axiata (Indonesia) in 2006. In 2011, he served as a Director and Chief Operating Officer and in 2015 as Director and Chief Strategic & Transformation Officer of XL.

Mr. Timmermans also served as a Non-Executive Director of Celcom Axiata Berhad from 2011 to 2017.

Mr. Timmermans holds degrees in Business Administration from the Business Administration and Economics School from the State University Groningen, Netherlands and Business Economics and Financing from the State University of Groningen, Netherlands.

8

MR. VIVEK SOOD

Non-Independent, Non-Executive Director

Mr. Vivek Sood was appointed to the Board of Dialog Axiata on 16 February 2019.

In addition to the Board of Dialog Axiata, Vivek holds Board positions in PT XL Axiata in Indonesia, Robi in Bangladesh and Axiata Digital Businesses.

Mr. Sood is the Group Chief Financial Officer of Axiata Group Berhad, a position he has held since 2017.

Prior to joining Axiata, Mr. Sood held various leadership roles in the telecommunications and financial industry, as Executive Vice President and Group Chief Marketing Officer of Telenor Group Inc., Chief Executive Officer of Telenor India, Chief Executive Officer of Grameenphone Bangladesh, Chief Financial Officer of Telenor India and Chief Financial Officer and as Chief Operating Officer of Tata AIA Life Insurance.

Mr. Sood holds a Bachelor in Commerce from the University of Delhi and is a Qualified Chartered Accountant from India.

9

DATO DR NIK RAMLAH NIK MAHMOOD

Non-Independent, Non-Executive Director

Dato Dr Nik Ramlah Nik Mahmood was appointed to the Board of Dialog Axiata effective 13 May 2020.

Dato Dr Nik Ramlah is an Independent, Non-Executive Director of Axiata Group Berhad, a position she has held since 2017.

She retired as Deputy Chief Executive of Securities Commission Malaysia ("SC") in March 2016, having served the organisation for 23 years. She has extensive experience in policy and regulatory reform, capital market regulation, corporate governance and Islamic finance. Prior to joining the SC, Dr Nik Ramlah was an Associate Professor at the Faculty of Law, University of Malaya.

She is a member of the Board of Directors of Perbadanan Insurans Deposit Malaysia, Institute for Capital Market Research Malaysia and Permodalan Nasional Berhad, edotco and United Malacca Bhd. Dr Nik Ramlah is also a member of the Board of Directors and the Senate of the International Centre for Education in Islamic Finance ("INCEIF").

Dato Dr Nik Ramlah graduated with a Bachelor of Law degree with a 1st Class Honours from the University of Malaya, Malaysia and holds a Master of Laws and PhD in Law from the University of London, UK.

Board of Directors

10

MR. AZWAN KHAN OSMAN KHAN

Non-Independent, Non-Executive Director

Mr. Azwan Khan Osman Khan was appointed to the Board of Dialog Axiata effective 01 July 2020.

Mr. Azwan Khan was the Deputy Chief Financial Officer of Axiata Group Berhad from November 2018 until April 2020.

Prior to being appointed as the Deputy Chief Financial Officer Axiata Group, he was the Deputy Chief Executive Officer of Celcom Axiata Berhad from 2016 until 2018. He held the position of being the Group Chief Operating Officer of Dialog Axiata from 2013 to 2016 and served as a Non-Executive, Non-Independent Director of Dialog Axiata from 2009 to 2012. Mr. Azwan Khan counts over 27 years of senior leadership experience across a range of companies, of which 15 years has been with the Axiata Group of companies. His professional experience also included an extensive time with the Boston Consulting Group and Shell Malaysia.

Mr. Azwan Khan holds a Bachelor of Engineering in Electrical Engineering Degree (First-Class Honours) from the Imperial College, University of London, United Kingdom.

11

DR. INDRAJIT COOMARASWAMY

Independent, Non-Executive Director

Dr. Indrajit Coomaraswamy was appointed to the Board of Dialog Axiata on 1 February 2021.

Dr. Coomaraswamy has over 40 years of experience in policymaking and providing economic advisory services on both macroeconomic and structural issues at national and intergovernmental levels. Dr. Coomaraswamy served as the 14th Governor of the Central Bank of Sri Lanka from July 2016 to December 2019.

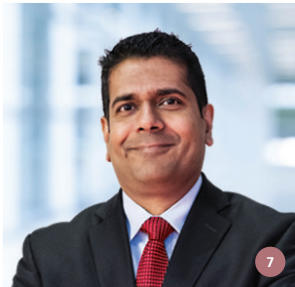
He started his career in the Central Bank of Sri Lanka in 1974 and worked in the Economic Research, Statistics and Bank Supervision Departments of the Central Bank of Sri Lanka until 1989. From 1990 to 2008, he held several senior positions at the Commonwealth Secretariat, including Director, Economic Affairs Division.

Dr. Coomaraswamy currently serves on the Board of Tokyo Cement Company (Lanka) PLC as an Independent, Non-Executive Director and is also currently the Chairman of Lynear Wealth Management.

Dr. Coomaraswamy received awards as the “Sri Lankan of the Year 2016” (LMD) and “Central Bank Governor of the Year for South Asia” for the year 2017 (Euromoney Institutional Investor Group Plc). He also received the Sri Lankan national honour of “Deshamanya” in August 2019.

Dr. Coomaraswamy holds a B.A. (Hons) degree from the University of Cambridge, United Kingdom and a DPhil degree from the University of Sussex, United Kingdom. In addition, he has represented and led the Sri Lanka National Rugby team and has also played First Class Cricket in Sri Lanka.

Corporate Management Team



Corporate Management Team

1

PRADEEP DE ALMEIDA

Group Chief Technology Officer

Pradeep leads the Technology function of the Dialog Group. In addition, he leads the network planning function under Collective Brain Initiative of Axiata Group. His portfolio spans the planning, development and operation of multiple networks and services including but not limited to the Group's Mobile, Broadband, Fixed Line, Digital Television and International Telecommunications infrastructures.

Pradeep joined Dialog Axiata in 1996 and holds a Bachelor of Science degree in Electronic and Telecommunication Engineering from the University of Moratuwa, Sri Lanka and is a Member of the Institution of Engineers of Sri Lanka. He is a Chartered engineer by profession. Over the course of his 25-year career in technology management, Pradeep has garnered extensive experience across multiple generations of mobile telephony technology leading up to the most recent 5G technologies. Pradeep is a regular speaker at technology forums.

2

SANDRA DE ZOYSA

Group Chief Customer Officer

Sandra is the Group Chief Customer Officer of Dialog Axiata, Chairperson of the Digital Customer Experience Expert Working Group for Axiata and Director of Dialog Business Services. In addition to her role at Dialog, she is a founding member and the Vice Chair of SLASSCOM, the Knowledge and Innovation Chamber, a founding Board Member of the Women's Chamber for Digital Sri Lanka, Founding Member and past Vice President of the Sri Lanka Institute of Service Management (SLISM) and the Advisory Board Member of CX Networks, IQPC, UK.

With over 3 decades of experience in the ICT industry, she is the recipient of multiple global & local awards

for women in management, leadership and for her exceptional contribution and achievements in the sphere of Telco and Digital Customer Experience Management. Some notable global accolades include AX50 - Ambient Experience Leader 2020, CX Leader of the Year 2019 & CXPA Global CX Impact Award Winner 2015.

An avid Keynote Speaker, Presenter and Juror at Global Customer Experience and Telco Conferences & Awards, Sandra has spoken at over 180 global events. She is the only certified Customer Experience Professional (CCXP) in Sri Lanka and an alumna of the Cranfield School of Management UK. A Lean Six Sigma Black Belt practitioner and certified Scrum Master, Sandra is also a visiting lecturer at the University of Colombo School of Computing since 2009.

3

RENUKA FERNANDO

Group Chief Digital Services Officer

Renuka is a highly experienced, successful and well-regarded banker who has significant experience in the financial services industry spanning 39 years. She has vast exposure to implementing innovative strategies with a special focus on Digital transformations.

She has been leading Nations Trust Bank PLC (NTB) as the Director/Chief Executive Officer from 2012 to 2020, and has played a pivotal role in bringing the organisation to where it is today. During her stint with NTB she has played many senior leadership roles including Deputy Chief Executive Officer, DGM – Retail & Consumer Banking and AGM - Corporate Financial Solutions. Prior to joining NTB, Renuka held the positions of Vice President / Head Global Transactional Services and Head of Consumer Banking at ABN AMRO Bank NV Sri Lanka. She has also worked at Banque Indosuez, Sri Lanka as Manager Corporate Banking and at Nederlandsche Middenstands Bank - Hong Kong.



Renuka is an Associate of the Chartered Institute of Bankers, UK and possesses a Higher Diploma in Business Administration (Banking). She has also completed an Advanced Management Program at Harvard Business School.

4

UPALI GAJANAIKE

Group Chief Officer - Programme Management and Tele-Infrastructure

Upali currently holds the position of Group Chief Officer – Programme Management and Tele-infrastructure. His portfolio includes Enterprise Programme Management, Supply Chain Operations, and Tele-Infrastructure Management including related commercial operation.

Upali joined Dialog in 1994 and his experience largely covers management of Telecommunication and IT networks and systems. Prior to being appointed to the current role, he served the Group in the capacities of Chief Operating Officer Dialog Broadband Networks and General Manager – Engineering Operations and Information Technology.

He holds a Bachelor of Science in Electronic and Telecommunication Engineering from University of Moratuwa, Sri Lanka, and a Master of Business Administration from University of Colombo, Sri Lanka. Upali is a Member of the Institution of Engineering & Technology (IET) UK, a Corporate Member of the Institution of Engineers Sri Lanka (IESL), and a Senior Member of the Australian Computer Society (ACS) Australia. He is a Chartered Engineer registered with the Engineering Council (UK).

5

SHAYAM MAJEED

Group Chief Corporate and People Officer

Shayam currently holds the position of Group Chief Corporate and People Officer and provides leadership to the Human Resources and Sustainability Functions of the Dialog Group.

Shayam joined Dialog in 1997 and has previously served in the capacities of Group Chief Corporate Officer, Group Chief Officer – Commercial and Programme Management, Group Chief Programme Officer, Group Senior Vice President - Access Network/ Technology Resource Planning, and Head - Network Planning of the Company, prior to being appointed to his current role.

Shayam holds a Master of Science in Electrical Engineering specialising in Wireless Communications from the University of Texas – Arlington, USA and a Bachelor of Science in Computer Systems specialising in Telecommunications from the University of Houston - Clear Lake, Texas, USA. He is a Member of the Institute of Electrical and Electronic Engineers (IEEE) - USA, a member of the Institution of Engineering & Technology (IET) – UK, and a Chartered Engineer registered with the Engineering Council (UK).

6

AMALI NANAYAKKARA

Group Chief Marketing Officer

Amali is one of Sri Lanka's most renowned marketing professionals and a business leader, drawing from over two decades of experience in senior management positions both in Sri Lanka and overseas attached to leading global multi-nationals.

Named one of Sri Lanka's 10 Most Powerful Women in Business as ranked by Echelon Magazine, Amali is an honours graduate from the University of Colombo.

Corporate Management Team

She began her career at Unilever Sri Lanka, where she traversed multiple leadership roles, before her appointment to the Board in the capacity of Director, Foods & Personal Care.

Following her tenure at Unilever, Amali transitioned to the telecommunications sector where she was Managing Director and Chief Executive Officer of Bharthi Airtel Lanka, before taking over as Group Chief Marketing Officer of Dialog. At Dialog, her portfolio encompasses the Marketing and Sales functions of the Group's multiple businesses.

7

ANTHONY RODRIGO

Group Chief Innovation Officer & Chief Architect

Anthony has been with Axiata Group of Companies since 2010 as the Group Chief Information Officer and Chief Digital Services Officer of Dialog Axiata. He was appointed Chief Information Officer of Axiata Group in August 2017 and continues as Chief Innovation Officer & Chief Architect of Dialog Axiata.

Prior to joining the Dialog Group, Anthony was the Head of the North America Systems Integration Business for Nokia Siemens Networks. He was responsible for Solution Development, Systems Integration and Business Management of converged Fixed and Wireless solutions for communication service providers in North America. Anthony counts over two decades of experience in Europe, Asia and the Americas in Operations Support Systems/Business Support Solutions and Systems Integration, holding leadership positions at British Telecom, AT&T, Nokia, NSN and Hayleys.

Anthony holds a B.Eng from Kings College London, and an MBA from Regis University Denver, CO. USA. He holds several European and United States Patents in the area of Charging and Speech Recognition technology.

8

LASANTHA THEVERAPPERUMA

Group Chief Operating Officer

Lasantha assumed duties as the Group Chief Operating Officer on 15 September 2020.

He has over twenty-five years of experience in multiple functions including Finance, Operations, Business Control, Strategy, Transformation and Business Management spanning a diverse range of industries which include Telecommunications, Leisure, Distribution, Shipping, Printing, Software, Consultancy and Audit.

Lasantha started his career at Dialog in 2004 as Manager - Finance Operations and has held multiple roles including Vice President Corporate Planning before being seconded to Axiata Group Berhad in February 2017 as the Head of Strategy.

Upon completion of his assignment at Axiata, Lasantha was appointed as the Group Chief Digital Officer in November 2018 and has been operating as the Executive Sponsor of the Digital Transformation drive for Dialog. He has been spearheading and leading this initiative for the last two years with tremendous success. He has been instrumental in driving an agile culture within Dialog and setting up the Analytics at the Edge programme which aims to deliver the next phase of Digital Transformation.

Lasantha is a Fellow of The Institute of Chartered Accountants of Sri Lanka. He holds a Bachelor of Science Special Degree in Accountancy from the University of Sri Jayewardenepura, Sri Lanka and a MBA from the University of Edith Cowan, Australia. Lasantha was awarded Leader of the Year at the inaugural Dialog Awards in 2011 and once again in 2013.

YAP WAI YIP

Group Chief Financial Officer

Yap is the Group Chief Financial Officer of Dialog Axiata PLC since 1st October 2019. In his capacity as the Group Chief Financial Officer, Yap provides leadership to the portfolios of Group Finance, Group Business Control and Group Facilities Management.

Yap counts over 38 years of experience of which more than 12 years has been in the Telecommunication industry. He joined the Axiata Group Bhd in October 2008 commencing his tenure as the Group Financial Controller, a position that he held until March 2013. In addition to his role as the GFC, Yap was appointed as the Acting Chief Financial Officer of Dialog Axiata PLC from January 2010 until October 2010. Further, he held similar pivotal leadership roles within Axiata and its subsidiaries of Axiata Group, notably as the Chief Financial Officer at Robi Axiata Limited, Bangladesh from April 2013 until October 2016, and as Acting Axiata Group Chief Financial Officer from November 2010 to May 2011 and from January to May 2017.

In November 2016, Yap once again assumed responsibilities as the Group Financial Controller of Axiata Group Bhd, a position in which he served until he was assigned as the Axiata Director of Special Projects in May 2019.

He holds several memberships from reputed institutes in Malaysia and the United Kingdom. He is a Fellow member of the Chartered Association of Certified Accountants, United Kingdom, member of the Malaysian Institute of Accountants, graduate of the Institute of Chartered Secretary and Administrators, United Kingdom and holds a Chartered Accountant membership in the Malaysian Institute of Accountants.

Business & Financial Review

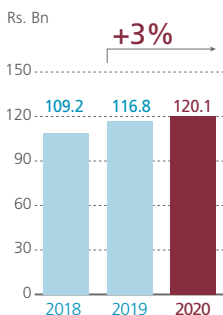
GROUP

The financial year 2020 was unprecedented for Sri Lanka and the world alike as the onset of the COVID-19 pandemic impacted all spheres of the country, including the economy, day to day living and the welfare of the people. The immediate and focused measures taken by the Government of Sri Lanka enabled the creation of a stable macro-environment that came about with the maintenance of a low-interest rate regime and a stable currency. In addition to the stable macro environment, the supportive policy framework provided the necessary impetus for businesses to restart operations, leading to a significant recovery in the economy and business operations during the second half of the

year. Whilst relying heavily on the aforementioned supportive environment, the achievement of stable financial performance by Dialog Group for FY 2020 (notwithstanding unique challenges from the COVID-19 pandemic) was a result of the deployment of a range of strategic and operational levers. During FY 2020, Dialog Group continued to consolidate its market leadership position as Sri Lanka's premier connectivity provider whilst delivering stable financial performance across all key performance indicators.

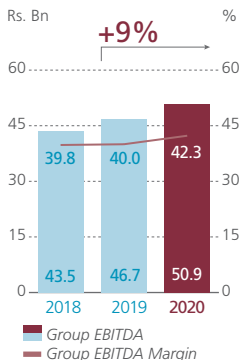
The consolidated financial performance of Dialog Group comprises Dialog Axiata PLC (the Company) and the Dialog Axiata Group (the Group) post-consolidation with subsidiaries and associates.

Group Revenue



- ▶ Group Revenue growth moderated to 3% YoY amid COVID-19 related topline impact
- ▶ FY 2020 Group Revenue excluding International Termination revenue grew 4% YoY
- ▶ DTV revenue remained stable YoY owing to COVID-19 related slowdown and free offers
- ▶ DBN revenue up 14% YoY led by Home Broadband and wholesale business revenue

Group EBITDA



- ▶ Improvement in Group EBITDA driven by cost efficiencies
- ▶ Group EBITDA margin improved 2.4pp to 42.3%
- ▶ DTV EBITDA up 3% YoY driven by cost management
- ▶ DBN EBITDA grew by 20% YoY driven by growth in Wholesale and Home Broadband revenue



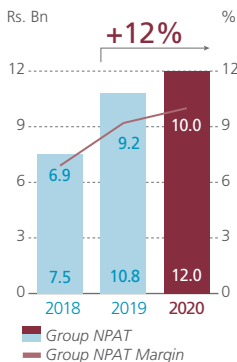
Group consolidated revenue was recorded at Rs. 120.1Bn for FY 2020, demonstrating a moderate growth of 3% Year-on-Year (YoY) despite the advent of COVID-19 and associated challenges as alluded earlier, which led to an estimated top-line impact of circa Rs. 5Bn. This stable performance was enabled by contributions from all key business segments.

Group total operating cost declined by 1% YoY, driven by lower sales and marketing related costs. On-going operational and structural cost transformation initiatives carried out during the year resulted in the overall cost base growing at a slower pace compared to revenue growth. These cost transformation initiatives collectively yielded a significant realisation of cost savings amounting to Rs. 4.1Bn for FY 2020.

Underpinned by moderate revenue growth and cost optimisation, Group Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) grew 9% YoY to reach Rs. 50.9Bn for FY 2020. Group EBITDA margin for FY 2020 accordingly improved to 42.3%, up 2.4pp for the year.

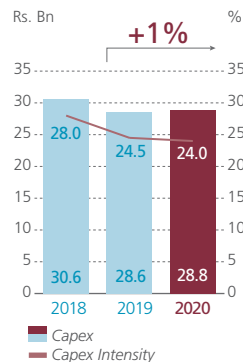
Group Net Profit After Tax (NPAT) demonstrated a growth of 12% YoY to reach Rs. 12.0Bn for FY 2020, underpinned by strong EBITDA performance and stable currency. Despite the challenges, the Sri Lankan Rupee (LKR) depreciated against the United States Dollar (USD) by only 2.8% for FY 2020, thus limiting the non-cash translational foreign exchange loss to Rs. 0.8Bn.

Group NPAT



- ▶ Group NPAT growth underpinned by increased EBITDA
- ▶ Contraction in finance cost further supported NPAT growth albeit being partially negated by forex losses amounting to Rs. 0.8Bn

Capex



- ▶ Capex directed towards investments in high-speed Broadband infrastructure to further expand the Group's leadership in Sri Lanka's Broadband sector
- ▶ Capex intensity of 24%

Business & Financial Review

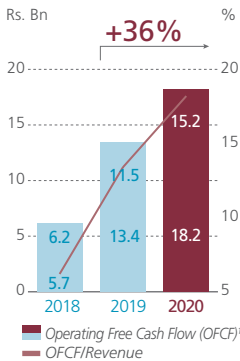
Dialog Group continued to be a significant contributor to state revenues, remitting a total of Rs. 18.8Bn to the Government of Sri Lanka during the financial year ended 31st December 2020. Total remittances included Direct Taxes and Levies amounting to Rs. 6.0Bn and Rs. 12.8Bn in Consumption Taxes collected on behalf of the Government of Sri Lanka.

Group capital expenditure (Capex) for FY 2020 was recorded at Rs. 28.8Bn up 1% YoY resulting in a Capex to Revenue ratio of 24%. In line with the Group's strategic aspiration to further strengthen its leadership in Sri Lanka's Broadband sector, capital expenditure was directed mainly towards investments in high-speed Broadband infrastructure. The spending was also directed towards transforming Dialog into a digital telco by digitising all spheres of the organisation and capacity

upgrades with a strong focus on the 4G Network along with the extension of the Group's Optical Fibre Network to support robust and seamless mobile and fixed broadband connectivity. The strengthening of the network will cater to the burgeoning demand for data consumption driven by the growing affordability of smartphones, increased adoption of 4G enabled handsets, and increased usage supported by the vast availability of digital mobile content.

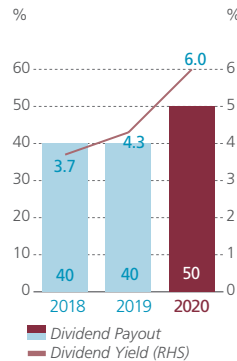
The Group recorded significant growth in its Operating Free Cash Flow (OFCF) for FY 2020, reaching Rs. 18.2Bn as a result of improved profitability and calibrated capital expenditure during the year. The Group continued to exhibit a low geared balance sheet with the Net Debt to EBITDA ratio being maintained at a healthy 0.47x as of the end of December 2020.

Operating Free Cash Flow (OFCF)



- ▶ OFCF continues on a positive growth trajectory amid improved profitability and calibrated Capex spend
- ▶ Note 1 - OFCF before deducting for Customer Premises Equipment (CPE) and Spectrum Spending

Dividend Payout and Dividend Yield

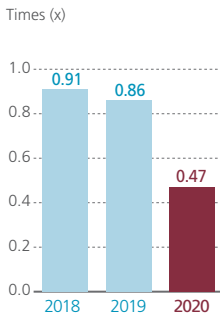


- ▶ Dividend Payout Ratio of 50% translating to a Dividend per Share of 74 cents
- ▶ Dividend Yield at an attractive 6.0%
- ▶ Proposed dividend payment for FY 2020 totaling to Rs. 6.0Bn

During the year, Fitch Ratings reaffirmed the National Long-Term Rating of 'AAA (lka)' for the Group. This rating of 'AAA (lka)' with a stable outlook denotes the highest rating assigned by the agency in its National Rating scale for Sri Lanka. This strong rating comes on

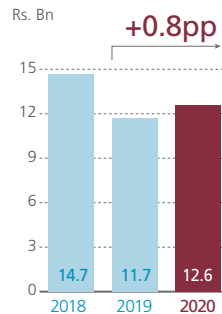
the back of the standalone strength of the business profile and low financial leverage, with no negative rating action being foreseen by Fitch as confirmed in its published report.

Net Debt to EBITDA



- ▶ Group continued to maintain a low geared balance sheet
- ▶ Net Debt to EBITDA at 0.47x by end 2020

ROIC



- ▶ ROIC improved 0.8pp to 12.6% amid improved profitability
- ▶ ROIC Computation Considers Lease Creditors (SLFRS 16)

Business & Financial Review

DIALOG AXIATA PLC

Financial Review

The Company's key businesses, Mobile, International, Tele-infrastructure and Digital Services, contributed to 69% of the Group revenue in FY 2020. The Company revenue remained stable YoY to be recorded at Rs. 82.4Bn despite the COVID-19 associated topline impact as alluded earlier. The Company continued to maintain its market leadership position with 9% YoY growth to end the year with a mobile subscriber base in excess of 16.2 million.

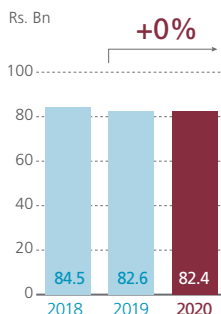
Data revenue depicted a stellar performance with a growth of 19% YoY aided by a decline in price points in line with the offering of unlimited data packages and increased consumer affordability coupled with increasing smartphone penetration.

Data revenue depicted a stellar performance with a growth of 19% YoY aided by a decline in price points in line with the offering of unlimited data packages and increased consumer affordability coupled with increasing smartphone penetration.

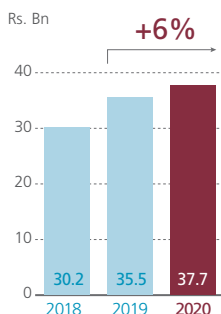
On the back of cost efficiencies, the Company EBITDA was recorded at Rs. 37.7Bn for FY 2020, representing an increase of 6% YoY mainly led by the decline in Sales and Marketing and Revenue driven cost components. The EBITDA margin for the Company further expanded to reach 45.8%, up 2.9pp YoY.

The Company NPAT was recorded at Rs. 11.7Bn for FY 2020, up 1% YoY despite the increased depreciation charge of Rs. 0.9Bn recognised at year-end, resulting from a revision in the estimation of the useful life of telecommunications network equipment.

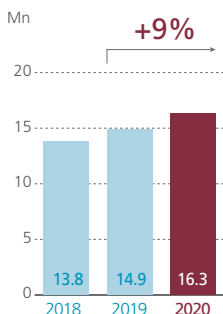
Revenue



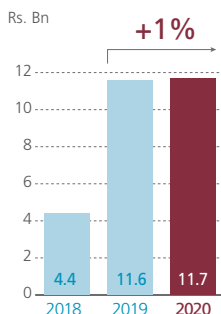
EBITDA



Mobile Subscribers



NPAT





Industry Outlook

Connectivity has never been more important and the world's reliance on the internet has never been greater. The COVID-19 pandemic has underscored the importance of connectivity and the critical role of mobile, which is the primary way most people access the internet and stay connected.

Fixed-telephone subscriptions continue to decline and currently stand at 11.9 per 100 inhabitants, while mobile-cellular subscriptions have reached a 131.1% penetration rate. According to GSMA, unique mobile subscribers in Sri Lanka is approximately 74%, indicating the potential to penetrate. Despite the contraction in economic growth at the height of the Pandemic, Sri Lanka's telecommunication industry was able to deliver a strong performance as a result of innovative products and services and affordable packages to cater to the new normal demand. Telecommunication services (mobile and fixed) have helped ensure the functioning of emergency services, allowed separated friends and families to stay informed and keep in touch, and connected and enabled large parts of the workforce to continue to be productive throughout the crisis.

An increase of 10 percent in mobile broadband penetration yields an increase of 2.0 percent in GDP (ITU, 2019). Creating a "Technology-based Society and digitally inclusive Sri Lanka" is espoused as a key objective by the Government of Sri Lanka and Telco Operators to be the Catalyst to drive ICT adoption and Improve Sri Lanka's overall Competitiveness Ranking in the Global Digital Landscape. Strong focus on data was reflected via a 17.1% growth in mobile broadband subscriptions per 100 inhabitants in 2020. Fixed broadband subscriptions also continued to grow but at a more modest rate than mobile broadband subscriptions.

COVID-19 Relief to Support the Nation

To ensure that Sri Lankans across the country stay connected during these unprecedented times and to further assist customers in areas under continuous curfew, who are unable to pay and use their mobile connection during the curfew period, Dialog provided

a FREE 7-day pack comprising 1GB Anytime Data, 250 D2D SMS and 250 D2D Voice Minutes for all its mobile customers, in addition to the range of comprehensive relief measures provided in the form of e-Connect, e-Learn, e-Health, entertainment, e-Care, and e-Work solutions, to help customers stay safe and connected. Offers included free access to school and university services, Nenasa and Guru as dedicated learning services, all Dialog TV channels free of charge, ViU Movies and Live TV app completely free of charge, an extended credit limit for postpaid customers/ bill waivers and emergency loans to support the customers in difficult times.

Additionally, Dialog supported the Government mandated social distancing measures and highly encouraged customers to use its digital and online channels for reloads, bill payments, and all other transactions – through the MyDialog app or dialog.lk. Further, the Company partnered with JKOA and donated smartphones to Lady Ridgeway Hospital and further provided IoT and camera devices for the Ministry of Health to provide telemedicine solutions to hospitals across the country for its staff to efficiently prevent, diagnose and treat illnesses during this COVID-19 outbreak.

Unlimited Data Packages

In 2013, Dialog became the first operator to launch 4G in South Asia, with a vision of empowering Sri Lankans with High-Speed Broadband connectivity. 4G has been a key enabler in facilitating video-based Edutainment for individuals as well as corporates, while enhancing overall connectivity, thus contributing to economic growth immensely. Video Revolution with the emergence of 4G has contributed significantly to societal empowerment, with YouTube, Facebook, WhatsApp and other forms of social media being used by millions of Sri Lankans, including farmers, fishermen, students, blue collar workers, and even house wives for quick access to a wide array of knowledge required for their day to day activities.

Dialog helped further accelerate Sri Lanka's Video Revolution by enabling Unlimited and completely worry-free usage of YouTube with 4G Video Blaster for

Business & Financial Review

Welcome to Sri Lanka's Video Revolution with

4G Video BLASTER

UNLIMITED YouTube

& 3.5GB* FREE Data for other Apps & Services

For Only Rs. 249/-
Valid for 30 days & inclusive of taxes

To ACTIVATE the 4G Video Blaster

- You need a Dialog 4G SIM (Postpaid or Prepaid Connection) and a 4G Handset
- Use the MyDialog App, Visit www.dialog.lk or Dial #6738
- OR simply Reload Rs. 249/- (Prepaid Customers)

The Unlimited Video Service provides 1080p quality on 4G Smartphones. Customers may find other Dialog Data packages more suitable for HD Video and/or viewing on 1080p and large screen devices.

*Conditions apply. *Excludes of Airtime, Night Time & Airtime 4G Bonus

Brought to you by the Internet Service Provider of the Year 2019 Winner PEOPLE'S AWARD 2019

Sri Lanka's No. 1 Network

Dialog

an **axiata** company www.dialog.lk **The Future.Today.**

4G customers at just Rs. 249 a month. Furthermore, in 2020 Dialog expanded the Unlimited Video experience to Social Media and Instant Messaging as well. The product is available for both prepaid and postpaid customers. This revolutionary product was a timely launch to cater to new normal needs and has provided a Worry-Free proposition at an affordable cost while optimally loading the network. Additionally, these product lines helped the Company to accelerate 4G adoption, with a significant growth in 4G mobile traffic witnessed during the year.

Furthermore, the Company introduced Work and Learn packages to help customers work and study from home in compliance with social distancing guidelines. Customers can use these data packages for Zoom, Google, Microsoft, YouTube, and Education Apps at attractive prices. During the year, the Company also introduced Unlimited Netflix weekly

and monthly add-on packs to provide customers with access to a wide array of content on the move. Dialog also introduced 'any time' data plans to meet customers' requirement of fully utilising the data quota; and data blaster, an affordable Data-led combo plan with calls and SMS priced at Rs. 129 including taxes. This plan was introduced with the intention of supporting Dialog's data customers with their data, voice & SMS needs in an all-inclusive package. New normal demand, wider coverage, innovative packages along with usage drive helped improve Average Data Usage Per Customer as well as total data users.

Mobile Network Leadership

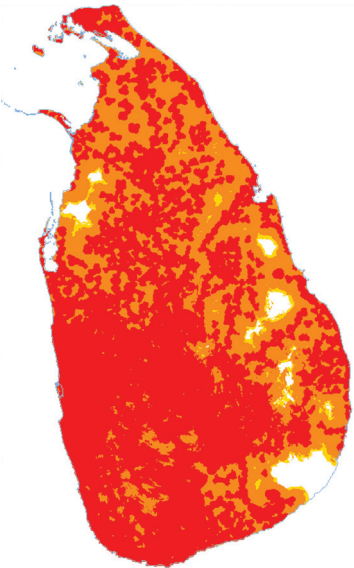
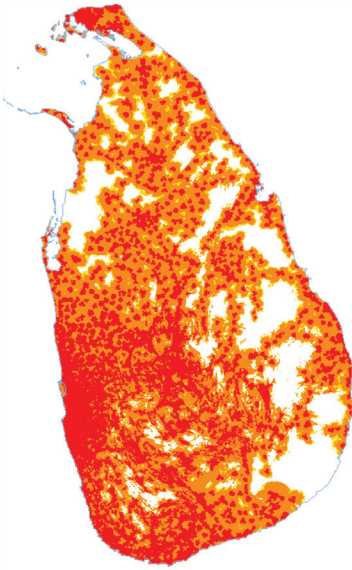


Figure 1: 2G Coverage 2020 Q4

Key to Guide Coverage Maps

Coverage	
	Low Coverage
	Moderate Coverage
	Good Coverage



3G Coverage 2020 Q4

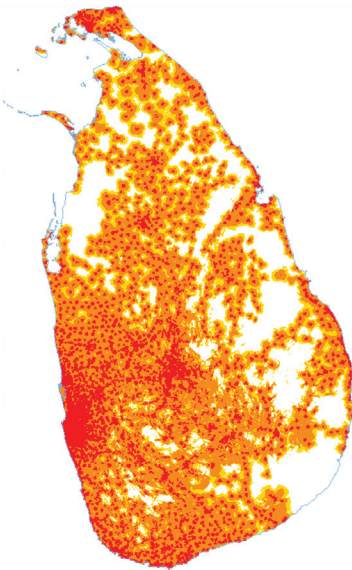


Figure 3: Mobile 4G 2020 Q4

As more people stayed at home and the prevailing situation turned online conveniences into daily necessities, the Company experienced an unusually high data traffic demand, albeit within its capacity. The Company continues to optimise its network and is well prepared to ensure its customers receive reliable connectivity. Despite operational difficulties during the pandemic and staying true to its vision of empowering and enriching Sri Lankan lives and enterprises by connecting everyone and driving digital inclusion across the nation, Dialog expanded its coverage by adding 334 sites. The Company invested Rs. 23Bn in data leadership focusing on 4G coverage and upgrades, which is 45% of Group EBITDA. Currently, Dialog covers more than 90% of the Sri Lankan population with 4G broadband, and according to Open Signal, Dialog has the widest 4G coverage and availability in Sri Lanka.

Dialog 5G

In 2020, a 5G trial network was enabled in collaboration with the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) in the 3.5GHz band for the piloting of pre-commercial 5G services. The trial network was made available to customers in Colombo, Kandy, and Galle. Implementing 5G will mean faster speeds for end consumers, as well as limitless opportunities to automate home and industrial environments while paving the way to access the global 5G marketplace. Dialog demonstrated a fully standards-based 5G mobile service for the first time in South Asia, the first 5G showcase in South Asia, South Asia's fastest 5G mobile speeds in 2019, and the first standards-based 5G fixed-wireless pilot transmission in December 2018.

Dialog also continued the 5G showcase across the country to provide a glimpse into the future of technology. This 5G showcase aims to educate schools and the public on the next-generation industrial and consumer applications delivered over 5G. Demonstrations included 360 degree video calling, 4K video streaming, ultra-high-definition live video streaming through drone, VR gaming, holographic video calling, AI-Powered Digital Twins mechanism

Business & Financial Review



mimicking human actions in real-time and a Robotic Arm demonstrating the various possibilities of robotics in the field – all of which are only possible to demonstrate in real-time through a 5G wireless network which provides the required High Bandwidth, Ultra-Low Latency & Massive Connectivity.

The launch of 5G, with speeds of over 1.4Gbps along with less than 10ms latency and ultra-reliability will spark an unprecedented wave of innovation to enable communication beyond simply connecting people, to connecting a wide range of smart machines centred around emerging technologies, including the Internet of Things (IoT), Artificial Intelligence (AI), Machine Learning (ML), Mixed/Virtual Reality and Robotics fueling the 4th Industrial Revolution (IR 4.0).

Dialog also launched 5G outbound roaming, another first, not only for Sri Lanka but also for the entire region. 5G roaming radically transforms the connectivity experience of our roamers overseas.

Device Drive

The global smartphone market continued to recover in Q4 2020 post contraction during the initial quarters of the year. Dialog partnered with Apple, Samsung, and other emerging brands with their new smartphones. Dialog being the authorised reseller and partner network for Apple devices, launched the highly anticipated Apple Watch Series 6 and iPhone 12 series. Dialog joined hands with global brands and launched the Samsung Note20 series, Samsung Galaxy Z flip and Samsung Galaxy Z fold2 and provided exclusive offers

for Dialog customers. Most of the flagship devices launched are 5G-ready, and Dialog has the privilege to launch those devices as the first in Sri Lanka. Furthermore, Dialog partnered with Huawei and launched the affordable Nova 7SE 5G smartphone, allowing its customers to experience Dialog's trial 5G network. Special focus to drive smartphone purchases helped generate 1.2 pp growth in smartphone penetration in the Company.

Product & Market Innovation

In 2020, Dialog's innovation team, together with the Ideabiz team developed and launched VDOmeet, which empowers customers to virtually meet service personnel through a self-initiated video call via a link, eliminating the risk and necessity of physically meeting. This solution was compatible with any operating system with no prior installation or set-up required. To adhere to the new normal and health and safety standards, the innovation team together with enterprise and device teams worked towards creating a Contactless Temperature Screening solution. This includes basic features such as reading the temperature of employees, customers, and visitors as they enter a building or a defined area. This system can also help identify the details and images of those who enter the defined location without wearing masks and detect workers whose temperature exceeds a pre-defined temperature threshold. Meanwhile, another important initiative was delivering the promise of 'The Future. Today.' with a state-of-the-art Innovation Laboratory to empower post COVID-19 innovations through the 'Innovation Foundry' project. To expand Dialog's Enterprise IoT product portfolio and customer base, the innovation team, together with the enterprise team, worked towards creating a portfolio of Industrial IoT applications, ranging from energy monitoring, cold storage monitoring, water consumption monitoring and environmental monitoring. These solutions were provided to leading companies in the country in various industry verticals to help them digitise their business operation in challenging times brought forth by the COVID-19 pandemic.



Roaming & IDD Services

Despite the uncertainties posed by the COVID-19 pandemic and lockdown conditions during 2020, Dialog successfully executed strategic initiatives that will have an impact for years to come. In partnership with the two key operators in the Maldives, Dialog commissioned the Maldives-Sri Lanka Submarine Cable (MSC) between Male and Mt. Lavinia, thus strengthening its presence beyond Sri Lanka's borders. MSC cable ensures onward connectivity for Maldivian telecom partners through Dialog's BBG cable that has been operational from the Mt. Lavinia Cable landing station, affirming Sri Lanka as a Telecom hub of the region.

Dialog's Global operations recorded a growth YoY due to significant growth in International Hubbing, Voice, Capacity/Data sales and A2P lines of business. Dialog's overall voice roaming collaboration reached 685 operators in 230 destination countries around the globe. In addition, Dialog has also signed agreements with 374 operators in 151 destinations for Roaming on LTE. During the year, Dialog was able to monetise the BBG investment in international bandwidth corridors such as the Middle East, Singapore and India terminations. Furthermore, Dialog renegotiated most of its roaming agreements with partners to contain losses and is awaiting the resumption of international travel to witness the revival of the roaming business.

Content

In 2020, Dialog introduced SecureD, a cloud-based solution that assists all types of application and web-based VAS services to safeguard mobile customer experience by identifying and blocking sophisticated types of mobile ad frauds. While using advanced machine learning algorithms to determine fraudulent activities, it also analyses the behavioural patterns to spot and block anomalies.

Google DCB (Direct Carrier Billing), launched by Dialog Gaming in the last quarter of 2019, delivered significant results in 2020. Driven by strong digital communication campaigns and customer engagement

programs, Google DCB sales grew more than ten folds from January to December. The service brings hassle-free digital purchases via carrier billing for Android users through the Google Play Store. This is especially an enabler for premium gaming as well as digital services such as educational, movies and other digital lifestyle contents to make in-App purchases with prepaid credit balance or postpaid add-to-bill, without needing a credit card. An example of such a customer engagement programme was the Axiata Game Hero tournament, where Sri Lankan gamers were given exposure to an international event with a cash prize pool of more than Rs. 25Mn.

ThePapare.com continues to grow and sustain itself as the premier and most sought-after entity in Sports of Sri Lanka, while being felicitated with 2 awards for the year; Sports Literature Digital Medium of the Year at the Inaugural Sports Literature Awards and Most Outstanding Contribution to Promote Sports in Sri Lanka through Web and Social Media at the SILK Sports Awards; further indoctrinating the Dialog brand among Sri Lankans. In 2020, ThePapare.com has experienced a mixed bag due to COVID-19. However, ThePapare.com Facebook platforms achieved over 30 million impressions while Instagram and Twitter saw over a million and 7 million impressions respectively.

Dialog launched Dialog ViU, its OTT streaming platform on Mobile and big screens. The ViU Mobile subscription is offered via monthly Rs. 150 and daily Rs. 5 plans with 60 LIVE channels + unlimited VOD. In addition, it offers catch-up facilities for up to 72 hours and rewind features for up to 2 hours. Dialog ViU also streamed the IPL 2020 to its customers as part of the main sports event that happened after COVID-19. Further, it expanded the VOD collection to extend over 150,000 videos with over 4 languages of movies, videos, tv series, music videos, originals and more, to deliver the largest video collection on a streaming platform in Sri Lanka.

Dialog Music continues to develop and strengthen its digital music content offering through partnerships with local and international music providers to provide

Business & Financial Review

the most extensive, curated, and copyright validated catalogue offering to the Dialog subscriber. Hungama music continues to grow with extensive growth in app installs via focused digital campaigns and event-based engagement programmes. A highlight in 2020 was the series of FREE digital music concerts with leading Sri Lankan musicians presented by Hungama music to its subscriber base during the national lockdown period to provide continuous entertainment and to create top-of-mind product awareness and brand recall.

Digital Services

Dialog Digital Services re-structured its internal processes and portfolio to better serve the overarching Digital industries of FinTech, HealthTech, EduTech and InsureTech. Due to the impact of COVID-19, the need and value of digitisation was amplified, providing greater take-up in the digital services offering.

eZ Cash, the country's 1st and largest mobile money solution, accounts for over 4 Million subscribers across Dialog, Etisalat and Hutch, and over 42,000 merchant partners across the island. eZ Cash partnered with Alipay, the Alibaba affiliated mobile payments arm of China's Ant Financial Services Group, to extend the eZ Cash platform to Chinese tourists in Sri Lanka. eZ Cash also partnered with HNB Finance to facilitate a convenient repayment method for loans via eZ Cash merchant outlets island-wide with no additional payment charges to customers. Similarly, it partnered with Fintrex Finance Limited to enable customers to pay their leasing payments. eZ Cash partnered with UBER by opening up its payment merchant network across the country, facilitating service expansion for the world-renowned multi-national transport services Company. Furthermore, eZ Cash unveiled a partnership with PickMe, the country's most innovative and largest taxi-hailing service, to enable daily subscription payments, where all PickMe Driver Partners can now make payments using the eZ Cash mobile app from anywhere, at any time, or by visiting merchant outlets. This partnership also enables customers to make PickMe payments via eZ Cash. eZ Cash initiated a social enabler programme, 'eZ Bro', in order to uplift

the merchant network across the island while creating a potential opportunity for individuals to produce more money via eZ Cash transactions.

Genie, the first PCI-DSS certified mobile payment app, received the PCI-DSS Version 3.2.1 certification for the 4th consecutive year. It enhanced the ePayment security with tokenization and 3DS verification for a more secure payment service. Genie also successfully enabled International Card acceptance across its merchant platform, allowing users to make digital payments via international cards. Continuing to revolutionize the payments industry, Genie focused on the Education Payment Mechanism in Sri Lanka by facilitating remote school fee and tuition fee payments. Genie also partnered with the Bank of Ceylon to enable Multi-Bank Internet Payment Gateway (IPG) Solution. Genie partnered with WEBXPAY to further scale its reach to over 1,400 merchants to provide a simple and secure payment checkout via Genie. Genie introduced the "One-click Pay" solution to key players across the Telco, Insurance, Retail and Travel industry with partners such as Lanka Bell, Tenaga, Eat Me Global, BIMA and MyDoctor. Genie was integrated into Dialog's CPOS system to accept payments for Dialog services across all outlets islandwide. Genie's "One-Click Pay" Solution was placed amongst the top 10 for LEAP Awards 2020 across all Axiata OpCos.

444, Sri Lanka's location-based booking platform, enables a multitude of bookings across a variety of industries and connects directly with local businesses in the area with a few simple clicks. 444 partnered with India's No.1 online booking platform in Sri Lanka; BookMyShow catering to customers who wish to purchase movies and events tickets. This strategic partnership opens Ceylon Theatres and PVR tickets to customers on the 444-mobile application, thus driving more product offering and options.

The Touch Corporate Fuel Solution extended its fuel station network to 100 Ceylon Petroleum Corporation stations. The multi-purpose card facilitates payments for the usage of multiple transport modes



within an allocated quota, inclusive of services such as purchasing fuel at Lanka IOC, Laugfs, and Ceylon Petroleum Corporation (CEYPETCO). Further, Dialog partnered with Kangaroo and PickMe to enable customer payments for using their cab services using the allocated quota as a payment option within their respective apps. Dialog became the exclusive Technological Partner for the launch of the Touch Parking Card, launched by Tenaga Car Parks Pvt Ltd through a Public-Private Partnership with the Colombo Municipal Council. The Touch Parking Card provides NFC (Near-field Communication).

Dialog's **InsureTech** vertical is the first of its kind in Sri Lanka and has partnered with the largest insurers in the Sri Lankan industry to offer an exclusive value-added service to customers. Dialog Per Day Insurance offers Accident, Hospitalisation, Life and Home Protection cover at an affordable rate to customers. During the pandemic these insurance services were made COVID-19 inclusive immediately to cover the customers who were affected. Since its inception, the Per Day Insurance service has provided claims for more than 74,000 families which amounts to more than Rs. 1.32Bn. During the year under review, over Rs. 330Mn claims were paid out benefitting 21,000 families. Dialog's digital presence in the broker model via InsureMe has increased the ease with which customers can compare insurance policies of different underwriters. The InsureMe solution also offers special products including, Senior Citizen, Pay As You Go, Major Illness Cover, 3rd Party Motor Insurance and OPD solutions to corporates. InsureMe also partnered with AIA, an international brand offering insurance for over 100 years, to offer life insurance.

AppMaker is the latest addition to the Ideamart Platform family, providing Service Providers and Content Creators the ability to deliver Rich Content to Mobile consumers with Zero Code, where Monetisation is immediately available once the application is created, thereby empowering service providers with low technology capability to participate in the mobile app revolution. The platform also enabled Dialog to service Vertical Markets that were

beyond a typical Telco expertise through its partners. AppMaker is already recognised by ICTA as the winner for the Inclusion and Empowerment category of the e-Swabhimani Digital Social Impact Awards and as the Gold Winner by NBQSA under ICT Service Solution Category.

Headstart continues to be a leading edutech solution provider in Sri Lanka and currently partners with enterprises such as Singer, Hemas Pharma, Commercial Bank, Sampath Bank, CDB, AIA, Aitken Spence, Pan Asia Bank Asia Securities and Dialog, in addition to Government entities such as the Ministry of Health. Headstart is building on an unmatched track record on corporate eLearning with a special focus on Banks, Insurance and Finance companies with knowledgeable workers and a distributed branch network, which demands edutech for their operations. Headstart also commenced partnerships with UNICEF and USAID and continues to work with Microsoft, Commercial Bank, Dialog and Ministry of Education on school digital transformation and youth empowerment. Around 60 new schools were added to the smart school programme, which provides a comprehensive digital transformation solution to public schools in Sri Lanka. These schools are given state-of-the-art learning software, interactive content and continuous training and guidance by Headstart and its partners. Additionally, five key private schools signed up for a premium school transformation service for a monthly subscription. Headstart's B2C business - Guru.lk continues to be the largest digital education market place of its kind. Guru school is the new learning app that was developed and provides an interactive learning experience seamlessly across platforms with AI-powered learning analytics. A number of key features were added to the Company's software solution whilst expanding its content portfolio with a special focus on grade 6 to 9 and the primary education segment.

The theme for the year's growth strategy of **IoT Dialog** was market penetration. In line with this strategy, Dialog was able to acquire strategic customers and convert POCs in key industries of

Business & Financial Review

banking, leisure, manufacturing and logistics, which is in addition to the standard solution stack of energy monitoring, ATM site monitoring and cold storage management. Dialog expanded the solutioning arm of enterprise IoT through customised solutions for industry automation and industry 4.0 use cases.

The **Dialog Axiata Digital Innovation Fund** was set up in 2017 and has invested in 7 digital start-ups to date. The investee companies faced several external shocks back-to-back with the 2019 Easter Attacks and the COVID-19 pandemic. However, the high notes of 2020 were attributed to Agrithmics, a Digital platform connecting smallholder farmers to Agri Businesses and Financial institutions, which tracked strong revenue figures in its first year of operation. In addition, MyDoctor merged with Dialog's subsidiary Company Doc990 creating an unparalleled HealthTech portfolio for customers.

Star Points provides the most attractive and relevant offers to subscribers year-round from their preferred and perceived retailers. In 2020, over 825 million loyalty points (825,127,766.86) were accrued by the users, while over 200 million points have been redeemed to avail the offers across the partner merchants. Donating loyalty points is one of the popular services among users, and this year over 30 million Star Points have been donated to associated charity organisations. Though the Star Points programme was affected by the ongoing COVID-19 pandemic, customers availed more than 120 various offers on online based activities.



DIALOG BROADBAND NETWORKS

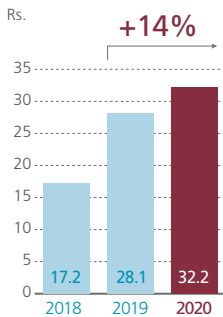
Financial Review

Dialog Broadband Networks (Pvt) Ltd (DBN), featuring the Group's Fixed Telecommunications, Broadband and International Businesses, consolidated its position by delivering strong revenue growth of 14% YoY to record Rs. 32.2Bn for FY 2020, contributing to 27% of the Group revenue. The strong revenue growth was primarily driven by an increase in wholesale

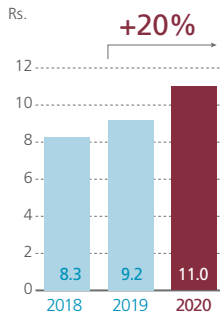
business revenue and Fixed Home Broadband revenue. The International business contributed 48% to DBN revenue whilst recording a growth of 24% YoY, whilst Fixed Broadband revenue and Data & Leased Lines revenue grew by 13% YoY and 3% YoY, respectively.

DBN EBITDA was up 20% YoY to reach Rs. 11.0Bn for FY 2020. Accordingly, NPAT recorded significant growth for FY 2020 to reach Rs. 1.7Bn, up from Rs. 0.4Bn recorded in FY 2019.

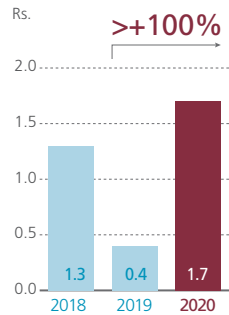
Revenue



EBITDA



NPAT



Business Outlook

Dialog Broadband Networks (DBN) serves more than 1Mn individuals and corporates, providing multiple services including broadband internet, fixed telephony, hosted PABX offerings, Internet Data Centre (IDC), converged ICT solutions, telecommunication infrastructure, transmission and backbone services, positioning itself as a strong contender in the Fixed Telecommunication market of Sri Lanka.

DBN continued its growth trajectory to record a Revenue growth of 14% YoY predominantly driven by the Fixed Home Broadband (HBB) segment. The HBB segment grasped the opportunity which originated due to 'work and learn from home' requirements as a result of COVID-19 and was able to accelerate the growth by the end of the year. Launch of new

work and learn packs for both prepaid and postpaid, discounting the initial connection fees, introducing Mobile broadband cards as a top-up method to HBB, and offering double data and free GBs to areas under lockdown were among the key initiatives offered to the public as COVID-19 relief measures. In addition, Netflix Unlimited packs and anytime packs were also launched to strengthen the HBB product portfolio.

Aided by the above mentioned new products, aggressive subscriber acquisition, and reconnection drive carried out during the year, the Company was able to add over 270,000 customers to HBB during the year and increase the subscriber market share by 8pps. The Prepaid product offering, in particular, continued to showcase a strong growth trajectory in meeting its objective of catering to the mass market.

Business & Financial Review

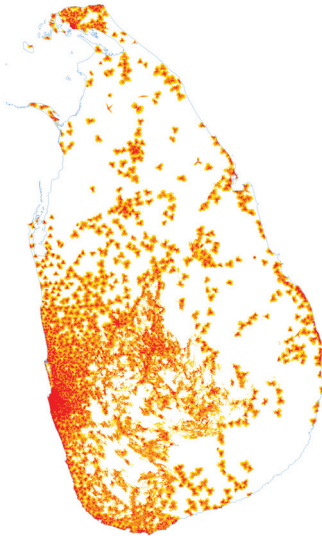


Figure 4 : Fixed 4G Coverage

Coverage

- Low Coverage
- Moderate Coverage
- Good Coverage

Continuing its commitment to provide all households with broadband coverage, the Company invested in further expanding its Fixed LTE network. In 2020, DBN further strengthened its network with over 2,400 sites whilst increasing its coverage and capacity to suit the overwhelming demand. To continuously deliver 'The Future. Today' while ensuring customers receive an unparalleled service experience with cutting-edge technology and innovation, Dialog upgraded over 30k CDMA consumers/enterprises to the latest 4G LTE technology during the year. Keeping up with the company-wide digitisation standards, DBN converted its customers to digitisation behaviour by increasing My dialog app registrations, e-Bill registrations and e-payments/top-ups.

Mergers & Acquisitions

Aligning to its strategic objective of enriching the Enterprise domain, Dialog entered into an agreement to acquire 100% stake in H One (Private) Limited through Dialog Broadband Network (Private) Limited ("DBN") on 23rd of December 2020, with the transaction being completed on 7th January 2021. H One is a Microsoft (MSFT) award-winning tier one partner founded in 2008 and was a subsidiary of Hirdaramani Group, a leading apparel manufacture in Sri Lanka. H One's annual turnover is circa LKR 1.6 Billion. The acquisition of H One by Dialog would supplement Dialog's expansive suite of enterprise solutions and would facilitate the acceleration of the digital transformation of Sri Lanka's Enterprise Sector. The combination of Dialog's expertise in advanced digital technologies and the leading-edge capabilities of H One will create a Centre of Excellence for the scaling of Microsoft Platforms and Enterprise Solutions.

Dialog's Tele Infrastructure Arm

The Company's infrastructure services arm continues to be the frontrunner in the provision of active and passive telecommunication infrastructure services in Sri Lanka. It serves all licensed operators and broadcasters on their passive infrastructure and transmission requirements through modern and cost-effective technical solutions. To provide high-capacity scalable and reliable transmission services in access and aggregation layers, Dialog continually expands the Optical Fibre Network across the country, connecting all main cities and metropolitan areas, improving the service reachability to the customers.

Dialog ICT

Work From Home Solutions; the suite of solutions offered to our customers during the COVID-19 pandemic and associated travel restrictions have been critical to ensuring their ongoing operations through safe, secure and fast access to their corporate networks and services. This solution spanned across five areas. *Corporate Data on any Broadband*; allows corporates to allocate Fixed Broadband data to their staff members' personal Dialog Home Broadband



connections, empowering work-from-home, *Business Broadband*; an enhanced broadband offering with downlink speeds up to 100 Mbps and priority data traffic management, is specially designed for Enterprise customers with congestion-free wireless connectivity, *Cloud-based Collaboration Applications and Work and Learn Packs for Enterprise*; cloud-based Enterprise Collaborations suites from Microsoft and Zoho supported with Work and Learn Packs from Dialog ensures work gets done without any interruptions when working from home. Complete with content filtering options, the solution is ideal for remote workers, online workers, start-ups and online study centres. *Remote Device Management and Endpoint Security*; through partnerships with Samsung and IBM, Dialog launched a suite of product offering tackling the challenge of managing and supporting devices remotely and ensuring security as more and more of our customers work remotely using a multitude of devices, *SDWAN Solutions*; fully managed SDWAN solutions providing secure connectivity and optimised access to corporate applications ensuring the highest level of network security, traceability and optimised performance across multiple access technologies.

Continuing its journey as a multi-cloud service provider, supporting enterprises to migrate to the cloud and providing hybrid (on-premise and cloud) offerings, Dialog Enterprise was awarded “**VMware Cloud Verified**” partner status in October 2020, being the first in Sri Lanka and of one of only 235 service providers worldwide.

In addition to providing compute and storage services from all major global hyper scalers and regional cloud providers, Dialog Enterprise now brings **Dialog Direct Cloud Connect (DDCC)**, direct and private Cloud connections for the first time in Sri Lanka, providing customers with a local Cloud experience built to, and on par with global standards, providing low latency and cost-effective secure connectivity to global public clouds.

Dialog SmartLife, our Smart Home platform, now supports more than 32 device variations covering power, lighting, security and safety. These include the IR blasters enabling the SmartLife app to control non-IoT enabled TVs, ACs and Projectors, while Google and Alexa integrations allow voice control of the SmartLife ecosystem.

Business & Financial Review

DIALOG TELEVISION

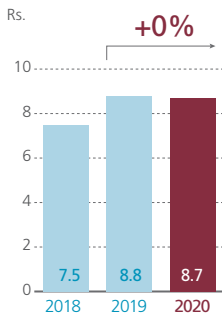
Financial Review

DTV continued to consolidate its leadership position in the Digital Pay Television space with subscriber growth of 12% YoY to reach 1.6Mn households by the year ended 31st December 2020. DTV revenue remained stable YoY to reach Rs. 8.7Bn as the top line was impacted due to COVID-19 associated economic slowdown. Further, as lockdowns continued throughout the year, DTV channels were made available free of charge to all customers in affected areas. The overall impact on revenue resulting from

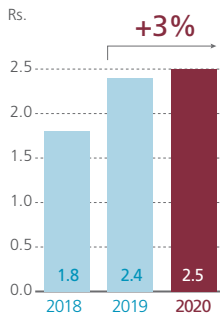
both pandemic related economic slowdown and free offers were estimated at Rs. 0.8Bn for FY 2020.

On the back of efficient cost control initiatives carried out during the year, DTV EBITDA recorded a growth of 3% YoY at Rs. 2.5Bn for FY 2020. However, DTV Net Loss increased to Rs. 0.9Bn for FY 2020 relative to a Net Loss of Rs. 0.5Bn recorded in FY 2019. The expansion in the Net Loss resulted from increased amortisation of customer acquisition cost stemming from new subscriber acquisitions, despite the revenue contribution from the increased subscriber base remaining subdued due to reasons alluded to earlier.

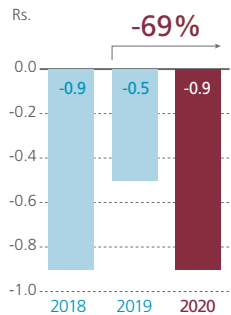
Revenue



EBITDA



NPAT



Business Review

Dialog TV gained an active **subscriber base of 1.6mn**, of which the **prepaid base amassed to 1.1Mn**. This growth was harnessed through aggressive capture of underpenetrated market segments through innovative value propositions, conversion of Postpaid churned customers to Prepaid and through the reactivation of the dormant by delivering customer segment-specific loyalty-based rewards schemes.

DTV Content revenue surpassed the Rs. 1 billion mark (Rs. 1.120Bn) which was achieved through multiple strategies and focused campaigns to promote properties such as LPL, Sri Lanka Tour of India, 14 Day Pass, Stay Home-Stay Entertained offers and Valentine's promos.

Further, analytics-based persona segmentation resulted in capturing virgin sachet customers and re-activation of sachet dormant customers. Dialog TV also continued to refresh its content offering through its assortment of local and international channels with the introduction of channels such as Blue Ant Entertainment, TechStrom, Discovery Tamil, Rugby Pass TV, Makeful, Travel Channel and Supreme TV. With the launch of these new channels, Dialog TV now delivers an extensive array of 122 Standard Definition (SD) and 10 High Definition (HD) channels.

In 2020, Dialog TV introduced **Prepaid Monthly Rental packages** that are operated through reloads, where a customer can simply reload upfront for



the entire month and enjoy a hassle-free Dialog TV experience for the entire month. This also presents the customers with a saving on the amount spent on reloads in comparison to reloading on a per-day basis. The monthly rental packages start as low as Rs. 35 (+tax) and deliver the same local and international channel experience as the daily packages.

Dialog TV also introduced the **Missed Call Alert Channel Activation product**, where customers can activate additional channels to their package simply by giving a missed call to a designated number. This introduction revolutionizes the way customers activate channels and delivers convenience.

Going the extra mile to help Sri Lankans get through the social restrictions put in place to fight the COVID-19 pandemic and to stay informed and entertained from the safety of their home, Dialog TV introduced the **Stay Home, Stay Safe product** (All channels for 14 days for Rs. 100) to keep Sri Lankans informed, educated, and entertained through these unprecedented times. This offers access to more than 130 channels enabling customers to enjoy a wide variety of content from around the world covering different genres such as movies, sports, entertainment, edutainment, music, kids and more.

For the first Time in Sri Lanka, Dialog TV launched the Android TV experience through **ViU Hub Mini & ViU Hub 2.0**. The ViU Hub 2.0 and ViU Mini Android TV devices deliver a converged digital entertainment experience for Dialog TV subscribers. These two devices deliver features such as 130 LIVE TV channels, a wide portfolio of Video on Demand content, Catch-up TV and Rewind TV on over 95 channels, Google Play apps, Google Play movies, Chromecast built-in, Voice Assisted remote and much more. Further, as an added benefit to the customers, they can enjoy streaming content (LIVE TV, Catch-up TV, Rewind TV & ViU Video On Demand) for no data charges on the Dialog network.

Corporate Governance Report

INTRODUCTION

The Board of Directors of the Company is committed towards maintaining good corporate governance whilst pursuing its corporate objectives to enhance long term shareholder value and sustainable growth. In addition to the requirements outlined in the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant regulations, the Company complies with Dialog's Code of Corporate Governance (the Code), which is an internally developed code, based on international corporate governance principles and best practices and is applicable to the Group and governs the activities of the Board, how the Group conducts its business operations, its relationships with all of its stakeholders while providing for accountability and sound internal control systems.

The Board confirms that the Company is compliant with the requirements stipulated in the Code, the Rules on Corporate Governance contained in the Listing Rules of the CSE and the requirements stipulated in

the Companies Act, No. 7 of 2007. This report outlines the Corporate Governance framework, application and practice within the Group for the year 2020.

1. THE BOARD

The Company's business and Group operations are managed under the supervision of the Board. The role of the Board includes:

- ▶ Providing entrepreneurial leadership to the Group;
- ▶ Providing strategic guidance and evaluating, reviewing and approving corporate strategy and the performance objectives for the Company;
- ▶ Approving and monitoring financial and other reporting practices adopted by the Group;
- ▶ Effectively reviewing and constructively challenging management performance in meeting the agreed goals, monitoring the reporting of performance and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives.

The composition of the Board of Directors as at 31 December 2020, was as follows:

Name of Director	Date of Appointment to the Board	Position
Mr. David Nai Pek Lau	13 May 2020	Chairman / Non-Independent, Non-Executive Director
Mr. Supun Weerasinghe	1 January 2017	Group Chief Executive Officer/ Non-Independent, Executive Director
Dr. Hans Wijayasuriya	19 January 2001	Non-Independent, Non-Executive Director
Mr. Mohamed Muhsin	14 June 2006	Independent, Non-Executive Director
Mr. James MacLaurin	10 May 2011	Independent, Non-Executive Director
Deshamanya Mahesh Amalean	15 May 2014	Independent, Non-Executive Director
Mr. Willem Timmermans	10 May 2017	Non-Independent, Non-Executive Director
Dato' Mohd Izzaddin Idris	9 August 2018	Non-Independent, Non-Executive Director
Mr. Vivek Sood	16 February 2019	Non-Independent, Non-Executive Director
Dato Dr Nik Ramlah Nik Mahmood	13 May 2020	Non-Independent/ Non-Executive Director
Mr. Azwan Khan Osman Khan	01 July 2020	Non-Independent/ Non-Executive Director

Table 1 - Composition of the Board as at 31 December 2020

Notes:

- ▶ Mr. Dominic Paul Arena resigned on 13 May 2020.
- ▶ Datuk Azzat Kamaludin stepped down as Chairman and as a member of the Board of Directors of the Company on 30 June 2020 at the conclusion of the Annual General Meeting.
- ▶ Mr. David Nai Pek Lau was appointed the Chairman with effect from 1 July 2020.
- ▶ Dato' Mohd Izzaddin Idris resigned on 31 December 2020.
- ▶ Dr. Indrajit Coomaraswamy was appointed as an Independent, Non -Executive Director on 1 February 2021.

The profiles of the current Directors are given on pages 18 to 22 of this Report.



► Composition and Balance of the Board

As at 31 December 2020, the Board comprised of 11 directors, of which 10 were non-executive directors and 01 executive director, who is also the Group Chief Executive Officer (“GCEO”). The composition mix of the executive and non-executive directors satisfies the requirements of the Listing Rules of the CSE.

The non-executive directors provide a considerable depth of knowledge collectively gained from experiences, whilst serving in a variety of public and private companies in various industries. As at 31 December 2020, the Board included seven qualified Chartered Accountants who provide the Board with the requisite financial acumen and knowledge on financial matters.

The Board considers that the composition and expertise of the Board is sufficient to meet the present needs of the Group, but will continue to review the composition and the mix of skills and expertise on an ongoing basis to align it to the business needs and complexity of the Group’s operations.

► Board Independence

Based on the declarations made annually by each of the non-executive directors in accordance with the requirements set out in the Listing Rules of the CSE, Deshamanya Mahesh Amalean is considered independent. Although having served more than 9 consecutive years on the Board, the Board considers Mr. Mohamed Muhsin and Mr. James Maclaurin as ‘independent’, given their objective and unbiased approach to matters of the Board.

These directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their judgment.

The Board considers the other 07 non-executive directors, namely Mr. David Nai Pek Lau, Dr. Hans Wijayasuriya, Mr. Willem Timmermans, Dato’ Mohd Izzaddin Idris, Mr. Vivek Sood, Dato Dr. Nik Ramlah Nik Mahmood and Mr. Azwan Khan Osman Khan as non-

independent, as they are nominees of Axiata Group Berhad, the major shareholder of the Company.

► Division of Responsibilities

The roles of the Chairman and the GCEO are separate with a clear distinction of responsibilities between them, which ensures the balance of accountability and authority between the running of the Board, and the executive responsibility for the running of the Group’s businesses.

The role of the Chairman, David Nai Pek Lau is to provide leadership to the Board, for the efficient organisation and conduct of the Board’s function, and to ensure the integrity and effectiveness of the relationship between the non-executive and executive director(s).

The role of the GCEO, Mr. Supun Weerasinghe, is to implement policies and strategies approved by the Board, and develop and recommend to the Board the business plans and budgets that support the Group’s long-term strategy and vision that would lead to the maximisation of shareholder value.

► Board Meetings and Attendance

The Board meetings for each financial year are scheduled in advance to enable the directors and management to plan accordingly and fit the year’s Board meetings into their respective calendars. The Board’s annual meeting calendar (including Board meetings and Board Committee meetings) is prepared with the consensus of all directors and is tabled at the Board meeting in the fourth quarter of each preceding year.

To ensure that Board meetings are conducted effectively and efficiently, the time allocation for each agenda item is determined in advance. Members of the management and external advisors are invited as and when required to attend Board meetings to present proposals and provide further clarity to the Board.

Corporate Governance Report

The Board meets quarterly with a view to discharging its duties effectively. In addition, special Board meetings are also held whenever necessary to deal with specific matters. A total of 07 meetings were held in 2020, which included 04 special meetings. The attendance of directors at these meetings is set out in the table below:

Name of Director	Attendance
Datuk Azzat Kamaludin ¹	3/3
Mr. David Nai Pek Lau ²	5/5
Mr. Supun Weerasinghe	7/7
Dr. Hans Wijayasuriya	7/7
Mr. Mohamed Muhsin	7/7
Mr. James MacLaurin	7/7
Deshamanya Mahesh Amalean	5/7
Mr. Dominic Paul Arena ³	2/2
Mr. Willem Timmermans	7/7
Dato' Mohd Izzaddin Idris	7/7
Mr. Vivek Sood	7/7
Dato Dr Nik Ramlah Nik Mahmood ⁴	5/5
Mr. Azwan Khan Osman Khan ⁵	4/4

Table 2 – Board meeting Attendance

¹ Resigned with effect from 30 June 2020.

² Appointed with effect from 13 May 2020.

³ Resigned with effect from 13 May 2020.

⁴ Appointed with effect from 13 May 2020.

⁵ Appointed with effect from 01 July 2020.

► Access to Information

To enable the Board to make informed decisions, the Board is supplied with complete and adequate information in advance of each meeting, which includes an agenda, minutes, board papers with background or explanatory information, financial and operational performance reports. The Board also receives regular review reports and presentations on business development, risk profiles and regulatory updates. Any additional information may be requested by any director as and when required.

The Board has separate and independent access to the Group's Senior Management. All Directors have access to the advice and services of the Group Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

The directors, especially non-executive directors, have access to independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

► Professional Development and Performance Evaluation

The directors are provided with the opportunity to update and enhance their skills and knowledge through training conducted by both external and in-house facilitators, and are periodically briefed on changes to relevant laws, regulations and accounting standards which impact the Group's business and the directors. New Directors receive a comprehensive and tailored induction programme in order that they are fully informed about the activities and business operations of the Company and its subsidiaries on joining the Board.

The Nominating and Remuneration Committee (NRC) is responsible for evaluating the Board's performance and decides how the Board's performance may be evaluated and also proposes the objective criteria.

► Delegation of Authority and Board Committees

Other than the matters reserved for the Board, the Board has adopted a Group Policies and Limits of Authority (LOA) framework applicable to the Group, by which the Board has delegated authority to its Board Committees and management. The Group Policies state the principles and set out the tone by which business is to be conducted, whereas the primary purpose of the LOA is to set out clear guidance to management as to the matters over which the Board reserves authority and those which it delegates to management. The LOA has established a sound framework of authority and accountability, which facilitates timely, effective and quality decision-making at the appropriate level.



The Board is supported by the following Board Committees which have been delegated with certain specific responsibilities -

1. Board Audit Committee
2. Nominating and Remuneration Committee
3. Related Party Transactions Review Committee
4. Capital Investment and Procurement Management Committee
5. Board Risk and Compliance Committee

All Board Committees have written Terms of Reference approved by the Board and the Board receives reports of their proceedings and deliberations. In instances where Committees have no authority to make decisions on matters reserved for the Board, recommendations are highlighted for approval by the Board. The Chair Persons of each of the Board Committees report the outcome of the Committee meetings to the Board and the relevant decisions are incorporated in the minutes of the Board meetings. The Group Company Secretary acts as secretary to all Board Committees.

A brief description of each Board Committee is provided below:

a) Board Audit Committee (BAC)

The BAC ensures that the Group complies with applicable financial standards and laws. In addition, it ensures high standards of transparency and corporate disclosure and endeavours to maintain appropriate standards of corporate responsibility, integrity and accountability to the shareholders. The appointed members of the BAC are required to exercise independent judgment in carrying out their functions.

The activities conducted by the BAC are set out in the BAC Report on pages 54 to 56.

b) Nominating and Remuneration Committee (NRC)

The role of the NRC is to identify, consider and propose suitable candidates for appointment as directors and for senior management positions and to formulate, review, approve and make recommendations to

the Board with regard to the remuneration of the executive and non-executive directors and key positions within the senior management.

The NRC ensures that the directors appointed to the Board possess the background, experience and knowledge in business, technology, finance and/or management, so as to maintain an appropriate balance of skills and experience of the Board, and also to ensure that each director brings to the Board an independent and objective perspective to ensure that balanced and well-considered decisions are made.

The NRC also ensures that it receives quarterly updates from the Group HR Division on staff related matters.

The NRC comprises 03 non-executive directors, namely Mr. David Nai Pek Lau (Chairman), Mr. Mohamed Muhsin and Deshamanya Mahesh Amalean.

The NRC held 04 meetings during the financial year ended 31 December 2020 which included 01 special meeting and the attendance at these meetings is set out below:

Name of Director	Attendance
Datuk Azzat Kamaludin (Chairman up to 30 June 2020)	1/2
Mr. David Nai Pek Lau (Chairman with effect from 01 July 2020)	2/2
Mr. Mohamed Muhsin	4/4
Deshamanya Mahesh Amalean	3/4

Table 3 – NRC meeting Attendance

c) Related Party Transactions Review Committee (RPTRC)

The role of the RPTRC is to review related party transactions as prescribed by Section 9 of the Listing Rules of the CSE. As per the Listing Rules, the RPTRC shall meet at least once a financial quarter.

The Company has complied with the requirements set out in the Listing Rules of Colombo Stock Exchange pertaining to Related Party Transactions.

Corporate Governance Report

The activities conducted by the RPTRC are set out in the RPTRC Report on page 57.

d) Capital Investment and Procurement Management Committee (CIPMC)

The role of the CIPMC is to support the Board in the performance of its duties by considering and approving, or recommending to the Board, strategic, operational and financial matters and procurement proposals.

The CIPMC comprises 04 representatives of the Board, namely Mr. James Maclaurin (Chairman), Mr. Mohamed Muhsin, Dr. Hans Wijayasuriya and Mr. Supun Weerasinghe and 01 ex-officio member who is the Group Chief Financial Officer of Dialog.

The CIPMC held 04 meetings during the financial year ended 31 December 2020.

e) Board Risk and Compliance Committee (BRCC)

During the year, with the objective of further strengthening the Company's risk and compliance governance including the Anti-Bribery and Anti-Corruption (ABAC) control framework, the Board formed a board level committee, named the Board Risk and Compliance Committee (BRCC), to assist the Board to oversee the risk and compliance function and ethics programme. The BRCC is responsible for determining that there are robust processes in place for identifying, assessing and monitoring:

- i) key business risks to safeguard shareholders' investment and the Company's assets;
- ii) cybersecurity risks and risks relating to data privacy;
- iii) risks arising from non-compliant practices and behaviours, particularly relating to ABAC.

During the year the BRCC carried out the following activities:-

- i) Reviewing and approving the ABAC Policy
- ii) Reviewing and approving the Gifts, Donations, and Sponsorships Policy
- iii) Overseeing the cyber security program implementation

iv) Overseeing the Enterprise Risk Management and Business Continuity Management program

v) Overseeing the compliance program implementation.

The BRCC comprises 04 representatives of the Board, namely Mr. James Maclaurin (Chairman), Mr. Mohamed Muhsin, Mr. Vivek Sood and Mr. Supun Weerasinghe.

The BRCC held 02 meetings during the financial year ended 31 December 2020.

The BRCC ensures that Dialog's risk register is kept current and advises the Board on the strategic direction, tone from the top, as well as appropriate training and development exercises in all areas under its mandate.

The above Board Committees are supported by a comprehensive and effective internal governance structure, consisting of the Group Senior Management Committee (GSMC), headed by the GCEO, to oversee the overall operations of the Group. Reporting to the GSMC are Group Leadership Committees that oversee the effective management of core functional areas and are headed by senior management members heading the respective functional area.

► Re-appointment and Re-election

In accordance with the Company's Articles of Association, directors who were appointed during the year must submit themselves to the shareholders for re-election at the first AGM following their appointment and one-third of the directors (excluding the executive director) are subject to retirement and re-appointment by rotation at every AGM. The directors who retire by rotation are those who have been longest in office since their appointment/re-appointment.

The directors who are retiring and are eligible for re-election this year are mentioned in the Notice of the AGM on page 157.



2. REMUNERATION

The Company's remuneration policy endeavours to attract, retain and motivate directors of the quality and experience commensurate with the stature and operational complexity of the Dialog Group. The remuneration policy for directors is proposed, evaluated and reviewed by the NRC, in keeping with criteria of reasonability.

The remuneration of non-executive directors comprises a monthly fixed allowance and meeting allowances paid in accordance with the number of meetings attended during the year 2020.

The remuneration of the executive director, in his capacity of an employee, comprises of a salary, bonuses and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Company. Further, the performance-related elements of remuneration have been designed to align the interests of the executive director with those of shareholders and link rewards to corporate and individual performance. Thus, the variable component of the executive director's remuneration is based on the achievement of two dimensions - Company performance against Company targets and individual performance against a pre-determined set of Key Performance Indicators (KPI). These KPIs comprise of qualitative and quantitative targets and the evaluation of the achievement of the KPIs is reviewed by the NRC and the recommendations are tabled for approval of the Board.

A total of Rs. 157,474,509 was paid to the Directors as emoluments for the financial year 2020.

3. ACCOUNTABILITY AND AUDIT

► Financial Reporting

The Board believes that independent verification is necessary to safeguard the integrity of the Group's accounting and financial reporting.

The Board aims to provide and present a balanced and understandable assessment of the Group's position and prospects. Therefore, the Board has established a

formal and transparent process to independently verify and safeguard the integrity of the Group's accounting and financial reporting and internal control systems, which are periodically reviewed and monitored to ensure effectiveness.

The GCEO and the Group Chief Financial Officer (GCFO) declare in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and that operational results are stated in accordance with relevant accounting standards.

4. RECOGNISE AND MANAGE RISK

► Internal Control

The Board acknowledges its overall responsibility in ensuring that a sound system of internal control is maintained to safeguard shareholders' investment and the Group's assets.

The BAC conducts a review of the effectiveness of the Group's system of internal controls and reports its findings to the Board. The review covers all material controls, including financial, operational and compliance controls and risk management systems. Upon receiving confirmation from the heads of units, the GCEO and GCFO provide the BAC with a certificate of compliance confirming compliance with all applicable statutory and regulatory requirements on a quarterly basis.

► Risk Management, Compliance & Control

The Group has established and implemented an Enterprise Risk Management System and Compliance Program for identifying, assessing, monitoring and managing material risk throughout the organisation, which includes:

- Company's risk profile which includes risks facing the Company including financial and non-financial;
- Assessment and mitigation of cyber security risks and risks related to data privacy;
- Assessment and mitigation of risks related to bribery and corruption.

Corporate Governance Report

- ▶ Assessment and mitigation of risks related to legal and regulatory.
- ▶ Periodic assessment and review the effectiveness of the Company's implementation of the risk management and compliance monitoring system.

The Risk and Compliance Management Committee (RCMC) is responsible for monitoring the risks and reporting the same to the BRCC and Board on a quarterly basis or as and when a significant risk arises.

Dialog has implemented a comprehensive Anti-Bribery Anti-Corruption program to uphold one of its core values "Uncompromising Integrity". Even though private sector bribery is not within the scope of the Bribery Act in Sri Lanka, Dialog emphasises on its long-term commitment towards corruption free business guided by the T.R.U.S.T principles.

T – Top Level Commitment

R – Risk Assessment

U – Undertaking Control Measures

S – Systematic Review, Monitoring, and Enforcement

T – Training and Communication

Some key highlights from the ABAC initiative are,

- i) Publication of the ABAC policy addressing but not limited to conflict of interests, facilitation payments, political contributions, etc. (<https://www.dialog.lk/abac-policy-and-policy-statement>)
- ii) Publication of the Gifts, Donations, and Sponsorships policy. Dialog has adopted a "No Gift" policy both offering and receiving.
- iii) Implementation of the Supplier Code of Conduct which is inclusive of ABAC clauses.
- iv) Implementation of the Supplier Declaration Form to ensure self-declaration from vendors that they are aligned to Group policies.
- v) ABAC clauses included to contracts with vendors/suppliers/partners/third party agents.
- vi) Mandatory training rolled out to all staff on ABAC.
- vii) Compliance to policies are reported on a quarterly basis to BRCC and continuous improvements are carried out to the compliance program to improve its efficiency and effectiveness.

▶ Internal Audit

Internal audits are conducted by the Group Internal Audit Division which is independent of management. The Internal Auditor has access to management and the authority to seek information, records, properties and personnel relevant to the subject of audit/review. Once an audit/review is completed, a report is submitted to the BAC.

The BAC oversees the scope of the internal audit and has access to the internal audit without the presence of management.

In order to ensure independence, objectivity and enhance performance of the internal audit function, a direct reporting line has been created from the internal audit function to the BAC. The BAC is responsible for the appointment and dismissal of the Group Chief Internal Auditor. The activities of the Group's internal audit are detailed in the BAC Report on pages 54 to 56.

5. RESPONSIBLE DECISION-MAKING

The Group's Code of Business Ethics and Employee Code of Conduct actively promote ethical and responsible decision-making and endeavour to influence and guide the directors, employees and other stakeholders of the practices necessary to maintain confidence in the Group's integrity and to demonstrate the commitment of the Group to ethical practices.

The Group also has in place a comprehensive ABAC policy and Gifts, Donations, Sponsorships policy to promote our core value of Uncompromising Integrity in day-to-day decision making. The Group has in place an Insider Trading Policy which deals with the trading practices of directors, officers and employees of the Group in the Company's securities. The Insider Trading Policy raises awareness of the prohibitions under the law and specifies the restrictions relating to trading by designated officers in specific circumstances, details of such circumstances, and the basis upon which discretion is applied.

The Group also has a speak up channel (whistle-blowing channel) along with whistleblowing policy



which is publicly available for all stakeholders and catered in all three languages. Dialog is committed to protect, within reason and means, anyone who reports or raises a concern in good faith, and those who participate in or conduct investigation, from retaliation (link to whistleblowing / speaking up policy: <https://dlg.dialog.lk/our-governance>)

6. RESPECT FOR THE RIGHTS OF SHAREHOLDERS

The Company is committed to having regular, proactive and effective communication with investors and shareholders. The Company respects the rights of the shareholders and seeks to empower them by communicating effectively and providing ready access to balanced information about the Company.

► Communication with shareholders

The Company communicates with the shareholders through the following means of communication:-

1. Annual General Meeting (AGM)

The AGM is the main event for the shareholders to meet with the Board which allows reasonable opportunity for informed shareholders to communicate their views on various matters affecting the Company and the forthcoming AGM will be used to effectively communicate with shareholders. The AGM is also attended by the Senior Management, External Auditors and External Legal Counsel.

2. Announcements to the Colombo Stock Exchange

Announcements of quarterly interim financial results, press releases and various announcements on corporate actions are disclosed to the CSE in a prompt and timely manner in compliance with the Listing Rules of the CSE.

3. Media Releases

The Company ensures that media releases are made to the media on all significant corporate developments and business initiatives through its Group Corporate Communications Unit.

4. Company website

Information on the Company's performance, financial information, press releases, annual reports, all relevant announcements made to the CSE, related information and other corporate information is made available on the Company's website at <http://www.dialog.lk/financial-announcements>.

► Investor Relations

In the year 2020, despite the pandemic situation that shrouded the entire year, the Company actively participated in 03 virtual investor conferences which attracted existing and prospective foreign shareholders in participation. In addition, the Company conducted 8 one-on-one virtual meetings with key local and foreign investors during the course of the year.

The Company also held earnings calls, again on virtual mode, every quarter, to brief local and foreign analysts and investors on the results of the preceding quarter. These sessions not only provided analysts and investors with a comprehensive review of the Group's financial performance, but also gave them the opportunity to clarify related queries directly from the Management. The content of these briefings are posted on the Company's website at <http://www.dialog.lk/quarterly-reports>. Additionally, the Company hosted 01 investor forum during the year to brief investors/analysts on the Company's performance for FY 2019.

► Major Transactions

There were no transactions during the year deemed as a "major transaction" in terms of the definition stipulated in the Companies Act, No. 7 of 2007.

Report of the Board Audit Committee

ROLE OF THE COMMITTEE

The Board Audit Committee (BAC) is a formally constituted sub-committee of the Board of Directors (Board). It reports to and is accountable to the Board.

The primary role of the BAC is to implement, address issues and support the oversight function of the Board in relation to the Group's financial results, audits, financial risks and internal controls. It ensures compliance with international best practices, accounting standards as defined by the Institute of Chartered Accountants of Sri Lanka and applicable local laws and regulations and the requirements of the Listing Rules of the Colombo Stock Exchange (CSE).

The Terms of Reference (ToR) of the BAC, as formulated by the Board, is reviewed annually. The effectiveness of the BAC is evaluated annually by each member of the BAC. The work practices and performance of the external auditors are also reviewed.

COMPOSITION

The BAC comprises three non-executive directors, of whom a majority are independent directors. The BAC is chaired by Mr. Mohamed Muhsin, who is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. The composition meets the requirements stipulated in the Listing Rules of the CSE. The Group Company Secretary functions as the Secretary to the BAC.

The members of the BAC as at 31 December 2020 were:

1. Mr. Mohamed Muhsin – Independent, Non-Executive Director (Chairman)
2. Mr. James Maclaurin - Independent, Non-Executive Director
3. Mr. Vivek Sood - Non-Independent, Non-Executive Director

MEETINGS

The BAC had six meetings during the year 2020, which included three special meetings. The meeting attendance of the members is set out in the table below: -

Name of Member	Attendance
Mr. Mohamed Muhsin – Chairman	6/6
Mr. James Maclaurin	5/6
Mr Vivek Sood	6/6

The Group Chief Executive Officer, the Group Chief Financial Officer and the Group Chief Internal Auditor, attended these meetings on invitation. The external auditors also attended meetings, on invitation, to brief the BAC on specific issues. The Board is apprised of the significant issues deliberated and considers and adopts, if thought fit, the recommendations of the BAC.

SUMMARY OF PRINCIPAL ACTIVITIES OF THE BAC DURING THE YEAR

During the year, with the objective of further strengthening the Company's risk and compliance governance including the Anti-Bribery and Anti-Corruption (ABAC) control framework, the Board formed a board level committee, named the Board Risk and Compliance Committee ("BRCC"), to assist the Board to oversee the compliance function and ethics programme. The BRCC is responsible for determining that there are robust processes in place for identifying, assessing and monitoring;

- i) key business risks to safeguard shareholders' investment and the Company's assets;
- ii) cybersecurity risks and risks relating to data privacy;
- iii) risks arising from non-compliant practices and behaviours, particularly relating to Anti-Bribery and Anti-Corruption ("ABAC").

Pursuant to the formation of the BRCC, some of the responsibilities which were under the purview of the BAC such as risk management, cybersecurity, ethics



and integrity were absorbed by the BRCC. During the year, amendments to the BAC TOR were adopted to reflect the same.

During the year, in addition to the routine activities, the BAC reviewed reports submitted by the Special Affairs Unit on internal investigations and reviewed issues related to breach of ethics if any. The BAC was also updated on the progress of the enhancements to the ABAC governance framework and reviewed and approved revisions or enhancements to internal policies. A new Whistleblower Policy and a Whistleblower Channel was also approved by the BAC during the year.

The following include other key routine activities carried out by the BAC during 2020:

FINANCIAL REPORTING

In relation to the BAC's primary function to provide assurance on the reliability of financial statements through an independent review of risks, controls and the governance process, it reviewed the quarterly and annual financial statements, in consultation with the external and internal auditors, prior to making recommendations to the Board for approval. Particular consideration was given to -

- a) changes in or implementation of accounting policies and practices;
- b) significant or material adjustments with financial impact arising from the audit;
- c) significant unusual events or exceptional activities;
- d) compliance with relevant accounting standards and other statutory and regulatory requirements.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the BAC reviewed and monitored reports furnished by the internal auditors, the external auditors and the management, including;

- ▶ Reports on significant risk exposures and risk mitigation plans;

- ▶ Management Audit Leadership Committee reports on the progress of the management actions to resolve significant internal control issues as highlighted by the internal and external auditors;
- ▶ Certificate of compliance attested by the GCEO and GCFO, confirming compliance with all applicable statutory and regulatory requirements;
- ▶ Legal and regulatory reports on significant litigation and regulatory issues impacting the Dialog Group.

EXTERNAL AUDIT

The BAC reviewed the External Audit Plan including the scope and the fee for the annual audit and had discussions with the external auditors prior to the year-end audit to discuss their audit approach and procedures, including matters relating to the scope of the audit.

The BAC reviewed the results of the external audit and the recommendations contained in the Management Letter arising from the audits of the quarterly and annual financial statements, and ensured appropriate follow up actions were taken.

The independence and objectivity of the external auditors were reviewed by the BAC, which held the view that the services outside the scope of the statutory audit provided by the external auditors have not impaired their independence.

The BAC recommended to the Board that Messrs. PricewaterhouseCoopers be re-appointed as the external auditors for the ensuing financial year.

INTERNAL AUDIT

The BAC is supported by the Group Internal Audit Division, which is headed by Mr. Aroshan Indujeeva (DBA, MBA, ACMA, CGMA, DipM, ACIM, PMP). The Internal Audit team has a mix of expertise in the disciplines of Finance, Information Technology, Information Security including Cyber Security, Network Engineering and Network Security, Digital Services, and

Report of the Board Audit Committee

Sales & Marketing, Analytics and Artificial Intelligence based Machine learning. The Division leverages on global best practices and has an ongoing knowledge sharing and training program with the Axiata Group.

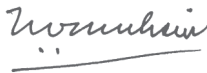
The Division's audit plans are reviewed and approved by the BAC and follow up actions are monitored. The performance of the Internal Audit Division is appraised by the BAC on an annual basis against the audit plan and pre-determined key performance indicators. The Group Chief Internal Auditor's periodic reports detailing control issues and recommendations are reviewed by the BAC and follow-up action on past and present recommendations is monitored.

During the year under review, the Group Internal Audit Division performed 28 audit and other related assignments and highlighted key risk issues with recommendations for action. In addition, the division co-ordinated and updated the follow-up action reviews on external audit issues.

CONCLUSION

The BAC is satisfied that the Group's accounting policies, internal controls, and risk management processes are adequate to provide reasonable assurance that the financial affairs of the Group are managed in accordance with Group policies and accepted accounting standards.

On behalf of the Board Audit Committee.



Mohamed Muhsin, FCA
Chairman, Board Audit Committee

30 April 2021

Report of the Related Party Transactions Review Committee



ROLE OF THE COMMITTEE

The Related Party Transactions Review Committee (the Committee) is a formally constituted sub-committee of the Board of Directors (Board) and reports to the Board.

The primary function of the Committee is to review Related Party Transactions (RPTs) as prescribed in Section 9 of the Listing Rules of the CSE, in order to ensure that transactions with related parties are on normal commercial terms, similar to those afforded to non-related parties.

The Terms of Reference of the Committee was formulated and approved by the Board in 2016.

COMPOSITION

The Committee presently comprises of two independent non-executive directors. The composition meets the requirements stipulated in the Listing Rules of the CSE. The Group Company Secretary functions as the Secretary to the Committee.

The members of the Committee as at 31 December 2020 were:

1. Mr. Mohamed Muhsin – Independent, Non-Executive Director (Chairman)
2. Mr. James Maclaurin – Independent, Non-Executive Director

MEETINGS

The Committee had three meetings during the year 2020. The meeting attendance of the members is set out in the table below:-

Name of Member	Attendance
Mr. Mohamed Muhsin – Chairman	3/3
Mr. James Maclaurin	3/3

POLICIES & PROCEDURES ADOPTED BY THE COMMITTEE

Declarations are obtained from each Director/ Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the related party transactions are identified from information maintained with the Company.

All forecasted recurrent RPTs are submitted by Management on a quarterly basis to the Committee for consideration and review. Non-recurrent RPTs are also reviewed and approved by the Committee prior to the transaction being entered into or if the transaction is expressed to be conditional on such review, prior to the completion of the transaction and the recommendation communicated to the Board for consideration.

CONCLUSION

The Committee is satisfied that all RPTs reviewed by the Committee during the year 2020 were in compliance with the CSE Rules, Related Party Transactions principles, at arm's-length terms and not prejudicial to the interests of the Company and its minority shareholders and that the observations of the Committee have been duly communicated to the Board.

On behalf of the Related Party Transactions Review Committee.

Mohamed Muhsin, FCA
Chairman

30 April 2021

DIAL Share Information

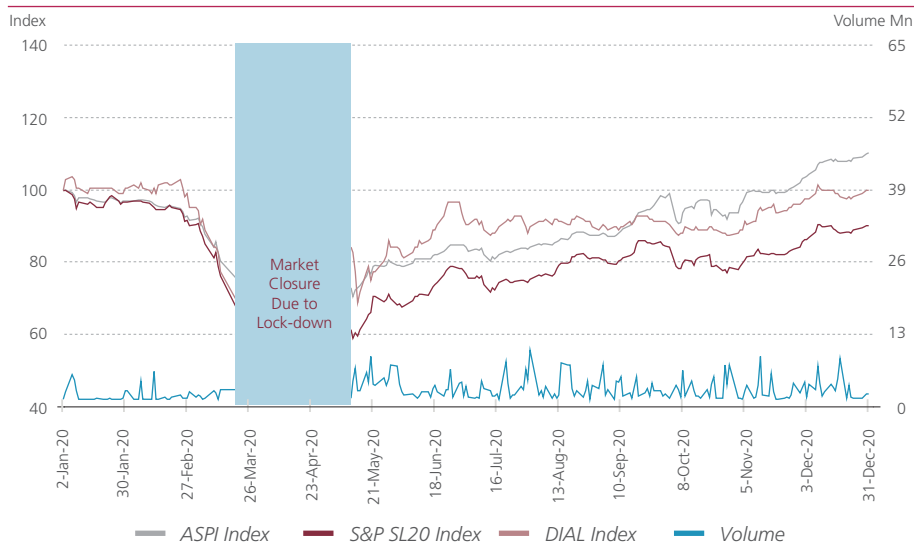


Figure 1: Share Volumes & Relative Performance Vs. Market

THE DIAL SHARE

The main indices of the Colombo Stock Exchange (CSE), All Share Price Index (ASPI) and S&P Sri Lanka 20 (S&P SL 20) delivered mixed results for the year 2020. ASPI recorded its highest annual gain since 2014 at 10.5% while the S&P SL20 index of more liquid stocks declined 10.2% during the year.

This performance was recorded amidst multiple challenges faced during the year which included uncertainty induced by the outbreak of COVID-19, reduced market days due to island-wide lockdown. Foreign investor exits throughout the year added to the woes, which stemmed from uncertainty surrounding COVID-19, Sri Lanka's sovereign rating downgrades and external vulnerability resulting from its external debt repayments.

There was a marked improvement in local Retail and High Net worth Individual (HNI) participation in the market amidst the low interest rate environment, which compensated for the exit of foreign investors

amounting to Rs. 51.3Bn during 2020. Consequently, the overall market turnover recorded 2.3x YoY improvement to reach Rs. 396.9Bn while the average daily turnover improved by 2.7x YoY to record Rs. 1.9Bn for the year.

The DIAL share outperformed the S&P SL 20 index during 2020 and traded between a high of Rs. 12.90 and a low of Rs. 7.90 to close the year at Rs. 12.40. The share gained 0.8% placing it amongst the top 5 companies on market capitalisation by at year end 2020. DIAL share managed to maintain the rank during the year as the 3rd highest Company on market capitalisation on CSE.

MARKET CAPITALISATION

The total market capitalisation of the Company improved by 1.2% to Rs. 101.4Bn during the year while the contribution from DIAL to the overall market capitalisation of CSE was at 3.4% by end 2020.

	2020	Q4	Q3	Q2	Q1	2019
Share Information						
Highest Price (Rs)	12.9	12.7	11.8	12.2	12.9	13.5
Lowest Price (Rs)	7.9	10.6	10.1	7.9	8.5	8.7
Closing Price (Rs)	12.4	12.4	11.3	11.6	8.5	12.3
Trading Statistics						
Number of Transactions	29,531	8,732	9,342	8,397	3,060	17,156
% of Total Market Transactions	1.0%	0.6%	1.0%	2.5%	1.2%	1.4%
Number of Shares Traded (Mn)	373	117	130	90	36	715
% of Total Shares Traded	1.7%	1.0%	2.1%	4.6%	2.7%	7.3%
% of Public Float	26.9%	8.4%	9.4%	6.5%	2.6%	52.6%
Turnover (RsMn)	4,162	1,362	1,451	917	432	7,872
Avg. Daily Turnover (RsMn)	19.9	22.0	22.7	26.2	9.0	32.7
% of Total Market Turnover	1.0%	0.8%	1.3%	1.8%	0.8%	4.6%
Market Capitalisation (RsMn)	101,355	101,355	92,334	94,468	69,222	100,168
% of Total Market Capitalisation	3.4%	3.4%	3.6%	3.9%	3.3%	3.5%

Table 1: Market Information on DIAL Share

DIVIDENDS

The Board adopted a dividend policy which state; The Company shall pay dividends of at least 50% of its PATAMI and endeavours to progressively increase the payout ratio over a period of time, subject to availability of adequate funding for business prospects, including future growth and expansion, capital requirement and any other factors considered relevant by the Board at the point of declaration.

Accordingly, the Board of Directors, resolved to propose for consideration by the Shareholders of the Company, a cash dividend to ordinary shareholders amounting to Seventy-Four Cents (Rs.0.74) per share for FY 2020.

The said dividend, if approved by shareholders, would translate to a payout of 50% of consolidated Group NPAT for FY 2020 corresponding to a total dividend of Rs. 6.0Bn and a dividend yield of 6.0%.

Dividend Payout and Dividend Yield

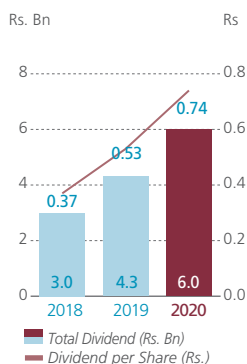


Figure 2: Distribution to Shareholders and Dividend per Share

DIAL Share Information

TOTAL SHAREHOLDER RETURN

The Total Shareholder Return (TSR) for the share was 6.8% in 2020 mainly due to dividend per share of 0.74 cents and the share price appreciation of 0.8% during the year. The TSR for DIAL share outperformed the market TSR based on S&P SL20 which recorded a negative 5.9% growth in 2020.

EARNINGS PER SHARE

The basic earnings per share (EPS) for the year was Rs. 1.48 compared to the EPS of Rs. 1.32 recorded in

FY2019, an increase of 11.6% YoY. EPS is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue by the end of the year.

PRICE EARNINGS RATIO

DIAL share was trading at 8.4x earnings as at 31st December 2020 compared to 9.3x as at 31st December 2019. This resulted from EPS growing at a faster rate relative to the growth of DIAL share price. DIAL share traded at an attractive discount to market earnings multiple of 11.25x as at 31st December 2020.

	2020	2019	2018
Market Cap (RsBn)	101.4	100.2	82.3
Market Value Added (negative) / Positive - (RsBn)	1.2	17.9	(23.6)
Enterprise Value (RsBn)	125.1	140.2	121.9
EV/EBITDA (x)	2.5	3.0	2.8
Basic EPS (Rs)	1.48	1.32	0.92
PER (x)	8.4	9.3	11.0
Price to Book (x)	1.2	1.3	1.2
Dividend Yield (%)	6.0%	4.3%	3.7%

Table 2: Trading Multiples

RETURN ON EQUITY AND RETURN ON INVESTED CAPITAL

The Return on Equity (ROE) for the Group increased to 15.4% in 2020 from 15.2% in 2019. Return on Invested Capital (ROIC) for the Group increased to 12.6% in 2020 from 12.0% recorded for 2019.

PRICE TO BOOK RATIO

The price to book ratio of the Group as at 31st December 2020 was 1.2 times, compared to 1.3 times last year.

LIQUIDITY

The number of transactions in DIAL stock increased in 2020 by 1.7x amid higher retail participation in the share which translated to 1.0% of total market transactions. However, the liquidity level of the share declined YoY on both a turnover and volume basis to record Rs. 4.2Bn and 373Mn respectively. DIAL share contributed 1.0% to total market turnover during 2020.

The free float of the share, being the number of shares of the issued capital freely available for trading, calculated by excluding all strategic holdings and shares held by Directors of the Company was 16.99%.

ROE and ROIC

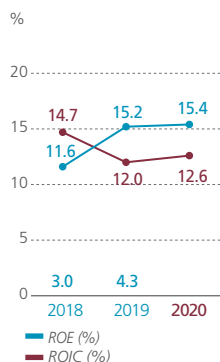


Figure 3: Return on Equity and Return on Invested Capital

COMPOSITION OF SHAREHOLDERS

The total number of Shareholders of DIAL increased marginally to 21,774 as at 31st December 2020 compared to the 20,971 during the previous year.

The public float of DIAL was 16.94% as at 31st December 2020. In terms of the composition of the public float, foreign investors held 53% of the float, 37% was held by local institutional investors and 10% by local retail investors.

2020 marked an increase in local investor participation in DIAL in line with the exits of foreign investors from the market amid macro concerns as alluded to earlier. Accordingly, overall local investor composition increased to 47% in 2020 from 38% recorded in the previous year.

Composition of Shareholders

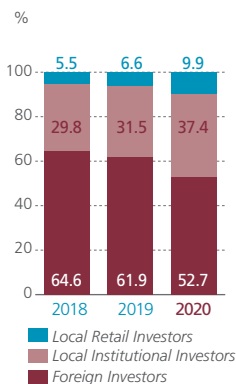


Figure 4: Composition of Shareholders

		Distribution of Shareholders							
		31st December 2020				31st December 2019			
		No. of Shareholders	%	No. of Shares Held	%	No. of Shareholders	%	No. of Shares Held	%
1	to 1,000	8,487	38.98	1,940,208	0.02	11,579	55.21	5,263,680	0.06
1,001	to 10,000	11,745	53.94	22,614,413	0.28	8,278	39.47	20,029,694	0.25
10,001	to 100,000	1,145	5.26	30,751,472	0.38	878	4.19	27,830,039	0.34
100,001	to 1,000,000	301	1.38	86,629,684	1.06	157	0.75	49,772,040	0.61
Over	1,000,000	96	0.44	8,031,873,328	98.26	79	0.38	8,040,882,952	98.74
Total		21,774	100.00	8,173,809,105	100.00	20,971	100.00	8,143,778,405	100.00

Table 3: Trading Multiples

* The issued Ordinary Shares of Dialog Axiata PLC are listed on the Colombo Stock Exchange.

* Stock exchange ticker symbol for Dialog Axiata shares : DIAL

* Newswire codes

Bloomberg : DIAL.SL

Dow Jones : DIAL.SL

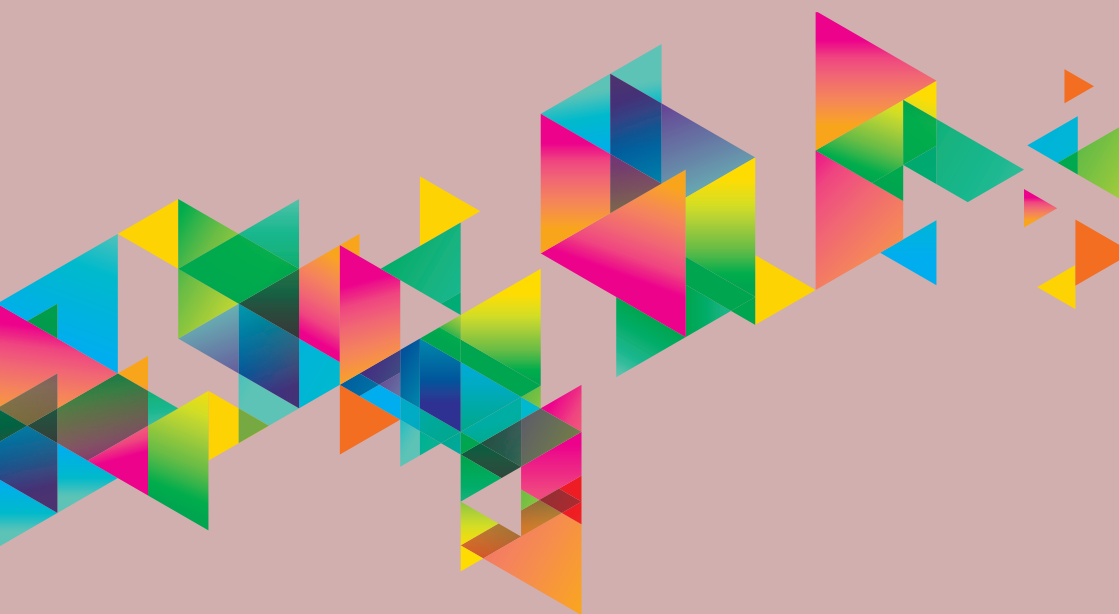
Reuters : DIAL.CM

DIAL Share Information

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY

No	Name of Shareholder	No. of Shares as at 31-Dec-2020	% of Holding	No. of Shares as at 31-Dec-2019	% of Holding
1	AXIATA INVESTMENTS (LABUAN) LIMITED	6,785,252,765	83.01	6,785,252,765	83.32
2	EMPLOYEES PROVIDENT FUND	237,424,082	2.90	237,424,082	2.92
3	BBH LUXFIDELITY FUNDS-PACIFIC F	147,311,909	1.80	135,674,295	1.67
4	BNYM RE-CONSILIUUM EXTENDED OPPORTUNITIES FUND, L.P.	96,086,936	1.18	68,357,367	0.84
5	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	84,441,451	1.03	89,213,425	1.10
6	BNYMSANV RE-LF RUFFER INVESTMENT FUNDS: LF RUFFER PACIFIC AND EMERGING MARKETS FUND	67,314,300	0.82	67,314,300	0.83
7	PERSHING LLC S/A AVERBACH GRAUSON & CO.	63,039,981	0.77	63,840,699	0.78
8	J.B. COCOSHELL (PVT) LTD	44,929,758	0.55	29,553,123	0.36
9	JPMCB NA-FIDELITY ASIAN VALUES PLC	41,762,540	0.51	36,762,540	0.45
10	EMPLOYEES TRUST FUND BOARD	41,000,315	0.50	11,718,973	0.14
11	BBH - FIDELITY FUNDS	40,181,803	0.49	37,431,785	0.46
12	NORTHERN TRUST COMPANY S/A HOSKING GLOBAL FUND PLC	27,890,731	0.34	42,192,342	0.52
13	SSBT-RETAIL EMPLOYEES SUPERANNUATION TRUST	26,685,697	0.33	26,685,697	0.33
14	SSBT-AL MEHWAR COMMERCIAL INVESTMENTS L.L.C.	15,953,567	0.20	15,953,567	0.20
15	JPMBL SA-KAPITALFORENINGEN INSTITUTIONEL INVESTOR,ASIATISKE SMID CAP AKTIER	15,059,195	0.18	12,340,542	0.15
16	CITIBANK HONG KONG S/A HOSTPLUS POOLED SUPERANNUATION TRUST	14,867,369	0.18	14,867,369	0.18
17	DEUTSCHE BANK AG AS TRUSTEE FOR JB VANTAGE VALUE EQUITY FUND	14,289,887	0.17	14,289,887	0.18
18	CEYLON INVESTMENT PLC A/C # 02	13,797,647	0.17	13,797,647	0.17
19	RUBBER INVESTMENT TRUST LTD A/C NO 01	13,554,973	0.17	13,554,973	0.17
20	MELLON BANK N.A.-UPS GROUP TRUST	12,369,731	0.15	18,880,000	0.23

Table 4: Twenty Largest Shareholders



Financial Statements

Annual Report of the Board of Directors for the year ended 31 December 2020	64
The Statement of Directors' Responsibility	69
Independent Auditor's Report	70
Statement of Financial Position	76
Statement of Comprehensive Income	77
Consolidated Statement of Changes in Equity	78
Company Statement of Changes in Equity	79
Statement of Cash Flows	80
Notes to the Financial Statements	81

Annual Report of the Board of Directors for the year ended 31 December 2020

The Board of Directors ('the Board') of Dialog Axiata PLC ('DAP' or 'the Company') is pleased to present herewith the Annual Report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as 'the Group') for the financial year ended 31 December 2020 as set out on pages 76 to 151.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act, No. 07 of 2007 ('Companies Act') and the Listing Rules of the Colombo Stock Exchange (CSE) and is guided by recommended best practices.

FORMATION

The Company is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on the CSE. The registered office of the Company is located at No. 475, Union Place, Colombo 2.

The Company was incorporated in Sri Lanka on 27 August 1993, under the Companies Act, No. 17 of 1982, as a private limited liability company bearing the name MTN Networks (Private) Limited.

MTN Networks (Private) Limited changed its name to Dialog Telekom Limited on 26 May 2005 and was listed on the CSE on 28 July 2005. Pursuant to the requirements of the Companies Act, the Company was re-registered on 19 July 2007 and was accordingly renamed as Dialog Telekom PLC and bears registration number PQ38. Dialog Telekom PLC changed its name to Dialog Axiata PLC on 7 July 2010 in accordance with the provisions of the Section 8 of the Companies Act.

The Company and its subsidiaries have entered into a number of agreements with the Board of Investment of Sri Lanka ('BOI') and enjoy concessions under Section 17 of the BOI Act.

PRINCIPAL ACTIVITIES

The principal activities of the Group are to provide communication services (mobile, fixed, broadband, international gateway services), telecommunication

infrastructure services (tower infrastructure and transmission services), media (digital television services based on multiple media - satellite, cable, terrestrial), digital services [including but not limited to digital commerce (mobile and eCommerce), electronic payments (including mobile payments), digital health, education, navigation and enterprise services and financial services], data centre services, manpower services and venture capital investment activities.

FINANCIAL STATEMENTS

The financial statements which include the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes to the financial statements of the Company and the Group for the year ended 31 December 2020 are set out on pages 76 to 151.

INDEPENDENT AUDITOR'S REPORT

The independent Auditor's Report is set out on pages 70 to 75.

ACCOUNTING POLICIES

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ('SLFRS'), Sri Lanka Accounting Standards ('LKAS'), relevant interpretations of the Standing Interpretations Committee ('SIC') and International Financial Reporting Interpretations Committee ('IFRIC'). The significant accounting policies adopted in the preparation of financial statements are given on pages 81 to 99.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible for preparing and presenting the financial statements of the Company and the Group to reflect a true and fair view of the state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of Sri Lanka Accounting Standards, the Companies Act and the Listing Rules of the CSE. The detailed statement of Directors' responsibility is included in page 69.

REVIEW OF BUSINESS

The state of affairs of the Company and the Group as at 31 December 2020 is set out in the statements of financial position on page 76. An assessment of the financial performance of the Company and the Group is set out in the statements of comprehensive income on page 77.

PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the year are set out in note 8 to the financial statements.

RESERVES

The aggregate values of reserves and their composition are set out in the statements of changes in equity of the Company and the Group on pages 78 and 79 of the financial statements.

SUBSTANTIAL SHAREHOLDINGS

The parent Company, Axiata Investments (Labuan) Limited, held 83.01 percent of the ordinary shares in issue of the Company at 31 December 2020. The main shareholders of the Company and the corresponding holding percentages are set out below:

Name of Shareholder	2020		2019	
	No. of shares	% Holding	No. of shares	% Holding
1 Axiata Investments (Labuan) Limited	6,785,252,765	83.01%	6,785,252,765	83.32%
2 Employees Provident Fund	237,424,082	2.90%	237,424,082	2.92%
3 BBH Luxfidelity Funds - Pacific F	147,311,909	1.80%	135,674,295	1.67%
4 BNYM RE - Consilium Extended Opportunities Fund, L.P.	96,086,936	1.18%	68,357,367	0.84%
5 CITI Bank New York S/A Norges Bank Account 2	84,441,451	1.03%	89,213,425	1.10%
6 BNYM SA/NV RE - LF Ruffer Investment Funds: LF Ruffer Pacific and Emerging Markets Fund	67,314,300	0.82%	67,314,300	0.83%
7 Pershing LLC S/A Averbach Grauson and Co.	63,039,981	0.77%	63,840,699	0.78%
8 J.B. Cocosshell (Pvt) Ltd	44,929,758	0.55%	29,553,123	0.36%
9 JPMCB NA-Fidelity Asian Values PLC	41,762,540	0.51%	36,762,540	0.45%
10 Employees Trust Fund Board	41,000,315	0.50%	11,718,973	0.14%

The percentage of shares held by the public as at 31 December 2020 was 16.94%, in the hands of 21,769 public shareholders (2019 - 16.68% in the hands of 20,967 public shareholders). The Float-adjusted market capitalisation as at 31 December 2020 was Rs. 17,173,922,996.

The Company is compliant with the Minimum Public Holding requirement under Option 1 of Rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange.

Annual Report of the Board of Directors for the year ended 31 December 2020

DIRECTORS

The Directors of the Company as at 31 December 2020 were;

Mr. David Nai Pek Lau (Chairman)

Mr. Supun Weerasinghe (Group Chief Executive Officer)

Dr. Hansa Wijayasuriya

Mr. Mohamed Muhsin

Mr. James MacLaurin

Deshamanya Mahesh Amalean

Mr. Willem Lucas Timmermans

Mr. Vivek Sood

Dato' Mohd Izzaddin Idris*

Dato' Dr Nik Ramlah Nik Mahmood

Mr. Azwan Khan Osman Khan

**resigned with effect from 31 December 2020*

Dr. Indrajit Coomaraswamy was appointed as a director with effect from 1 February 2021.

In accordance with the Articles of Association of the Company, Deshamanya Mahesh Amalean and Mr. Vivek Sood retire by rotation and are eligible for re-election at the forthcoming Annual General Meeting.

Mr. Mohamed Muhsin who attained the age of 77 years on 16 October 2020 and Dr. Indrajit Coomaraswamy who attained the age of 71 years on 03 April 2020 retire pursuant to Section 210 of the Companies Act and resolutions that the age limit of 70 years referred to in Section 210 of the Companies Act shall not be applicable to Mr. Mohamed Muhsin and Dr. Indrajit Coomaraswamy will be proposed at the forthcoming Annual General Meeting.

The names of the Directors eligible for re-appointment or re-election due to rotation or due to being appointed since the last Annual General Meeting are included in the Notice of the Annual General Meeting.

INTERESTS REGISTER

The Company has maintained the interests register as required by the Companies Act. The names of the Directors who were directly or indirectly interested in a

contract or a proposed transaction with the Company or the Group during the year were disclosed by the directors and updated in the interests register.

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

The remuneration and other benefits of the Directors are given in note 37(c) to the financial statements.

LONG TERM INCENTIVE PLAN

Further to the Long Term Incentive Plan ("LTIP") established by the Company to reward and retain high performing eligible employees of the Company and its subsidiaries, a total of 30,030,700 ordinary shares in the Company at price of Rs.12.1 per share, amounting to Rs.363,371,470 were issued to the eligible employees on 18 September 2020, pursuant to satisfying the vesting conditions pertaining to Grant 1 of the LTIP.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

The details of direct and indirect shareholdings of Directors as at 31 December 2020 are as follows:

	2020	2019
Dr. Hansa Wijayasuriya	2,408,910	43,010
Mr. Supun Weerasinghe	1,135,600	-
Mr. Mohamed Muhsin	18,040	18,040
Deshamanya Mahesh Amalean ¹	193,158	6,015,582

¹Shares were held by Amaliya (Private) Limited in which Deshamanya Mahesh Amalean is a Director.

None of the Directors other than those disclosed above directly or indirectly held any shares of the Company.

AMOUNTS PAYABLE TO THE FIRM HOLDING OFFICE AS INDEPENDENT AUDITOR

The audit fees payable to the Auditors, Messrs PricewaterhouseCoopers Sri Lanka was Rs. 6.3Mn (2019 - Rs. 6.2Mn) and Rs. 15.5Mn (2019 - Rs. 15Mn) for the Company and the Group respectively. In addition to the

above, Rs. 24.9Mn (2019 - Rs. 15.8Mn) and Rs. 25.7Mn (2019 - Rs. 16.4Mn) was payable by the Company and the Group for other permitted services.

STATED CAPITAL

The stated capital of the Company as at 31 December 2020 was Rs. 28,467,284,904 (2019 - Rs. 28,103,913,434) comprising 8,173,809,105 ordinary shares (2019 - 8,143,778,405 ordinary shares).

CORPORATE GOVERNANCE

The Directors place great emphasis on instituting and maintaining internationally accepted corporate governance practices and principles with respect to the management and operations of the Company and the Group, in order to develop and nurture long-term relationships with key stakeholders. The Directors confirm that the Company is in compliance with Section 7.10 of the Listing Rules of the CSE on corporate governance.

RELATED PARTY TRANSACTIONS

There were no non-recurrent related party transactions entered into by the Company in which the aggregate value exceeded the lower of 10% of the equity or 5% of the assets as per 31 December 2020 audited financial statements, which require additional disclosure in terms of Rule 9.3.2 of the Listing Rules of the CSE on related party transactions.

There were no recurrent related party transactions carried out during the financial year ended 31 December 2020, the aggregate value of which exceeded 10% of the revenue.

Details of all related party transactions carried out during the year are disclosed in note 37 to the financial statements.

STATUTORY PAYMENTS

The Directors confirm that, to the best of their knowledge having made adequate inquiries from management, all taxes, duties, levies and statutory payments payable by the Company and its subsidiaries and all contributions, levies and taxes payable on

behalf of and in respect of the employees of the Company and its subsidiaries as at the date of the statements of financial position have been duly paid, or where relevant provided for, except as disclosed in note 34 to the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Directors are responsible for the Company's and the Group's system of internal controls covering financial operations and risk management activities and review its effectiveness, in accordance with the provisions of the corporate governance framework. The Directors consider that the system is appropriately designed to manage the risk and to provide reasonable assurance against material misstatement or loss. The Directors further confirm that there is an ongoing process to identify, evaluate and manage significant business risks.

ENVIRONMENTAL PROTECTION

The Company and the Group make every endeavour to comply with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from management, the Directors are satisfied that the Company and its subsidiaries operate in a manner that minimises the detrimental effects on the environment and provide products and services that have a beneficial effect on the customers and the communities within which the Company and the Group operate.

DONATIONS

The total donations made by the Company and its subsidiaries during the year amounted to Rs. 283,437,760 (2019 - Rs. 113,142,147).

GOING CONCERN

The Directors are satisfied that the Company and the Group have adequate resources to continue its operations for the foreseeable future to justify adopting the going concern basis in preparing these financial statements.

Annual Report of the Board of Directors for the year ended 31 December 2020

FUTURE DEVELOPMENTS

In line with its corporate vision to be a leader in multisensory connectivity as manifested in a quadruple play business and technology formulation, the Group will continue to be aggressive in establishing customer facing technology and service delivery infrastructures spanning mobile, fixed line, broadband, digital television and digital services sectors. The Company and the Group will continue to employ an up-to-date portfolio of access and core network technologies in keeping with a dynamic and regularly reviewed technology and service delivery roadmap architected in keeping with global best practices and technology evolution.

The Company will also continue to develop and consolidate its service delivery capability footprint across Sri Lanka in terms of the establishment of basic physical infrastructures such as domestic fibre optic transmission backbone, transmission towers and Internet Protocol (IP) transport networks capable of supporting the delivery of the multiple and converged connectivity services provided by the Group. Further the Group will also consolidate its position in the digital financial service. The Company will also focus on simplification of internal processes and digitisation to further improve customer experience.

INDEPENDENT AUDITOR

Messrs PricewaterhouseCoopers Sri Lanka, Chartered Accountants, served as the independent Auditor during the year. The Directors are satisfied that, based on written representations made by the independent Auditor to the Board, they did not have any relationship or interest with the Company and its subsidiaries that would impair their independence and objectivity.

Messrs PricewaterhouseCoopers Sri Lanka, Chartered Accountants, have expressed their willingness to continue as the independent Auditor of the Company and the Group and a resolution to reappoint Messrs PricewaterhouseCoopers as independent Auditor will be proposed at the forthcoming Annual General Meeting.

EVENTS AFTER THE REPORTING PERIOD

No other material events have occurred since the date of the statement of financial position which requires adjustments to or disclosures in the financial statements other than those disclosed in note 40 to the financial statements.

By Order of the Board



Mr. Supun Weerasinghe
Director



Dr. Hans Wijayasuriya
Director



Ms. Viranthi Attygalle
Group Company Secretary

Colombo
19 February 2021

The Statement of Directors' Responsibility

The responsibility of the Directors in relation to the financial statements of the Company and the Group is set out in the following statement. The responsibility of the independent Auditor in relation to the financial statements prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 ('the Companies Act'), is set out in the independent Auditor's Report from page 70 to 75.

The financial statements comprise:

- ▶ the statements of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year,
- ▶ the statements of comprehensive income, which presents a true and fair view of the comprehensive income and/or other comprehensive income of the Company and its subsidiaries for the financial year.

In preparing these financial statements the Directors are required to ensure that:

- ▶ appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- ▶ all applicable accounting standards, as relevant, have been followed;
- ▶ reasonable and prudent judgments and estimates have been made; and
- ▶ information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange has been disclosed.

The Directors are also required to ensure that the Company and its subsidiaries have adequate resources to continue their operations to justify applying the 'going concern' basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company and its subsidiaries maintain sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the Group, to ensure that the financial statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and its subsidiaries and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud and other irregularities.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the date of the statements of financial position have been paid, or where relevant provided for, except as disclosed in note 34 to the financial statements covering contingent liabilities.

By Order of the Board



Ms. Viranthi Attygalle
Group Company Secretary

Colombo
19 February 2021

Independent Auditor's Report



TO THE SHAREHOLDERS OF DIALOG AXIATA PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Dialog Axiata PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- ▶ the statement of financial position as at 31 December 2020;
- ▶ the statement of comprehensive income for the year then ended;
- ▶ the statement of changes in equity for the year then ended;
- ▶ the statement of cash flows for the year then ended; and
- ▶ the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

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

*PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk*

Partners D T S H Mudalige FCA, C S Manoharan FCA, Ms S Hadgie FCA, Ms S Perera ACA, N R Gunasekera FCA
T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda FCA, Ms W D A S U Perera ACA

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Group

Key audit matter	How our audit addressed the Key audit matter
<p>Carrying value of goodwill</p> <p>(Refer accounting policies in note 2.5 (a) and note 7 in the financial statements)</p> <p>The Group has goodwill amounting to Rs. 9.4 billion as at 31 December 2020. Under Sri Lanka Accounting Standards, the Group is required to annually test for impairment of the Cash Generating Units (CGUs) to which goodwill recorded in the financial statements had been allocated.</p> <p>This annual impairment test was significant to our audit due to following reasons:</p> <ul style="list-style-type: none"> ▶ the goodwill balance allocated to the CGUs of the Group as at 31 December 2020 is material to the financial statements; ▶ management's impairment testing is based on assumptions and judgments relating to cash flow forecasts and projected earnings of the related CGUs which are affected by expected future market or economic conditions; and ▶ selection of the impairment testing method which varies based on types of operations. 	<p>Our procedures included checking inputs used in the impairment testing and the reasonableness of the assumptions used in determining the recoverable value and are given below:</p> <ol style="list-style-type: none"> a) Assessed the key assumptions, including pre-tax discount rate, terminal growth rate, EBITDA and revenue growth rate by benchmarking against publicly available market data and by obtaining the assistance of our valuation experts; b) checked the appropriateness of the selection of the impairment testing method, with the support of our valuation experts; c) checked the mathematical accuracy of the impairment testing and agreed relevant data to the approved management plans; d) assessed the reliability of management's forecasts and projections by comparing actual performance against previous forecasts and projections; e) discussed with relevant senior management the extent to which their assessment of uncertainty had been incorporated to cash flow projections; and f) re-performed the sensitivity analysis performed by management by stress-testing the discount rate, terminal growth rate, EBITDA margin, revenue growth rate and capex to revenue growth rate.

Group and Company

Key audit matter	How our audit addressed the Key audit matter
<p>Revenue recognition – Inherent risk attached to the accuracy of telecommunication service revenue</p> <p>(Refer accounting policies in note 2.25 and note 26 in the financial statements)</p> <p>The mobile operations revenue of the Company and the Group amounted to Rs. 82.4 billion and Rs. 81.7 billion respectively, and the most significant component of such revenue was telecommunication service revenue, which is material to the financial statements.</p>	<p>Our audit procedures included controls testing and substantive procedures which covered, in particular the following:</p> <ol style="list-style-type: none"> a) evaluated the relevant IT systems and the design of controls, and tested the operating effectiveness of controls over the: <ul style="list-style-type: none"> ▶ capturing and recording of revenue transactions; ▶ authorisation of rate changes and the rate input to the billing systems; ▶ system calculation of amounts billed to customers; and ▶ revenue assurance function.

Independent Auditor's Report

TO THE SHAREHOLDERS OF DIALOG AXIATA PLC (CONTINUED)

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

Key audit matter	How our audit addressed the Key audit matter
<p>We focused on this area, as determining telecommunication service revenue involves risks due to:</p> <ul style="list-style-type: none"> ▶ multiple element arrangements inherent to revenue in the industry; ▶ revenue being processed by complex systems involving large volumes of data with a combination of different products and prices; and ▶ use of estimates in revenue recognition. 	<ul style="list-style-type: none"> b) checked the accounting treatment for significant new products and promotions launched with multiple element arrangements and tested that they are appropriately incorporated into the billing systems; c) examined material non-standard journal entries and other adjustments posted to revenue; and d) evaluated the reasonableness of estimates by comparing them with actual observable data.
<p>Useful lives of network assets</p> <p>(Refer accounting policies in note 2.4 and note 8 in the financial statements)</p> <p>We focused on this area since the Company's and the Group's network assets of Rs. 67 billion and Rs. 99 billion respectively, represent significant balances in the statement of financial position as at 31 December 2020. This focus area is subject to the following risks;</p> <ul style="list-style-type: none"> ▶ estimation of the useful lives of network assets requiring judgement; ▶ useful lives of assets shortening with technological obsolescence; and ▶ management's future plans, if any, for the related network assets. 	<p>Our audit procedures included controls testing and substantive procedures as follows:</p> <ul style="list-style-type: none"> a) evaluated the reasonableness of management's annual assessment of the useful lives of network assets using available useful lives data of regional peers, global peers and other operating companies within the Axiata Group; b) participated as observers at quarterly senior management meetings where the remaining useful lives of network assets was discussed; c) examined minutes of the quarterly senior management meetings which included management discussions on the remaining useful lives of network assets; d) physically verified a sample of network assets to check whether assets had become obsolete; e) compared the engineers' assessment and confirmation on network assets which have been identified as obsolete and with shortened useful lives with the related general ledger entries;

Key audit matter	How our audit addressed the Key audit matter
	<p>f) checked board approvals for write-off of assets identified as obsolete;</p> <p>g) checked whether approved asset life period changes were appropriately applied to the related network assets; and</p> <p>h) inquired from senior management, whether the impact of industry technological advancements and initiatives in the business plan have been considered when assessing obsolescence or accelerated depreciation of network assets.</p>

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate / consolidated financial statements, management is responsible for assessing the Company's / 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 Company / Group or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report

TO THE SHAREHOLDERS OF DIALOG AXIATA PLC (CONTINUED)

Report on the audit of the financial statements (Continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 SLAuSs 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 financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the 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 Company's and 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 Company's / 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 separate/ 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 Company / Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics 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, related safeguards.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Picea lambertiana Cresson

CA Sri Lanka membership number 2857

19 February 2021

Statement of Financial Position

(all amounts in Sri Lanka Rupees thousands)

	Note	Group		Company	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
ASSETS					
Non-current assets					
Intangible assets	7	17,468,592	17,452,431	6,480,786	6,153,978
Contract costs	26(c)(i)	7,841,872	7,852,319	1,825,600	2,002,708
Right-of-use assets	9(a)(i)	5,135,935	4,499,551	4,923,897	4,327,586
Property, plant and equipment	8	118,475,106	115,682,983	82,317,105	75,659,324
Deferred tax assets	23	173,503	43,550	-	-
Investment in subsidiaries	10	-	-	50,946,786	50,156,852
Investment in associates	11	127,655	131,876	-	-
Other financial assets	13	544,099	596,331	-	-
		149,766,762	146,259,041	146,494,174	138,300,448
Current assets					
Inventories	14	1,166,018	1,480,604	57,106	61,862
Trade and other receivables	15	19,475,762	20,867,463	20,433,790	25,420,703
Other financial assets	13	624,011	1,137,155	-	-
Cash and cash equivalents	16	16,660,136	7,388,761	13,772,866	6,333,191
		37,925,927	30,873,983	34,263,762	31,815,756
Total assets		187,692,689	177,133,024	180,757,936	170,116,204
EQUITY					
Capital and reserves attributable to equity holders					
Share capital	17	28,467,285	28,103,913	28,467,285	28,103,913
Reserves	18	53,745,783	46,134,448	63,118,890	55,658,646
Non-controlling interest		(10,006)	12,860	-	-
Total equity		82,203,062	74,251,221	91,586,175	83,762,559
LIABILITIES					
Non-current liabilities					
Borrowings	21	19,721,329	32,957,450	18,587,996	31,232,450
Other financial liabilities	20	30,700	40,520	-	-
Lease liabilities	9(a)(ii)	4,339,514	3,868,982	4,140,856	3,719,196
Deferred revenue	22	565,653	748,586	565,653	748,586
Contract liabilities	26(c)(i)	1,614,099	580,103	769,940	30,546
Employee benefit payables	24	1,604,196	1,300,261	1,245,008	1,092,645
Provision for other liabilities	25	1,984,542	1,735,954	1,760,790	1,521,160
Deferred tax liability	23	108	26,419	-	-
		29,860,141	41,258,275	27,070,243	38,344,583
Current liabilities					
Trade and other payables	19	44,700,230	37,644,766	35,596,689	29,397,530
Borrowings	21	20,704,582	14,854,227	18,077,333	11,144,384
Other financial liabilities	20	486,673	329,467	-	-
Lease liabilities	9(a)(ii)	1,627,689	1,556,565	1,556,327	1,471,051
Contract liabilities	26(c)(ii)	7,201,266	6,366,036	5,986,089	5,164,371
Current income tax liabilities		909,046	872,467	885,080	831,726
		75,629,486	61,623,528	62,101,518	48,009,062
Total liabilities		105,489,627	102,881,803	89,171,761	86,353,645
Total equity and liabilities		187,692,689	177,133,024	180,757,936	170,116,204
Net assets per share (Rs.)		10.06	9.12	11.20	10.29

The notes on pages 81 to 151 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.



Mr. Yap Wai Yip
Group Chief Financial Officer

19 February 2021

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board of Directors.



Mr. Supun Weerasinghe
Director

19 February 2021



Dr. Hans Wijayasuriya
Director

19 February 2021

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

	Note	Group		Company	
		Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Revenue	26(a)	120,141,512	116,827,341	82,428,513	82,631,908
Direct costs	27	(68,497,031)	(65,078,944)	(39,143,395)	(39,562,765)
Gross profit		51,644,481	51,748,397	43,285,118	43,069,143
Distribution costs	27	(12,552,937)	(13,837,718)	(10,755,437)	(11,670,922)
Administrative costs	27	(20,798,576)	(21,075,240)	(15,582,094)	(15,075,002)
Net impairment losses on financial assets		(1,968,055)	(1,572,055)	(1,120,374)	(691,858)
Other income	29	357,977	72,823	304,541	66,000
Operating profit		16,682,890	15,336,207	16,131,754	15,697,361
Finance income	30	333,615	273,079	346,343	306,465
Finance costs	30	(2,392,791)	(3,404,690)	(2,039,379)	(3,092,318)
Net foreign exchange (losses) /gains	30	(831,028)	477,407	(944,391)	469,445
Finance costs - net	30	(2,890,204)	(2,654,204)	(2,637,427)	(2,316,408)
Share of loss of associates - net of tax	11	(4,221)	(263)	-	-
Profit before income tax		13,788,465	12,681,740	13,494,327	13,380,953
Income tax expense	31	(1,785,779)	(1,955,289)	(1,754,771)	(1,813,270)
Profit for the year		12,002,686	10,726,451	11,739,556	11,567,683
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
- changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		(83,740)	65,615	-	-
- remeasurements of defined benefit obligation, net of tax		(221,507)	(223,211)	(158,204)	(179,642)
Other comprehensive income for the year, net of tax		(305,247)	(157,596)	(158,204)	(179,642)
Total comprehensive income for the year		11,697,439	10,568,855	11,581,352	11,388,041
Profit / (loss) for the year is attributable to:					
- owners of the Company		12,034,129	10,775,717	11,739,556	11,567,683
- non-controlling interest		(31,443)	(49,266)	-	-
Total comprehensive income for the year is attributable to:					
- owners of the Company		11,737,065	10,612,333	11,581,352	11,388,041
- non-controlling interest		(39,626)	(43,478)	-	-
Basic / diluted earnings per share for profit attributable to the ordinary equity holders of the Company (Rs.)	32 (a)	1.48	1.32	1.44	1.42

The notes on pages 81 to 151 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Note	Attributable to owners of the Company		Non- controlling interest	Total equity
		Share capital	Reserves		
Balance at 1 January 2020		28,103,913	46,134,448	12,860	74,251,221
Profit / (loss) for the year		- 12,034,129		(31,443)	12,002,686
Other comprehensive income		- (297,064)		(8,183)	(305,247)
Total comprehensive income for the year		- 11,737,065		(39,626)	11,697,439
Transactions with non-controlling interest		-	(4,622)	16,760	12,138
Employee share scheme - value of employee services		-	558,467	-	558,467
Dividends to equity shareholders	32(b)	-	(4,316,203)	-	(4,316,203)
Transfer from share-based payment reserve upon vesting		363,372	(363,372)	-	-
Balance at 31 December 2020		28,467,285	53,745,783	(10,006)	82,203,062
Balance at 1 January 2019		28,103,913	39,163,921	9,120	67,276,954
Change in accounting policy		-	(797,172)	-	(797,172)
Restated total equity as at 1 January 2019		28,103,913	38,366,749	9,120	66,479,782
Profit / (loss) for the year		- 10,775,717		(49,266)	10,726,451
Other comprehensive income		- (163,384)		5,788	(157,596)
Total comprehensive income for the year		- 10,612,333		(43,478)	10,568,855
Transactions with non-controlling interest		-	4,709	47,218	51,927
Employee share scheme - value of employee services		-	163,855	-	163,855
Dividends to equity shareholders	32(b)	-	(3,013,198)	-	(3,013,198)
Balance at 31 December 2019		28,103,913	46,134,448	12,860	74,251,221

The notes on pages 81 to 151 form an integral part of these financial statements.

Company Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Note	Attributable to owners of the Company		
		Share capital	Reserves	Total equity
Balance at 1 January 2020		28,103,913	55,658,646	83,762,559
Profit for the year		-	11,739,556	11,739,556
Other comprehensive income		-	(158,204)	(158,204)
Total comprehensive income for the year		-	11,581,352	11,581,352
Employee share scheme - value of employee services		-	558,467	558,467
Dividends to equity shareholders	32(b)	-	(4,316,203)	(4,316,203)
Transfer from share-based payment reserve upon vesting		363,372	(363,372)	-
Balance at 31 December 2020		28,467,285	63,118,890	91,586,175
Balance at 1 January 2019		28,103,913	47,902,571	76,006,484
Change in accounting policy		-	(782,623)	(782,623)
Restated total equity as at 1 January 2019		28,103,913	47,119,948	75,223,861
Profit for the year		-	11,567,683	11,567,683
Other comprehensive income		-	(179,642)	(179,642)
Total comprehensive income for the year		-	11,388,041	11,388,041
Employee share scheme - value of employee services		-	163,855	163,855
Dividends to equity shareholders	32(b)	-	(3,013,198)	(3,013,198)
Balance at 31 December 2019		28,103,913	55,658,646	83,762,559

The notes on pages 81 to 151 form an integral part of these financial statements.

Statement of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

	Note	Group 31 December		Company 31 December	
		2020	2019	2020	2019
Cash flows from operating activities					
Cash generated from operations	33(a)	46,142,643	38,636,712	39,753,931	34,454,329
Interest received		500,202	510,064	346,140	300,430
Interest paid		(2,372,433)	(3,405,367)	(1,991,374)	(3,207,662)
Taxes paid		(1,636,670)	(1,847,996)	(1,556,627)	(1,721,482)
Employee benefits paid	24(a)(i)	(115,959)	(248,767)	(91,463)	(178,043)
Net cash generated from operating activities		42,517,783	33,644,646	36,460,607	29,647,572
Cash flows from investing activities					
Purchase of property, plant and equipment		(17,462,694)	(27,623,600)	(14,290,706)	(17,659,563)
Purchase of intangible assets		(2,078,629)	(2,325,554)	(1,822,143)	(2,252,001)
Investment in subsidiaries		-	-	(789,933)	(1,019,395)
Net cash flows used in other financial assets		(90,045)	(375,255)	-	-
Proceeds from sale of property, plant and equipment		4,267	79,050	4,267	71,460
Net cash used in investing activities		(19,627,101)	(30,245,359)	(16,898,515)	(20,859,499)
Cash flows from financing activities					
Repayment of borrowings	33(b)	(11,391,571)	(8,495,051)	(8,638,571)	(6,927,387)
Proceeds from borrowings	33(b)	3,904,000	7,151,000	2,600,000	1,300,000
Proceeds from share issue		12,138	8,594	-	-
Principal element of lease payment		(1,668,176)	(1,717,430)	(1,595,870)	(1,617,829)
Dividends paid to ordinary shareholders	32(b)	(4,316,203)	(3,013,198)	(4,316,203)	(3,013,198)
Net cash used in financing activities		(13,459,812)	(6,066,085)	(11,950,644)	(10,258,414)
Net increase / (decrease) in cash and cash equivalents		9,430,870	(2,666,798)	7,611,448	(1,470,341)
Movement in cash and cash equivalents					
At the beginning of year		7,388,761	10,097,521	6,333,191	7,839,159
Increase / (decrease)		9,430,870	(2,666,798)	7,611,448	(1,470,341)
Effect of exchange rate changes		(159,495)	(41,962)	(171,773)	(35,627)
At end of year	16	16,660,136	7,388,761	13,772,866	6,333,191

The notes on pages 81 to 151 form an integral part of these financial statements.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

1 CORPORATE INFORMATION

Dialog Axiata PLC ('the Company') and its subsidiaries (together 'the Group') provide communication services (mobile, fixed, broadband, international gateway services), telecommunication infrastructure services (tower infrastructure and transmission services), media (digital television services based on multiple media - satellite, cable, terrestrial), digital services [including but not limited to digital commerce (mobile and eCommerce), electronic payments (including mobile payment), digital health, education, navigation and enterprise services and financial services], data centre services, manpower services and venture capital investment activities.

Dialog Axiata PLC is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on Colombo Stock Exchange since 28 July 2005. The registered office of the Company is located at 475, Union Place, Colombo 2.

The Company's and the Group's financial statements are authorised for issue by the Board of Directors on 19 February 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ('SLFRS'), Sri Lanka Accounting Standards ('LKAS'), relevant interpretations of the Standing Interpretations Committee ('SIC') and International Financial Reporting Interpretations Committee ('IFRIC'). These financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical

accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in note 5 to the financial statements.

(a) New accounting standards, amendments and interpretations adopted in 2020

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- (i) Amendments to LKAS 1, 'Presentation of Financial Statements', LKAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and the Conceptual Framework for Financial Reporting, clarify when information is material and use a consistent definition of materiality throughout the accounting standards.
- (ii) Amendments to SLFRS 3, 'Business Combination', revised the definition of a business. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.
- (iii) The amendments made to SLFRS 7, 'Financial Instruments: Disclosures', SLFRS 9, 'Financial Instruments' and LKAS 39, 'Financial Instruments: Recognition and Measurement' provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) New accounting standards, amendments and interpretations adopted in 2020 (Continued)

- (iv) The IASB issued a revised Conceptual Framework which will be used in standard-setting decisions. No changes were made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not dealt with under the accounting standards are required to apply the revised Framework.

Amendments listed above are not expected to significantly affect the financial statements of the Company and the Group.

(b) New accounting standards, amendments and interpretations issued but not yet adopted

- (i) Amendments to SLFRS 16, 'Leases', grants an optional exemption for lessees to account for a rent concession related to COVID-19, in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The amendment to the standard is effective for accounting periods beginning on or after 1 June 2020.
- (ii) Amendments to LKAS 1, 'Presentation of Financial Statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what amounts to 'settlement' of a liability. The amendment to the standard is effective for accounting periods beginning on or after 1 January 2023.
- (iii) The amendment to LKAS 16, 'Property, Plant and Equipment (PPE)', prohibits an entity from deducting from the cost of an item of PPE, any

proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of PPE. The amendment to the standard is effective for accounting periods beginning on or after 1 January 2022.

- (iv) Amendments to SLFRS 3, 'Business Combinations' updates the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of LKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and Interpretation 21, 'Levies'. The amendment to the standard is effective for accounting periods beginning on or after 1 January 2022.
- (v) The amendment to LKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. With relation to onerous contracts, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, prior to recognising a separate provision. The amendment to the standard is effective for accounting periods beginning on or after 1 January 2022.
- (vi) Annual improvements to following SLFRSs effective for accounting periods beginning on or after 1 January 2022;
- ▶ SLFRS 9, 'Financial Instruments'
 - ▶ SLFRS 16, 'Leases'
 - ▶ SLFRS 1, 'First-time Adoption of International Financial Reporting Standards'
- (vii) Amendments to SLFRS 10, 'Consolidated financial statements' and LKAS 28, 'Investments in associates and joint ventures', clarify the accounting treatment for sales or contribution of assets between an investor and its associates

or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'.

The adoption of amendments to published standards are not expected to have a material impact to the financial statements of the Company and the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company and the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combination by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business, and the equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any Non-Controlling Interest ('NCI') in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the NCI's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in comprehensive income.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SLFRS 9 in comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

A listing of the Group's principal subsidiaries is set out in note 10 to the financial statements.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in comprehensive income, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss in the statement of comprehensive income.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to comprehensive income.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to comprehensive income where appropriate.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.7.

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which

the entity operates ('the functional currency'). The consolidated financial statements are presented in Sri Lanka Rupees, which is the Company's and the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through comprehensive income are recognised in comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

2.4 Property, plant and equipment (PPE)

(a) Cost

PPE are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Cost of telecom equipment comprises expenditure up to and including the last distribution point before customers' premises and includes contractors' charges, materials, and direct labour and related

directly attributable overheads. Cost of fixed line network includes customers' premises equipment including handsets. The cost of other PPE comprises expenditure directly attributable to the acquisition of the item. These costs include the costs of dismantling, removal and restoration, and the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to comprehensive income during the reporting period in which they are incurred.

(b) Depreciation and residual value

Depreciation of asset begins when it is available for use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

	% per annum
Buildings	2.5 to 4
Building - electrical installation	12.5
Building - leasehold property	Over lease period
Computer equipment	20 to 25
Telecom equipment	5 to 20
Customers' premises equipment	33 to 100
Office equipment	8 to 20
Office equipment - phones	50
Furniture and fittings	12.5 to 20
Toolkits	10
Motor vehicles	20 to 25

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (PPE) (Continued)

(b) Depreciation and residual value (Continued)

Depreciation on assets under construction or capital work-in-progress commences when the assets are ready for their intended use. Depreciation on PPE ceases at the earlier of derecognition or classification as held for sale.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(c) Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Gains or losses on disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the comprehensive income.

(e) Asset exchange transaction

PPE may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair value unless;

- ▶ the exchange transaction lacks commercial substance; or
- ▶ the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Company and the Group cannot immediately derecognise the assets given up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(f) Repairs and maintenance

Repairs and maintenance are charged to the comprehensive income during the period in which they are incurred.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company and the Group. This cost is depreciated over the remaining useful life of the related asset.

2.5 Intangible assets

(a) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in comprehensive income.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives which is between five (5) to ten (10) years.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of two (2) to five (5) years.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- ▶ it is technically feasible to complete the software product so that it will be available for use;
- ▶ management intends to complete the software product and use or sell it;
- ▶ there is an ability to use or sell the software product;
- ▶ it can be demonstrated how the software will generate probable future economic benefits;
- ▶ adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- ▶ the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(d) Research and development

Research expenditure and development expenditure that do not meet the criteria in (c) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(e) Other intangibles

Costs incurred to acquire the indefeasible right of use of SEA-ME-WE under-sea cable, is recognised at cost and amortised over its useful life of fifteen (15) years.

2.6 Contract costs

The costs that are directly related to the acquisition and fulfilment of customer contracts are recognised as contract costs and amortised on a systematic basis that is consistent with the fulfilment of the performance obligation. Contract costs are assessed at each reporting date whether there is any indication that the subscriber acquisition cost may be impaired. The Group has elected the practical expedient to recognise contract costs incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

2.7 Investments in subsidiaries and associates

In the Company's separate financial statements, investments in subsidiaries and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in comprehensive income. Disposal related costs are expensed as incurred.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (excluding goodwill)

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The impairment loss is charged to comprehensive income. Any subsequent increase in recoverable amount is recognised in comprehensive income.

2.9 Financial assets

(a) Classification

The Company and the Group classify its financial assets in the following measurement categories.

- ▶ those to be measured at amortised cost, and
- ▶ those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through comprehensive income.

The classification depends on the Company's and the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in comprehensive income or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company and the Group have made an irrevocable election at the time of initial recognition to account for the equity

investment at fair value through other comprehensive income (FVOCI).

The Company and the Group reclassify debt investments when and only when its business model for managing those assets changes.

(b) Recognition and initial measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Company and the Group commit to purchase or sell the asset.

At initial recognition, the Company and the Group measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in comprehensive income.

(c) Subsequent measurement

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- ▶ **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other income/(losses) together with foreign exchange gains and losses.
- ▶ **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign

exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to comprehensive income and recognised in other income/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in comprehensive income.

- ▶ FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in comprehensive income and presented net within other gains/(losses) in the period in which it arises.

(ii) Equity instruments

The Company and the Group subsequently measure all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Company and Group assesses on a forward-looking basis the expected credit loss (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to the contracts and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instruments.

The measurement of ECL reflects:

- ▶ an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- ▶ the time value of money; and
- ▶ reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for Other Financial Assets

At each reporting date, the Group and the Company measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Based on the above process, financial assets are grouped into Stage 1, Stage 2, Stage 3 and purchased originated credit impaired (POCI), as described below.

- ▶ Stage 1 - When financial assets are first recognised, the Group and Company recognises an allowance based on 12 month ECLs. Stage 1 financial assets also include facilities where the credit risk has improved, and the financial asset has been reclassified from Stage 2.
- ▶ Stage 2 - When a financial asset has shown a significant increase in credit risk since origination, the Group and Company records an allowance for the lifetime ECLs. Stage 2 financial assets also include facilities, where the credit risk has improved, and the financial asset has been reclassified from Stage 3.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(d) Impairment (Continued)

(i) *General 3-stage approach for Other Financial Assets (Continued)*

- Stage 3 - Financial assets considered as credit-impaired. The Group and Company records an allowance for the lifetime ECLs.

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

(ii) *Simplified approach for Trade Receivables*

For trade receivables, the Company and the Group apply the simplified approach permitted by SLFRS 9, 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. GDP, inflation, exchange rates, interest rates and unemployment rate are considered the most relevant factors for the Company and the Group.

Trade receivables which are in default or credit-impaired or have individually significant balances, are separately assessed for ECL measurement.

(e) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company and the Group have transferred substantially all risks and rewards of ownership.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(g) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company and the Group designate certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- Hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the Company and the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company and the Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve (12) months and as a current asset or liability when the

remaining maturity of the hedged item is less than twelve (12) months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to comprehensive income over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the 'Other comprehensive income' and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in comprehensive income within 'Other income'.

Amounts accumulated in equity are reclassified to the comprehensive income in the periods when the hedged cash flows affect the comprehensive income. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in comprehensive income within 'Finance costs - net'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged cash flows affect comprehensive income.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in 'Other comprehensive income' and accumulated

in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in comprehensive income within 'other income'. Gains and losses accumulated in equity are included in comprehensive income when the foreign operation is partially disposed or disposed.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises all expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all obsolete and slow-moving items.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a year and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Other receivables generally arise from transactions outside the usual operating activities of the Group and the Company.

2.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Stated capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(b) Share issue expenses

Incremental costs directly attributable to the issuance of new shares are deducted against equity.

(c) Dividends to shareholders of the Company

Dividends distribution is recognised as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Distributions to holders of an equity instrument is recognised directly in equity.

2.14 Financial liabilities

(a) Classification, recognition and measurement

Management determines the classification of financial liabilities at initial recognition.

Financial instruments issued by the Company and the Group, that are not designated at fair value through profit or loss, are carried at amortised cost.

Financial liabilities are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using effective interest method. They

are included in current liabilities, except for maturities greater than 12 months after the end of the reporting date in which case they are classified as non-current liabilities.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a derecognition of the original liability, and the difference in the respective carrying amounts is recognised in profit or loss.

The Company and the Group classify their financial liabilities in the following categories: trade and other payables (excluding statutory liabilities), borrowings and other financial liabilities.

2.15 Trade payables

These amounts represent liabilities for goods and services provided to the Company and the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a

prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Company and the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company and the Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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 financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 comprehensive income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(a) Defined benefit plan-gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No.12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield rate of long term government bonds that have terms to maturity approximating to the terms of the related defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and included in employee benefit expense in the comprehensive income. The current service cost of the defined benefit plan reflects the increase in the defined benefit obligations resulting from employee service in the current year. It is recognised in the comprehensive income in employee benefit expense, except where included in the cost of an asset. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in comprehensive income as past service costs.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position. The assumptions based on which the results of the actuarial valuation were determined, are included in note 24 to the financial statements.

(b) Defined contribution plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company and the Group contribute 12% and 3% respectively, of basic or consolidated wage or salary of each eligible employee. The contributions are recognised as employee benefit expense when they are due. The Company and the Group have no further payment obligation once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

(c) Short-term employee benefits

Wages, salaries, bonuses, and non-monetary benefits that are expected to be settled in full within twelve (12) months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Company and the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognises termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of LKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(e) Share-based compensation

The Company operates an equity-settled, share-based compensation plan for its employees. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- ▶ including any market performance conditions;
- ▶ excluding the impact of any service and non-market performance vesting conditions; and
- ▶ including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in comprehensive income, with a corresponding adjustment to equity.

2.20 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company and the Group has received consideration from the customer. If a customer pays consideration before the entity transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the entity performs under the contract.

2.21 Provisions

Provisions are recognised when the Company and the Group have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to

determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Provision for assets retirement is mainly provisions for dismantling, removal or restoration on identified sites. Provisions are reviewed at the end of the reporting period and adjusted to PPE or profit or loss to reflect the current best estimation. Where the time value of money is material, the amount of a provision is the present value of the future period expenditure expected to be required to settle the obligation.

2.22 Contingent assets and contingent liabilities

The Group does not recognise contingent assets and liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company and the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company and the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Company and the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any NCI.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Contingent assets and contingent liabilities (Continued)

The Group recognises separately the contingent liabilities of the acquirers as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of LKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation.

2.23 Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company and its subsidiaries will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the comprehensive income on a straight-line basis over the expected lives of the related assets.

2.24 Accounting for leases where the Company and the Group are the lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Company and the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company and the Group allocates

the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(a) ROU assets

ROU assets are initially measured at cost comprising the following:

- ▶ The amount of the initial measurement of lease liability;
- ▶ Any lease payments made at or before the commencement date less any lease incentive received;
- ▶ Any initial direct costs; and
- ▶ Decommissioning or restoration costs.

ROU assets that are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company and the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(b) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- ▶ Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- ▶ Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- ▶ Amounts expected to be payable by the Company and the Group under residual value guarantees;
- ▶ The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- ▶ Payments of penalties for terminating the lease, if the lease term reflects the Company and the Group exercising that option.

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 Company and the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

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.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Company and the Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in comprehensive income.

(c) Remeasurement of lease liabilities

The Company and the Group is also exposed to potential future increases in variable lease payments that depend 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 remeasured and adjusted against the ROU assets.

In determining the lease term, the company and the Group consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company and the Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and the Group and affects whether the Company and the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

(d) Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in comprehensive income.

2.25 Revenue recognition

(a) Revenue from contracts with customers

Goods and services deliverable under contracts with customers are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate performance obligations they are aggregated with other goods and/or services in the agreement until a separate performance obligation is identified.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (Continued)

(a) Revenue from contracts with customers (Continued)

The Company and the Group determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. In determining the transaction price, the Company and the Group considers variable and non-cash consideration such as rebates or discounts and consideration payable to a customer such as refunds to the extent that it is highly probable that a significant reversal will not occur. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Company and the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis. Where the Group does not sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price, the Group maximises the use of external input; observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable.

The revenue is recognised as follows:

(i) Domestic and international telecommunications service revenue

Revenue from the provision of telecommunication services, such as call time, messaging, data services and information provision, fees for connecting uses of other fixed line and mobile networks to the Company's and the Group's network is recognised when or as the entity performs the related service during the agreed service period. The customers are charged Government

taxes at the applicable rates and the revenue is recognised net of such taxes.

(ii) Pay TV and fixed broadband services

Each subscription to a contract for Pay TV and fixed broadband service is considered as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. The providing of set-top boxes, routers and connection fees for the exclusive use of the Group's services do not represent distinct services or goods, and they are to be combined with the subscription service as a single performance obligation satisfied over time. Revenue is recognised over the period the service is performed from the activation date of the subscription and as the service is provided.

(iii) Revenue from other network operators and international settlement

Revenue from other network operators, local and international, for the use of the Company's and the Group's telecommunication network for completing call connections is recognised when the related services are performed, based on traffic minutes/per second rates stipulated in the relevant agreements and regulations.

(iv) Sales of goods

Revenue from the sale of goods is recognised when the control of the goods is transferred to the customer. For goods, this usually occurs at the contract inception when the customer takes the possession of the goods.

(v) Bundled packages

If a good or service is separately identifiable from other items in a bundled package and if a customer can benefit from it, the Company and the Group recognise revenue for individual goods and services separately. The consideration is allocated between separate goods and services in a bundle based on their stand-alone selling prices. The standalone selling prices are determined based on the list prices at which the Company and the Group sells mobile devices and network services separately. Post-paid contracts including handsets are evaluated, to determine if they contain a significant financing component. For

the contracts where the timing difference between customer payment and transfer of goods or services is expected to be one year or less, the Company and the Group has elected to apply the practical expedient that allows not to adjust the transaction price for the significant financing components.

(vi) Digital services

Revenue generated from digital services such as e-learning, digital health, electronic payments, navigation and enterprise services is recognised when or as the entity performs the related service during the agreed service period.

(vii) Data centre services

Revenue from data centre services is recognised over the term of the customer contract. Non-recurring set-up fees, paid upfront upon implementation, are deferred and recognised over the contract term.

(b) Lease of passive infrastructure

Income from lease of passive infrastructure is recognised on an accrual basis based on prices agreed with customers upon completion of service. Lease revenue from operating leases is recognised on a straight-line basis over the fixed and non-cancellable term of the lease agreement, irrespective of when payments are due.

(c) Interest income

Interest income is recognised using the effective interest method. When a loan granted or a receivable is impaired, the Company and the Group reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

Interest income on bank balances and bank deposits are recognised on an accrual basis.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Income from leases, hire purchases and term loans

The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognised as income over the term of the facility commencing with the month that the facility is executed in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the net investment.

(f) Fees and commission income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees is recognised as the related services are performed.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

2.26 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company and the Group by the weighted average number of ordinary shares outstanding during the financial year.

2.27 Comparatives

Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's and the Group's activities are exposed to variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's and the Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company and the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Company's and the Group's financial risk management policies. The Board of Directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks. Hedging transactions are determined in the light of commercial commitments. Derivative financial instruments are used only to hedge underlying commercial exposures and are not held for speculative purposes.

Market risk consists of:

- ▶ Foreign currency exchange risk - risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- ▶ Fair value interest rate risk - risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
- ▶ Cash flow interest rate risk - risk that future cash flows associated with a financial instrument will fluctuate due to changes in market interest rates. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.
- ▶ Price risk - risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Credit risk - risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Liquidity risk (funding risk) - risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

(a) Market risks

(i) Foreign currency exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

If the Sri Lanka rupee fluctuates by 1% against United States dollar ('USD') as at 31 December 2020, with all other variables held constant, it will result in a net foreign exchange difference of Rs. 268Mn (2019 - Rs. 320Mn) and Rs. 277Mn (2019 - Rs. 316Mn) on translation of USD denominated balances in the Company and the Group respectively.

(ii) Cash flow and fair value interest rate risk

The Company and the Group have cash and bank balances including deposits placed with creditworthy licensed banks and financial institutions. The Company and the Group manage interest rate risk by actively monitoring the yield curve trend and interest rate movements for the various deposits, cash and bank balances.

The Company's and the Group's borrowings comprise borrowings from financial and non-financial institutions. The Company's and the Group's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Company and the Group target a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile. To obtain this composition, the Company and the Group use hedging instruments such as interest rate swap contracts. The Company and the Group analyse interest rate exposure on a dynamic basis.

If 3 months London Interbank Offer Rate ('LIBOR') on non-hedged syndicated term loan, 3 months Sri Lanka Interbank Offer Rate ('SLIBOR') and 3 months Treasury Bill Rate on long term rupee loans had been lower/higher by 1% as at 31 December 2020, with all other variables held constant, it will result in a lower/higher interest expense of the Company and the Group amounting to Rs. 372Mn (2019 - Rs. 405Mn) and Rs. 407Mn (2019 - Rs. 430Mn) respectively.

(b) Credit risk

Credit risk is managed on the Company and the Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (net of held). Individual risk limits are set, based on internal or external ratings. The utilisation of credit limits is regularly monitored.

The Company and the Group place cash and cash equivalents with a number of creditworthy financial institutions. The Company's and the Group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the Company and the Group are approximately their carrying amounts as at the end of the reporting period.

The credit quality of the financial assets is disclosed in note 12 (b) to the financial statements.

For trade receivables, the Company and the Group apply the simplified approach permitted by SLFRS 9, 'Financial Instruments', which requires lifetime expected losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(c) Liquidity risk (funding risk)

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the Company and the Group monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Company's and the Group's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Company and the Group aim at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below analyses the Company's and the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. These amounts may not be reconciled to the amounts disclosed on the statement of financial position for borrowings and trade and other payables and lease liabilities.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (funding risk) (Continued)

Group	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
-------	-----------------------	-------------------------------	-----------------------------	-----------------------------	-----------------

At 31 December 2020

Borrowings	8,483,998	12,307,337	15,076,450	4,677,446	-
Trade and other payables	29,685,141	4,642,029	-	-	-
Lease liabilities	742,244	1,388,031	1,695,998	2,416,742	1,801,347
Other financial liabilities	759,120	274,354	22,500	8,200	-

At 31 December 2019

Borrowings	5,570,582	9,313,822	16,613,160	16,421,208	-
Trade and other payables	32,303,991	3,494,006	-	-	-
Lease liabilities	633,139	1,526,271	1,679,334	2,319,509	1,647,074
Other financial liabilities	645,113	133,236	40,520	-	-

Company	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
---------	-----------------------	-------------------------------	-----------------------------	-----------------------------	-----------------

At 31 December 2020

Borrowings	6,939,526	11,211,504	14,376,450	4,244,112	-
Trade and other payables	26,155,168	-	-	-	-
Lease liabilities	714,458	1,307,520	1,631,178	2,282,515	1,925,764

At 31 December 2019

Borrowings	3,924,239	7,250,322	14,888,160	16,421,208	-
Trade and other payables	27,550,816	-	-	-	-
Lease liabilities	607,543	1,461,790	1,618,767	2,211,722	1,769,060

3.2 Capital risk management

The primary objective of the Company's and the Group's capital risk management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Company and the Group manage the capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and Group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Debt is calculated as 'Total borrowings' (including 'Current and non-current borrowings' as shown in the statements of financial position less bank overdrafts). Total capital is calculated as 'Total equity' as shown in the statements of financial position, including non-controlling interests.

The gearing ratios as at 31 December are as follows:

	Group		Company	
	2020	2019	2020	2019
Debt	37,794,812	44,444,465	34,754,757	39,963,978
Total capital	82,203,062	74,251,221	91,586,175	83,762,559
Gearing ratio	0.46	0.60	0.38	0.48

4 FAIR VALUE MEASUREMENT

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. The Company and the Group measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from price).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

4 FAIR VALUE MEASUREMENT (CONTINUED)

The following table represents the fair value level of the financial assets and liabilities that are measured at fair value at the end of the reporting period.

	Measurement criteria and the fair value					
	Level 1		Level 3		Total	
	2020	2019	2020	2019	2020	2019
Financial assets						
Financial assets at fair value through profit or loss (FVPL)						
- Investment in quoted equities	1,512	1,286	-	-	1,512	1,286
- Investment in unquoted equities	-	-	205,865	153,037	205,865	153,037
Financial assets at fair value through other comprehensive income (FVOCI)						
- Investment in unquoted equities	-	-	187,728	257,200	187,728	257,200

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques and if one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

The Group applies the following methods for valuation of financial assets at FVTPL and FVOCI.

(i) Discounted cash flows

Fair value of the unlisted securities is determined by applying discounted cash flow model using cash flow projection based on the forecasts covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the entities operate.

(ii) Price of a recent investment

This method is applied in the case of a recent investment in start-up entities. There are usually no significant profits or positive cash flows in the short-term future and it is difficult to assess the probability and financial impact of the success or failure of these investments, to make reliable cash flow forecasts. The fair value is determined based on the price of a recent investment which reflects market data.

The following table presents the changes in level 3 items for the year ended 31 December 2019 and 31 December 2020.

	Unlisted equity securities at FVTPL	Unlisted equity securities at FVOCI	Total
As at 1 January 2019	80,000	39,815	119,815
Net fair value gain	3,037	90,496	93,533
Addition	70,000	217,927	287,927
Disposal	-	(91,038)	(91,038)
As at 31 December 2019	153,037	257,200	410,237
Net fair value gain / (loss)	2,828	(109,472)	(106,645)
Addition	50,000	40,000	90,000
As at 31 December 2020	205,865	187,728	393,592

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company and the Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment assessment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy stated in note 2.5 to the financial statements and whenever events or change in circumstances indicate that this is necessary within the financial year. The recoverable amounts of cash-generating units have been determined based on Value In Use ('VIU') and Fair Value Less Cost to Sell ('FVLCS') calculations. These calculations require the use of estimates and are disclosed in note 7 to the financial statements.

(b) Estimated useful lives of PPE and intangible assets

The Company and the Group review annually the estimated useful lives of PPE and intangible assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE and intangible assets would increase the recorded depreciation and amortisation charge and decrease the carrying value.

(c) Estimation of income taxes in relation to uncertain tax position

Judgment is involved in determining the Company's and the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company and the Group recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred income tax provisions in the period in which such determination is made.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Recognition of deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred income tax asset has been recognised.

(e) Fair value of derivatives and other financial assets

Certain financial instruments such as investments, derivative financial instruments and certain elements of borrowings are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of comprehensive income.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company and the Group use judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

(f) Impairment of non-financial assets

The Company and the Group test annually the indicators to ascertain whether non-financial assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in note 2.5 and 2.8 to the financial statements. These calculations require the use of estimates

(g) Estimation of defined benefit plan

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company and the Group determine the appropriate discount rate at the end

of each financial reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Company and the Group consider the interest yield of long term Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions as disclosed in note 24 to the financial statements.

(h) Asset retirement obligations ('ARO')

ARO applies when there is a legal or constructive obligation associated with the retirement of tangible long-lived assets, and the liability can be reliably estimated. The assumptions used in determining the ARO include the discount rate and inflation rate as disclosed in note 25 to the financial statements.

(i) Estimation of provisions

The Company and the Group recognise provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at the end of each financial reporting period and adjusted to reflect the Company's and the Group's current best estimate.

(j) Estimation of contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Company and the Group consult with legal counsel on matters related to litigation and other experts both within and outside the Company and the Group with respect to matters in the ordinary course of business.

(k) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company and the Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's and Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

(l) Recognition of revenue

Where the Company and the Group do not sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price, the Company and the Group maximise the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Company and the Group, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach.

When the Company and the Group have control of goods or services when they are delivered to a customer, then the Group is the principal in the sale to the customer; otherwise the Company and the Group are acting as agents. Whether the Company and the Group are considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses.

(m) Estimation in relation to lease accounting

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company and the Group become obliged to exercise (or not exercise)

it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

6 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The revenue, cost, depreciation, amortisation, impairment, total assets, total liabilities and capital expenditure have been allocated to the respective segments based on the internal reporting basis under the below stated segments.

The reportable segments derive their revenue primarily from the provision of mobile services, data services, international direct dialling services, leasing of passive infrastructure, provision of interconnect services, pay television transmission services, provision of other data services and digital services.

At 31 December 2020, the Group is organised into three main business segments:

- ▶ Mobile operation
- ▶ Fixed telephony and broadband operation
- ▶ Television operation

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2020 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination/ adjustment	Group
Total segmental revenue	86,787,478	32,209,438	8,728,369	-	127,725,285
Inter-segment revenue	(5,050,764)	(2,495,492)	(37,517)	-	(7,583,773)
Revenue from external customers	81,736,714	29,713,946	8,690,852	-	120,141,512
Segment operating profit / (loss) for the year	15,938,689	1,872,988	(800,980)	(327,807)	16,682,890
Finance costs - net					(2,890,204)
Share of loss from associates - net of tax					(4,221)
Profit before income tax					13,788,465
Income tax expense					(1,785,779)
Profit for the year					12,002,686

Other segment items included in the statement of comprehensive income are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination/ adjustment	Group
Depreciation, amortisation and impairment	22,054,422	9,194,678	3,279,944	-	34,529,044

The segment assets and liabilities at 31 December 2020 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination/ adjustment	Group
Assets	187,441,032	45,811,828	8,593,954	(43,092,633)	198,754,181
Inter-segment assets	(10,785,982)	(204,555)	(70,955)	-	(11,061,492)
Total assets	176,655,050	45,607,273	8,522,999	(43,092,633)	187,692,689
Liabilities	94,773,251	15,081,468	6,381,074	-	116,235,793
Inter-segment liabilities	(3,737,813)	(5,637,254)	(1,371,099)	-	(10,746,166)
Total liabilities	91,035,438	9,444,214	5,009,975	-	105,489,627
Capital expenditure	25,284,890	3,930,007	38,300	-	29,253,197

The segment results for the year ended 31 December 2019 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination/ adjustment	Group
Total segmental revenue	85,488,930	28,149,575	8,770,803	-	122,409,308
Inter-segment revenue	(3,372,428)	(2,178,424)	(31,115)	-	(5,581,967)
Revenue from external customers	82,116,502	25,971,151	8,739,688	-	116,827,341
Segment operating profit / (loss) for the year	15,277,991	666,339	(426,793)	(181,330)	15,336,207
Finance costs - net					(2,654,204)
Share of loss from associates - net of tax					(263)
Profit before income tax					12,681,740
Income tax					(1,955,289)
Profit for the year					10,726,451

Other segment items included in the statement of comprehensive income are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination/ adjustment	Group
Depreciation, amortisation and impairment	20,057,731	8,550,791	2,830,964	-	31,439,486

The segment assets and liabilities at 31 December 2019 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination/ adjustment	Group
Assets	174,722,723	49,293,243	9,310,249	(42,211,992)	191,114,223
Inter-segment assets	(13,856,848)	(109,901)	(14,450)	-	(13,981,199)
Total assets	160,865,875	49,183,342	9,295,799	(42,211,992)	177,133,024
Liabilities	90,538,284	20,179,060	6,178,610	-	116,895,954
Inter-segment liabilities	(2,864,693)	(9,448,834)	(1,700,624)	-	(14,014,151)
Total liabilities	87,673,591	10,730,226	4,477,986	-	102,881,803
Capital expenditure	21,993,436	7,214,919	77,693	-	29,286,048

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

7 INTANGIBLE ASSETS

(a) Group

	Goodwill	Licenses	Computer software	Others	Total
At 1 January 2020					
Cost	10,075,968	13,229,448	11,648,761	1,268,211	36,222,388
Accumulated amortisation / impairment	(660,329)	(7,935,552)	(9,137,437)	(1,036,639)	(18,769,957)
Net book amount	9,415,639	5,293,896	2,511,324	231,572	17,452,431
Year ended 31 December 2020					
Opening net book amount	9,415,639	5,293,896	2,511,324	231,572	17,452,431
Additions	-	-	3,523,049	1,000	3,524,049
Amortisation charge [Note 33 (a)]	-	(1,233,321)	(2,195,908)	(78,659)	(3,507,888)
Closing net book amount	9,415,639	4,060,575	3,838,465	153,913	17,468,592
At 31 December 2020					
Cost	10,075,968	13,229,448	15,168,282	1,269,211	39,742,909
Accumulated amortisation / impairment	(660,329)	(9,168,873)	(11,329,817)	(1,115,298)	(22,274,317)
Net book amount	9,415,639	4,060,575	3,838,465	153,913	17,468,592
Year ended 31 December 2019					
Opening net book amount	9,415,639	6,148,597	2,170,770	282,413	18,017,419
Additions	-	376,533	2,089,884	29,450	2,495,867
Disposals	-	-	(6,985)	-	(6,985)
Impairment charge	-	-	(9,855)	-	(9,855)
Amortisation charge [Note 33 (a)]	-	(1,231,234)	(1,732,490)	(80,291)	(3,044,015)
Closing net book amount	9,415,639	5,293,896	2,511,324	231,572	17,452,431
At 31 December 2019					
Cost	10,075,968	13,229,448	11,648,761	1,268,211	36,222,388
Accumulated amortisation / impairment	(660,329)	(7,935,552)	(9,137,437)	(1,036,639)	(18,769,957)
Net book amount	9,415,639	5,293,896	2,511,324	231,572	17,452,431

(b) Company

	Licenses	Computer software	Others	Total
At 1 January 2020				
Cost	8,517,322	10,845,679	1,211,641	20,574,642
Accumulated amortisation	(4,867,858)	(8,572,862)	(979,944)	(14,420,664)
Net book amount	3,649,464	2,272,817	231,697	6,153,978
Year ended 31 December 2020				
Opening net book amount	3,649,464	2,272,817	231,697	6,153,978
Additions	-	3,262,199	1,000	3,263,199
Amortisation charge [Note 33(a)]	(820,388)	(2,037,219)	(78,784)	(2,936,391)
Closing net book amount	2,829,076	3,497,797	153,913	6,480,786
At 31 December 2020				
Cost	8,517,323	14,107,878	1,212,641	23,837,842
Accumulated amortisation	(5,688,247)	(10,610,081)	(1,058,728)	(17,357,056)
Net book amount	2,829,076	3,497,797	153,913	6,480,786
Year ended 31 December 2019				
Opening net book amount	4,090,121	1,923,689	281,606	6,295,416
Additions	376,533	1,971,375	29,450	2,377,358
Disposals	-	(6,985)	-	(6,985)
Amortisation charge [Note 33(a)]	(817,190)	(1,615,262)	(79,359)	(2,511,811)
Closing net book amount	3,649,464	2,272,817	231,697	6,153,978
At 31 December 2019				
Cost	8,517,322	10,845,679	1,211,641	20,574,642
Accumulated amortisation	(4,867,858)	(8,572,862)	(979,944)	(14,420,664)
Net book amount	3,649,464	2,272,817	231,697	6,153,978

(c) Other intangible assets mainly include costs incurred to acquire the indefeasible right of use of SEA-ME-WE under-sea cable.

(d) Amortisation has been charged under following expense categories:

	Group		Company	
Expense categories:	2020	2019	2020	2019
Direct costs	1,323,659	1,327,977	899,172	896,549
Administrative costs	2,184,229	1,716,038	2,037,219	1,615,262
	3,507,888	3,044,015	2,936,391	2,511,811

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

7 INTANGIBLE ASSETS (CONTINUED)

(e) Impairment tests for goodwill

The Group undertakes an annual test for impairment of its Cash-Generating Units (CGUs).

The following CGUs, being the lowest level of assets for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered for the impairment test.

	2020	2019
Fixed telephony and broadband operation	7,125,114	7,125,114
Television operation	1,272,532	1,272,532
Device sales operation	231,923	231,923
Digital commerce operation	-	-
Financial services operation	709,933	709,933
e-learning operation	76,137	76,137
	9,415,639	9,415,639

The recoverable amounts of fixed telephony and broadband operation's, television operation's, device sales operation's and digital commerce operation's CGUs are determined based on the Value In Use ('VIU') calculations. The recoverable amount of financial services operation's and e-learning operation's CGU is based on Fair Value Less Cost to Sell ('FVLCS').

Based on the impairment test performed, no additional provision for impairment of goodwill was recognised during the year ended 31 December 2020 (2019 - Nil), since the recoverable amounts exceeded the carrying value. Goodwill allocated to digital commerce operation CGU is fully impaired.

The Group applies the following methods for VIU and FVLCS calculations.

(i) Discounted Cash Flow ('DCF') method

The VIU of fixed telephony and broadband operation, television operation, device sales operation and digital commerce operation is calculated by applying DCF model using cash flow projections based on the forecasts and projections approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate.

In the DCF model, the Free Cash Flows ('FCF') have been discounted by pre-tax discount rate.

These forecasts and projections reflect management expectations of revenue growth, operating costs and margins for each CGU based on past experience and future plans and strategies.

(ii) Market value method

The FVLCS of the financial services operations was determined using the quoted share price of Dialog Finance PLC less costs to sell.

(iii) Revenue multiples method

The FVLCS of e-learning operation is calculated by applying a revenue multiple and is included in Level 2 of the fair value hierarchy.

The following assumptions are applied in the VIU computation.

DCF method

► EBITDA margin

Projected EBITDA margin is determined based on expected growth potential in fixed telephony and broadband operation, television operation, device sales operation and digital commerce operation tapping further into developing markets.

► **Free cash flow (FCF)**

FCF projections are based on EBITDA and Capital expenditure (Capex) projections.

► **Pre-tax discount rate**

The Group's long term Weighted Average Cost of Capital (WACC) is representative of discount rate and is used as the pre-tax discount rate to discount cash flow projections.

► **Terminal growth rate**

Terminal growth reflects the management expectations on the fixed telephony and broadband operation, television operation, device sales operation and digital commerce operation growth potential in Sri Lanka for the foreseeable future.

Given below are the variables used for the impairment test for 2020 and 2019 under DCF method:

	Fixed telephony and broadband operation		Television operation		Device sales operation	
	2020	2019	2020	2019	2020	2019
EBITDA margin	50.00%	50.00%	36.00%	36.00%	3.81%	1.00%
Capex to revenue ratio	25.00%	25.00%	2.00%	7.50%	-	-
Pre-tax discount rate	10.05%	11.02%	10.05%	11.02%	10.05%	11.02%
Terminal growth rate	3.00%	3.00%	3.00%	3.00%	0.10%	1.00%

Market value method

Market value is established based on the closing share price of Dialog Finance PLC as at 31 December 2020, quoted on the Colombo Stock Exchange. Costs to sell are established based on the transaction costs applicable for equity securities.

Revenue multiples method

Revenue multiple is calculated based on the average revenue multiples of selected peer companies by benchmarking the CGU against the businesses with similar characteristics, comparable growth potentials and comparable market enablers.

(f) Impact of possible changes in key assumptions

The Group's review includes an impact assessment of change in key assumptions. Sensitivity analysis shows that no impairment is required for the carrying value of the goodwill, with the exception of the digital commerce operation, including where realistic variances are applied to key assumptions.

The recoverable amounts of fixed telephony and broadband operation, television operation and device sales operation CGUs would equal its carrying amount if the key assumptions were to change as follows:

	Fixed telephony and broadband operation		Television operation	
	From	To	From	To
EBITDA margin	50.00%	33.07%	36.00%	11.95%
Capex to revenue ratio	25.00%	41.11%	2.00%	7.70%
Pre-tax discount rate	10.05%	20.42%	10.05%	25.60%
Terminal growth rate	3.00%	(23.50%)	3.00%	(29.26%)

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

8 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Land and buildings	Computer systems and telecom equipment	Furniture, fittings and other equipment	Motor vehicles	Capital work- in progress (CWIP)	Total
At 1 January 2020						
Cost	4,826,254	231,033,251	13,198,190	113,707	16,804,579	265,975,981
Accumulated depreciation / provision for impairment	(1,307,764)	(136,992,459)	(11,244,028)	(94,586)	(654,161)	(150,292,998)
Net book amount	3,518,490	94,040,792	1,954,162	19,121	16,150,418	115,682,983
Year ended 31 December 2020						
Opening net book amount	3,518,490	94,040,792	1,954,162	19,121	16,150,418	115,682,983
Additions	-	127,883	44,509	-	25,670,281	25,842,673
Transferred from CWIP	196,799	26,668,599	720,798	-	(27,586,196)	-
Disposals	-	(590)	(25,917)	-	-	(26,507)
Adjustments	446	24	324	-	-	794
Impairment reversal / (provision) and assets written off	-	67,980	-	-	(58,750)	9,230
Depreciation charge [Note 33(a)]	(208,517)	(21,914,533)	(906,511)	(4,506)	-	(23,034,067)
Closing net book amount	3,507,218	98,990,155	1,787,365	14,615	14,175,753	118,475,106
At 31 December 2020						
Cost	5,023,053	254,955,228	13,927,763	109,447	14,861,544	288,877,035
Accumulated depreciation / provision for impairment	(1,515,835)	(155,965,073)	(12,140,398)	(94,832)	(685,791)	(170,401,929)
Net book amount	3,507,218	98,990,155	1,787,365	14,615	14,175,753	118,475,106
Year ended 31 December 2019						
Opening net book amount	3,497,519	90,230,401	2,318,916	1,833	15,207,948	111,256,617
Additions	-	152,386	139,102	475	26,709,339	27,001,302
Transferred from CWIP	238,570	24,261,273	507,518	22,000	(25,029,361)	-
Disposals	-	(23,503)	(39,388)	-	(26,742)	(89,633)
Adjustments	-	3,849	-	-	-	3,849
Transferred to inventories	-	-	-	-	(685,372)	(685,372)
Impairment reversal / (provision) and assets written off	-	32,711	(8,981)	-	(25,394)	(1,664)
Depreciation charge [Note 33(a)]	(217,599)	(20,616,325)	(963,005)	(5,187)	-	(21,802,116)
Closing net book amount	3,518,490	94,040,792	1,954,162	19,121	16,150,418	115,682,983
At 31 December 2019						
Cost	4,826,254	231,033,251	13,198,190	113,707	16,804,579	265,975,981
Accumulated depreciation / provision for impairment	(1,307,764)	(136,992,459)	(11,244,028)	(94,586)	(654,161)	(150,292,998)
Net book amount	3,518,490	94,040,792	1,954,162	19,121	16,150,418	115,682,983

(b) Company

	Land and buildings	Computer systems and telecom equipment	Furniture, fittings and other equipment	Motor vehicles	Capital work- in progress (CWIP)	Total
At 1 January 2020						
Cost	3,571,723	151,063,484	3,873,564	43,956	11,135,342	169,688,069
Accumulated depreciation / provision for impairment	(1,144,274)	(89,683,453)	(3,025,460)	(25,818)	(149,740)	(94,028,745)
Net book amount	2,427,449	61,380,031	848,104	18,138	10,985,602	75,659,324
Year ended 31 December 2020						
Opening net book amount	2,427,449	61,380,031	848,104	18,138	10,985,602	75,659,324
Additions	-	119,672	-	-	22,182,377	22,302,049
Transferred from CWIP	176,684	20,072,867	677,784	-	(20,927,335)	-
Disposals	-	(585)	(609)	-	-	(1,194)
Adjustments	-	-	(73)	-	-	(73)
Impairment provision and assets written off	-	22,800	-	-	(37,026)	(14,226)
Depreciation charge [Note 33(a)]	(151,520)	(15,043,105)	(429,742)	(4,408)	-	(15,628,775)
Closing net book amount	2,452,613	66,551,680	1,095,464	13,730	12,203,618	82,317,105
At 31 December 2020						
Cost	3,748,407	169,003,030	4,545,370	39,696	12,388,148	189,724,651
Accumulated depreciation / provision for impairment	(1,295,794)	(102,451,350)	(3,449,906)	(25,966)	(184,530)	(107,407,546)
Net book amount	2,452,613	66,551,680	1,095,464	13,730	12,203,618	82,317,105
Year ended 31 December 2019						
Opening net book amount	2,435,054	58,674,684	716,758	247	8,527,522	70,354,265
Additions	-	149,323	40,400	-	19,406,178	19,595,901
Transferred from CWIP	152,188	16,290,552	463,151	22,000	(16,927,891)	-
Disposals	-	(23,503)	(1,157)	-	-	(24,660)
Impairment provision and assets written off	-	(24,792)	-	-	(20,207)	(44,999)
Depreciation charge [Note 33(a)]	(159,793)	(13,686,233)	(371,048)	(4,109)	-	(14,221,183)
Closing net book amount	2,427,449	61,380,031	848,104	18,138	10,985,602	75,659,324
At 31 December 2019						
Cost	3,571,723	151,063,484	3,873,564	43,956	11,135,342	169,688,069
Accumulated depreciation / provision for impairment	(1,144,274)	(89,683,453)	(3,025,460)	(25,818)	(149,740)	(94,028,745)
Net book amount	2,427,449	61,380,031	848,104	18,138	10,985,602	75,659,324

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Capital work-in progress mainly comprises network related assets.

(d) Depreciation expense has been charged under following expense categories:

Expense categories:	Group		Company	
	2020	2019	2020	2019
Direct costs	19,599,533	17,818,371	15,083,909	13,686,233
Administrative costs	3,434,534	3,983,745	544,866	534,950
	23,034,067	21,802,116	15,628,775	14,221,183

(e) Impairment (reversals) / provisions and assets written off have been charged under following expense categories:

Expense categories:	Group		Company	
	2020	2019	2020	2019
Direct costs	(68,136)	(33,469)	(22,800)	24,792
Administrative costs	58,906	35,133	37,026	20,207
	(9,230)	1,664	14,226	44,999

(f) At 31 December 2020, property, plant and equipment includes fully depreciated assets which are still in use, the cost of which amounted to Rs. 57,175Mn (2019 - Rs. 45,601Mn) and Rs. 94,129Mn (2019 - Rs. 77,931Mn), for the Company and the Group respectively.

(g) The land and buildings are not secured against any bank borrowings.

(h) The impairment provision relates to assets which are technologically obsolete and assets decommissioned or discontinued.

(i) The Company revised the estimated useful lives of certain telecommunications network equipment, inline with network rollout plans. The effect of the changes in the financial year 2020, was an increase in depreciation charge by Rs. 914Mn.

Depreciation in future years in relation to these assets will be decreased by the following amounts:

Year ending 31 December	Group / Company
2021	350,223
2022	305,691
2023	203,427
2024	51,706
2025	3,126

9 LEASES

(a) Amounts recognised in the statement of financial position

(i) Right-of-use assets

Group	Land	Buildings	Advertising boards	Network infrastructure	Total
At 1 January 2020					
Cost	6,503,187	2,659,844	1,279,322	573,538	11,015,891
Accumulated depreciation / impairment	(3,877,859)	(1,558,357)	(936,766)	(143,358)	(6,516,340)
Net book amount	2,625,328	1,101,487	342,556	430,180	4,499,551
Year ended 31 December 2020					
Opening net book amount	2,625,328	1,101,487	342,556	430,180	4,499,551
Additions	1,119,383	927,885	502,751	-	2,550,019
Depreciation charge [Note 33(a)]	(931,595)	(581,047)	(339,952)	(38,327)	(1,890,921)
Disposal	-	(22,714)	-	-	(22,714)
Closing net book amount	2,813,116	1,425,611	505,355	391,853	5,135,935
At 31 December 2020					
Cost	7,622,570	3,533,181	1,782,073	573,538	13,511,362
Accumulated depreciation / impairment	(4,809,454)	(2,107,570)	(1,276,718)	(181,685)	(8,375,427)
Net book amount	2,813,116	1,425,611	505,355	391,853	5,135,935
Year ended 31 December 2019					
Change in accounting policies as at					
1 January 2019	2,353,704	1,070,890	320,675	468,402	4,213,671
Additions	1,172,672	570,514	402,519	-	2,145,705
Depreciation charge [Note 33(a)]	(765,614)	(571,631)	(380,638)	(38,222)	(1,756,105)
Impairment charge	-	(4,011)	-	-	(4,011)
Remeasurement	(135,434)	35,725	-	-	(99,709)
Closing net book amount	2,625,328	1,101,487	342,556	430,180	4,499,551
At 31 December 2019					
Cost	6,503,187	2,659,844	1,279,322	573,538	11,015,891
Accumulated depreciation / impairment	(3,877,859)	(1,558,357)	(936,766)	(143,358)	(6,516,340)
Net book amount	2,625,328	1,101,487	342,556	430,180	4,499,551

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

9 LEASES (CONTINUED)

(a) Amounts recognised in the statement of financial position (Continued)

(i) Right-of-use assets (Continued)

Company	Land	Buildings	Advertising boards	Network infrastructure	Total
At 1 January 2020					
Cost	6,179,102	2,542,894	1,279,322	573,538	10,574,856
Accumulated depreciation / impairment	(3,713,145)	(1,454,001)	(936,766)	(143,358)	(6,247,270)
Net book amount	2,465,957	1,088,893	342,556	430,180	4,327,586
Year ended 31 December 2020					
Opening net book amount	2,465,957	1,088,893	342,556	430,180	4,327,586
Additions	1,079,845	809,111	502,751	-	2,391,707
Depreciation charge [Note 33(a)]	(886,937)	(530,180)	(339,952)	(38,327)	(1,795,396)
Closing net book amount	2,658,865	1,367,824	505,355	391,853	4,923,897
At 31 December 2020					
Cost	7,258,947	3,352,006	1,782,073	573,538	12,966,564
Accumulated depreciation	(4,600,082)	(1,984,182)	(1,276,718)	(181,685)	(8,042,667)
Net book amount	2,658,865	1,367,824	505,355	391,853	4,923,897
Year ended 31 December 2019					
Change in accounting policies as at 1 January 2019	2,207,152	1,040,324	320,675	468,402	4,036,553
Additions	1,105,278	503,525	402,519	-	2,011,322
Depreciation charge [Note 33(a)]	(723,839)	(502,657)	(380,638)	(38,222)	(1,645,356)
Remeasurement	(122,634)	47,701	-	-	(74,933)
Closing net book amount	2,465,957	1,088,893	342,556	430,180	4,327,586
At 31 December 2019					
Cost	6,179,102	2,542,894	1,279,322	573,538	10,574,856
Accumulated depreciation	(3,713,145)	(1,454,001)	(936,766)	(143,358)	(6,247,270)
Net book amount	2,465,957	1,088,893	342,556	430,180	4,327,586

(ii) Lease liabilities

	Group		Company	
	2020	2019	2020	2019
Current	1,627,689	1,556,565	1,556,327	1,471,051
Non-current	4,339,514	3,868,982	4,140,856	3,719,196
	5,967,203	5,425,547	5,697,183	5,190,247

(b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	Group		Company	
	2020	2019	2020	2019
Depreciation charge of right-of-use assets	1,890,921	1,756,105	1,795,396	1,645,356
Impairment charge of right-of-use assets	-	4,011	-	-
Interest expense (included in finance costs)	714,494	769,757	679,032	713,042
Expenses relating to short-term leases (included in administrative expenses)	98,777	79,429	-	-
Expenses relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	116,625	171,130	116,477	171,071
	2,820,817	2,780,432	2,590,905	2,529,469

- (c) The total cash outflow for leases are Rs. 2,275Mn (2019 - Rs. 2,331Mn) and Rs. 2,495Mn (2019 - Rs. 2,502Mn) for the Company and the Group respectively.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

10 INVESTMENT IN SUBSIDIARIES

Name of the subsidiary	2020			2019		
	Group	Company	Investment	Group	Company	Investment
Dialog Broadband Networks (Private) Limited ('DBN')	100%	100%	37,786,658	100%	100%	37,786,658
Dialog Television (Private) Limited ('DTV')	100%	100%	8,040,020	100%	100%	8,040,020
Dialog Finance PLC ('DFP')	99.05%	99.05%	3,369,329	98.88%	98.88%	2,668,018
Digital Holdings Lanka (Private) Limited ('DHL')	100%	100%	1,545,791	100%	100%	1,457,168
Dialog Device Trading (Private) Limited ('DDT')	100%	100%	204,988	100%	100%	204,988
Communiq Broadband Network (Private) Limited ('CBN')	100%	-	-	100%	-	-
Telecard (Private) Limited	100%	-	-	100%	-	-
Digital Commerce Lanka (Private) Limited ('DCL')	100%	0.97%	-	100%	0.97%	-
Dialog Business Services (Private) Limited ('DBS')	100%	100%	-	100%	100%	-
Digital Health (Private) Limited ('DH')	53.2%	-	-	53.2%	-	-
Dialog Axiata Digital Innovation Fund (Private) Limited ('DADIF')	90.18%	-	-	90.62%	-	-
Dialog Network Services (Private) Limited ('DNS')	100%	100%	-	100%	100%	-
Headstart (Private) Limited ('Headstart')	50.59%	-	-	50.59%	-	-
			50,946,786			50,156,852

Name of the subsidiary	Principal activities	Country of incorporation and place of business
Dialog Broadband Networks (Private) Limited	Data and backbone, fixed wireless and transmission infrastructure	Sri Lanka
Dialog Television (Private) Limited	Television broadcasting services and direct-to-home satellite pay television service	Sri Lanka
Dialog Finance PLC	Financing services including acceptance of deposits, granting lease facilities, hire purchase, loan facilities, margin trading, cheque discounting and factoring etc.	Sri Lanka
Digital Holdings Lanka (Private) Limited	Investment holding company for new business areas of Dialog Group	Sri Lanka
Dialog Device Trading (Private) Limited	Selling information technology enabled equipment	Sri Lanka
Communiq Broadband Network (Private) Limited	Information technology enabled services	Sri Lanka
Telecard (Private) Limited	Providing digital credit facilities	Sri Lanka
Digital Commerce Lanka (Private) Limited	eCommerce and digital marketing services	Sri Lanka
Dialog Business Services (Private) Limited	Providing manpower for call centre operations	Sri Lanka
Digital Health (Private) Limited	Developing and operating a state-of-the-art electronic commerce infrastructure for the healthcare sector	Sri Lanka
Dialog Axiata Digital Innovation Fund (Private) Limited	Establishing and operating a venture capital fund for the investment in digital start-up businesses	Sri Lanka
Dialog Network Services (Private) Limited ('DNS')	Carrying out the business of providing network development, operations and maintenance services	Sri Lanka
Headstart (Private) Limited	e-learning products and services	Sri Lanka

11 INVESTMENT IN ASSOCIATES

	Group	
	2020	2019
At 1 January	131,876	132,139
Share of loss [Note 33(a)]	(4,221)	(263)
At 31 December	127,655	131,876

Name of the associate	Principal activities	Country of incorporation and place of business	% Holding
Digital Reality (Private) Limited ('DRP')	Establish, operate and manage a Data Centre	Sri Lanka	35%
Firstsource Dialog Solutions (Private) Limited ('FDSL')	Providing call centre operation	Sri Lanka	26%

(a) Investment in FDSL was fully impaired since the entity is dormant.

(b) The summarised financial information of the material associate of the Group is as follows:

	Digital Reality (Private) Limited	
Financial performance	2020	2019
Other income	4,789	9,740
Expenses	(16,848)	(10,194)
Loss before tax	(12,059)	(454)
Income tax expense	-	(297)
Loss after tax	(12,059)	(751)

	Digital Reality (Private) Limited	
Financial position	2020	2019
Non-current assets	528,322	92,760
Current assets	78,727	295,677
Current liabilities	(244,239)	(13,569)
Net assets	362,810	374,868

(c) The details of carrying amount of the associates of the Group are as follows:

	Digital Reality (Private) Limited	
Financial performance	2020	2019
Group's share of net assets	126,983	131,204
Goodwill	672	672
At 31 December	127,655	131,876

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

12 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The group holds the following financial instruments:

Financial assets	Group		Company	
	2020	2019	2020	2019
Financial assets at amortised cost				
Trade and other receivables	17,018,279	18,619,446	19,555,823	23,107,504
Other financial assets at amortised cost	773,005	1,321,963	-	-
Cash and cash equivalents	16,660,136	7,388,761	13,772,866	6,333,191
Financial assets at Fair Value through Other Comprehensive Income ('FVOCI')	187,728	257,200	-	-
Financial assets at Fair Value through Profit or Loss ('FVTPL')	207,377	154,323	-	-

Financial liabilities	Group		Company	
	2020	2019	2020	2019
Liabilities at amortised cost				
Trade and other payables	34,327,170	35,797,997	26,155,168	27,550,816
Borrowings	40,425,912	47,811,677	36,665,329	42,376,834
Other financial liabilities	517,373	369,987	-	-
Lease liabilities	5,967,203	5,425,547	5,697,182	5,190,247

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default risk.

Trade receivables	Group		Company	
	2020	2019	2020	2019
Subscribers				
- Individual	1,962,506	2,392,435	985,477	1,083,426
- Corporate	1,755,965	1,351,372	665,336	480,481
Operators				
- Domestic	2,741,489	2,381,645	2,301,549	1,946,962
- International	2,895,733	3,905,162	1,491,402	1,773,918
Distributors	1,767,064	1,112,956	1,359,106	636,915
	11,122,757	11,143,570	6,802,870	5,921,702

The ageing of the trade receivables that are past due but not impaired is disclosed in the note 15 (d) to the financial statements.

Cash at bank and short-term bank deposits

	Group		Company	
	2020	2019	2020	2019
AAA lka	3,091,833	752,752	2,558,364	424,418
AA+ lka	5,993,073	343,405	5,304,126	286,396
AA lka	38,938	368,168	549,489	711,553
AA- lka	1,132,619	1,685,615	1,080,181	1,624,022
A+ lka to A- lka	5,116,921	3,935,943	3,332,508	3,048,434
Below A	1,255,072	37,274	923,128	24,051
A3	-	241,874	-	193,320
Non- rated	4,125	-	-	-
Cash in hand	27,555	23,730	25,070	20,997
At 31 December	16,660,136	7,388,761	13,772,866	6,333,191

The carrying amounts of cash and cash equivalents are denominated in following currencies:

Cash at bank and in hand and short-term bank deposits

	Group		Company	
	2020	2019	2020	2019
Cash at bank and in hand				
Sri Lanka rupees	6,218,925	3,192,359	4,213,914	1,780,799
United States dollars	2,755,429	784,734	2,632,140	784,734
	8,974,354	3,977,093	6,846,054	2,565,533
Short-term bank deposits				
Sri Lanka rupees	3,607,393	141,034	2,848,423	497,024
United States dollars	4,078,389	3,270,634	4,078,389	3,270,634
	7,685,782	3,411,668	6,926,812	3,767,658
Cash and cash equivalents	16,660,136	7,388,761	13,772,866	6,333,191

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

12 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting financial assets and liabilities

Following financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis.

Group	Effect of offsetting on the statement of financial position		
	Gross amount receivable / (payable)	Gross amount set off	Net receivable/ (payable) amount presented
At December 2020			
Trade and other receivables	12,940,095	(7,448,721)	5,491,374
Trade and other payables	(8,772,249)	7,448,721	(1,323,528)
At December 2019			
Trade and other receivables	14,976,446	(10,064,278)	4,912,168
Trade and other payables	(12,725,149)	10,064,278	(2,660,871)

Company	Effect of offsetting on the statement of financial position		
	Gross amount receivable / (payable)	Gross amount set off	Net receivable/ (payable) amount presented
At December 2020			
Trade and other receivables	5,705,725	(2,709,408)	2,996,317
Trade and other payables	(3,972,391)	2,709,408	(1,262,983)
At December 2019			
Trade and other receivables	10,286,506	(7,477,543)	2,808,963
Trade and other payables	(10,011,908)	7,477,543	(2,534,365)

13 OTHER FINANCIAL ASSETS

Non-current	Note	Group	
		2020	2019
Other financial assets at amortised cost	(a)	150,506	186,094
Financial assets at Fair Value through Other Comprehensive Income ('FVOCI')	(b)	187,728	257,200
Financial assets at Fair Value through Profit or Loss ('FVTPL')	(c)	205,865	153,037
		544,099	596,331

	Note	Group	
		2020	2019
Other financial assets at amortised cost	(a)	622,499	1,135,869
Financial assets at FVTPL	(c)	1,512	1,286
		624,011	1,137,155

(a) Other financial assets at amortised cost

	Group	
	2020	2019
Other loans and receivables	1,190,168	1,757,721
Less: Loss allowance	(417,163)	(435,758)
	773,005	1,321,963

(i) *The movement of the provision for impairment of other financial assets at amortised cost are as follows:*

	Group	
	2020	2019
At 1 January	435,758	273,320
Provision for impairment of other financial assets	140,102	162,438
Receivables written off during the year as uncollectible	(158,697)	-
At 31 December	417,163	435,758

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

13 OTHER FINANCIAL ASSETS (CONTINUED)

(b) Analysis of other loans and receivables on maximum exposure to credit risk are as follows:

	Stage 1	Stage 2	Stage 3	Total
31 December 2020				
Gross loans and receivables	600,795	124,698	464,675	1,190,168
Loss allowance	(4,918)	(16,408)	(395,837)	(417,163)
Net loans and receivables	595,877	108,290	68,838	773,005
31 December 2019				
Gross loans and receivables	1,008,359	108,320	641,042	1,757,721
Loss allowance	(15,427)	(27,747)	(392,584)	(435,758)
Net loans and receivables	992,932	80,573	248,458	1,321,963

- (c) Carrying value of financial assets at FVOCI represents the fair value of the investment in shares in the Credit Information Bureau of Sri Lanka by Dialog Finance PLC and investment in unquoted equity investments by Dialog Axiata Digital Innovation Fund (Private) Limited.
- (d) Carrying value of financial assets at FVTPL represents the investments in quoted equity investments by Dialog Finance PLC and investment in unquoted equity investments by Dialog Axiata Digital Innovation Fund (Private) Limited.
- (e) The fair value of fixed rate financial assets carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. Accordingly, the fair value of other financial assets which are carried at amortised cost is Rs. 773Mn (2019 - Rs. 1,322Mn).

14 INVENTORIES

	Group		Company	
	2020	2019	2020	2019
Phone stock	130,482	474,321	47,117	67,349
Accessories and consumables	1,553,143	1,586,693	127,632	130,921
Provision for slow moving inventory	(517,607)	(580,410)	(117,643)	(136,408)
	1,166,018	1,480,604	57,106	61,862

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
Current				
Trade receivables	16,835,167	15,929,821	9,712,511	8,275,303
Less: provision for impairment of trade receivables	(5,712,410)	(4,786,251)	(2,909,641)	(2,353,601)
Net trade receivables	11,122,757	11,143,570	6,802,870	5,921,702
Receivables from related companies	2,835,785	874,795	11,486,673	14,159,792
Less: provision for impairment of receivables from related companies	(217,479)	(21,147)	(492,543)	(191,864)
Net receivables from related companies [Note 37(d)]	2,618,306	853,648	10,994,130	13,967,928
Prepayments	1,063,849	2,248,017	783,101	1,971,846
Other receivables	4,670,850	6,622,228	1,853,689	3,559,227
At 31 December	19,475,762	20,867,463	20,433,790	25,420,703

- (a) Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.
- (b) Receivables from related companies result from related party transactions entered in the normal course of business and at prices available at negotiated terms. Provision for impairment of receivables from related companies reflect the expected credit losses, in accordance with SLFRS 9, 'Financial Instruments'.
- (c) **Trade receivables by credit quality are as follows:**

	Group		Company	
	2020	2019	2020	2019
Current	5,331,506	3,807,775	3,648,936	2,229,221
Past due but not impaired	5,791,251	7,335,795	3,153,934	3,692,481
Impaired	5,712,410	4,786,251	2,909,641	2,353,601
	16,835,167	15,929,821	9,712,511	8,275,303

Past due but not impaired trade receivable balances of the Company and the Group have not been impaired as there has not been a significant change in credit quality and the Directors believe that overdue amounts are fully recoverable.

- (d) **The aging of trade receivables that are past due but not impaired are as follows:**

	Group		Company	
	2020	2019	2020	2019
Amount overdue:				
1 month to 6 months	3,715,734	6,120,323	2,075,228	2,496,124
6 months to 1 year	1,035,625	1,139,805	784,943	1,135,440
More than 1 year	1,039,892	75,667	293,763	60,917
	5,791,251	7,335,795	3,153,934	3,692,481

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The movement of the provision for impairment of trade receivables are as follows:

	Group		Company	
	2020	2019	2020	2019
At 1 January	4,786,251	3,843,508	2,353,601	1,836,224
Provision for impairment of trade receivables	1,695,441	1,451,238	839,728	656,552
Receivables written off during the year as uncollectible	(769,282)	(508,495)	(283,688)	(139,175)
At 31 December	5,712,410	4,786,251	2,909,641	2,353,601

(f) Measurement of Expected Credit Loss ('ECL')

The following table contains an analysis of the credit risk exposure of trade receivables for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's and the Company's maximum exposure to credit risk on these assets:

Group	Less than 1 month	1-6 months	6 months to 1 year	Over 1 year	Total
2020					
Expected loss rate %	4.28%	19.27%	55.95%	75.88%	33.93%
Gross trade receivable	5,570,074	4,602,618	2,350,989	4,311,486	16,835,167
Provision for impairment	(238,568)	(886,884)	(1,315,364)	(3,271,594)	(5,712,410)
Net trade receivables	5,331,506	3,715,734	1,035,625	1,039,892	11,122,757

2019

Expected loss rate %	5.50%	12.82%	50.51%	97.06%	30.05%
Gross trade receivable	4,029,294	7,020,702	2,303,012	2,576,813	15,929,821
Provision for impairment	(221,519)	(900,379)	(1,163,207)	(2,501,146)	(4,786,251)
Net trade receivables	3,807,775	6,120,323	1,139,805	75,667	11,143,570

Company	Less than 1 month	1-6 months	6 months to 1 year	Over 1 year	Total
2020					
Expected loss rate %	2.73%	14.36%	40.92%	86.70%	29.96%
Gross trade receivable	3,751,419	2,423,084	1,328,671	2,209,336	9,712,510
Provision for impairment	(102,483)	(347,856)	(543,728)	(1,915,573)	(2,909,640)
Net trade receivables	3,648,936	2,075,228	784,943	293,763	6,802,870

2019

Expected loss rate %	6.27%	10.27%	29.10%	95.98%	28.44%
Gross trade receivable	2,378,388	2,781,697	1,601,530	1,513,688	8,275,303
Provision for impairment	(149,167)	(285,573)	(466,090)	(1,452,771)	(2,353,601)
Net trade receivables	2,229,221	2,496,124	1,135,440	60,917	5,921,702

(g) The carrying amounts of trade receivables are denominated in following currencies:

	Group		Company	
	2020	2019	2020	2019
Sri Lanka rupees	7,709,356	7,084,784	4,793,800	3,994,161
United States dollars	3,413,401	4,058,786	2,009,070	1,927,541
	11,122,757	11,143,570	6,802,870	5,921,702

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
Cash at bank and in hand	8,974,354	3,977,093	6,846,054	2,565,533
Short-term bank deposits	7,685,782	3,411,668	6,926,812	3,767,658
At 31 December	16,660,136	7,388,761	13,772,866	6,333,191

(b) Cash and cash equivalents of the Company and the Group include restricted cash deposited in the following financial institutions:

	Group		Company	
	2020	2019	2020	2019
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	64,276	64,112	64,276	64,112
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate eZ Cash operations	610,000	610,000	610,000	610,000
Margin requirements against imports on Documents against Acceptance terms	97,716	199,235	78,572	175,142
	771,992	873,347	752,848	849,254

17 SHARE CAPITAL

	Ordinary shares issued and fully paid	Share capital
(a)		
At 1 January 2020	28,103,913	28,103,913
Share issue during the year [Note 17 (c)]	363,372	363,372
At 31 December 2020	28,467,285	28,467,285
At 1 January 2019	28,103,913	28,103,913
At 31 December 2019	28,103,913	28,103,913

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

17 SHARE CAPITAL (CONTINUED)

(b) Movement in shares

	Number of ordinary shares
At 1 January 2020	8,143,778,405
Share issue during the year [Note 17 (c)]	30,030,700
At 31 December 2020	8,173,809,105
At 1 January 2019	8,143,778,405
At 31 December 2019	8,143,778,405

- (c) Further to the Long-Term Incentive Plan ("LTIP") established by the Company to reward and retain high performing employees of the Company and its subsidiaries, a total of 30,030,700 ordinary shares in the Company at price of Rs. 12.1 per share, amounting to Rs. 363Mn were issued to the eligible employees on 18 September 2020, pursuant to satisfying the vesting conditions pertaining to Grant 1 of the LTIP.

18 RESERVES

	Note	Group 31 December		Company 31 December	
		2020	2019	2020	2019
Attributable to the owners of the Company					
Retained earnings		53,269,769	45,777,973	62,627,155	55,362,006
Fair value through other comprehensive income ("FVOCI") reserve		(15,721)	59,835	-	-
Share-based payments reserve	(a)	491,735	296,640	491,735	296,640
		53,745,783	46,134,448	63,118,890	55,658,646
Attributable to the non-controlling interest					
Non-controlling interest		(10,006)	12,860	-	-
		(10,006)	12,860	-	-
At 31 December		53,735,777	46,147,308	63,118,890	55,658,646

The movement of the reserves is as follows:

Group	Share-based payments reserve	FVOCI reserve	Retained earnings	Total
Balance at 1 January 2020	296,640	59,835	45,777,973	46,134,448
Profit for the year	-	-	12,034,129	12,034,129
Other comprehensive income:				
- changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	-	(75,556)	-	(75,556)
- remeasurement losses on defined benefit obligation, net of tax	-	-	(221,508)	(221,508)
Total comprehensive income for the year	-	(75,556)	11,812,621	11,737,065
Transactions with non-controlling interest	-	-	(4,622)	(4,622)
Employee share schemes - value of employee services	558,467	-	-	558,467
Transfer from share-based payment reserve upon vesting [Note 17(c)]	(363,372)	-	-	(363,372)
Dividends to equity shareholders	-	-	(4,316,203)	(4,316,203)
Balance at 31 December 2020	491,735	(15,721)	53,269,769	53,745,783
Balance at 1 January 2019	132,784	-	39,031,137	39,163,921
Change in accounting policy	-	-	(797,173)	(797,173)
Restated total equity as at 1 January 2019	132,784	-	38,233,964	38,366,748
Profit for the year	-	-	10,775,717	10,775,717
Other comprehensive income:				
- changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	-	59,835	-	59,835
- remeasurement gains on defined benefit obligation, net of tax	-	-	(223,219)	(223,219)
Total comprehensive income for the year	-	59,835	10,552,498	10,612,333
Transactions with non-controlling interest	-	-	4,709	4,709
Employee share schemes - value of employee services	163,856	-	-	163,856
Dividends to equity shareholders	-	-	(3,013,198)	(3,013,198)
Balance at 31 December 2019	296,640	59,835	45,777,973	46,134,448

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

18 RESERVES (CONTINUED)

The movement of the reserves is as follows (Continued):

Company	Share-based payments reserve	Retained earnings	Total
Balance at 1 January 2020	296,640	55,362,006	55,658,646
Profit for the year	-	11,739,556	11,739,556
Other comprehensive income:			
- remeasurement losses on defined benefit obligation, net of tax	-	(158,204)	(158,204)
Total comprehensive income for the year		11,581,352	11,581,352
Employee share schemes - value of employee services	558,467	-	558,467
Transfer from share-based payment reserve upon vesting [Note 17(c)]	(363,372)	-	(363,372)
Dividends to equity shareholders	-	(4,316,203)	(4,316,203)
Balance at 31 December 2020	491,735	62,627,155	63,118,890
Balance at 1 January 2019	132,784	47,769,787	47,902,571
Change in accounting policy	-	(782,624)	(782,624)
Restated total equity as at 1 January 2019	132,784	46,987,163	47,119,947
Profit for the year	-	11,567,683	11,567,683
Other comprehensive income:			
- remeasurement gains on defined benefit obligation, net of tax	-	(179,642)	(179,642)
Total comprehensive income for the year	-	11,388,041	11,388,041
Employee share schemes - value of employee services	163,856	-	163,856
Dividends to equity shareholders	-	(3,013,198)	(3,013,198)
Balance at 31 December 2019	296,640	55,362,006	55,658,646

(a) Share based payment reserves

The Board of Directors has approved the implementation of a performance based Restrictive Share Plan ('RSP') as part of Dialog's Long-Term Incentive Plan ('LTIP scheme') and it was approved by Dialog shareholders in May 2017.

Eligibility was determined upon an employee satisfying the following:

- ▶ has attained the age of eighteen years;
- ▶ is an executive director of the Company or has entered into a full-time or fixed-term contract of employment with, and is on the payroll of, a Group company and whose service has been confirmed; and
- ▶ has fulfilled any other eligibility criteria which has been determined by the Board at its absolute discretion, as the case may be.

	2020	2019
Number of unvested shares granted as at 1 January	66,599,050	36,315,550
Movement during the year	37,816,950	30,283,500
Vested during the year [Note 17(c)]	(30,030,700)	-
Number of unvested shares granted as at 31 December	74,385,300	66,599,050

Share options outstanding at the end of the year have the following vesting dates.

Grant reference	Grant date	Vesting date	Volume weighted average share price in Rs. per share	Share options	Share options
				31 Dec 2020	31 Dec 2019
Grant 1	1 October 2017	30 September 2020	12.10	-	17,869,200
Grant 2	1 May 2018	30 April 2021	14.50	27,015,500	18,181,250
Grant 3	1 October 2019	30 September 2022	10.50	47,369,800	30,548,600
				74,385,300	66,599,050

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
Trade payables	9,123,214	10,740,205	6,022,211	7,185,830
Amounts due to ultimate parent company [Note 37(e)]	1,759,631	1,503,717	1,759,631	1,503,717
Amounts due to related companies [Note 37(e)]	1,658,209	756,337	2,143,182	887,989
Deferred revenue (Note 22)	176,032	182,639	176,032	182,569
Accrued expenses	28,013,350	19,935,633	22,426,094	15,734,204
Customer deposits	1,366,345	1,225,243	1,038,388	1,134,881
Other payables	2,603,449	3,300,992	2,031,151	2,768,340
	44,700,230	37,644,766	35,596,689	29,397,530

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

20 OTHER FINANCIAL LIABILITIES

Current	Group	
	2020	2019
Deposits from customers	486,673	329,467
	486,673	329,467

Non-current	Group	
	2020	2019
Deposits from customers	30,700	40,520
	30,700	40,520

21 BORROWINGS

Current	Note	Group		Company	
		2020	2019	2020	2019
Bank overdrafts		2,631,098	3,367,212	1,910,572	2,412,856
Bank borrowings	(a)	18,073,484	11,487,015	16,166,761	8,731,528
At 31 December		20,704,582	14,854,227	18,077,333	11,144,384

Non-current	Note	Group		Company	
		2020	2019	2020	2019
Bank borrowings	(a)	19,721,329	32,957,450	18,587,996	31,232,450
At 31 December		19,721,329	32,957,450	18,587,996	31,232,450

(a) Bank borrowings

(i) Bank borrowings - foreign

Bank borrowings comprise syndicated term loan of USD 163Mn which carries an interest rate of USD 3 Months LIBOR + 1.21% p.a.

The effective interest rate on bank borrowings ranges from 1.81% to 3.41% p.a. (2019 - 3.48% to 4.31% p.a.)

(ii) Bank borrowings - local

Bank borrowings comprise a term loan of Rs. 893Mn which carries a fixed interest rate of 8.75% p.a for a period of 2 years and thereafter a floating rate of 3 Months SLIBOR + 1.25% p.a, a term loan of Rs. 2.2Bn which carries an interest rate of 3 months Treasury Bill Rate + 1.24% and a term loan of Rs. 3.9Bn which carries an interest rate of 7%.

The effective interest rate on bank borrowings ranges from 5.32% to 8.77% p.a. (2019 - 6.97% to 10.93% p.a.)

- (b) The exposure of the carrying value of borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period is as follows:

	Group		Company	
	2020	2019	2020	2019
3 months or less	8,454,566	5,599,571	6,923,150	3,953,229
3-6 months	4,796,932	2,034,780	4,001,099	1,346,280
6-12 months	7,453,084	7,219,876	7,153,084	5,844,875
1-5 years	19,721,329	32,957,450	18,587,996	31,232,450
	40,425,911	47,811,677	36,665,329	42,376,834

- (c) The carrying amounts of the Company's and the Group's borrowings are denominated in following currencies:

	Group		Company	
	2020	2019	2020	2019
Sri Lanka rupees	9,294,789	14,989,492	5,534,207	9,554,649
United States dollars	31,131,122	32,822,185	31,131,122	32,822,185
	40,425,911	47,811,677	36,665,329	42,376,834

22 DEFERRED REVENUE

	Group		Company	
	2020	2019	2020	2019
At 1 January	931,225	1,126,718	931,155	1,126,718
Release of TDC disbursements to comprehensive income [Note 33(a)]	(189,540)	(195,493)	(189,470)	(195,563)
At 31 December	741,685	931,225	741,685	931,155

	Group		Company	
	2020	2019	2020	2019
Current (Note 19)	176,032	182,639	176,032	182,569
Non-current	565,653	748,586	565,653	748,586
	741,685	931,225	741,685	931,155

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

23 DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rates at the end of the financial reporting period.

- (a) Deferred income tax assets and liabilities of the Group are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position.

Group	Net deferred tax assets		Net deferred tax liabilities	
	2020	2019	2020	2019
Deferred income tax liabilities	(3,041,876)	(3,219,804)	(26,410)	(26,419)
Deferred income tax assets	3,215,379	3,263,354	26,302	-
Net deferred income tax assets / (liabilities)	173,503	43,550	(108)	(26,419)

- (b) The movement on the deferred income tax assets / (liabilities) account is as follows:

Group	Net deferred tax assets		Net deferred tax liabilities	
	2020	2019	2020	2019
At 1 January	43,550	19,455	(26,419)	-
Acquisition from business combination				
- PPE	323,467	65,531	688	(688)
- Retirement benefit obligations	29,308	9,945	-	-
- Impairment of financial assets	14,338	87,216	-	-
- Assets retirement obligation	1,344	(7,289)	-	-
- Lease liabilities	15,331	24,597	-	-
- Net investment in leases	4,374	-	-	-
- Unrealised fair value gain on financial assets at FVPL	(530)	-	(679)	(850)
- Unutilised tax losses	(257,602)	(155,538)	-	-
Total amount recognised in profit or loss	130,030	24,462	9	(1,538)
- Actuarial gain on retirement benefit obligations	492	(367)	-	-
- Unrealised fair value gain on financial assets at FVOCI	(569)	-	26,302	(24,881)
Total amount recognised in other comprehensive income	(77)	(367)	26,302	(24,881)
At 31 December	173,503	43,550	(108)	(26,419)

(c) The balance comprises temporary differences attributable to:

Group	Net deferred tax assets		Net deferred tax liabilities	
	2020	2019	2020	2019
Retirement benefit obligations	69,034	36,349	-	-
Impairment of financial assets	443,345	424,316	-	-
Assets retirement obligation	33,563	32,219	-	-
Lease liabilities	39,928	24,597	-	-
Unutilised tax losses	2,629,819	2,745,873	-	-
Total deferred tax assets before offsetting	3,215,689	3,263,354	-	-
Offsetting deferred tax liability on:				
- PPE	(3,041,043)	(3,216,995)	-	(688)
- Unrealised fair value gain on financial assets	-	-	108	(25,731)
- Net investment in leases	(1,143)	(2,809)	-	-
Total deferred tax liabilities before offsetting	(3,042,186)	(3,219,804)	108	(26,419)
Deferred tax assets / (liabilities) after offsetting	173,503	43,550	108	(26,419)

- (d) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. According to Inland Revenue Act No.24 of 2017, tax losses could be carried forward for a period of six years, to claim against taxable profits. Any carried forward tax losses prior to Year of Assessment 2018/2019 shall be treated as loss incurred in the year of assessment 2018/2019. Accordingly, deferred income tax assets of Rs. 2.9Bn (2019 - Rs. 3.1Bn) was not recognised in respect of subsidiaries in the consolidated financial statements.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

24 EMPLOYEE BENEFIT PAYABLES

	Note	Group		Company	
		2020	2019	2020	2019
Defined benefit obligation	(a)	1,604,196	1,229,336	1,245,008	1,021,720
Other payables	(b)	-	70,925	-	70,925
		1,604,196	1,300,261	1,245,008	1,092,645

(a) Defined benefit obligation

(i) The movement in the present value of defined benefit obligation over the year is as follows:

	Group		Company	
	2020	2019	2020	2019
At 1 January	1,229,336	1,059,635	1,021,720	868,687
Transferred from / (to) related company	5,930	(39,829)	(55,362)	(39,829)
Current service cost	137,270	105,658	106,672	83,980
Interest expense	125,620	129,428	105,237	107,283
Total amount recognised in comprehensive income (Note 33(a))	262,890	235,086	211,909	191,263
Remeasurement losses / (gains):				
- Losses from changes in financial assumptions	243,397	144,091	180,326	115,329
- Losses from changes in demographic assumptions	3,101	-	1,908	-
- Experience adjustments	(24,499)	79,120	(24,030)	64,313
Total amount recognised in other comprehensive income	221,999	223,211	158,204	179,642
Benefits paid	(115,959)	(248,767)	(91,463)	(178,043)
At 31 December	1,604,196	1,229,336	1,245,008	1,021,720

This obligation is not externally funded.

The gratuity liability of the Group is based on the actuarial valuation performed in December 2020 by Actuaries, Messrs Actuarial & Management Consultants (Private) Limited.

(ii) The principal actuarial valuation assumptions used are as follows:

	Group		Company	
	2020	2019	2020	2019
Discount rate	6.57% - 7.76%	9.88% - 11.35%	7.76%	10.30%
Future salary growth rate	7.00% - 10.00%	7.00% - 10.00%	7.00%	7.00%

In addition to the above, demographic assumptions such as mortality, withdrawal and disability and retirement age are considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 1967/70 mortality table) has also been used in the valuation.

(iii) The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows:

	Change in assumption	Impact on defined benefit obligation			
		Group	Company		
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 7.18%	Increase by 8.12%	Decrease by 6.90%	Increase by 7.79%
Future salary growth rate	1.00%	Increase by 8.35%	Decrease by 7.51%	Increase by 8.04%	Decrease by 7.24%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(iv) Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation is 7.83 (2019 - 7.46) years and average time to benefit pay-out is 10.67 (2019 - 10.96) years for the Company. The distribution of the timing of undiscounted benefit payments is as follow:

	Group		Company	
	2020	2019	2020	2019
Less than 1 year	127,892	110,446	104,417	90,513
Between 1-2 years	322,512	238,644	269,047	211,447
Between 2-5 years	544,586	418,164	330,613	368,345
Over 5 years	2,459,178	2,354,492	1,784,747	1,860,694
	3,454,168	3,121,746	2,488,824	2,530,999

- (b) Other payables represent the remaining fund in ESOS Trust transferred to an alternative employee share scheme introduced by the Company for a similar objective.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

25 PROVISION FOR OTHER LIABILITIES

Provisions for other liabilities comprise the amounts provided for Asset Retirement Obligation ('ARO').

	Group		Company	
	2020	2019	2020	2019
At 1 January	1,735,954	1,588,097	1,521,160	1,324,712
Amounts capitalised	121,420	152,797	119,672	150,340
Adjustment for fully depreciated ARO assets	(5,044)	(11,246)	(4,044)	(7,449)
Charged to comprehensive income (Note 30)	132,212	6,306	124,002	53,557
At 31 December	1,984,542	1,735,954	1,760,790	1,521,160

The principal assumptions used to determine the ARO are as follows:

	Group		Company	
	2020	2019	2020	2019
Inflation rate	4.60%	4.30%	4.60%	4.30%
Discount rate	10.05%	11.02%	10.05%	11.02%

26 REVENUE

(a) Disaggregation of revenue from contracts with customers

The Company and the Group derive revenue from the transfer of goods and services over time and at a point in time through following business lines.

Business lines	Group		Company	
	2020	2019	2020	2019
Mobile operation	81,736,714	82,116,502	82,428,513	82,631,908
Fixed telephony and broadband operation	29,713,946	25,971,151	-	-
Television operation	8,690,852	8,739,688	-	-
	120,141,512	116,827,341	82,428,513	82,631,908

Timing of revenue recognition

	Group		Company	
	2020	2019	2020	2019
At a point in time	1,172,174	1,370,025	71,780	126,225
Over time	118,969,338	115,457,316	82,356,733	82,505,683
	120,141,512	116,827,341	82,428,513	82,631,908

(b) Significant payment terms

Customers typically pay in advance for prepaid mobile services and for other communication services settlements are made as per the agreed credit terms upon consumption of goods or utilisation of services.

(c) Assets and liabilities related to contracts with customers

(i) Contract costs

The Company and the Group recognised an asset in relation to costs that are directly related to the acquisition and fulfilment of customer contracts.

	Group		Company	
	2020	2019	2020	2019
At 1 January	7,852,318	4,801,039	2,002,708	1,670,630
Additions	6,094,953	7,873,001	1,365,012	1,735,052
Amortisation	(6,105,399)	(4,821,721)	(1,542,120)	(1,402,974)
At 31 December	7,841,872	7,852,319	1,825,600	2,002,708

(ii) Contract liabilities

The following table shows unsatisfied performance obligations resulting from customer contracts.

	Group		Company	
	2020	2019	2020	2019
At 1 January	6,943,574	6,667,413	5,194,917	4,718,575
Additions	94,860,713	74,987,033	88,564,980	70,030,361
Realisations	(92,988,922)	(74,708,307)	(87,003,868)	(69,554,019)
Balance as at 31 December	8,815,365	6,946,139	6,756,029	5,194,917
Contract liabilities - current	7,201,266	6,366,036	5,986,089	5,164,371
Contract liabilities - non-current	1,614,099	580,103	769,940	30,546
Balance as at 31 December	8,815,365	6,946,139	6,756,029	5,194,917

(iii) Revenue recognised in relation to contract liabilities

During the current year the Company and the Group recognised Rs. 5,164Mn (2019 - Rs. 4,625Mn) and Rs. 6,366Mn (2019 - Rs. 5,848Mn) respectively as revenue that was included in the contract liability balance at the beginning of the year.

(iv) Unsatisfied long-term contracts

Management expects that 22% (Rs. 174Mn) and 53% (Rs. 856Mn) of the transaction price allocated to the unsatisfied long-term contracts as of 31 December 2020 will be recognised as revenue by the Company and the Group respectively during the 2022 financial year. 14% (Rs. 107Mn) and 17% (Rs. 269Mn) of the transaction price allocated to the unsatisfied long-term contracts as of 31 December 2020 will be recognised as revenue by the Company and the Group respectively during the 2023 financial year. The remaining 64% (Rs. 489Mn) and 30% (Rs. 489Mn) will be recognised after the 2023 financial year by the Company and the Group respectively.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

27 EXPENSES BY NATURE

	Group		Company	
	2020	2019	2020	2019
Directors' fees	157,475	157,191	157,475	154,031
Fees for professional services	115,017	210,063	60,131	156,242
Depreciation, impairment and amortisation	34,529,044	31,439,486	21,916,908	19,826,323
Domestic interconnection and international origination cost	16,778,421	14,975,375	3,853,811	4,836,237
Telecommunication development charge	2,034,041	2,665,821	822,074	1,453,854
Marketing, advertising and promotion	9,937,633	12,003,472	8,713,108	9,865,633
Rental for site and office premises	2,857,599	2,825,558	4,114,715	4,084,788
Electricity for site and office premises	3,943,933	3,956,911	3,302,328	3,278,905
Annual maintenance services	3,968,994	4,646,559	3,157,399	3,824,135
Staff costs (Note 28)	9,350,677	9,021,533	7,211,215	6,745,288
Telecommunication regulatory charges	1,875,109	1,650,624	1,609,855	1,296,071
Revenue share expenses	1,416,213	1,977,147	1,396,846	1,954,895
International network cost	2,149,249	1,910,960	2,229,690	1,934,549
Outbound roaming cost	659,240	1,160,036	659,240	1,160,036
Call centre services charges	179,559	283,940	391,427	446,115
Device and accessories consumption cost	1,263,766	1,894,695	256,357	407,136
Other operating costs	10,632,574	9,212,531	5,628,347	4,884,451
Total direct costs, administrative costs and distribution costs	101,848,544	99,991,902	65,480,926	66,308,689

28 EMPLOYEE BENEFIT EXPENSES

Note	Group		Company	
	2020	2019	2020	2019
Wages, salaries and others	5,640,963	5,067,856	4,126,833	3,397,880
Staff allowances and benefits	2,596,133	2,820,274	2,213,074	2,455,156
Defined contribution plans	850,691	898,317	659,399	700,989
Defined benefit obligation	24 262,890	235,086	211,909	191,263
	9,350,677	9,021,533	7,211,215	6,745,288
Number of persons employed as at 31 December				
- full time	3,884	3,871	2,310	2,472

29 OTHER INCOME

Other income of the Company and the Group consists of sundry income.

30 FINANCE INCOME AND COSTS

	Group		Company	
	2020	2019	2020	2019
Interest income on deposits [Note 33(a)]	333,615	273,079	346,343	306,465
Finance income	333,615	273,079	346,343	306,465
Interest expenses on:				
- bank overdrafts	(53,629)	(41,897)	(43,399)	(29,903)
- term loans	(1,492,456)	(2,586,730)	(1,192,946)	(2,295,816)
- asset retirement obligation (Note 25)	(132,212)	(6,306)	(124,002)	(53,557)
- lease liabilities [Note 9(b)]	(714,494)	(769,757)	(679,032)	(713,042)
Finance costs	(2,392,791)	(3,404,690)	(2,039,379)	(3,092,318)
Net foreign exchange (losses) / gains on foreign currency transactions / translations	(831,028)	477,407	(944,391)	469,445
Finance costs – net	(2,890,204)	(2,654,204)	(2,637,427)	(2,316,408)

31 INCOME TAX EXPENSE

	Group		Company	
	2020	2019	2020	2019
Current tax	1,765,710	1,842,509	1,754,771	1,813,270
Economic service charge	150,109	135,704	-	-
Deferred income tax credited to comprehensive income	(130,040)	(22,924)	-	-
	1,785,779	1,955,289	1,754,771	1,813,270

- (a) The Company opted for 2% revenue based tax with effect from the year 2013 with the expiration of the 15-year tax holiday period granted under the agreement entered into between the Company and the Board of Investment of Sri Lanka ('BOI').
- (b) Upon expiry of the tax exemption period granted under the agreement entered into between Dialog Broadband Networks (Private) Limited ('DBN') and the BOI, the business profit of DBN is subjected to a corporate tax of 15% with effect from the year 2011.
- (c) Upon expiry of the tax exemption period granted under the agreement entered into between Dialog Television (Private) Limited ('DTV') and the BOI, the business profit of DTV was subjected to a corporate tax of 10% for a period of two years with effect from the year 2012. After the expiration of the aforesaid concessionary period, the business profit of DTV is subjected to corporate tax of 20% for any year of assessment thereafter.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

31 INCOME TAX EXPENSE (CONTINUED)

- (d) The business profit of Dialog Device Trading (Private) Limited, Digital Holdings Lanka (Private) Limited, Digital Health (Private) Limited, Digital Commerce Lanka (Private) Limited, Dialog Business Services (Private) Limited, Dialog Finance PLC, Dialog Axiata Digital Innovation Fund (Private) Limited, Headstart (Private) Limited, Telecard (Private) Limited and Dialog Network Services (Private) Limited are subjected to a corporate tax of 28%.
- (e) The Company and the Group are also liable to pay income tax at standard rate of 28% on interest income earned in Sri Lanka Rupees.
- (f) **The tax on profit before tax differs from the theoretical amount that would arise using the applicable tax rate to profit as follows:**

	Group		Company	
	2020	2019	2020	2019
Profit before tax	13,788,466	12,681,740	13,494,328	13,380,953
Tax at the standard tax rate of 28%	3,860,770	3,550,887	3,778,412	3,746,667
Tax effects on:				
- Income not subject to tax	(2,225)	-	-	-
- Associates results reported net of tax	1,182	(74)	-	-
- Expenses not deductible for tax purposes	10,206	6,811	-	-
- Unrecognised deferred income tax	538,359	387,846	-	-
- Utilisation of previously unrecognised tax losses	(598,035)	(181,130)	-	-
- Adjustment for revenue based tax (Note a)	(2,023,641)	(1,933,397)	(2,023,641)	(1,933,397)
- Rate differentials (Note b and c)	(150,946)	(9,228)	-	-
Over provision for previous years	-	(2,130)	-	-
ESC expense / write off	150,109	135,704	-	-
Income tax expense	1,785,779	1,955,289	1,754,771	1,813,270

32 EARNINGS PER SHARE

- (a) Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2020	2019	2020	2019
Profit for the year attributable to ordinary shareholders	12,034,129	10,775,717	11,739,556	11,567,683
Weighted average number of ordinary shares in issue (thousands)	8,152,312	8,143,778	8,152,312	8,143,778
Earnings per share (Rs.)	1.48	1.32	1.44	1.42

The diluted earnings per share is same as the basic earnings per share.

(b) Dividend per share

The Company has declared and paid final dividend of Rs. 0.53 per share amounting to Rs. 4,316,202,555 for the financial year 2019 (2018 - Rs. 0.37 per share amounting to Rs. 3,013,198,010).

33 CASH FLOW INFORMATION**(a) Reconciliation of profit before tax to cash generated from operations:**

	Group		Company	
	2020	2019	2020	2019
Profit before tax	13,788,465	12,681,740	13,494,327	13,380,953
Adjustments for:				
Exchange losses / (gains)	848,298	(274,287)	909,078	(203,397)
Net impairment losses on financial assets	1,968,055	1,572,055	1,120,374	691,858
Profit on sale of property, plant and equipment	(2,238)	(39,632)	(3,073)	(38,661)
Interest expense on borrowings	1,546,085	2,628,627	1,236,346	2,325,719
Interest expense on lease liabilities	714,494	769,757	679,032	713,042
Finance cost on asset retirement obligation (Note 30)	132,212	6,306	124,002	53,557
Interest income (Note 30)	(333,615)	(273,079)	(346,343)	(306,465)
Amortisation charge of intangible assets (Note 7)	3,507,888	3,044,015	2,936,391	2,511,811
Amortisation charge of contract costs [Note 26 (b)]	6,105,399	4,821,721	1,542,120	1,402,974
Depreciation charge of property, plant and equipment (Note 8)	23,034,067	21,802,116	15,628,775	14,221,183
Depreciation charge of ROU assets (Note 9)	1,890,921	1,756,105	1,795,396	1,645,356
Impairment and write off of non-current assets	(9,230)	15,530	14,226	44,999
Release of TDC disbursement (Note 22)	(189,540)	(195,493)	(189,470)	(195,563)
Site abandonment costs	(5,044)	(7,870)	(4,043)	(7,449)
Defined benefit obligation (Note 24)	262,890	235,086	211,909	191,263
Impairment of slow-moving inventory	(23,915)	(2,520)	(1,396)	(23,033)
Share based payment expense	487,543	-	487,543	-
Share of loss from associates (Note 11)	4,221	263	-	-
Net gain from financial instruments at fair value through profit or loss	(3,111)	(3,299)	-	-
Changes in working capital				
- Trade and other receivables	(4,610,701)	(8,534,560)	1,868,165	(3,260,742)
- Other financial assets	197,235	(375,316)	-	-
- Inventories	357,324	308,454	6,153	25,430
- Trade payables	(3,774,878)	(1,717,307)	(1,755,581)	1,281,494
- Other financial liabilities	249,818	418,300	-	-
Cash generated from operations	46,142,643	38,636,712	39,753,931	34,454,329

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

33 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Group		Company	
	2020	2019	2020	2019
Bank Borrowings				
At 1 January	44,444,465	46,168,933	39,963,978	45,976,269
Proceeds from borrowings	3,904,000	7,151,000	2,600,000	1,300,000
Repayments of borrowings	(11,391,571)	(8,495,051)	(8,638,571)	(6,927,387)
Foreign exchange losses / (gains)	899,414	(216,464)	899,414	(216,464)
Other movements	(61,496)	(163,953)	(70,064)	(168,440)
At 31 December	37,794,812	44,444,465	34,754,757	39,963,978

34 CONTINGENCIES

(a) Pending litigations

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from such legal claims except for below:

(i) *Inquiry by Sri Lanka Customs*

In August 2008, Sri Lanka Customs (SLC) detained a shipment of CDMA Customers' Premises Equipment (CPE) belonging to Dialog Broadband Networks (Private) Limited ('DBN') and commenced an investigation into the eligibility of these items falling under the duty exemptions granted under the terms and conditions of the agreement with the Board of Investment of Sri Lanka. The shipment was cleared by DBN upon submitting bank guarantees and thereafter shipments of CPE were cleared by paying duty 'Under Protest'. SLC commenced an inquiry into this matter on 30 January 2009 which was temporarily suspended upon a proposed settlement by the Secretary to the Treasury in May 2010. However, SLC took steps to continue with the inquiry. Inquiry was held on several dates and the last date being 9 September 2016, however the inquiry was not concluded on this date. On 11 April 2018, DBN was served with an 'Order' dated 6 April 2018 by SLC imposing a mitigated monetary forfeiture of Rs. 1.6Bn. DBN has instituted legal action challenging the order made by SLC in the Court of Appeal under Case No: CA (Writ) 166/2018. The matter was supported on 28 November 2018.

Thereafter, SLC filed objections on 15 February 2019 as directed by Courts. The case is fixed for Argument on 3 June 2021. The Directors are of the opinion that no material liability would result from the case.

(b) Guarantees

Guarantees given by the Company and the Group as at 31 December are as follows:

	Group		Company	
	2020	2019	2020	2019
Corporate guarantees	8,842	8,842	3,113,842	4,566,672
Bank guarantees	429,626	202,113	388,044	170,158
	438,468	210,955	3,501,886	4,736,830

Corporate guarantees of the Company include cash deficiency support amounting to Rs. 3.1Bn (2019 - Rs. 4.5Bn) provided by the Company to its subsidiaries for outstanding borrowings as at 31 December 2020.

35 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2020	2019	2020	2019
Purchase of telecommunication equipment	13,913,086	13,169,991	9,777,543	8,669,998

(b) Financial commitments

At the end of the financial reporting period, the Group has the following annual commitments:

	2020	2019
Annual fees to the Board of Investment of Sri Lanka	1,611	3,667
Annual maintenance contracts	4,960,354	4,230,563
Undrawn loan facilities	302,457	198,589

36 INCORPORATIONS AND ACQUISITIONS

- (a) Dialog Axiata Digital Innovation Fund (Private) Limited ('DADIF'), which is a subsidiary of Digital Holdings Lanka (Private) Limited ('DHL'), a wholly owned subsidiary of the Company, issued 102,846 Preference Shares during the period. DHL holds 90,708 of these Preference Shares, while remaining 12,138 Preference Shares are held by individual shareholders.
- (b) Dialog Finance PLC ('DFP'), a subsidiary of the Company proceeded with a Rights Issue, with a view to increasing the core capital of the Company to ensure compliance with Central Bank Directions. Pursuant to a resolution adopted by the shareholders of DFP at a meeting held on 2 March 2020, DFP raised Rs. 701,344,798 through a Rights Issue by issuing 17,446,388 ordinary shares (in the proportion of 17 new shares for every 89 existing shares in DFP) at the price of Rs. 40.20 per share. The new shares were listed on the Colombo Stock Exchange on 3 June 2020.
- (c) Pursuant to a conversion of shareholder advances, Digital Holdings Lanka (Private) Limited ('DHL'), a fully owned subsidiary of the Company, issued and allotted 8,862,200 new ordinary shares in DHL to the Company during the period. This share issue has not changed the composition of the Group.

37 RELATED PARTY TRANSACTIONS

- (a) Axiata Investments (Labuan) Limited owns 83.32% of the total number of shares in issue of the Company. The remaining 16.68% of the shares are widely held. The ultimate parent of the Company is Axiata Group Berhad.

All related party transactions were entered into in the normal course of business and at prices available at negotiated terms. The names of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of LKAS 24: "Related Party Disclosure".

The Group provides telecommunication services as part of its ordinary operations. These telecommunication services are carried out on commercial terms that are negotiated and agreed upon between the parties.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Details of transactions carried out with related parties in the ordinary course of business are set out below:

	Group	
	2020	2019
Sales of goods and services		
Subsidiaries		
Site sharing services	305,550	305,611
Mobile telecommunication services	568,362	654,729
Local interconnection services	70,238	94,113
International interconnection services	1,398,022	1,321,971
Digital services	412	2,033
Managed services	51,275	29,204
Affiliates		
Mobile telecommunication services	91,657	17,124
International termination services	41,377	109,729
Inbound roaming services	4,857	331
Digital services	694,191	178,852
Managed services	23,554	29,518
Software services	-	10,559
	3,249,495	2,753,774
Purchase of goods and services		
Ultimate parent company		
Head office support charges	265,997	259,067
Subsidiaries		
Fibre and transmission sharing services	1,458,213	1,460,120
Fixed telephony and broadband services	406,189	347,116
International interconnection services	25,429	51,265
Local interconnection services	44,056	52,564
Site sharing services	70,921	70,921
Data centre services	90,020	66,158
Television services	3,146	3,835
Advertising services	23,651	25,686
Purchase of devices	447,276	473,159
Purchase of property, plant and equipment	24,286	11,547
Managed services	10,622	7,844
Site maintenance and development services	1,756,468	-
E-learning services	14,506	34,738
Manpower services	539,407	395,126
Affiliates		
International origination services	40,761	82,703
Outbound roaming services	506	4,815
Network services	31,150	230,501
Managed services	19,100	21,262
Software services	1,438,471	516,000
Digital services	130,122	35,595
	6,840,297	4,150,022
Impairment expense on receivables		
Subsidiaries	107,288	46,133
Affiliates	193,392	21,147
Interest income on interest bearing deposits		
Subsidiaries	22,942	38,976

	2020	2019
Other transactions:		
Ultimate parent company		
Settlement of liabilities by the company on behalf of parent company	240,797	226,742
Settlement of liabilities on behalf of the company by parent company	82,124	145,567
Subsidiaries		
Settlement of liabilities by the company on behalf of subsidiaries	3,151,330	6,397,533
Settlement of liabilities on behalf of the company by subsidiaries	1,590,549	1,147,921
Associates		
Settlement of liabilities by the company on behalf of associates	13,275	-
Affiliates		
Settlement of liabilities by the company on behalf of affiliates	291,314	162,726
Settlement of liabilities on behalf of the company by affiliates	66,820	233,602

(c) Key management personnel include members of the Group senior management of Dialog Axiata PLC:

	Group / Company	
	2020	2019
Short-term employee benefits	570,143	613,871
Defined benefit plans	172,130	186,340
	742,273	800,211

(d) Outstanding receivable balances arising from related company transactions:

	Group		Company	
	2020	2019	2020	2019
Current receivables (Note 15)				
Subsidiaries	-	-	8,503,564	13,114,280
Associates	88,560	-	4,425	-
Affiliates	2,529,746	853,648	2,486,141	853,648
	2,618,306	853,648	10,994,130	13,967,928

Current receivables from associates comprise of Rs. 84Mn provided to Digital Reality (Private) Limited, as an advance for shares to be issued. Other current receivables from related companies are settled in the ordinary course of the business are unsecured and repayable in cash.

(e) Outstanding payable balances arising from related company transactions:

	Group		Company	
	2020	2019	2020	2019
Current payables (Note 19)				
Ultimate parent company	1,759,631	1,503,717	1,759,631	1,503,717
Subsidiaries	-	-	600,046	142,642
Affiliates	1,658,209	756,337	1,543,136	745,347
	3,417,840	2,260,054	3,902,813	2,391,706

The above balances are settled in the ordinary course of business.

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Investment in short term deposits

	Group		Company	
	2020	2019	2020	2019
Subsidiaries	-	-	478,858	449,222
	-	-	478,858	449,222

(g) Affiliates comprises of subsidiaries and associates of the parent company.

The Directors have disclosed the nature of their interests in contracts, which is entered in the interests register maintained by the Company.

There are no other related party transactions other than those disclosed above.

38 RECLASSIFICATIONS

- (a) The Company's and Group's interest payable on borrowings was previously presented under trade and other payables in the statement of financial position. However, management considers it more relevant if interest payable on borrowings is presented under current borrowings. Prior year comparatives as at 31 December 2019 have been restated by reclassifying Rs. 189,355,760 and Rs. 193,843,252, from trade and other payables to current borrowings, for the Company and the Group respectively.
- (b) Overpaid amounts by subscribers of the Company and Group as at the reporting date, was previously presented under trade and other receivables in the statement of financial position. However, management considers it more relevant if overpaid amounts by subscribers is presented under trade and other payables. Prior year comparatives as at 31 December 2019 have been restated by reclassifying Rs. 581,140,984 and Rs. 935,650,758, from trade and other receivables to trade and other payables, for the Company and the Group respectively.
- (c) Investments in the form of deposits placed at banks and government securities, with maturity periods exceeding three months were previously presented under cash and cash equivalents in the statement of financial position and has been reclassified under other financial assets as at 31 December 2020. Prior year comparatives as at 31 December 2019 for the Group, have been restated by reclassifying Rs. 242,613,040 from cash and cash equivalents to other financial assets.

39 SIGNIFICANT UNUSUAL EVENTS OR TRANSACTIONS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

COVID-19 pandemic has resulted in a substantive shift in management's focus towards ensuring the continued safety of people, connectivity of customers, compliance with guidelines issued by various government authorities and continuity of critical business operations.

The outbreak and the associated developments impacted the business on multiple fronts including distribution, network rollout and working capital management. The lockdown and credit extensions provided to keep customers connected, significantly impacted cash collections. The global impact of the pandemic and the repatriation of Sri Lankans has also adversely affected the Group's international business including inbound and outbound roaming.

Accordingly, the Group faced an adverse impact on revenue, impairment of trade receivables and health and safety related expenses. Despite the isolation measures implemented by the authorities, due to the second wave of the outbreak in early October 2020, business activity recovered across the country and the Group saw a gradual recovery in revenue and collections.

The current unprecedented situation is yet evolving and the future impact will heavily depend on the complete removal of restrictions and time taken for economic activity to rebound to pre COVID-19 levels. The overall impact on consumer spending and the recovery of the country's enterprises will also be key determinants of future impact on our business. The Group has resorted to aggressive cost rescaling and rationalisation initiatives both in operating and capital expenditure to soften the impact on the business.

40 EVENTS AFTER THE REPORTING PERIOD

- (a) The Board of Directors has recommended a final dividend of Rs. 0.74 per share amounting to Rs. 6,048,618,738 for the financial year 2020, subject to the approval of the shareholders at the Annual General Meeting.
- (b) Dialog Broadband Networks (Private) Limited ('DBN'), a wholly owned subsidiary of the Company, acquired 100% of the shareholding in H One (Private) Limited, Sri Lanka's leading Microsoft solutions provider on 7 January 2021.

Except as disclosed above, no other circumstances have arisen since the statement of financial position date which require adjustments to or disclosure in the financial statements.

US Dollar Financial Statements

STATEMENT OF FINANCIAL POSITION

For Information purpose only

	Group		Company	
	31 December 2020 USD '000	2019 USD '000	31 December 2020 USD '000	2019 USD '000
ASSETS				
Non-current assets				
Intangible assets	93,590	96,157	34,722	33,906
Contract costs	42,014	43,264	9,781	11,034
Right-of-use assets	27,516	24,791	26,380	23,844
Property, plant and equipment	634,745	637,375	441,024	416,858
Deferred tax assets	930	240	-	-
Investment in subsidiaries	-	-	272,954	276,348
Investment in associates	684	727	-	-
Other financial assets	2,915	3,286	-	-
	802,394	805,840	784,861	761,990
Current assets				
Inventories	6,247	8,158	306	341
Trade and other receivables	104,344	114,972	109,477	140,060
Other financial assets	3,343	6,265	-	-
Cash and cash equivalents	89,259	40,710	73,790	34,894
	203,193	170,105	183,573	175,295
Total assets	1,005,587	975,945	968,434	937,285
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	270,505	268,540	270,505	268,540
Reserves	364,626	323,695	410,785	370,667
Non-controlling interest	(24)	100	-	-
Currency translation difference	(194,693)	(183,236)	(190,605)	(177,703)
Total equity	440,414	409,099	490,685	461,504
LIABILITIES				
Non-current liabilities				
Borrowings	105,659	181,585	99,587	172,080
Other financial liabilities	164	223	-	-
Lease liabilities	23,249	21,317	22,185	20,492
Deferred revenue	3,031	4,124	3,031	4,124
Contract liabilities	8,648	3,196	4,125	168
Employee benefit payables	8,595	7,164	6,670	6,020
Provision for other liabilities	10,632	9,565	9,434	8,381
Deferred tax liability	1	146	-	-
	159,979	227,320	145,032	211,265
Current liabilities				
Trade and other payables	239,487	207,411	190,714	161,972
Borrowings	110,927	81,842	96,852	61,402
Other financial liabilities	2,607	1,815	-	-
Lease liabilities	8,721	8,576	8,338	8,105
Contract liabilities	38,582	35,075	32,071	28,454
Current income tax liabilities	4,870	4,807	4,742	4,583
	405,194	339,526	332,717	264,516
Total liabilities	565,173	566,846	477,749	475,781
Total equity and liabilities	1,005,587	975,945	968,434	937,285
Exchange rate	186.650	181.499	186.650	181.499

US Dollar Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

For Information purpose only

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
	USD '000	USD '000	USD '000	USD '000
Revenue	645,931	653,458	443,170	462,191
Direct costs	(368,269)	(364,010)	(210,451)	(221,289)
Gross profit	277,662	289,448	232,719	240,902
Distribution costs	(67,490)	(77,399)	(57,826)	(65,280)
Administrative costs	(111,822)	(117,882)	(83,776)	(84,320)
Net impairment losses on financial assets	(10,581)	(8,793)	(6,024)	(3,870)
Other income	1,925	407	1,637	369
Operating profit	89,694	85,781	86,730	87,801
Finance income	1,794	1,527	1,862	1,714
Finance costs	(17,333)	(16,373)	(16,042)	(14,671)
Finance costs - net	(15,539)	(14,846)	(14,180)	(12,957)
Share of loss of associates - net of tax	(23)	(1)	-	-
Profit before income tax	74,132	70,934	72,550	74,844
Income tax	(9,601)	(10,937)	(9,434)	(10,142)
Profit for the year	64,531	59,997	63,116	64,702
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
- changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	(450)	367	-	-
- remeasurements of defined benefit obligation, net of tax	(1,191)	(1,249)	(851)	(1,005)
Other comprehensive income for the year, net of tax	(1,641)	(882)	(851)	(1,005)
Total comprehensive income for the year	62,890	59,115	62,265	63,697
Profit / (loss) for the year is attributable to:				
- owners of the Company	64,700	60,273	63,116	64,702
- non-controlling interest	(169)	(276)	-	-
Total comprehensive income for the year is attributable to:				
- owners of the Company	63,103	59,358	62,265	63,697
- non-controlling interest	(213)	(243)	-	-
Annual average exchange rates	185.997	178.783	185.997	178.783

Group Value Added Statement

	2020 Rs.'000	2019 Rs.'000
Value added		
Revenue	120,141,512	116,827,341
Other operating income	357,977	72,823
Interest income	333,615	273,079
	120,833,104	117,173,243
Cost of materials and services bought in	(55,412,314)	(51,403,181)
Value creation	65,420,790	65,770,062
Distribution of value added		
To employees		
Salaries and other benefits	9,350,677	9,021,533
To government		
Taxes, fees and levies (Note 1)	5,969,536	11,003,854
To lenders of capital		
Interest on borrowings	2,260,579	3,398,384
To shareholders as dividends		
Dividend to shareholders	4,316,203	3,013,198
Retained in the business		
Profit retained	8,985,520	7,909,135
Depreciation and amortisation	34,538,275	31,423,957
	43,523,795	39,333,092
	65,420,790	65,770,062
Distribution of value added		
To employees	14.29%	13.72%
To government	9.12%	16.73%
To lenders of capital	3.46%	5.17%
To shareholders as dividends	6.60%	4.58%
Retained in the business	66.53%	59.80%

Note 1: Includes direct taxes, fees and levies

Five Year Summary

31 December	GROUP				
	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000
OPERATING RESULTS					
Revenue	120,141,512	116,827,341	109,156,685	94,195,890	86,745,233
EBIT	16,682,890	15,336,207	16,723,030	14,802,277	12,915,206
Finance costs	(2,890,204)	(2,654,204)	(7,174,250)	(2,354,605)	(2,363,340)
Share of loss from associate	(4,221)	(263)	1,432	(13,426)	(8,119)
Profit before tax	13,788,465	12,681,740	9,550,212	12,434,246	10,543,747
Profit after tax	12,002,686	10,726,451	7,449,467	10,759,755	9,026,395
Total comprehensive income	11,697,439	10,568,855	7,513,925	10,978,455	9,279,934
CAPITAL EMPLOYED					
Stated capital	28,467,285	28,103,913	28,103,913	28,103,913	28,103,913
Hedging reserve	-	-	-	22,391	(15,262)
Share payment reserve	491,735	296,640	132,784	16,341	-
Fair value through other comprehensive income reserve	(15,721)	59,835	-	-	-
Retained earnings	53,269,769	45,777,973	39,031,137	33,544,509	25,917,809
Shareholders funds	82,213,068	74,238,361	67,267,834	61,687,154	54,006,460
Non-controlling interest	(10,006)	12,860	9,120	(6,158)	14,420
Total debt	40,425,911	47,811,677	49,778,716	36,595,480	34,185,577
	122,628,973	122,062,898	117,055,670	98,276,476	88,206,457
ASSETS EMPLOYED					
Property, plant & equipment	118,475,106	115,682,983	111,256,617	100,018,295	89,943,822
Other non-current assets	31,291,656	30,576,058	23,523,227	19,702,336	16,546,284
Current assets	37,925,927	30,873,983	29,813,163	25,598,921	27,130,015
Liabilities, net of debt	(65,063,716)	55,070,126	(47,537,337)	(47,043,076)	(45,413,664)
	122,628,973	122,062,898	117,055,670	98,276,476	88,206,457
CASH FLOW					
Net cash generated from operating activities	42,517,783	33,644,646	29,325,473	35,153,771	23,005,415
Net cash used in investing activities	(19,627,101)	(30,245,359)	(31,926,719)	(31,352,878)	(28,110,150)
Net cash (used in) / generated from financing activities	(13,459,812)	(6,066,085)	3,826,886	(3,435,205)	6,108,731
Net increase / (decrease) in cash and cash equivalents	9,430,870	(2,666,798)	1,225,640	365,688	1,003,996
Key Indicators					
Basic Earnings Per Share	1.48	1.32	0.92	1.32	1.11
Interest Cover (Times)	13.76	6.51	8.55	10.47	12.03
Net Asset Per Share (Rs.)	10.06	9.12	8.26	7.57	6.63
Current Ratio (Times)	0.50	0.50	0.57	0.48	0.55
Price Earnings Ratio (Times)	8.38	9.30	10.97	9.82	9.46
Dividend Per share	0.74	0.53	0.37	0.46	0.39
Dividend Yield (%)	5.97	4.31	3.70	3.54	3.71
Market Price Per Share (Rs.)	12.40	12.30	10.10	13.00	10.50

Group Real Estate Portfolio

Owning company and location	Number of buildings	Buildings in sq feet	Land in acres freehold	Net book value		Fair value
				2020 Rs. '000	2019 Rs. '000	2020 Rs. '000
Properties in Colombo						
Dialog Axiata PLC						
No.475, Union Place, Colombo 02	3	74,255		294,516	302,144	716,021
No.25, Samarakoon Mawatha, Thumbowila, Piliyandala	2	22,506		31,691	33,132	135,036
No 11, De Soysa Road, Mt lavinia.	1	9,500		102,532	106,028	104,500
Foster Lane Car Park & Training Centre	1	54,774		293,487	302,072	290,302
No 475, union Place Colombo2, New office Building	1	157,913		1,297,370	1,335,344	1,658,000
1039/4, Pothuarawa Road, Pothuarawa, Malabe			0.62	100,488	100,488	201,120
Dialog Broadband Networks (Private) Limited						
390 D, horizon drive Road,Welivita, Malabe	2	40,960	3.76	565,230	571,461	777,600
No.24, Foster Lane, Union place, Colombo 02			0.24	129,998	129,998	500,000
No.55/2C, Old Avissawella Road,Kotikawatta	1	12,360	0.48	31,930	32,698	178,200
DBN Site, De Soysa Road, Mount lavinia			0.17	44,428	44,428	93,500
Kaluandura, Puwakkipitiya, Avissawella			0.66	931	931	7,726
DBN Site, 86/14, 15th lane, Talangama, Battaramulla			0.06	1,680	1,680	11,900
Alubogahawatta, Rukmale, Kottawa			0.13	2,212	2,212	14,200
DBN Site, Imbaulakandna, Gamunu Road, Homagama			0.09	779	779	11,963
Siddamulla Temple, Siddamulla, Mattegoda			0.07	1,646	1,646	9,600
Properties outside Colombo						
Dialog Broadband Networks (Private) Limited						
Saliya Mawatha, Anuradhapura			1.92	7,778	7,778	85,690
Vevaykananthapuram, Nawatkuda, Batticaloa			0.25	4,131	4,131	18,000
Thambakanda, Kochchikade			0.80	1,275	1,275	9,600
Kotakanda, Kuda Bingiriya, Madampe			0.70	1,477	1,477	4,750
Walagamageatta, Browns Hill, Matara			0.23	7,088	7,088	43,200
Anuradhapura Road, Baristapura, Puttalam			2.32	7,624	7,624	39,500
Ambalankanda, Horana.			0.13	400	400	3,000
Semanery Estate, Meekanuwa, Ampitiya			0.18	1,403	1,403	16,000
Wilahena Road, Pamunuwala, Gonawela			0.12	609	609	12,400
Puwakgaslanda, Ehaliyagoda, Ganemulla			0.13	400	400	6,400
Millagahawatta, Batalanda Road, Mahara, Ragama			0.07	531	531	5,400
40, 1st Lane, Vishakawatta, Ekala, Ja Ela			0.13	1,100	1,100	10,400
Muthuwadiya Road, Raddoluwa, Seeduwa			0.13	1,000	1,000	17,800
78/2, Prison Road, Dalupotha, Kattuwa			0.09	657	657	10,700
42/2,Pitakanda Road, Watapuluwa, Mahiyiyawa, Kandy			0.54	3,500	3,500	217,000
No.358, Colombo Raod, Bolawalana, Negombo.			0.10	1,950	1,950	37,300
Suntel Switch, Richmond Hill Estate, Hantana			0.25	2,133	2,133	30,000
20,Rathna Mw, Kurana, Negambo			0.12	1,380	1,380	15,780
66, Sriya Mw, Panadura			0.17	1,960	1,960	35,800
81/19, Madawala Road, Katugasthota			0.08	1,413	1,413	10,900
Dialog Finance PLC						
No.21, Kumara Veediya, Kandy	1	3,040	0.02	16,488	17,294	76,500
Furnishing and fixtures on leaseholding building				544,006	488,347	
Total Land and building- Dialog				3,507,218	3,518,490	5,415,788

Notice of Annual General Meeting

DIALOG AXIATA PLC (PQ 38)

NOTICE IS HEREBY GIVEN THAT THE TWENTY FOURTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AS A FULLY VIRTUAL MEETING ON WEDNESDAY, 23 JUNE 2021 AT 4:00PM (IST – INDIA STANDARD TIME) FROM THE BROADCAST VENUE AT THE BOARDROOM, DIALOG AXIATA PLC, 14TH FLOOR, NO. 475, UNION PLACE, COLOMBO 2, SRI LANKA.

1. ORDINARY RESOLUTION 1

To receive and adopt the Report of the Directors and the Statement of Accounts for the Financial Year ended 31 December 2020 and the Auditors' Report thereon.

2. ORDINARY RESOLUTION 2

To declare a final dividend as recommended by the Board of Directors.

3. ORDINARY RESOLUTION 3

To re-elect as a Director, Deshamanya Mahesh Amalean, who retires by rotation pursuant to Article 102 of the Articles of Association of the Company.

4. ORDINARY RESOLUTION 4

To re-elect as a Director, Mr. Vivek Sood, who retires by rotation pursuant to Article 102 of the Articles of Association of the Company.

5. ORDINARY RESOLUTION 5

To re-elect as a Director, Mr. Azwan Khan Osman Khan, who was appointed to the Board since the last Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company.

6. ORDINARY RESOLUTION 6

To re-elect as a Director, Dr. Indrajit Coomaraswamy, who was appointed to the Board since the last Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company and furthermore to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Dr. Indrajit Coomaraswamy who attained the age of 71 years on 3 April 2021.

7. ORDINARY RESOLUTION 7

To re-elect as a Director, Mr. Mohamed Muhsin, who attained the age of 77 years on 16 October 2020 and retires pursuant to Section 210 of the Companies Act No. 7 of 2007 and to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Mr. Mohamed Muhsin.

8. ORDINARY RESOLUTION 8

To re-appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as Auditors to the Company and to authorise the Directors to determine their remuneration.

9. ORDINARY RESOLUTION 9

To authorise the Directors to determine and make donations.

By Order of the Board



Ms. Viranthi Attygalle
Group Company Secretary

25 May 2021
Colombo

Notice of Annual General Meeting

NOTES:

- i) Due to the health risks associated with the COVID-19 pandemic and related guidelines and regulations issued by the Ministry of Health, the AGM will be held as a fully virtual meeting, and as such shareholders will only be able to participate in the AGM virtually, via the designated online meeting platform.
- ii) Only persons who are shareholders of the Company and whose names appear on the Share Register as at 18 June 2021 will be entitled to participate in the above virtual meeting.
- iii) A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
- iv) A proxy need not be a shareholder of the Company. However, the proxy must be above 18 years of age.
- v) Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman of the Meeting to participate and vote on their behalf.
- vi) For more information on how to participate virtually in the above meeting, please refer Administrative Details enclosed herewith.

Administrative Details for the 24th Annual General Meeting

Taking into consideration the current regulations/ restrictions prevailing in the country due to the COVID-19 pandemic and the related guidelines and regulations issued by the Ministry of Health, the 24th Annual General Meeting (AGM) of Dialog Axiata PLC (the "Company") will be held by virtual means on Wednesday, 23 June 2021 at 4:00PM (IST – India Standard Time).

The details regarding the participation and the procedure to be adopted during the AGM are set out below.

DATE, TIME AND CONDUCT OF AGM

- (a) The AGM will be held as a fully virtual meeting on Wednesday, 23 June 2021 at 4:00PM (IST – India Standard Time).
- (b) Certain members of the Board and other key officials who are essential for the administration of the meeting will be physically present in the Boardroom of the Company. All others, including shareholders, will participate via a designated online meeting platform.

NOTICE OF AGM AND FORM OF PROXY

The Notice of AGM and accompanying Form of Proxy are attached herewith and will also be published on the corporate website at www.dialog.lk/shareholder-notifications.

NO PERSONAL ATTENDANCE AT AGM

Due to the health risks associated with the COVID-19 pandemic and related health guidelines, the AGM will be held virtually, and as such shareholders will only be able to participate in the AGM virtually, via the designated online meeting platform.

ALTERNATIVE ARRANGEMENTS FOR PARTICIPATION AT THE AGM

Shareholders may participate at the AGM by:

- (a) participating in the AGM via the designated online meeting platform;
- (b) submitting questions in advance of the AGM; and/or
- (c) appointing the Chairman of the Meeting as proxy to participate and vote on their behalf at the AGM.

CONFIRMATION OF PARTICIPATION AND PRE-REGISTRATION

- (a) Shareholders of the Company who wish to participate at the virtual AGM and whose names appear on the Share Register as at 18 June 2021 are required to pre-register participation. Registrations that do not meet this requirement will be rejected during the verification stage.
- (b) In order to pre-register your participation, shareholders are requested to complete the online pre-registration form available at www.dialog.lk/shareholder-notifications on or before 4:00PM on 18 June 2021.
- (c) If your shares are held in joint names, please register both names. However, you only need to enter one email address.
- (d) Upon verification of the registration details, an email of confirmation will be sent to the shareholders followed by an email with the log-in information closer to the AGM. Please note that the log-in information is authorised only for use by shareholders or their duly appointed proxy. The Company shall not be responsible or liable for misuse and /or unauthorised use of the log-in information.

APPOINTMENT OF PROXIES

- (a) A shareholder entitled, as set out above, to participate and vote at the meeting but is unable to do so, is entitled to appoint a proxy to virtually participate and vote at the AGM instead of him/her in the manner provided for by completing the Form of Proxy enclosed herewith.

Administrative Details for the 24th Annual General Meeting

- (b) Shareholders who are unable to participate also have the option of submitting a duly completed Form of Proxy (which, in particular, clearly indicates such shareholder's vote in respect of each of the matters set out in the Form of Proxy), appointing the Chairman of the Meeting to participate and vote on their behalf such that each shareholder's vote may be identified and recorded as if such shareholder was present at the meeting.
- (c) In order to be valid, the Form of Proxy must be duly completed and emailed to the Group Company Secretary at agminfo@dialog.lk and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 4:00PM on 21 June 2021.

ANNUAL REPORT 2020

The Annual Report 2020 has been published on the corporate website, and may be accessed at www.dialog.lk/annual-reports. If a shareholder wishes to receive a printed copy of the Annual Report 2020, please complete the Form of Request and forward it to the Group Company Secretary in accordance with the instructions given therein.

MEETING PROCEDURE & VOTING

- (a) Shareholders who are unable to participate at the virtual AGM may submit their suggestions/questions related to the AGM and the agenda, to the Group Company Secretary in writing on or before 18 June 2021 via agminfo@dialog.lk
- (b) The procedure on the conduct of the meeting and voting will be explained to shareholders prior to the commencement of the meeting.

FURTHER INFORMATION

For more information, shareholders can refer our corporate website at www.dialog.lk/shareholder-notifications or contact Ms. Divya Ranaraj on +94 773 908 929 during working hours.

IMPORTANT REMINDER

Due to the constantly evolving COVID-19 situation in the country, we may be required to change our arrangements for the AGM at short notice. Shareholders are requested to check www.dialog.lk/shareholder-notifications for the latest updates on the status of the AGM.

THANK YOU

Form of Proxy

I/We (name of shareholder/s).....
(Holder of NIC/Passport/Company Registration No./s)
of (address of shareholder/s)
being a shareholder/s of **Dialog Axiata PLC**, hereby appoint:

(please indicate your preference with a ☒)

☐ Name of proxy holder :
NIC/Passport No of proxy holder :
Address of proxy holder :
Email address of proxy holder :
Mobile number of proxy holder :

OR failing him/her

☐ Chairman of the Meeting

as my/our proxy to participate and vote on my/our behalf in accordance with the preference as indicated below at the **Twenty Fourth Annual General Meeting of the Company** to be held by virtual means on 23 June 2021 at 4:00PM (IST – India Standard time) and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

RESOLUTIONS	FOR	AGAINST
Ordinary Business:		
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		

(Please indicate with a 'X' in the space provided how your proxy is to vote on each resolution. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Signature(s) of Shareholder(s)	Contact No. of Shareholder/s	Email address of Shareholder/s	Date

NOTE:

Instructions as to completion of the Form of Proxy are on the reverse hereof.

NOTES AND INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. A shareholder entitled to participate and vote at the virtual meeting but is unable to do so, can appoint not more than one proxy to virtually participate and vote at the AGM instead of him/her, by completing the Form of Proxy. Shareholders who are unable to participate in the above meeting are encouraged to appoint the Chairman of the Meeting to participate and vote on their behalf.
2. Please complete the Form of Proxy by filling in legibly, your full name, address and contact number and the full name, NIC number, address, contact number and email of the proxyholder and thereafter date and sign in the space provided.
3. In order to be valid, the Form of Proxy must be duly completed and forwarded via email to agminfo@dialog.lk and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 4:00PM on 21 June 2021.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
6. The Form of Proxy should only be used for the purpose of appointing a proxy to participate and vote on your behalf at the meeting in the event you are unable to participate at the meeting and should not be used to confirm participation at the AGM. If you wish to participate at the meeting via the designated online meeting platform, you must pre-register your participation by completing the online pre-registration form at www.dialog.lk/shareholder-notifications.
7. If a shareholder has submitted a Form of Proxy prior to the meeting and subsequently decides to participate at the meeting him/herself, he/she should take immediate steps to revoke the appointment of proxy.

Notes

[illegible]

Notes

[illegible]



Contents

Introduction to the Company	1	Statement of Comprehensive Income	77
Message from the Chairman	2	Consolidated Statement of Changes in Equity	78
Group Chief Executive's Review of Operations	6	Company Statement of Changes in Equity	79
Board of Directors	17	Statement of Cash Flows	80
Corporate Management Team	23	Notes to the Financial Statements	81
Business & Financial Review	28	US Dollar Financial Statements -	
Corporate Governance Report	46	Statement of Financial Position	152
Report of the Board Audit Committee	54	US Dollar Financial Statements -	
Report of the Related Party Transactions		Statement of Comprehensive Income	153
Review Committee	57	Group Value Added Statement	154
DIAL Share Information	58	Five Year Summary	155
		Group Real Estate Portfolio	156
Financial Statements		Notice of Annual General Meeting	157
Annual Report of the Board of Directors for		Administrative Details for the 24th	
the year ended 31 December 2020	64	Annual General Meeting	159
The Statement of Directors' Responsibility	69	Form of Proxy	161
Independent Auditor's Report	70		
Statement of Financial Position	76	Corporate Information	<i>Inner Back Cover</i>

Our Vision

To be the undisputed leader in the provision of multi-sensory connectivity resulting always, in the empowerment and enrichment of Sri Lankan lives and enterprises.

Our Mission

To lead in the provision of technology enabled connectivity touching multiple human sensors and faculties, through committed adherence to customer-driven, ethical, responsive and flexible business processes, and through the delivery of quality service and leading edge technology unparalleled by any other, spurred by an empowered set of dedicated individuals who are driven by an irrepressible desire to work as one towards a common goal in the truest sense of team spirit.

Dialog Values

- ▶ Service from the Heart
- ▶ Create the Future
- ▶ Champions of Change
- ▶ Exceptional Performance
- ▶ Uncompromising Integrity
- ▶ Responsible Leadership
- ▶ One Team

Scan the QR Code
to directly access the
Dialog Annual Report
2020 online



Scan the QR Code to
directly access the Dialog
Sustainability Report
2020 online

