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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 senses 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

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Scan the QR Code to directly access the Dialog Sustainability Report 2023 online



Introduction to the Company

Dialog Axiata PLC, a subsidiary of Axiata Group Berhad (Axiata), operates Sri Lanka's Leading Quad-Play Connectivity Provider. Dialog is Sri Lanka's largest Foreign Direct Investor (FDI) with investments totalling USD 3.26Bn.

The winner of six Global Mobile Awards, Dialog has had the distinction of being voted by Sri Lankan consumers as the 'Telecommunication Brand of the Year' for a record twelfth year at the SLIM-KANTAR People's Awards 2023. Dialog was awarded 'Sri Lanka's Most Valuable Brand' from 2019-2023 and 'Most Valuable Telecommunications Brand' for the sixteenth consecutive year by Brand Finance, UK.

Dialog is certified for ISO 9001 Quality Management System, ISO 27001:2013 Information Security Management System, and ISO 14001:2015 Environmental Management System. The Company became the first telecommunications service provider in the country to be awarded the ISO 27701 certification for Privacy Information Management Systems. Dialog has received numerous local and international awards, including the National Quality Award and Sri Lanka Business Excellence Award.

The Company was recognised at the ACCA Sustainability Awards and e-Swabhimani Awards for its outstanding digital inclusion and community investment initiatives. Dialog 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 over 17 Mn Sri Lankans. Dialog is rated as the fastest mobile network, with the Company being adjudged the overall winner across multiple dimensions, including Video Experience, Live Video Experience, Games Experience, Voice App Experience, Download Speed Experience, Upload Speed

Experience, Availability, 4G Availability and Consistent Quality by a leading thirdparty crowdsourced network experience measuring agency. As the market leader in Pay Television and Home Broadband sectors, Dialog provides world-class entertainment services and superior fixed connectivity to millions of households across Sri Lanka. The Company also has a strong international footprint, including roaming partnerships with over 650 operators across over 200 destinations and investments in multiple subsea cables across Asia. 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.

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, Digital Services, Financial Services through its subsidiaries, Dialog Broadband Networks (Private) Limited (DBN), Dialog Television (Private) Limited (DTV), Digital Holdings Lanka (Private) Limited, Dialog Finance PLC, H One (Private) Limited, Dialog Network Services (Private) Limited and Dialog Business Services (Private) Limited.

Message from the Chairman



David Nai Pek Lau
Chairman/Non-Independent, Non-Executive Director

“Our commitment to leveraging advanced technology and digital innovation remains unwavering, as these are crucial in adapting to the dynamic needs of our customers and supporting the socio-economic advancements of our nation.”



“As the largest telecommunications service provider in Sri Lanka, our commitment to investment in the nation has been unrelenting.”

My dear Shareholders,

The year 2023 has been a transformative period for our nation and for Dialog Axiata. We witnessed the Sri Lankan economy making promising strides towards recovery, transitioning from the depths of the 2022 crisis. These improvements, coupled with a strengthening LKR against the USD, carved the path for recovery, albeit with high vigilance on the prevalent socio-economic sensitivities, including continued pressure on consumer spending due to rising essential costs and new tax impositions.

Despite these hurdles, Dialog Axiata not only navigated through these challenges but also strategically positioned itself to capitalize on emerging opportunities. This backdrop of recovery has played a pivotal role in our journey, marking 2023 as a year where Dialog not only rebounded but also set new benchmarks in resilience and innovation.

PERFORMANCE HIGHLIGHTS

2023 was a turnaround year for Dialog Axiata. From a loss of Rs. 33.4Bn in 2022, we achieved a significant Group Net Profit After Tax (NPAT) of Rs. 20.1Bn in 2023. This remarkable recovery was driven by across-the-board top-line growth in all business segments, mainly from Mobile, Fixed Broadband and Enterprise businesses, culminating in a consolidated revenue of Rs. 187.8Bn, marking a 5% growth over 2022.

Our focus on rigorous cost management and operational efficiencies further bolstered our financial health, allowing us to contain the total operating cost increase to 3% Year-on-Year (YoY). Additionally, the appreciation of the LKR against the USD helped reduce expenses denominated in USD. The cost transformation initiatives started in earlier years continued to bear fruit, saving us Rs. 16.6Bn in 2023 alone.

Our EBITDA increased by 19% to Rs. 61.5Bn, driven by our strategic measures such as effective churn management, the delivery of innovative and affordable service packages, excellent network quality, cost management and enhanced customer experience.

INVESTING FOR THE FUTURE

As the largest telecommunications service provider in Sri Lanka, our commitment to investment in the nation has been unrelenting. In 2023, we further solidified our position as the nation's largest Foreign Director Investor (FDI) with investments totalling USD 3.26Bn to date. This was recognised by the Sri Lanka Board of Investment (BOI) in the special award presented by the President to Dialog in April 2024. This investment has not only expanded our infrastructure but also enhanced our capabilities to deliver cutting-edge technology and services across the island.

Message from the Chairman

“At Dialog, our commitment to pioneering advancements in technology and creating long-term value for our stakeholders remains at the heart of our mission.”

Our journey in 2023 was underpinned by a commitment to operational excellence and strategic foresight. We have remained focused on maintaining our leadership as the largest telecommunications service provider in Sri Lanka, serving over 17 million customers. Our dedication to delivering exceptional service quality and innovative digital solutions has been recognised nationally and internationally, as evidenced by retaining our status as Sri Lanka’s ‘Most Valuable Brand’, as recognised by Brand Finance UK for the fifth consecutive year and being voted the ‘Telecommunication Brand of the Year’ by Sri Lankans at SLIM-KANTAR People’s Awards for a record twelfth consecutive year.

INNOVATIONS AND COMMITMENT TO LONG-TERM VALUE CREATION

At Dialog, our commitment to pioneering advancements in technology and creating long-term value for our stakeholders remains at the heart of our mission. As we embrace the transformative potential of 5G, our efforts in 2023 have set new benchmarks in connectivity, innovation, and customer experience.

During the year under review, we extended the reach of our 5G trial network, which now empower over 200,000 Sri Lankans across diverse regions to experience the power of 5G. In addition, our customers can enjoy seamless 5G roaming with over 100 operators in more than 50 destinations worldwide, a reflection of our commitment to ensuring continuous connectivity, no matter where they are.

2023 also marked significant advancements with the successful completion of South Asia’s first 5G Standalone (5G SA) network trial in Sri Lanka, and the pioneering Voice over New Radio (VoNR) on our standalone 5G network. These breakthroughs are crucial in transitioning towards a fully autonomous 5G ecosystem, offering unprecedented speeds and latency improvements.

Our ongoing enhancements in Digital Services across FinTech, HealthTech, EduTech, and InsurTech reflect our responsive adaptation to increased digital demands. These sectors, vital for socio-economic progress, have seen substantial growth and will continue to benefit from our strategic focus.

Further, this year has seen the strategic reorganisation of Dialog Business Services and Dialog Network Services, aligning our operations more closely with the evolving needs of our customers.

SHAREHOLDERS

Our commitment extends beyond innovation to value creation for our shareholders. Accordingly, we are pleased to propose a dividend of 1.34 Rupees per share, maintaining a payout ratio of 55%. This balance of reinvestment in our business and reward to our shareholders underpins our strategic vision for sustainable growth and shareholder value enhancement. As we look ahead, our journey is shaped by our unwavering dedication to excellence, innovation, and the belief that through technology, we can transform lives, foster sustainable development, and contribute significantly to a digital future.

ESG – FULFILLING OUR PURPOSE

As we reflect on the year 2023, Dialog has once again demonstrated resilience and commitment towards advancing our core values, particularly in the domain of environmental, social, and governance (ESG) stewardship. Our purpose-driven agenda supports not only our vision of empowering and enriching Sri Lankan lives and enterprises but also our mission to deliver ‘The Future. Today’.



PROGRESS IN ENVIRONMENTAL STEWARDSHIP

This year, Dialog made significant strides in environmental sustainability, a testament to our commitment to 'Greening the Blue'. We achieved a major milestone by implementing 776 solar sites, adding a capacity of 4,719.095 kW. Our journey included 765 new solar installations and enhancing 11 sites, further reducing our carbon footprint by 8,255.13 tCO₂e. These efforts align with our annual target set for zero carbon increase in 2024. As a committed leader in environmental advocacy, we have established a bold target of reaching net zero CO₂ emissions by 2050. To pave the way, our initial milestone involves achieving a 45% reduction in carbon emissions by 2030.

COMMUNITY EMPOWERMENT

On the social front, Dialog continues to be a pillar of strength for the community. Our crowdfunding platform, Karuna.lk, now supports over 200 causes, demonstrating our commitment to leveraging digital platforms for societal impact. The Manudam Mehewara initiative continued with a Rs. 324Mn commitment, extending aid to 120,000 families, aligning with our goal to uplift and empower communities.

Our educational initiatives have been particularly impactful, with the Dialog Foundation focusing on connecting 458 schools in the plantation sector to Nenas TV. Furthermore, the Dialog Merit Scholarship programme awarded scholarships to 158 outstanding students, reinforcing our investment in the future leaders of our nation.

Dialog's dedication to inclusivity saw the relaunch of www.yeheli.lk, providing access to critical advice on health and legal matters, and the introduction of a trilingual DeafTawk app, a pioneering step towards integrating the hearing-impaired community more closely with society.

"Our purpose-driven agenda supports not only our vision of empowering and enriching Sri Lankan lives and enterprises but also our mission to deliver 'The Future. Today'."

UPHOLDING STRONG GOVERNANCE

In governance, Dialog has strengthened its frameworks significantly. Our Anti-Bribery and Anti-Corruption (ABAC) function now features a Chatbot, enhancing accessibility and effectiveness. I am pleased to note that in 2023, we achieved an 83% score in the Effectiveness Testing which evaluates the effectiveness of Dialog's ABAC programme in mitigating corruption risks and fostering an integrity-driven culture.

We also launched the 'Dialog International Anti-Corruption Day 2023' under the theme 'Being True to Uncompromising Integrity', fostering a culture of transparency and ethical conduct across our operations. Our Risk Compass platform aligns with ERM guidelines, ensuring a systematic approach to risk management, which is critical for maintaining the integrity of our operations.

DATA PRIVACY AND CYBERSECURITY

Our commitment to data security and privacy remains unwavering. Dialog was the first telco in Sri Lanka to achieve the ISO 27701:2019 PIMS certification, underscoring our dedication to protecting personal information. We also upgraded our ISO 27001:2013 ISMS certification, reaffirming our status as a leader in cybersecurity, ensuring the protection of critical customer information.

Message from the Chairman

“Through collaborative efforts with various stakeholders and our dedication to community development, we aim to reinforce our role in propelling Sri Lanka towards a digitally inclusive future.”

CULTIVATING EXCELLENCE THROUGH TALENT DEVELOPMENT

In our ongoing journey towards becoming a leading Digital Telco, we've sustained our dedication to cultivating a supportive and inclusive culture. This year, we've significantly advanced our talent management strategies and HR digitisation, prioritising the development of future leaders and enhancing staff productivity. Our efforts have not only enriched the employee experience but have also reinforced our commitment to listening and responding to our workforce, ensuring we remain the preferred employer in our dynamic industry.

FUTURE OUTLOOK

Looking ahead, Dialog Axiata is poised to face the many challenges of 2024, but see significant opportunities following the landmark consolidation of Dialog Group and Bharti Airtel Limited in Sri Lanka. This strategic union will reshape the telecom sector's landscape, allowing us to harness our combined strengths. We are set to enhance our offerings in high-speed broadband, superior voice, and innovative value-added services. Through economies of scale and reduced infrastructural redundancies, we expect to achieve notable cost savings and operational efficiencies.

Our commitment to leveraging advanced technology and digital innovation remains unwavering, as these are crucial in adapting to the dynamic needs of our customers and supporting the socio-economic advancements of our nation. Through collaborative efforts with various stakeholders and our dedication to community development, we aim to reinforce our role in propelling Sri Lanka towards a digitally inclusive future. As we embrace these new ventures, our resolve to empower and enrich Sri Lankan lives and enterprises continues to be the cornerstone of our mission.

CHANGES TO THE BOARD

Reflecting on the past year, we are deeply saddened by the untimely passing of our esteemed board member, Mr. Azwan Khan Osman Khan, on May 13, 2023. Mr. Azwan Khan joined the Board in July 2020 and had previously served on the Board of Dialog from 2009 to 2012. In addition, his exemplary leadership as Group Chief Operating Officer of Dialog from 2013 to 2016 showcased his passion towards our collective mission. His unwavering dedication and inspiring leadership left an indelible mark on our company, and we will continue to honour his legacy.

On behalf of the Company, I extend my heartfelt thanks to Dato Dr Nik Ramlah Nik Mahmood and Mr. Vivek Sood, who stepped down from the Board in October 2023 and February 2024 respectively, for their unwavering leadership and wise counsel. I also wish to extend my sincere gratitude to Deshamanya Mahesh Amalean, who served in the capacity of an Independent Director since 2014, for his invaluable counsel and his contribution to the Board and Company. Deshamanya Amalean will be stepping down from the Board at the forthcoming Annual General Meeting. Collectively, they have given over 20 years to Dialog, making significant contributions to the Board through their guidance and insights, especially on strategic matters, government relationships and customers' interaction.



I also wish to warmly welcome Mr. Thomas Hundt, who was appointed to the Board in February 2024. His vast management expertise and insights will be crucial as we strive for greater excellence. In addition, congratulations to Dr. Hans Wijayasuriya for receiving the GSMA Chairman's Award at the Mobile World Congress in Barcelona, Spain, recognising his remarkable impact on global mobile communications.

APPRECIATION

In retrospect, it is with immense pride that we acknowledge the resilience, passion, and remarkable achievements of our team. Despite the ongoing challenges, their steadfast dedication has not only sustained but propelled our progress, reinforcing our commitment to innovation and excellence. I extend my deepest thanks to the entire Dialog team, under the inspirational leadership of our Group Chief Executive, Mr. Supun Weerasinghe, whose visionary guidance has been a cornerstone of our success. It is a privilege to collaborate with such a formidable group as we continue to navigate obstacles with determination and contribute significantly to both our company's success and the advancement of our nation.

I am equally grateful to our business partners, whose relentless efforts and cooperation have been crucial during this period. We also owe a profound debt of gratitude to our customers, who remain at the heart of our mission, for their ongoing trust and partnership as their preferred digital provider. Our journey towards ambitious digital milestones is buoyed by the enduring support and confidence of our shareholders, for which we are profoundly thankful.

Furthermore, our appreciation extends to the Government of Sri Lanka and its various entities, including the Telecommunications Regulatory Commission of Sri Lanka (TRCSL), the Central Bank of Sri Lanka, the Ministry of Technology, the Board of Investment of Sri Lanka, the Information Communication Technology Agency, and the Ministry of Mass Media and Information, for their consistent support and collaboration.

Lastly, I must express my sincere gratitude to my fellow Board Directors for their advice, steadfast guidance, and robust support, which have been instrumental in our mission to empower and enhance the lives and enterprises across Sri Lanka. Together, we look forward to a future filled with opportunities and continued growth in delivering "The Future. Today".

David Nai Pek Lau
Chairman

30 April 2024

Group Chief Executive's Review of Operations



Supun Weerasinghe
Director / Group Chief Executive

“We continue to play a pivotal role in Sri Lanka’s digital transformation journey, significantly contributing to the nation’s development and prosperity. Our initiatives have further narrowed the digital divide, fostering a digitally inclusive society that benefits all.”



“I wish to extend my profound gratitude to the entire Dialog team—our committed employees, partners, and stakeholders. Your resilience and dedication have been pivotal in navigating these turbulent times and driving our growth.”

Dear Shareholders,

2023 has been a pivotal year for Sri Lanka as we embarked on a path toward recovery and resilience, overcoming the shadows of previous years' crises. Amidst a gradual stabilization of the macroeconomic environment and emerging signs of political steadiness, we continued to focus on our purpose of empowering and enriching Sri Lankan lives and enterprises. The essential nature of our services became increasingly evident, serving as an enabler in connecting communities and invigorating economic initiatives.

The year 2023, also set the stage for transformative developments that promise to shape our trajectory, where the Company signed a binding term sheet to combine operations with Bharti Airtel Lanka (Pvt) Ltd., which was then cemented in April 2024 as Dialog Axiata PLC, Axiata Group Berhad, and Bharti Airtel Limited, signed a Definitive Agreement to combine their operations in Sri Lanka. This strategic consolidation will enable the merged entity to garner economies of scale and reduce duplication of infrastructure. By achieving synergies in technology and capital expenditure, we aim to enhance high-speed broadband connectivity which is foundational to grow Sri Lanka's digital economy.

This merger is expected to drive significant cost savings and operational efficiencies, further strengthening our capacity to better serve our customers and deliver greater value to stakeholders.

I wish to extend my profound gratitude to the entire Dialog team—our committed employees, partners, and stakeholders. Your resilience and dedication have been pivotal in navigating these turbulent times and driving our growth. Armed with our strategic insights and innovative approaches, I am confident in our ability to navigate future challenges and seize new opportunities. Together, we reaffirm our unwavering commitment to the nation and to delivering exceptional value to our shareholders.

PERFORMANCE REVIEW

► Financial Performance

In a year marked by macroeconomic stabilization and recovery, Dialog Axiata PLC demonstrated a commendable financial performance, amidst persistent market challenges. The Company's consolidated revenue for 2023 was reported at Rs. 187.8Bn, marking a 5% growth Year-to-Date (YTD), with significant contributions from all business segments, including Mobile, Fixed, Digital Pay Television, International, Digital Platforms, and Tele-infrastructure.

Group Chief Executive's Review of Operations

"The Group's Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) demonstrated substantial growth, increasing by 19% Year-to-Date (YTD) to Rs. 61.5Billion... Net Profit After Tax (NPAT) achieved a remarkable turnaround, exceeding Rs. 20Bn — a growth of over 100% YTD."

Operational costs were maintained within a modest increase of 3% Year-on-Year (YoY), achieved through targeted cost rescaling (CRS) programme. Through these initiatives the Company was able to deliver cost savings amounting to Rs. 16.6Bn. These efforts, in conjunction with the appreciation of the Sri Lankan Rupee (LKR) against the US Dollar (USD), mitigated the financial impact of multiple energy tariff hikes during the year.

The Group's Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) demonstrated substantial growth, increasing by 19% Year-to-Date (YTD) to Rs. 61.5Bn. This increase is a reflection of effective churn management, the introduction of innovative service offerings, and our commitment to enhancing network experience. Moreover, our Net Profit After Tax (NPAT) achieved a remarkable turnaround, exceeding Rs. 20Bn — a growth of over 100% YTD. This performance was supported by robust EBITDA, favourable foreign exchange conditions, and reduced financial expenses.

In the past year, the Dialog Group remitted a total of Rs. 40.8Bn to the Government of Sri Lanka (GoSL), consisting of Rs. 9.5Bn in direct taxes and levies and Rs. 31.3Bn in consumption taxes collected on behalf of the GoSL.

The reaffirmation of the 'AAA (lka)' rating by Fitch Ratings underscores the strong financial standing and strategic resilience of your Company.

SEGMENTAL REVIEW

► Dialog Axiata PLC

In an era where digital connectivity is ever more critical, Dialog Axiata PLC has continued to strengthen its leadership within the telecommunications sector. This year, we increased our mobile consumer market share by 1.6 percentage points, boosting our subscriber base to over 17.2 million. The primary revenue drivers for fiscal year 2023 were our Mobile, Tele-infrastructure, and Digital Services segments, which collectively accounted for 55% of the Group's total revenue. Overall, the Company recorded a modest revenue growth of 1% Year-on-Year (YoY), reaching Rs. 102.9Bn, largely driven by an increase in data consumption.

Despite the broader economic challenges, including heightened energy costs, substantial increases in electricity tariffs, and increase in indirect taxation, the company's EBITDA saw an 8% increase YTD, totalling Rs. 38.4Bn for FY 2023. These gains were achieved through effective cost management through structural changes and digital transformation.

The company's Net Profit After Tax (NPAT) displayed a significant recovery, recording Rs. 12Bn for FY 2023, an improvement of over 100% from the previous year. This turnaround was largely supported by a substantial forex gain of Rs. 10Bn. Our commitment to excellence in operations, innovation and customer experience was instrumental in driving the company performance in a recovering economic landscape.

► Dialog Broadband Networks

In 2023, Dialog Broadband Networks (DBN) sustained its strong performance, recording revenue of Rs. 73.8Bn, a 7% increase compared to the previous



“We are committed to ensuring that both large enterprises and SMEs have access to critical ICT services... to improve their competitiveness and increase access to new markets.”

year. The international business was a significant contributor, accounting for 61% of DBN's revenue and achieving a 6% YoY growth. The fixed broadband sector also saw positive movements, with revenue from fixed broadband and data and leased lines growing by 3% and 19% year-on-year, respectively.

The EBITDA for DBN recorded a robust increase of 19% YoY, reaching Rs. 17.7Bn, reflecting efficient operations and strong revenue growth. Net Profit After Tax (NPAT) for DBN increased impressively by 75% YoY to Rs. 5.8Bn, demonstrating effective cost management and strong operational performance.

Over the past year, Dialog Broadband Networks (DBN) has consistently enhanced its service offerings, focusing on the expansion of high-quality fixed and broadband services across Sri Lanka. This strategic expansion is in line with our mission to empower customers to fully leverage the potential of the digital economy. We are committed to ensuring that both large enterprises and SMEs (Small and Medium Enterprise) have access to critical ICT services, including cloud solutions, digital payments, and tools for cybersecurity to improve their competitiveness and increase access to new markets.

► Dialog Television

In 2023, Dialog Television (DTV) continued to lead in Sri Lanka's digital pay television sector, adeptly navigating a market environment impacted by heightened consumer spending constraints due to increased prices and increase in taxes on consumption. Despite these challenges, DTV successfully maintained

its market position, keeping its subscriber count steady at approximately 1.6Mn. The price revision implemented in the previous year enabled DTV to achieve a 3% YTD increase in revenue, totalling Rs. 12.4Bn. Termination of a satellite transponder, renegotiation of content agreements and the appreciation of the Sri Lankan Rupee against the US Dollar contributed positively, enabling DTV to record an 86% increase in EBITDA, which stood at Rs. 2.9Bn. Furthermore, this financial improvement turned DTV's Net Profit After Tax (NPAT) positive, reaching Rs. 0.6Bn for the fiscal year.

► Dialog Finance

Dialog Finance successfully navigated a challenging operational environment while remaining committed to its fintech vision to deliver a total operating income of Rs. 756.7Mn for the year ended December 31, 2023, representing a YoY growth of 13.3%. We implemented stringent cost-management and process optimisation measures, recording a net profit of Rs. 39.4 Mn for 2023 compared to Rs. 67.1 Mn in 2022. We maintained healthy capital and liquidity levels well above statutory requirements and are optimistic about enhancing profitability in the medium term.

Dialog Finance was honoured with multiple awards at the LankaPay Technnovation Awards 2024 for the FY 2023, highlighting our leadership in Sri Lanka's digital finance sector. We received the Gold award for the 'Financial Institution of the Year for Best Digital Payment Strategy,' along with Silver awards for 'Excellence in Digital Payments' and 'Excellence in Customer Convenience,' and a Merit award for 'Financial Inclusivity.'

We introduced a range of innovative products for consumers, including the launch of a groundbreaking digital fixed deposit in March 2023, which is accessible with an initial investment of just Rs 5000. This product is designed to promote micro savings among underserved and unserved segments, offering new savings opportunities to a broader audience.

Group Chief Executive's Review of Operations

For the Micro, Small, and Medium Enterprise (MSME) segment, we have expanded our digital payment solutions, after securing a license to operate as a Financial Acquirer of Payment Cards from the Central Bank of Sri Lanka. The introduction of Genie Business, an all-in-one digital payment acceptance solution, supports and empowers retailers and merchants by facilitating payments from any card, bank, or app, enhancing their operational capacity. Moreover, our newly introduced SME internet banking solution allows small and medium enterprises to conduct financial transactions efficiently and securely online.

These achievements and innovations are testament to Dialog Finance's role as a catalyst in enhancing the digital economy in Sri Lanka, providing inclusive and innovative financial solutions that meet the diverse needs of our customers.

► H One

As we reflect on the past year, H One has demonstrated remarkable resilience and growth, achieving an overall revenue increase of 9%. This success is a testament to our robust market presence, with significant strides in the Small and Medium-sized Business (SMB) sector, where we saw a 42% growth in the Cloud Service Provider business.

2023 was a year of accolades and expansion for H One. We were honoured to be named Microsoft Country Partner of the Year for Sri Lanka for the second consecutive year, a testament to our unwavering commitment to excellence. H One was also named as the Microsoft Partner for the Year - Modern Work, Security, CSP and SMB for the third consecutive year.

H One's attainment of five Microsoft solution designations and seven Microsoft Advanced specializations marks a historic milestone in Sri Lanka's technology sector. It showcases our unwavering commitment to setting new industry benchmarks and delivering excellence to our clients.

“Dialog Enterprise became the first in South Asia to attain sovereign cloud certification, elevating our VMware cloud services.”

In 2023, H One was named as a Microsoft Fasttrack Partner whereby Microsoft enables us with expert guidance which helps us to provide better services to our customers leveraging the full stack of Microsoft solutions.

Internationally, we made significant headway with the Microsoft Modern Work & Security migrations for the Government of Maldives, encompassing 17 ministries and the Maldives Police Service. H One was also awarded the Licensing Solutions Partner (LSP) status for Bangladesh adding to our current territories covered, Sri Lanka & Maldives. Despite the challenges in gross profit margins due to a competitive license reselling market, we continue to pivot our focus towards advisory based solutions and services offerings, setting a new course for sustainable growth.

BUILDING A DIGITAL SRI LANKA

► Dialog Enterprise

At Dialog, we prioritise empowering Sri Lankan enterprises with top-tier digital solutions. In 2023, Dialog Enterprise achieved a 14% year-on-year revenue growth, fuelled by enhanced connectivity and ICT offerings, particularly benefiting large and small-to-medium enterprises.

Our strategic partnerships have been pivotal. Dialog Enterprise became the first in South Asia to attain sovereign cloud certification, elevating our VMware cloud services. We also launched Next-Generation Firewall as a Service with Fortinet, enhancing our security solutions to meet growing security challenges.



“In 2023, Dialog further solidified its role as a leader in driving Sri Lanka’s transformation into a digital nation, expanding and refining our suite of digital services to better serve our customers amidst ongoing economic challenges.”

In the realm of IoT (Internet of Things), we saw a 1.4x revenue increase, through the implementation of solutions including generator and cold room temperature monitoring and a fleet management system that reduced fatal accidents by 75% while improving fuel efficiency.

We collaborated with the Rubber Research Institute of Sri Lanka and the University of Moratuwa to digitalise rubber plantation drying processes. Further, our operations included managing the Government Information Centre (GIC), serving over 22 million citizens with trilingual, round-the-clock services.

In real estate management, we partnered with developers to supply advanced ICT solutions and executed a smart energy management project for Tee Jay Lanka with Axiata Digital Labs, opening up avenues to support SMEs significantly reduce carbon emissions.

Furthermore, the launch of ‘Operator Connect’ with Microsoft and H One, which integrates telephony within Microsoft Teams, exemplifies our drive to enhance enterprise communication.

Dialog Marketplace onboarded over 6,200 enterprises by December 2023, fostering extensive market reach and driving remarkable growth for large and medium-sized enterprise.

In 2023, Dialog Enterprise continued to distinguish itself in the technological arena, garnering prestigious accolades. Dialog Enterprise was honoured as the Best SD-WAN Partner in the SAARC region by FORTINET, recognising our leadership in network solutions. Further advancing our cloud capabilities, Dialog Enterprise Cloud proudly became the first sovereign cloud provider in the South Asian region, earning a coveted spot among a global elite of VMware cloud service providers.

Dialog Enterprise remains steadfast in its mission to empower businesses, pushing the boundaries of digital possibilities and ensuring that our enterprise clients are well-equipped to meet the challenges of an evolving technological landscape.

► Digital Services

In 2023, Dialog further solidified its role as a leader in driving Sri Lanka’s transformation into a digital nation, expanding and refining our suite of digital services to better serve our customers amidst ongoing economic challenges. Our digital ecosystem now spans key sectors such as FinTech, HealthTech, EduTech, and InsurTech, demonstrating our dedication to empowering communities with innovative solutions.

Our flagship mobile money platform, eZ Cash, maintained its status as Sri Lanka’s leading mobile money service, with significant growth in active wallets and merchant partnerships. The expansion of eZ Banking (agency banking) improved financial accessibility across more eZ Cash outlets.

Genie, repositioned as a comprehensive financial marketplace and expanded its customer and merchant base, supported by a surge in Gross Transaction Value. New features in Genie Business enhanced financial inclusivity for micro and medium-sized enterprises through a 100% digital onboarding process.

Doc990, our digital healthcare platform, solidified its market leadership with a 35% year-over-year revenue

Group Chief Executive's Review of Operations

"As a leading force in digital innovation in Sri Lanka, Dialog remains dedicated to advancing the country's digital ecosystem."

growth, introducing new telemedicine services and health & wellness subscriptions to reach a broader audience.

Dialog collaborated with other operators to launch new network APIs under the GSMA (Global System for Mobile Communications Association) Open Gateway initiative, ensuring compatibility across all mobile networks in the country to foster digital service growth.

Dialog launched the WOW, Sri Lanka's first Super App, designed to cater to a diverse array of digital needs within a single platform. WOW Superapp attracted over 3.5 million downloads, with more than 1.7 million active monthly users enjoying a broad range of services from rewards and entertainment to convenience features.

At the GSMA M360 APAC 2023 Awards held in Seoul, South Korea, Dialog was honoured with the prestigious 'Excellence in Digital Inclusion Award' for its exceptional use of mobile technology in digitally advancing the nation, as exemplified through the 'National Fuel Pass' initiative, developed in collaboration with partners MillenniumIT ESP and ICTA, under the aegis of the Ministry of Power and Energy. The National Fuel Pass solution was gifted to the Government by Dialog and its partners in 2022 to effectively manage fuel distribution and solved the fuel crisis. National Fuel Pass also received the National Award and Western Province Award for 'Best TECH FOR GOOD Software Innovation or Product' at the SLASSCOM National Ingenuity Awards 2023.

We remain committed to proactively shaping the future of digital services in Sri Lanka, ensuring that our

customers and communities remain at the cutting-edge of the digital revolution.

DELIVERING THE FUTURE. TODAY.

As a leading force in digital innovation in Sri Lanka, Dialog remains dedicated to advancing the country's digital ecosystem. Steadfast in our commitment to delivering 'The Future. Today.', we continued to lead through our innovative initiatives and dedication to technological progress. Our efforts ensure that we not only pioneer new developments but also establish new standards in the industry, consistently pushing the boundaries of technology.

In 2023, Dialog hosted the Google I/O Extended Sri Lanka for the seventh consecutive year, with a special focus on Artificial Intelligence, attracting over 250,000 virtual attendees. We expanded our metaverse ventures with the launch of 'Futureverse'—Sri Lanka's first, fully immersive and interactive Metaverse platform. This platform hosted the ground-breaking 'METASTAGE', a metaverse concert featuring top Sri Lankan artists, and the 'Divinci' digital art exhibition, both of which significantly enhanced user engagement in the digital realm.

Continuing our trend of innovation, we introduced Amazon Alexa Voice Command Support, broadening our smart home ecosystem capabilities across Dialog services, and reinforcing our leadership in integrating cutting-edge technology into everyday customer experiences. Further, Dialog introduced 'WiFi 6' - the Next-Gen Standard in Wi-Fi Technology for the first time in Sri Lanka.

Additionally, our 5G Future Zones established at universities and research institutions across the country continues to foster an environment of innovation and entrepreneurship among Sri Lanka's youth.

The Dialog Axiata Digital Innovation Fund played a pivotal role in promoting innovation, with investments in 10 companies, totalling Rs. 916Mn, to date. This initiative not only supports local entrepreneurship



“We look forward to the allocation of commercial 5G spectrum by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL), a critical step for the acceleration of Sri Lanka’s digital economy.”

but also propels the development of scalable digital solutions that benefit society at large.

In addition, we launched the Dialog Innovation Challenge, inviting all Sri Lankans to join the national endeavour focused on finding scalable, innovative digital solutions to empower citizens, businesses, and the community. In response, we received over 1,000 entries from digital innovators and start-ups across AI (Artificial Intelligence), IoT (Internet of Things), Blockchain, machine learning, robotics, and cloud computing.

Our commitment to transforming Sri Lanka into a digitally empowered nation remains unwavering as we continue to lead, innovate, and provide unparalleled digital experiences to all Sri Lankans.

CONNECTIVITY

In 2023, Dialog Axiata focused on strengthening our network infrastructure amidst challenging economic conditions. Rising energy costs necessitated the adoption of innovative solutions to maintain efficient operations. We equipped over 1,000 sites with solar and lithium-ion battery installations to enhance resilience against frequent power disruptions. Our strategic use of dynamic site management techniques, including capacity modulation based on real-time demand and advanced analytics, optimised our energy usage, reducing operational costs and minimising environmental impact.

► 4G LTE - Broadband for All

Our commitment to providing nationwide connectivity remains unwavering. In November 2023, we decommissioned our 3G network to reallocate spectrum resources to enhance our 4G services, which now cover 96% of the population with over 4,800 sites. This endeavour has significantly improved bandwidth and user experience across our network. Further, we introduced connectivity to additional remote areas, thus covering over 180 deep-rural Grama Niladhari divisions. The “Sew Desatama Dialog” initiative continued to play a crucial role in this expansion, enhancing access in underserved regions. Our efforts have been recognised internationally, with Dialog being adjudged the winner by a leading 3rd party crowdsourced Network Experience Measuring agency, in all categories including, ‘Video Experience’, ‘Live Video Experience’, ‘Games Experience’, ‘Voice App Experience’, ‘Download Speed Experience’, ‘Upload Speed Experience’, ‘Availability’, ‘4G Availability’ and ‘Consistent Quality’.

► 5G - Next Generation of Connectivity

Dialog continues to lead the 5G revolution in Sri Lanka, achieving significant milestones in 2023. We extended our 5G trial network to over 70 locations nationwide and launched innovative 5G services, including high-speed roaming in more than 50 countries, through partnerships with 100 global partners. These initiatives underscore our commitment to spearheading innovation and digital transformation, setting the stage for advanced applications such as autonomous manufacturing, and enhanced augmented and virtual reality experiences.

Our 5G initiatives have marked several firsts in South Asia and Sri Lanka. These include the pioneering trial of Voice over 5G (VoNR) on a standalone 5G network, the introduction of 5G services for Apple iPhone users in Sri Lanka, the deployment of the region’s first 5G trial network, the first 5G Standalone (5G SA) network trial, and the first standards-based 5G fixed-wireless pilot transmission in 2018.

Group Chief Executive's Review of Operations

We look forward to the allocation of commercial 5G spectrum by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL), a critical step for the acceleration of Sri Lanka's digital economy.

SRI LANKA'S MOST VALUABLE BRAND - DIALOG

In our mission to empower and enrich the lives and enterprises across Sri Lanka, our brand pledge, "The Future. Today.," exemplifies our commitment to innovation, ethical governance, and the relentless pursuit of excellence.

This past year, Dialog was recognised as 'Sri Lanka's Most Valuable Brand' for the fifth consecutive year by Brand Finance UK, the premier independent brand valuation consultancy, with a notable brand value of Rs. 52 billion. Our brand strength has also earned the highest AAA+ brand rating, affirming our position as the strongest brand in the nation. Moreover, we have maintained our status as the 'Most Valuable Telecommunications Brand' for the 16th consecutive year.

The trust and confidence placed in us by the people of Sri Lanka have been overwhelmingly reaffirmed as Dialog was voted once again as the 'Telecommunication Brand of the Year' at the SLIM-KANTAR People's Awards 2023 for an unprecedented 12th consecutive year. This recognition is particularly significant as it comes directly from our consumers, highlighting the deep and lasting impression Dialog has made in the hearts of the Sri Lankan populace.

In our continued endeavour of powering the Champions of Tomorrow, Dialog proudly continued to sponsor national Cricket team, the passion of our nation. We also support Sri Lanka's national sport Volleyball and promote diversity, equity, and inclusion through sponsorships in Netball and para-athletes. We continued our sponsorship of national Esports team, helping our gamers excel in world stage. We remain committed to nurturing talent across the

"Dialog was recognised as 'Sri Lanka's Most Valuable Brand' for the fifth consecutive year by Brand Finance UK, the premier independent brand valuation consultancy, with a notable brand value of Rs. 52 billion."

nation through sponsorship of President's Gold Cup Volleyball, Sri Lanka Open Golf, National Junior and Senior Netball tournaments, and Schools Rugby.

These efforts and recognition underscore the unwavering commitment of the Dialog brand to conduct innovative, purpose-driven initiatives that ensure equitable access to the benefits of a digital society.

SERVICE FROM THE HEART

At Dialog, our passion to exceptional customer service continues to be at the core of our operations. We believe in delivering "Service from the Heart," a commitment that drives our efforts to ensure a significant and positive impact on our customers that helped us reach new heights in customer experience.

Dialog continued to lead in customer service innovation and digital engagement, reflecting our commitment to enhancing user experiences and streamlining interactions. MyDialog App remained the most downloaded local communication app in Sri Lanka, serving over eight million registered customers, affirming its significant role in our digital strategy.

This year, we observed a significant shift in how customers choose to make service requests, with a notable increase in the use of our chatbot services. The proportion of requests via chatbot nearly doubled, rising from 9% to 19% making it more efficient and accessible, thereby improving overall customer experience.



We made remarkable progress in our drive towards digital care as digital interactions increased from 58% of all service interactions in 2022 to 64% of customer service engagements by 2023. This marks a substantial increase from just 2% in 2014, underscoring our long-term strategy to enhance digital customer experiences.

Dialog's customer-centric achievements were recognised by Forrester, awarding the Inaugural Customer-obsessed Enterprise Award for our strategic use of digital initiatives in Asia Pacific. In addition, our loyalty platform, 'Star Points' won the Gold Award for the Best Loyalty Strategy in the Telecommunications category at the Loyalty & Engagement Awards 2023.

Our relentless focus on customer-centricity not only earned us prestigious awards but also enhanced our workplace rankings, with our Customer Interaction Centre being certified as a Great Place to Work and ranking among the top workplaces in Sri Lanka, including being recognised as one of the Best Workplaces for Women.

DIGITAL, ANALYTICS, AND AI

Aligned with our core values, 'Creating the Future' and being 'Champions of Change,' Dialog embraced generative AI (Artificial Intelligence) to craft proprietary AI applications that significantly enhance both internal processes and customer solutions. The launch of DialogGPT represents a major advancement towards achieving heightened efficiency through cutting-edge technology, while rigorously maintaining data privacy and confidentiality standards. With the ambitious goal of becoming Sri Lanka's premier AI-powered entity, we are focused on catalysing value creation through comprehensive data and AI initiatives.

The economic challenges have prompted us to adopt innovative strategies, leading to the formation of agile teams within our business and technical departments. This collaborative model has been key to launching 15 new projects, significantly enhancing Dialog's ability to

“Dialog’s customer-centric achievements were recognised by Forrester, awarding the Inaugural Customer-obsessed Enterprise Award for our strategic use of digital initiatives in Asia Pacific.”

generate value through analytics and AI by leveraging cross-functional synergies.

In parallel, Dialog intensified efforts in automating high-value AI-driven use cases and their downstream integrations, solidifying its position at the forefront of digital, analytics, and AI advancements.

ORGANISATIONAL TRANSFORMATION AND CULTURE

We maintained our commitment to creating an inclusive, accountable environment, empowering our employees through continuous investments in their growth and well-being.

Talent management remained a cornerstone of our HR strategy, with a dedicated focus on nurturing key talent groups as we transition into a Digital Telco. This focus was supported by advanced leadership development programmes aimed at harnessing and refining the skills necessary for future leadership roles within the company.

We also accelerated our HR digitisation efforts, fast-tracking the revamp of HR systems and processes to enhance operational efficiency and responsiveness. These advancements were crucial in improving the overall employee experience, which benefited significantly from the digital transformation of our benefits basket and enhanced service levels in HR operations.

Employee engagement was another focal point, with the company taking actionable steps based on

Group Chief Executive's Review of Operations

feedback from our annual Engagement Survey. These efforts were aimed at enhancing satisfaction and retaining our talented workforce by directly addressing their concerns and suggestions.

► Diversity, Equity, and Inclusion

Our organisation prides itself on integrating Diversity, Equity, and Inclusion (DEI) principles into the fabric of our operations. We have a strong commitment to gender equality and the eradication of discrimination.

In 2023, we advanced our DEI agenda by ensuring women have significant representation in decision-making processes, acknowledging the importance of diverse voices in our growth. In recognition of our efforts, Women in Management Sri Lanka together with Knowledge Partner - International Finance Corporation, honoured Dialog as one of the Top 10 Champions of Diversity. Further, our efforts extend beyond gender diversity, focusing on inclusivity for differently abled individuals, where we launched the first ever corporate internship program for 10 differently abled persons in partnership with MAS Holdings.

These actions are guided by our comprehensive DEI Framework, which underscores our pledge to forge an inclusive and equitable workplace for everyone. Our ongoing initiatives and the tangible improvements in both our work environment and our approach to talent management reflect our dedication to empowering our employees to reach their fullest potential, driving the company forward in an increasingly digital era.

SUSTAINABILITY

At Dialog, we believe that our progress is inseparably connected to the vitality of our planet and the wellbeing of the communities we serve. As Sri Lanka's #1 connectivity provider, Dialog Axiata serves over 17 million customers and is committed to empowering Sri Lankan lives and enterprises with a sustainability

“Our ongoing initiatives and the tangible improvements in both our work environment and our approach to talent management reflect our dedication to empowering our employees to reach their fullest potential”

strategy that aligns with the United Nations Sustainable Development Goals (SDGs). Dialog's initiatives in 2023 have significantly contributed to the United Nations SDGs, reaffirming our commitment to empowering Sri Lankan communities and ensuring the well-being of our planet through sustainable and responsible practices.

► Empowering and Enriching Sri Lankan Lives & Communities

Dialog continued to anchor its operations in sustainability and societal well-being, addressing persistent challenges with renewed vigour. The economic conditions, though stabilising, still presented significant hurdles in securing essential commodities due to lingering supply chain disruptions. This impacted the availability of food, medical supplies, and utilities, for vulnerable communities. In response, Dialog reinforced its commitment to community support, exemplifying its core values of 'Responsible Leadership' and 'Service from the Heart'.

During the year under review, Dialog continued its efforts through the 'Manudam Mehewara' initiative, which has delivered emergency aid to over 120,000 families across Sri Lanka since the inception of the programme, encompassing all 25 districts. Karuna.lk, the nation's first cause-verified crowdfunding platform, hosted over 200 active causes, rallying community support for those in dire need.



► Health Care

In 2023, Dialog's commitment to enhancing Sri Lanka's healthcare system remained resolute. Our significant role as the 'Connectivity Partner' for the 1990 Suwa Seriya Emergency Service notably improved pre-hospital emergency responses across the island, underscoring our commitment to integrating technology to save lives and ensure effective healthcare delivery.

In celebration of World Sight Day in 2023, Dialog renewed its commitment to supporting school children in need with spectacles through the Nethsuwaya programme, in partnership with the Ministry of Health's V2030 initiative. This initiative builds on our longstanding support for the Vision 2020 programme, launched in 2007, which aims to reduce preventable blindness through a sustainable framework within the National Health System.

► Education

Our commitment to education continued to strengthen in 2023, focusing on digital inclusivity and the integration of technology in learning environments. The revised MoU (Memorandum of Understanding) with the Ministry of Education and the integration of Nenas TV and the Nenas app with the National Learning Content Management System (LCMS) 'e-Thaksalawa,' are testament to our efforts in creating a seamless digital education ecosystem. Moreover, Dialog's initiatives such as the renewal of the Dialog Merit Scholarship programme, now in its 20th year underscore our resolve to foster educational equity and excellence. Our engagement in initiatives such as the VAAYU project further reflects our innovative approach to combining education with environmental awareness, preparing the next generation for future challenges.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

► Enhancing Environmental Stewardship

In 2023, Dialog Axiata continued to enhance its commitment to environmental stewardship, focusing on sustainable practices and energy efficiency as integral components of our business operations. Our efforts this year were directed towards expanding our renewable energy installations and improving our waste management processes to further mitigate environmental impact.

This year marked significant progress in our solar energy projects, with the implementation of a total of 776 solar sites, adding a capacity of 4,719.095 kW. This included 765 new solar installations contributing 4,574.84 kW and enhancing 11 existing sites by 144.255 kW. Additionally, we successfully commissioned 67 full solar sites. Looking ahead to 2024, we have already identified six sites for further expansion, aiming to increase our solar capacity by an additional 140.7 kW.

Our strategy for reducing energy consumption and carbon emissions extended beyond solarization. We pursued a multifaceted approach that included acquiring commercial power for sites operated on full time generators (FTG), implementing Generator Delay in standby generator (STBG) sites, and advancing our network through fiberization and modernisation. Significant initiatives also included the consolidation of data centres, optimisation of Power Usage Effectiveness (PUE), and the installation of rooftop solar panels. Furthermore, the deployment of an IoT monitoring system has proven instrumental in enhancing our energy efficiency across operations.

These initiatives have collectively contributed to a substantial reduction in carbon emissions, and as a result, in 2023, your Company exceeded its emissions reduction goal by 249%, achieving a reduction of 8255.13 tCO₂e. As part of our continuing dedication

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to environmental stewardship, we have set an ambitious target of zero carbon increase for the upcoming year, 2024.

Our internal waste management initiatives have also seen remarkable achievements in 2023. We recycled a total of 1,997.242 tonnes of e-waste, encompassing network waste and various consumer products. Additionally, our efforts in paper recycling resulted in 7.536 tonnes of wastepaper being processed, reinforcing our commitment to sustainable practices. In 2023, we also launched the e-Kunu programme, one of our product responsibility initiatives, aiming to transform e-waste management in Sri Lanka, by responsibly collecting and recycling electronic waste from Dialog Customer Experience Centres island-wide.

As a leading advocate for ESG principles, we have set an ambitious goal to achieve Net Zero CO2 emissions by 2050. Our initial milestone is a 45% reduction in carbon emissions by 2030.

Looking forward, Dialog Axiata remains dedicated to enhancing our environmental initiatives, continuously seeking innovative ways to minimise our ecological footprint while contributing positively to the communities we serve. Our resolve to uphold the highest standards of sustainability remains unwavering, as we strive to lead by example in the telecommunications industry and beyond.

► Social Empowerment and Engagement

During the year under review, your Company continued to deepen its commitment to social sustainability and digital inclusion, aiming to enhance community well-being and empower vulnerable groups. The year witnessed the relaunch of the trilingual www.yeheli.lk platform, which now offers expanded free advisory services including mental health, reproductive health, and legal advice, demonstrating our dedication to broadening access to essential information.

“Dialog Axiata remains dedicated to enhancing our environmental initiatives, continuously seeking innovative ways to minimize our ecological footprint while contributing positively to the communities we serve.”

Our disaster management efforts were bolstered through DEWN, a leading disaster early warning application, and the partnership with the Disaster Management Centre. This collaboration has been instrumental in sending interactive voice alerts (IVR) to first responders during emergencies, significantly mitigating the impact on human life and property. Our Sayuru service, specifically designed for day boat fishermen, continued its mission of safeguarding lives, ensuring zero casualties within communities that use the service. In addition, the ground-breaking 'Govi Mithuru' - agricultural advisory service, continued to empower farming communities and extended its services to tea farmers, serving as a valuable resource for tea crop cultivation.

Agricultural and fishing communities received significant support through our initiatives, with Govi Mithuru and Sayuru enhancing the livelihoods of over one million farmers and 100,000 fishermen, respectively. These services not only improve productivity but also contribute to national food security and community safety.

Further, Dialog continues to support the Ratmalana Audiology Centre and Jaffna Speech Therapy Centre, aiding individuals with hearing and speech issues. Dialog has also made strides in accessibility, updating its website for people with disabilities (PWDs), hosting an internship program for PWDs, and participating in GSMA's global inclusion initiatives.



Our commitment to inclusivity saw the launch of a trilingual version of DeafTawk, an app providing sign language interpretation, marking a first in the country for integrating deaf and hearing-impaired individuals with their communities.

Moreover, our Ideamart for Women initiative conducted 'Athena Hack 2023', a female-centric tech hackathon that empowered over 100 women island-wide. Through programmes on Design Thinking, Artificial Intelligence, and the Metaverse, participants honed their business and tech skills, fostering innovation and inclusion. Athena Hack 2023 was a step forward in our commitment to sustainability, ensuring equal opportunities for women in tech while promoting diverse voices in shaping the nation's future.

Our endeavours in uplifting and empowering communities were honoured at the E-Swabhimani Awards. Our projects received significant recognition: 'Sayuru' won in the Inclusion & Empowerment category, 'Yeheli' won in the Health & Well-being category, and 'Saru' secured the winning award in the Environment and Green Energy category.

Through these initiatives and more, Dialog Axiata is making a profound impact on the social fabric of Sri Lanka, fostering a resilient, inclusive, and empowered society. As we move forward, our dedication to enriching and empowering lives remains steadfast, and we are enthusiastic about the opportunities to further our impact in the coming years.

► **Transparent Governance**

Over the past year, Dialog Axiata continued to strengthen its governance framework, demonstrating steadfast commitment to high ethical standards and robust compliance systems. 2023 witnessed significant advancements our governance mechanisms to ensure integrity and compliance throughout our operations. Upholding our core values of Uncompromising Integrity and Exceptional Performance, we remain

dedicated to leading ethically with accountability, setting a standard for excellence in every aspect of our business.

Our Anti-Bribery and Anti-Corruption (ABAC) functions were enhanced through the introduction of an innovative Chatbot, serving as a round-the-clock help desk for ABAC and Gifts, Donations & Sponsorships (GDS) Transactions related matters. This technology not only streamlined our internal processes but also supported the broader Axiata Group and four other Operating Companies in adopting similar solutions, fostering a culture of compliance across the Axiata Group.

Reflecting our dedication to rigorous compliance practices, Dialog underwent an 'Effectiveness Testing' of our ABAC function, where we achieved a remarkable score of 82.55%.

This assessment was based on the TRUST principles—Top-level Management, Risk Assessment, Undertaking Control Measures, Systematic Review and Monitoring, and Training and Communication. Such evaluations affirm our robust controls and proactive measures in preventing corruption and fostering a transparent business environment.

Further strengthening our commitment, the 'Dialog International Anti-Corruption Day 2023' was hosted at our auditorium under the theme 'Being True to Uncompromising Integrity'. The event featured profound discussions led by notable figures such as Nicole Elias from Transparency International Sri Lanka, Dr. Indrajit Coomaraswamy, Chair of Dialog's Board Risk and Compliance Committee (BRCC) alongside our senior leadership, emphasizing the critical role of integrity in our operations.

We achieved a full implementation of our corruption risk register across Dialog and its subsidiaries, supported by the 'Risk Compass' platform. This system allows for seamless submission of divisional risks, aligning with our Enterprise Risk Management (ERM)

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“Our commitment to transparency was recognized by Transparency International Sri Lanka in the Transparency in Corporate Reporting (TRAC) 2023 Report, where Dialog was ranked #1 for transparency and corporate reporting.”

guidelines, and ensuring a comprehensive oversight of potential risks.

Our proactive approach to governance also included the roll-out of a quarterly training programme for our GDS Points of Contact (SPOCs), focusing on adherence to established guidelines to mitigate any process violations. The publication of a revised Gifts, Donations, and Sponsorships policy highlighted our stance on a “No Gift” policy, both in offering and receiving, thereby solidifying our commitment to ethical business practices.

Moreover, we implemented a Supplier Code of Conduct and a Supplier Declaration Form to ensure all vendors align with our anti-corruption policies. We also included Anti-Bribery and Anti-Corruption clauses in all contracts with vendors, suppliers, partners, and third-party agents, a move that underscores our commitment to integrity in all business dealings.

In terms of training and awareness, mandatory sessions on Anti-Bribery and Anti-Corruption were conducted for all staff, reinforcing our stance against corruption, and ensuring a well-informed workforce. Our compliance efforts are continuously reported to the Board Risk & Compliance Committee (BRCC), with quarterly updates that help track progress and identify areas for improvement.

Our commitment to transparency was recognized by Transparency International Sri Lanka in the

Transparency in Corporate Reporting (TRAC) 2023 Report, where Dialog was ranked #1 for transparency and corporate reporting. Additionally, Dialog was honoured as the Winner of the General Services Category at the ACCA Sustainability Reporting Awards 2023. Dialog is also the first Telecommunication Service provider in South Asia to be compliant with GSMA (Global System for Mobile Communications Association) and SASB (Sustainability Accounting Standards Board) reporting standards for the 2022 reporting cycle.

Through these ongoing efforts, Dialog Axiata has not only maintained but also enhanced its governance framework, aligning with global best practices and securing the trust of our stakeholders, thus sustaining our leadership in the telecommunications industry.

► Data Privacy and Protection

Dialog has reinforced its commitment to data privacy and protection by publishing a comprehensive Personal Data Privacy Policy and Privacy Notice, heightening customer awareness. All employees have undergone mandatory training in data privacy domains, ensuring a well-informed workforce. We have adopted international standards, including the AICPA/CICA and CMMI Privacy Maturity models, to align our practices with global benchmarks. Notably, Dialog became the first telecommunications service provider in Sri Lanka to implement the ISO 27701:2019 Privacy Information Management System, significantly strengthening our data security measures.

► Cyber Security

In the realm of cyber security, Dialog updated to the ISO 27001:2022 certification, marking us as the first telecommunications provider in Sri Lanka to secure certification to this standard. We have bolstered our cybersecurity measures by aligning with critical standards such as PCI-DSS V 4.0 for our Genie payment platform and are actively working to enhance our NIST Cybersecurity maturity score. The mandatory training for all employees and the establishment of a



third-party risk management framework were critical components of our cyber security strategy that was implemented in 2023. Moreover, the adoption of a Zero Trust architecture across the organisation has substantially enhanced our cybersecurity resilience, ensuring robust protection against emerging threats.

To learn more about our endeavours in Sustainability and ESG, we encourage you to read our Sustainability Report for FY 2023.

OUR COMMITMENT TO SRI LANKA AS THE LARGEST FDI

We continue to play a pivotal role in Sri Lanka's digital transformation journey, significantly contributing to the nation's development and prosperity. Our initiatives have further narrowed the digital divide, fostering a digitally inclusive society that benefits all. Through these efforts, Dialog Axiata has remained a key revenue generator for the Government of Sri Lanka, thereby supporting the country's growth and enhancing the well-being of its citizens.

During the year 2023, Dialog Group invested Rs. 25.5Bn and these Capital investments were strategically directed toward network expansion. These focused investments have yielded a Capital Expenditure to Revenue ratio of 14%, aimed at allocation of resources in pursuit of sustainable growth.

We are honoured to maintain our status as the largest Foreign Direct Investor in the country, with a cumulative investment of USD 3.26 Bn since inception, a milestone we share with our esteemed shareholders.

OUTLOOK FOR THE FUTURE

Looking ahead, Dialog remains committed to spearheading Sri Lanka's digital transformation and championing a sustainable future. Despite ongoing challenges, our dedication to providing equitable access to technology endures, ensuring that every segment of society can participate in and benefit

"We will persist in empowering individuals and enterprises, helping them to realise their full potential in an increasingly digital world."

from Sri Lanka's digital evolution. We will persist in empowering individuals and enterprises, helping them to realise their full potential in an increasingly digital world. Our efforts are crucial as we continue to make significant strides in driving positive change and fostering a digital ecosystem where innovation thrives.

This year, our focus is particularly attuned to operational efficiency and reducing costs through streamlined processes and the enhanced integration of digital technologies. We are proactively adapting our business model from a Telco to TechCo so that we drive long-term sustainability amidst a challenging economic backdrop. The strategic consolidation of our operations with Bharti Airtel Lanka, driving a pivotal change in our market structure, exemplifies our commitment to enhancing network experience and shareholder value.

Our steadfast commitment to Service from the Heart continues unabated as we explore new growth opportunities and adapt to evolving market dynamics. We are optimistic about the future and remain resolute in our mission to transform Sri Lanka into a fully connected, digitally empowered nation.

APPRECIATIONS

As we review the year 2023, I am profoundly moved by the exceptional dedication and commitment demonstrated by the Dialog team and our esteemed partners. Despite ongoing global and local challenges, their resilience and adaptability have continued to deliver on our purpose of empowering and enriching Sri Lankan lives and enterprises. We extend our deepest gratitude and appreciation to our customers

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for their steadfast loyalty and support. Their trust is the cornerstone of our success, and we remain dedicated to surpassing their expectations.

Our shareholders deserve special acknowledgment for their enduring trust in Dialog's vision and digital strategy. We are deeply appreciative of their continued support as we navigate the evolving technological landscape. I am also grateful for the relentless backing of Axiata Group Berhad, whose guidance and support have been pivotal in our achievements.

I must also commend the Sri Lankan Government and its various bodies, including the Telecommunications Regulatory Commission of Sri Lanka, Central Bank, Ministry of Technology, Board of Investment, ICT Agency, and Ministry of Mass Media and Information, for their ongoing partnership and support. Their collaboration has been vital in enhancing the telecommunications and digital services infrastructure in Sri Lanka.

Furthermore, I express my profound gratitude to our Chairman, Mr. David Nai Pek Lau, and the distinguished members of the Board for their strategic foresight and expert advice. Their leadership is instrumental in steering Dialog towards sustained growth and innovation.

As we reflect on the past year, our thoughts are heavy with sadness as we remember our esteemed colleague, Mr. Azwan Khan, who served as a Non-Independent Non-Executive Director until his untimely passing in May 2023. Azwan was not only a pivotal figure in our company but also advocated on courage for change throughout his distinguished tenure. As we move forward, we are committed to honouring his legacy by upholding the values and principles that he so passionately championed.

In closing, as we look forward to another year, I am thankful for the collective efforts of everyone connected with Dialog. Together, we continue to build on our legacy of innovation and service excellence, aiming to create even greater value for all our stakeholders.



Supun Weerasinghe
Director/Group Chief Executive

30 April 2024

Board of Directors



Board of Directors

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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 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 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 Heineken Malaysia Berhad and KKB Engineering Berhad. Mr. Lau was also appointed as an Independent and Non-executive Chairman of Boost Bank Berhad, effective 15th January 2024.

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

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MR. SUPUN WEERASINGHE

Group Chief Executive / Non-Independent,
Executive Director

Mr. Supun Weerasinghe is the Executive Director and Group Chief Executive at Dialog Axiata PLC, a position he holds since 2017. His career in telecommunications began with Dialog in 1999, where he progressed through various key roles, including Head of Strategy, CEO of the Mobile Business, and Group Chief Operating Officer.

In 2013, Mr. Weerasinghe functioned as the Group Chief Strategy Officer at Axiata Group Berhad in Malaysia. He then led Robi Axiata Limited in Bangladesh as the CEO and Managing Director from 2014 to 2016.

Mr. Weerasinghe serves on the Board of The Ceylon Chamber of Commerce and UNGC Network, Sri Lanka.

He is a Fellow Certified Management Accountant, Sri Lanka, 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 Jayewardenepura, Sri Lanka. Mr. Weerasinghe holds an MBA from the University of Western Sydney, Australia, and is an alumnus of the Harvard Business School.

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DR. HANS WIJAYASURIYA

Non-Independent, Non-Executive Director

Dr. Hans Wijayasuriya was appointed to the Board of Dialog Axiata 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 Group Executive Director and CEO of Telecommunications Business of the Axiata Group. Dr. Wijayasuriya serves on the Boards of several Axiata Group Companies across Asia.

In March 2024, Dr Wijayasuriya was honored with the "Chairman's Award" by the GSM Association, the governing body of the Global Mobile Industry in recognition of outstanding contribution to the global mobile industry. Previously in 2017, Dr Wijayasuriya was the recipient of the "Outstanding Contribution to the Asian Mobile Industry" Award in its inaugural year of award. Dr. Wijayasuriya is a member of the Board of Directors of the GSMA and is a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association.

Dr. Wijayasuriya is a Past Chair of the Ceylon Chamber of Commerce and currently serves 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. In 2008, Dr. 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, an 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.

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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"), the largest apparel tech company in South Asia and among the most recognised design-to-delivery solution providers in apparel and textile manufacturing. With a global community of over 100,000, today, MAS spans across 15 countries, with established design locations placed in key style centres across the world.

Mr. Amalean was conferred the title 'Desamanya' [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 recognized 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 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.

Board of Directors

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).

5

MR. WILLEM LUCAS TIMMERMANS 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 of PT XL Axiata Tbk, a subsidiary of Axiata Group Berhad, from 2006 until March 2018.

Mr. Timmermans commenced his career in Finance at TVM Insurance Company Netherlands and held strategic positions in KPN Netherlands from 1988 until 1997. Mr. Timmermans furthered his career and served as the Finance Director of PT Bakrie Elektronik (Indonesia) and was appointed Vice President, Business Control and Investor Relations of PT Telkomsel (Indonesia) prior to his appointment as Director and Chief Financial Officer of PT XL Axiata Tbk (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 PT XL Axiata Tbk.

He also served as a Non-Executive Director of Celcom Axiata Berhad (Malaysia) from 2011 to 2017.

Mr. Timmermans currently serves on the Board Audit Committee of PT Linknet Tbk (Indonesia) and PT Delta Dunia Makmur Tbk (Indonesia).

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.

6

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 policy making 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 Lyear 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.



7

DR. SHARMINI COOREY
Independent, Non-Executive Director

Dr. Sharmini Coorey was appointed to the Board of Dialog Axiata on 15 October 2022.

Dr. Coorey is a former senior official of the International Monetary Fund (IMF) and currently a member of the Presidential Advisory Group on Multilateral Engagement and Debt Sustainability advising the Government of Sri Lanka during the economic crisis. She joined the IMF through the Economist Program in 1986 and, during her 35-year career there, worked in positions of increasing seniority in its African, Asia and Pacific, European, and Western Hemisphere departments, as well as its Strategy, Policy and Review Department.

Prior to her retirement in November 2021, Dr. Coorey served for almost nine years as the Director of the Institute for Capacity Development (ICD), the IMF's department for capacity building. As Director - the most senior staff position at the IMF - she was instrumental in establishing ICD and providing strategic direction for the governance, management, and funding of the IMF's capacity building activities. She also oversaw the IMF's training for country officials world-wide and established its online programme which trained over 100,000 government officials in policy-oriented macroeconomics during her tenure.

Before heading ICD, Dr. Coorey was Deputy Director in the IMF's African Department, where she oversaw the IMF's work on many Sub-Saharan African countries including South Africa, Botswana, and Zimbabwe. In addition, she led the department's financial sector work and research agenda.

Dr. Coorey's experience at the IMF also includes surveillance work on the United Kingdom, Ireland, the United States, and Canada as well as program work on Korea, Estonia, Mexico, and the Dominican Republic. She served on the Investment Committee of the IMF Staff Retirement Plan and on the Editorial Committee of IMF Staff Papers. She was also a visiting researcher at George Washington University's Elliott School of International Affairs in Washington DC.

Dr. Coorey holds Ph.D. and bachelor's degrees in Economics from Harvard University. She has published papers on inflation and economic growth in transition and developing countries and edited a book on managing oil wealth in Central African countries.

8

MS. KOMATHI BALAKRISHNAN
Non-Independent, Non-Executive Director

Ms. Komathi Balakrishnan was appointed to the Board of Dialog Axiata effective 7 July 2023.

Ms. Balakrishnan is the Group Financial Controller, Axiata Group Berhad ("Axiata"), a position she has held from April 2019 to date.

Ms. Balakrishnan has 29 years of professional experience in accounting and finance in leading organisations. Prior to joining Axiata, Ms. Balakrishnan functioned as the Group Financial Controller at Sapura Energy Berhad and at Telekom Malaysia Berhad ("Telekom Malaysia"). Prior to that, Ms Balakrishnan has held senior finance leadership roles at Telekom Malaysia.

Ms. Balakrishnan holds a Bachelor of Accounting (Hons) First Class from the University of Malaya and Master of Finance (High Distinction) from the Malaysia Institute of Management - RMIT (Australia) Programme. In addition, Ms. Balakrishnan holds professional qualifications from the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (CPA).

Board of Directors

9

MR. THOMAS HUNDT

Non-Independent, Non-Executive Director

Mr. Thomas Hundt was appointed to the Board of Dialog Axiata effective 17 February 2024.

Thomas is the Group Chief Strategy & Technology Officer of Axiata Group Berhad (“Axiata”), a position he has held from October 2021.

Prior to this, from mid 2008 until October 2021, Thomas served as the Managing Director & CEO of Smart Axiata in Cambodia, the leading telecom operator. Thomas was the founding CEO of Smart, which he grew from greenfield, number eight position in the market to number one position, including through the acquisition of Star-Cell in 2011 and the merger with Hello Axiata in 2013. While continuing to serve as the CEO of Smart Axiata, Thomas also held the position of Executive Vice President for Technology of Axiata from January 2020.

Thomas further serves as Commissioner of PT Link Net Tbk, Indonesia, an Axiata company, the 2nd largest Internet Service Provider of Indonesia, as Director of EDOTCO Group Sdn Bhd, an Axiata company, a leading tower and telecom infrastructure company across South and South East Asia and as Director of Axiata Digital Labs (Private) Limited, Sri Lanka, an Axiata company, an innovative software platform and solutions provider who is providing telco-focused digital and IT services and solutions.

Thomas served as Director of Celcom Axiata Berhad, one of the largest telecom operators in Malaysia, an Axiata company, from March 2020 till its merger with

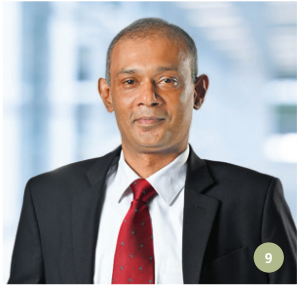
Digi in November 2022 and of Ncell Private Limited, the leading mobile operator in Nepal, then an Axiata company, from June 2016 till March 2020.

He gained his vast experience in the telecommunications industry during his tenure in key management positions with Siemens AG’s Communication Division and Nokia Siemens Networks during 1996 till 2008, including an overseas stint in Shanghai, China.

Thomas is the Vice President of German Business in Cambodia (GBC) since January 2010 and founding Board Member of the European Chamber of Commerce (Eurocham) Cambodia since January 2011, of which he serves as Vice President at present.

Thomas holds an Apprenticeship Cooperative Studies Program in Business Administration by German Chamber of Industry & Commerce and Siemens AG, Germany (“Stammhauslehre”) and holds a degree from IHK for Industrial Business Administration.

Corporate Management Team



Corporate Management Team

1

MUNESH DAVID

Group Chief Commercial Officer

Munesh counts for over 28 years' experience in local and International corporates spanning across many diverse industries including Digital Telco, eCommerce, Plantation, Retail, Manufacturing, Distribution, Software, Consultancy, Agriculture, Aqua-culture, Trading & Audit.

At present he serves as the Group Chief Commercial Officer of Dialog Axiata PLC. His role involves functions of Group Supply Chain Management, Programme Management and Revenue responsibility for Tele-Infrastructure business.

Munesh is a Fellow Member of the Chartered Institute of Management Accountants UK (FCMA) and a Fellow Member of CPA Australia and hold an MBA from the University of Southern Queensland Australia. Further, he attended an Executive General Management Education programme conducted by INSEAD.

Previous positions Munesh has served includes; Vice President – Group Corporate Planning & Strategy of Dialog Axiata PLC, Group Chief Internal Auditor, Chief Financial Officer (CFO) of wow.lk (eCommerce business of Dialog), Head of Finance - edotco Sri Lanka (Tower business of Dialog), Head of Strategic Planning - Upstream Goodhope Asia - Plantation Company (Operating in Indonesia & Malaysia), Group Chief Financial Officer (GCFO) of ODEL PLC (Fashion Retailer), Finance Manager of OneSteel Group (currently known as Arrium) - a fully integrated, manufacturer and distributor of Steel in Australia, Head of Group Corporate Finance - Dialog Axiata PLC, Senior Accountant at John Keells Computer Services (Pvt) Ltd, Investment Analyst at CF Venture Fund, and commenced his career as an Audit Trainee at KPMG Sri Lanka.

2

SANDRA DE ZOYSA

Group Chief Customer Officer

Sandra De Zoysa, the Group Chief Customer Officer at Dialog Axiata, brings over 35 years of unparalleled expertise to her role. As a pioneering female professional in Mobile Telecommunications Industry, Sandra's leadership extends beyond Dialog Axiata. She chairs the Digital Customer Experience Expert Working Group for Axiata and holds the position of Director at Dialog Business Services. Her commitment to advancing the field is evident in her involvement with various professional bodies, including the Asia Leadership Council of CXPA USA, the Advisory Board of CX Asia, and the Business Agility Fellowship Sri Lanka's Advisory Committee. Sandra's foundational contributions to the industry are highlighted by her roles as a founding member and the inaugural Chairperson of SLASSCOM, the National IT/BPM Chamber in Sri Lanka. She also played a pivotal role in establishing the Women's Chamber for Digital Sri Lanka and has served as a past Vice President of the Sri Lanka Institute of Service Management. Her expertise is further recognised as a fellow of BCS, the Chartered Institute for IT, and a member of the Customer Advisory Board of CX Network, UK.

Sandra's passion for empowerment extends to her philanthropic efforts. In 2020, she founded SLASSCOM WTech to support women, children, and encourage women tech-entrepreneurs. Sandra generously contributes her time to mentoring underserved women and college students through various initiatives such as the Global Mentorship Initiative, Hatch Works, SLASSCOM & Women in Management, apart from Dialog. In acknowledgment of her commitment to nurturing female talent, Sandra has been invited to participate in the inaugural group of 10 global inspirational leaders, an initiative by the EQUALS Champions Leadership Coaching Programme



organised by the United Nations International Telecommunications Corporation. Her academic credentials include a Master's in Digital Transformation Leadership from London Metropolitan University and an Executive Master's in Business Administration from the University of West London. Sandra is a certified Lean Six Sigma Black Belt practitioner, Scrum Master, and the only Certified Customer Experience Professional and Recognised Training Provider in Sri Lanka for the Customer Experience Professionals Association. As a prolific keynote speaker, Sandra has graced over 400 global events with her insights and was a visiting lecturer at the University of Colombo School of Computing since 2009. Sandra's remarkable journey and achievements have earned her multiple global and local recognitions, underscoring her exceptional contributions to the spheres of telecommunications, women in management, and digital customer experience.

3

RENUKA FERNANDO

Group Chief Digital Services Officer

Renuka Fernando currently holds the position of Group Chief Digital Services Officer of Dialog Axiata PLC, playing a significant role in steering the company's digital services initiatives. In addition, she was appointed as the Chairperson and a Member of the Board of Dialog Finance PLC, contributing her expertise to drive significant advancements in the financial sector.

Renuka is a highly experienced, successful and well-regarded business leader who has very significant business experience spanning 40 years in the banking sector and vast expertise in growing and developing banking with a special focus on Digital Banking.

Prior to joining Dialog in April 2020, she headed Nations Trust Bank PLC (NTB) as the Director/Chief Executive Officer from 2012 and has played a pivotal role in bringing the organisation to where it is today. During her stint with NTB she 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 N.V, Sri Lanka. She has also worked at Banque Indosuez, Sri Lanka as Manager Corporate Banking and at Nederlandsche Middenstands Bank - Hong Kong.

In addition to playing key leadership roles in the corporate sector, Renuka has also functioned as the Vice President – American Chamber of Commerce and has previously served as Director of Lanka Clear (Pvt) Ltd and Chairperson of the Sri Lanka Bankers Association.

Renuka is an Associate of the Chartered Institute of Bankers, UK. She is also an Alumni of the Advanced Management Program at Harvard Business School.

4

RANGA KARIYAWASAM

Group Chief Technology Officer

Ranga leads the Technology function of the Dialog Group. His portfolio spans strategizing, 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, as well as leading the Information Security function for Network & IT.

Ranga joined Dialog Axiata in 2001 and was seconded to Axiata Group Berhad in Malaysia in 2013. Before joining back at Dialog Axiata as the Group Chief Technology Officer, Ranga was the Group Head of Network Strategy & Planning at Axiata, managing the Technology Strategy and Planning for its six operating companies. He holds a Bachelor of Science (First Class Honours) degree in Electronic and Telecommunication Engineering from the University of Moratuwa, Sri Lanka and a Master of Science in Wireless Networks (Merit) from Queen Mary, University of London, United Kingdom.

Corporate Management Team

Ranga has over ten years of extensive international experience in Technology Planning and Management, both at operating company level as well as at Corporate Head Quarters, managing the operation of multiple operating companies, where he developed a proven track record of leading and managing multi-cultural teams of knowledge workers. Over the course of his 22-year career in technology management Ranga has garnered extensive experience across multiple generations of mobile telephony and other telecommunications technologies.

5

LIM LI SAN

Group Chief Operating Officer

Li San assumed duties as the Group Chief Operating Officer on 1st April 2024.

Li San has been with the Axiata Group of Companies since 2015. Before joining Dialog, Li San was the Group Head of Business Operations of Axiata Group Berhad, where she was responsible for portfolio performance management and board governance of all its operating companies. Within this role, she represented Axiata as part of the integration planning team for the Celcom-Digi merger in Malaysia and was Axiata's appointed Board Observer / Investment Manager for CelcomDigi Berhad. In addition, she led the initial post-acquisition integration of PT LinkNet Tbk, a fixed broadband player in Indonesia. She was also a Non-Executive Director and Board Audit Committee Member at Smart Axiata Co. Ltd., the leading mobile service provider in Cambodia.

Prior to this stint, Li San headed the Group CEO's Office where she supported the President & Group CEO in strategy development, target setting for senior leaders, stakeholder engagement and strategic project management. Preceding that, she spent three years in Group Strategy where she led Group Research and spearheaded the annual long-term strategy exercise, competitive analyses, strategic projects and M&A evaluation.

Before joining Axiata, Li San spent the formative years of her career with British American Tobacco where she took on various roles within the Finance function.

Li San graduated top 0.5% from the university of South Australia with a Bachelor of Commerce and Applied Finance. She is a Certified Practising Accountant through CPA Australia and has completed her executive education with Harvard, INSEAD and IMD as part of the Axiata talent development program. Li San was awarded the Axiata Champion (Group CEO) Award in 2019 as well as the Axiata Senior Leadership Award in 2016 and again in 2021.

6

SHAYAM MAJEED

Group Chief People Officer

Shayam currently holds the position of Group Chief People Officer and provides leadership to the People and Culture Function which encompasses Human Capital of the Dialog Group.

Shayam joined Dialog in 1997 and has previously served in the capacities of Group Chief Corporate and People Officer, 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).



7

ASELA PERERA

Group Chief Information Officer

Asela assumed duties as the Group Chief Information Officer on the 1st of January 2022.

Asela leads the Information Technology (IT) function of the Dialog Group. In addition, he leads the Cloud Track under the Collective Brain Initiative of the Axiata Group. His portfolio spans the planning, development and operations of IT Systems & Infrastructure for Telecommunications, Fintech and Digital Services businesses driving convergence. He played a pivotal role in the success of the Digital Transformation drive at Dialog which resulted in modernizing and migrating mission critical applications and its entire Analytics ecosystem to Cloud.

Asela holds a Bachelor of Computer Science and Engineering Degree from the University of Moratuwa, Sri Lanka and an MBA from the University of Edith Cowan, Australia. He was awarded Leader of the Year at the Dialog Awards in 2019.

8

NAVIN PIERIS

Group Chief Officer - Dialog Enterprise

Navin is an ICT and telecommunications professional and a business leader with 24 years of experience, spanning multiple ICT management and leadership roles.

He started his career at Dialog Axiata in 2005 after a career in Systems Integration with the Leading SI's of the time and has held multiple leadership roles in International carrier Business, Mobile Telecommunications, Mobile Broadband, and Fixed Telecommunications. At present he functions as the Group Chief Officer - Dialog Enterprise at Dialog Axiata PLC.

In his role as the Head of Fixed Telecommunications, he was part of the leadership team that launched Sri Lanka's and the region's first fixed 4G services and Sri Lanka's first uptime Tier III certified data center.

Navin holds a dual masters in the fields of General Management & Management Information Systems from Boston University School of Management, and a Bachelor of Science (BSc) (Summa Cum Laude) in the fields of Business Administration, and Economics from Eastern Connecticut State University, USA.

9

DR. ROMESH RANAWANA

Group Chief Analytics and AI Officer

Dr. Ranawana brings a wealth of experience and expertise in the field of Analytics and Artificial Intelligence, having worked in multiple industries. Dr. Ranawana was a Co-founder, CTO and Managing Director of SimCentric Technologies (Pvt) Ltd and thereafter founded and functioned as the CTO of Tengri UAV. After exits from these companies, he founded Enterprise Machine Learning (Pvt) Ltd, a consultancy firm advising several multi-national organisations on their AI transformation.

Over the last year in his role as a consultant, Dr. Ranawana assisted Dialog and Axiata in the scaling of Analytics and AI across the Group and played a pivotal role in the AI Factory programme.

In his capacity as the Group Chief Analytics and AI Officer, Dr. Ranawana provides leadership to all Analytics and AI initiatives across the Dialog Group.

Dr. Ranawana holds a DPhil in Artificial Intelligence from the University of Oxford and a 1st Class Honors Degree in Computer Science from the University of Peradeniya. Additionally, Dr. Romesh is the Chairperson of the National Committee for Formulating a Strategy for Artificial Intelligence.

Corporate Management Team

10

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 three decades of experience in Europe, Asia and the Americas in Open Digital Architecture, 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.

11

LASANTHA THEVERAPPERUMA

Group Chief Marketing Officer

Lasantha assumed duties as the Group Chief Marketing Officer on 1st February 2024.

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.

Following his Axiata assignment, Lasantha was appointed as the Group Chief Digital Officer in November 2018, successfully spearheading Dialog's Digital Transformation. He played a pivotal role in fostering agility and initiating the 'Analytics at the Edge' programme. In September 2020, Lasantha assumed the role of Group Chief Operating Officer, where he played a vital role in strengthening the leadership position across all Core Business Units during challenging times. He spearheaded a much-needed adaptive overhaul of Dialog's Core Business Units, to fortify its resilience for the future. Additionally, Lasantha led large-scale projects, including the successful 3G Network Shutdown, while concurrently guiding the Corporate Planning & Strategy team towards achieving strategic excellence.

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 as the Leader of the Year at the inaugural Dialog Awards in 2011 and once again in 2013.

YAP WAI YIP

Acting Group Chief Financial Officer

Yap has over 40 years of experience most of his professional career in the telecommunication and IT industry. His experience is in various Finance disciplines, with close to 30 years in senior management positions, board directorship, corporate governance, and listed company reporting in Malaysia and Sri Lanka.

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, a member of the Malaysian Institute of Accountants, a Graduate of the Institute of Chartered Secretary and Administrators, United Kingdom, and holds a Chartered Accountant membership in the Malaysian Institute of Accountants.

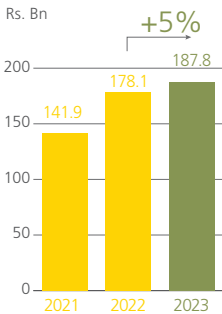
Yap in his capacity as the Acting Group Chief Financial Officer will provide leadership to the portfolios of Group Finance, Group Business Control, Supply Chain Management, and Group Facilities Management. He provides leadership to the portfolios consisting of Group Finance, Group Business Control, Group Facilities Management, Group Corporate Finance and Group Supply Chain Management.

Business & Financial Review

GROUP

The Financial Year 2023 marked a year of recovery on the macro-economic front as key indicators demonstrated improvement. Inflation declined to 4% by end 2023 after peaking at 69.8% whilst T-Bill rates declined to approx. 12% by end 2023 from approx. 30% a year prior. GDP decline in 2023 moderated to 2.3% from the 7.8% decline recorded for 2022. Furthermore, the Sri Lanka Rupee (“LKR”) appreciated by 11.5% against the United States Dollar (“USD”) in FY 2023. However, the increase in poverty levels in the aftermath of the socio-economic crisis in 2022 and the consequent constrain on consumer spending, further aggravated by increase in prices of essentials and imposition of income tax, challenged the market demand. Cost base increase in 2022 and multiple escalations in electricity tariffs continued to pressure business profitability.

Group Revenue



- Group Revenue recorded a growth of 5% YoY
- Group Revenue excluding International business revenue grew 1% YoY
- DTV revenue recorded sharp growth of 3% YoY driven by subscription revenue growth and rate revision introduced in September 2022.
- DBN revenue up 7% YoY led by wholesale and Home Broadband revenue growth.

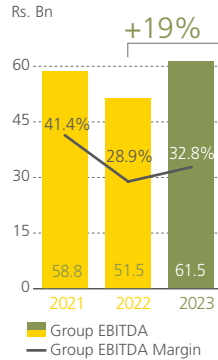
Group Financial Review

The consolidated financial performance of Dialog Group comprises Dialog Axiata PLC (“the Company”) and the Dialog Axiata Group (the “Group”).

The Group concluded the Financial Year (“FY”) with positive topline performance across all business segments, namely, Mobile, Fixed, Digital Pay Television, International, Digital Platforms and Tele- infrastructure businesses. Group consolidated revenue was recorded at Rs187.8Bn for FY 2023 demonstrating a growth of 5% Year-to-Date (“YTD”).

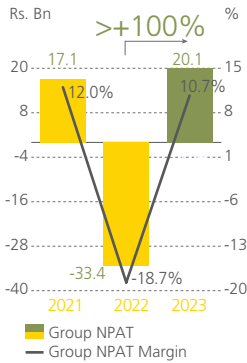
Group total operating cost increase was contained at 3% YoY as operational cost rescaling initiatives carried out during the year helped curtail the overall cost base growth. These cost rescaling initiatives collectively yielded a significant realisation of cost savings for

Group EBITDA



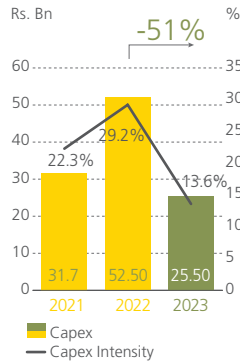
- Improvement in Group EBITDA driven by effective cost management and subscriber churn management
- Group EBITDA margin improved 3.8pp to 32.8%
- DTV EBITDA up 86% YoY driven by revenue growth and strengthened exchange rate
- DBN EBITDA grew by 19% YoY driven by growth in Fixed Home Broadband revenue.

Group NPAT



- Group NPAT underpinned by strong EBITDA performance, lower depreciation and forex gains.
- Normalized for forex gain of Rs. 10.2Bn, Group NPAT was recorded at Rs9.9Bn for FY 2023, up >+100% YTD.

Capex



- Capex directed towards investments in High-Speed Broadband infrastructure to further expand the Group's leadership in Sri Lanka's Broadband sector.
- Investments were also made in alternative energy solution including solar and Li-ion batteries
- Capex intensity of 14%

FY 2023. The LKR appreciation against the USD also helped lower cost on USD denominated expenditure. However, the energy cost significantly increased as multiple rounds of tariff hikes took place in FY 2023, contributing to the rise in cost base during the year.

Underpinned by topline growth Group Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") recorded strong double-digit growth of 19% YTD to reach Rs. 61.5Bn for FY 2023. The achievement of this performance, amidst a challenging business environment, was a resultant of successful subscriber churn management initiatives, well-coordinated delivery of innovative and affordable service packages, superior network quality and customer experience. It also demonstrates the fruition of cost rescaling and resilience actions taken which contributed to curtailing the increase in cost base.

The Group Net Profit After Tax ("NPAT") turned positive for the year to cross Rs. 20Bn mark for FY 2023 up >+100% underpinned by strong EBITDA performance, lower depreciation and forex gains. The YTD NPAT performance was strongly supported by a forex gain of Rs. 10.2Bn for FY 2023. Normalized for the forex gain, the Group NPAT was recorded at Rs. 9.9Bn for FY 2023, up >+100% YTD.

Dialog Group continued to be a significant contributor to state revenues, remitting a total of Rs. 40.8Bn to the GoSL during the financial year ended 31st December 2023. Total remittances included Direct Taxes and Levies amounting to Rs. 9.5Bn and Rs. 31.3Bn in Consumption Taxes collected on behalf of the GoSL.

Group capital expenditure ("Capex") for FY 2023 was recorded at Rs. 25.5Bn resulting in a Capex to Revenue ratio of 14%. The Group's steadfast commitment to

Business & Financial Review

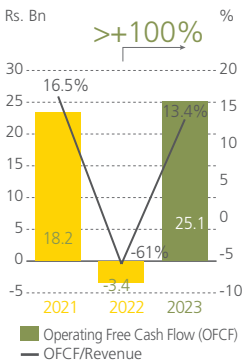
meet growing demand from both retail and corporate sectors led the spending being directed towards expansion in network and capacity additions during the period. Deployment of alternate energy solutions such as solar and Li-ion batteries, with the intention to improve network availability, resulted in over 1,000 sites being solarized by end 2023.

The Group recorded an increase in Operating Free Cash Flow ("OFCF") for FY 2023 to reach Rs. 25.1Bn as a result of improved business performance 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 1.19x as of the end of December 2023.

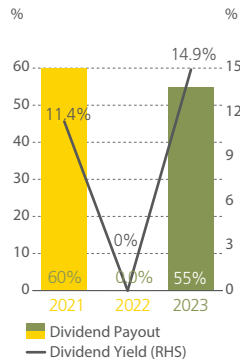
During FY 2023, Fitch Ratings reaffirmed the National Long-Term Rating of 'AAA (lka)' for the Group. This rating of 'AAA (lka)' with a stable outlook denotes the highest rating assigned by the agency in its National Rating scale for Sri Lanka. Fitch does not envisage any negative rating action in the medium term due to the standalone strength of the business profile, low financial leverage and implied support from the stronger parent.

Operating Free Cash Flow (OFCF)



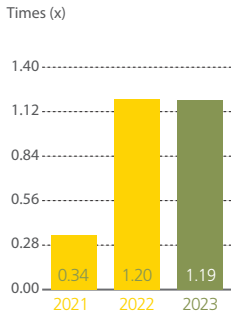
- OFCF grew significantly in FY 2023 amid improved profitability and calibrated capex spend

Dividend Payout and Dividend Yield



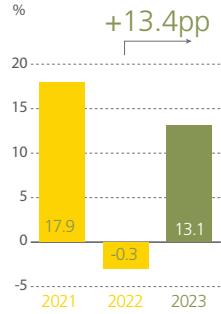
- Dividend declaration resumed in line with Group returning to profitability
- Dividend payout ratio of 55% translating to a Dividend per share of Rs. 1.34
- Dividend Yield at an attractive 14.9%
- Total dividend payout for FY 2023 of Rs. 11.1Bn

Net Debt to EBITDA



- Gross Debt position increased during FY2022 resulting from LKR depreciation where USD debt got re-evaluated at a higher exchange rate.
- Marginal improvement in the ratio during 2023
- Net Debt to EBITDA was at 1.19x by end 2023

ROIC



- ROIC improved 13.4pp to 13.1% amid improved profitability

Business & Financial Review

DIALOG AXIATA PLC

Financial Review

The Company's key businesses, Mobile, Tele-infrastructure and Digital Services contributed to 55% of the Group revenue in FY 2023. The Company revenue grew 1% YoY, to record at Rs. 102.9Bn for FY 2023, predominantly driven by growth in data segment. The Company continued to maintain its market leadership position with a market share of 53% by year end as the mobile subscriber base reached 16.9Mn.

Sizable revenue from Voice business was achieved on the back of innovative and affordable service packs introduced. Data revenue performance was further buttressed by an increase in smartphone penetration

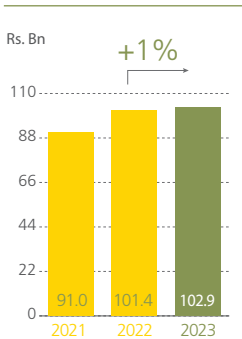
(+2.8pp YoY) and 4G adoption (+4.5pp YoY).

Accordingly, data revenue recorded a growth of 5% YoY.

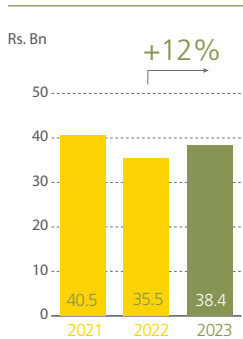
The Company profitability continued to be impacted by high energy cost as a result of sharp increase in electricity tariffs. However, with the traction gained on cost rescaling initiatives the overall cost base was contained resulting in EBITDA recording a growth of 8% YTD to reach Rs. 38.4Bn for FY2023. EBITDA margin improved 2.4pp, reaching 37.3% in FY 2023

Driven by topline performance, Cost Rescaling Initiatives and favorable forex impact, Company NPAT was recorded at Rs.12.0Bn for FY 2023 up >+100% YTD. The forex gain reached Rs. 10.0Bn for FY 2023.

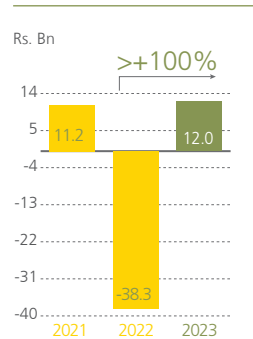
Revenue



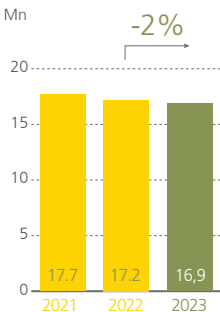
EBITDA



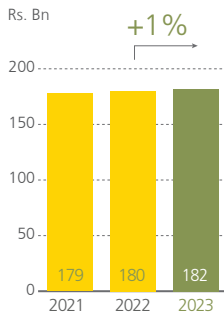
NPAT



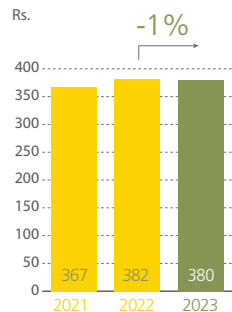
Mobile Subscribers



Blended MOUs



Blended ARPUs





DIALOG BROADBAND NETWORKS

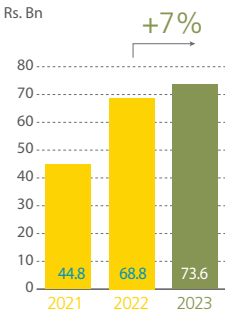
Financial Review

DBN recorded a strong topline performance, supported by growth in international business and Home Broadband revenues. DBN revenue was recorded at Rs. 73.6Bn for FY 2023, up 7% YoY. The International business contributed 61% to DBN revenue whilst

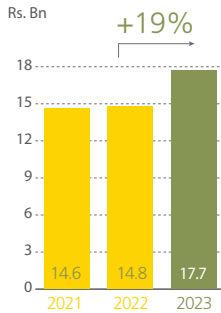
recording a growth of 6% YoY. Fixed Broadband revenue and Data and Leased Lines revenue grew by 3% YoY and 19% YoY, respectively.

DBN EBITDA was up 19% YoY to reach Rs. 17.7Bn for FY 2023. Downstream of EBITDA performance, DBN NPAT recorded a growth of 75% YoY to reach Rs. 5.8Bn.

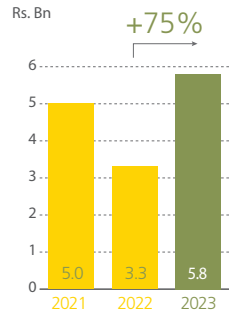
Revenue



EBITDA



NPAT



DIALOG TELEVISION

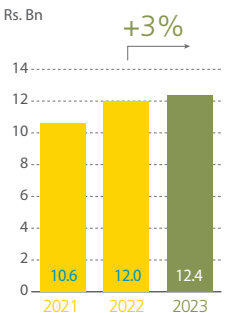
Financial Review

DTV continued to consolidate its leadership position in the Digital Pay Television space despite operating in a challenging environment where consumer spending was constrained by price escalations and tax impositions. Supported by subscriber churn management initiatives DTV maintained a subscriber base of over 1.6Mn for the year ended 31st December

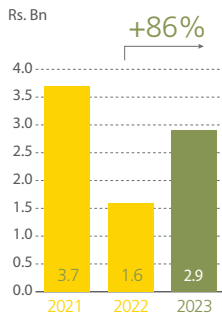
2023. Driven by the subscription revenue growth and rate revision introduced in September 2022, DTV revenue recorded a growth of 3% YTD to reach at Rs. 12.4Bn for FY 2023.

The forex rate moved favorably, as the LKR appreciated against the USD during the year, helping DTV EBITDA record a growth of 86% YTD to reach Rs. 2.9Bn for FY 2023. Consequently, DTV NPAT returned to Profitability to record at Rs. 0.6Bn for FY 2023.

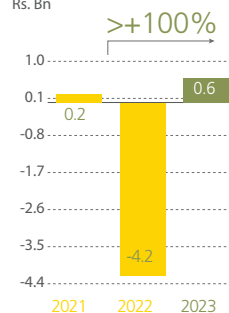
Revenue



EBITDA



NPAT



Business & Financial Review

Economic Outlook

Sri Lanka faced an unprecedented economic crisis in 2022. Most vital sectors witnessed a significant disruption, although in 2023 the economy has shown initial signs of stabilization albeit at low equilibrium.

The persistent economic downturn extended into 2023, marked by ongoing subdued industrial performance. Real GDP for FY 2023 experienced an additional decline of 2.3%, following a contraction of 7.8% in 2022. Based on a survey by LinreAsia, an additional 4 million people have plunged into poverty, surpassing one-third of the total population. This surge is attributed to rising living costs and increased unemployment, which have severely affected consumer affordability. The year also experienced a number of challenges such as rising electricity and tax hikes. Electricity costs increased by approximately 67% between Oct 2022 and Oct 2023, the per-unit cost is nearly three times the rate observed in neighbouring countries. However, after peaking at 69.8% YoY in September 2022, headline inflation measured by the Colombo Consumer Price Index began to moderate. Slowing inflation allowed the Central Bank of Sri Lanka to loosen monetary policy. Improvements in the external sector have helped strengthen foreign exchange liquidity and stability in the exchange rate with an improved trade balance and a promising recovery in remittances and tourism.

While recent macroeconomic performance has been better, downside risks over the medium term continue to be very high, given a narrow path to recovery and very low buffers. Recovery and growth prospects depend on progress with debt restructuring, last-mile implementation of growth-enhancing structural reforms, collective support from the international community, and the resolve of political leadership to stay the course on difficult reforms despite backlash and resistance from other stakeholders.

Industry Outlook

Driven by Macro challenges, the telecommunications sector also recorded a 3% contraction in terms of subscribers in 2023. Hence the multi sim behavior in mobile segment depicted a sharp drop, where

mobile-cellular penetration rate reduced to 125% in December 2023, which is 5 percentage points lower than last year. Similarly, Mobile-broadband subscriptions per 100 inhabitants showed an uptick compared to a similar period last year. Fixed-broadband subscriptions marginally decreased.

In 2023, the industry grappled with consumer wallet pressure amid escalating living costs and taxes, prompting cost rationalisation behaviors. This led to revenue impacts as consumers prioritized essentials. Operational costs surged due to elevated expenses like electricity rate revisions, inflation since 2022, the in-direct tax and regulator fee increase impact. These cost escalations accounted for 10% of industry revenue and exacerbated financial strains. Operators navigated these challenges with cost optimization strategies, striving to maintain profitability in the face of economic uncertainties.

Mobile Voice and Data Leadership

In an ever more connected world, seamless connectivity stands as an indispensable asset for both individuals and businesses. Dialog Axiata PLC fortified its market leadership by achieving a growth of more than 1.5pp in mobile consumer market share, resulting in a total of 17 million mobile subscribers. Its ongoing commitment to providing the best connectivity, inclusive products, and innovative solutions ensures Dialog's continued leadership in mobile broadband services. The past year saw a notable increase in smartphone penetration compared to the previous year, while industry-wide tariff revision played a pivotal role in stimulating the growth of data revenue.

In the dynamic landscape of telecommunications, the company has continued to innovate and excel, marking yet another year of significant accomplishments and milestones. The company introduced Sri Lanka's first eSIM service, enabling seamless transition from traditional SIM cards to secure eSIMs via compatible Android or iOS devices. Customers can check device compatibility on www.dialog.lk and proceed to upgrade or purchase eSIMs through the MyDialog App or website. This advancement streamlines device management,



enhances security, and promotes environmental sustainability.

In line with the company's commitment to bridge the digital divide and facilitate affordable and accessible internet services to all, the company partnered with Meta to launch text-only Facebook and Discover app, enabling under-connected individuals to access text-based Facebook and internet browsing without data charges. Discover app enables web browsing without data balance, supporting low-bandwidth traffic for sustainable internet access.

To bring deaf and hearing-impaired individuals closer to their communities, a trilingual version of the internationally renowned sign language interpretation app 'DeafTawk' was introduced in Sri Lanka by the company. This marks the first instance in the country where a real-time sign language solution is offered at their fingertips. The DeafTawk app exemplifies the company's commitment to fostering a more inclusive society where everyone has access to the latest technology.

The introduction of the "Unlimited Blaster" proposition in December 2022 realized an enthusiastic response which underscores the company's commitment to providing flexible and value-driven solutions to customers. This innovative offering provided subscribers with Unlimited Minutes to Any Network and Unlimited Social Media access, catering to their communication and connectivity needs like never before.

In the past year, Dialog did a proactive price regularization of Postpaid customers with an upgraded range of Power Plan products, introducing unprecedented benefits for subscribers. New features like Data Rollover, Data Sharing with friends and family, and Unlimited YouTube access at just Rs. 120 per month have been introduced. Starting from Rs. 600 per month with Unlimited calls and Data up to 50GB, the plans offer flexibility and value. Subscribers also receive exclusive "7 Star" loyalty status, providing access to device discounts.

In 2023, the company introduced MyOffers, a unique platform designed to provide personalized offers to Dialog customers. Using cutting-edge technology, MyOffers customizes benefits according to each user's behavior and preferences. This initiative offered customers the ease of accessing and redeeming these personalized offers conveniently through the MyDialog app or at Dialog retail outlets.

Mobile Network Leadership

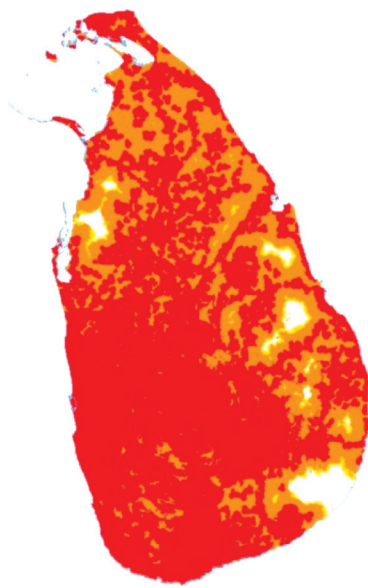
The company remains steadfast in its dedication to connecting every corner of Sri Lanka. Striving to extend coverage, it added 170 sites, achieving a new tower count record in Sri Lanka with over 4,800 mobile 4G sites by the end of 2023. This effort facilitated connectivity across over 180 Grama Niladhari divisions, resulting in 96% 4G data population coverage. Additionally, the company launched the "Sew Desatama Dialog" initiative to broaden connectivity to villages and remote rural areas.

Despite encountering substantial data traffic demand, the company diligently manages its network to ensure a reliable and consistent connectivity experience for customers. The company's commitment to expansion has garnered acclaim from global network testing leaders, earning distinctions such as 'Best 4G coverage experience' and 'Fastest upload and download Speed experience' from a leading 3rd party crowdsourced Network Experience Measuring agency. With a strategic focus on enhancing 4G coverage and user experience, the company' invested Rs. 30.7Bn in its mobile network, representing 50% of Group EBITDA. This investment underscores the company's unwavering dedication to providing optimal connectivity solutions and elevating the digital experience for its clientele.

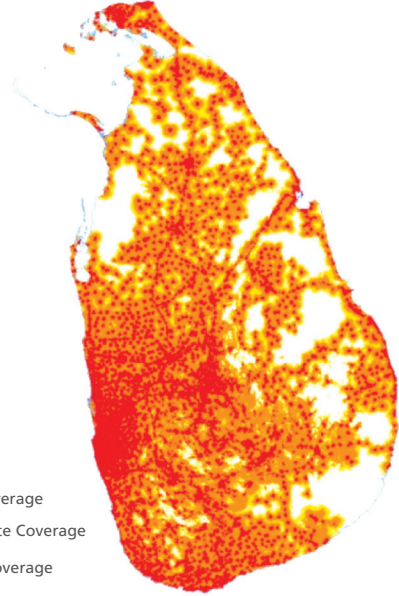
Mobile Coverage 2023

In a significant move in 2023, a milestone was achieved by the company as its 3G network was discontinued. Plans were disclosed by the company to cease its 3G data network in 2023 to liberate spectrum and enhance the capacity of its 4G Broadband

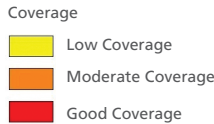
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2G Coverage 2023



4G Coverage 2023



network. This strategic decision was aligned with the company's commitment to delivering an unparalleled mobile experience and introducing cutting-edge technologies to Sri Lankan consumers.

With 3G Network usage accounted for less than 1% of its data traffic, the reallocation of the 3G spectrum to bolster 4G Broadband will significantly enhance bandwidth, providing an improved experience for Dialog 4G Mobile Broadband customers. This announcement followed the suspension of new 3G connections issuance in June 2022. To facilitate this transition, a diverse range of value-driven 4G smartphones, Dialog Lesi Pay installment plans, and free-of-charge 4G SIM upgrades are offered through its service network. The shutdown of 3G and spectrum refarming to 4G has delivered improvement in user speed.

Dialog 5G

In 2018, Dialog Axiata PLC, as the pioneer telecommunications service provider in the South Asian region to showcase 5G capabilities, announced a significant breakthrough. It achieved the distinction of being the first in South Asia to successfully trial the 5G Standalone (5G SA) network, the world's most advanced 5G technology. This marked a notable advancement in the nation's 5G journey, facilitating more sophisticated use cases requiring 5G SA support, such as 'Ultra-reliable Low Latency Services (URLLC)' and 'Massive Machine Type Communication (MMTC)', enabling applications like autonomous driving and enhanced real-time immersive services like AR/VR and massive IoT (Internet of Things).



Furthermore, the company achieved another pivotal milestone in the realm of 5G by extending 5G roaming to over 50 countries through collaboration with 100 partners. This initiative empowered Dialog customers equipped with 5G-compatible devices to experience exceptionally fast data speeds of up to 1 Gbps during their international travels. Leveraging Dialog's robust network partnerships, 5G outbound roaming ensures a superior mobile experience, guaranteeing seamless connectivity and high-speed data access worldwide.

Moreover, Dialog demonstrated the inaugural trial of the Voice over 5G (VoNR) service on a Standalone 5G trial network in Sri Lanka. Voice Over 5G, the successor of VoLTE on 4G networks, promises Dialog customers unparalleled voice quality, lightning-fast connection speeds with ultra-low latency, and reduced call setup times, enabling instantaneous real-time communication. Additionally, Voice Over 5G seamlessly integrates with 5G networks, delivering a unified telecommunications experience perfectly aligned with next-generation network capabilities. In another notable accomplishment, Dialog extended 5G connectivity to Apple iPhone users through its 5G Trial Network, marking another milestone in the country's 5G journey.

Furthermore, Dialog conducted a groundbreaking trial of Wi-Fi 6/5G technology on drones, marking a national first and unlocking new possibilities for enhanced connectivity across various industries. This trial showcased the combined power of Wi-Fi 6/5G and aerial drone technology in providing connectivity to inaccessible or hard-to-reach areas nationwide. This breakthrough carries significant implications for various industrial applications, including emergency response, disaster relief, demand management at large-scale events, rural development, agriculture, and forestry. Network-enabled drones have the potential to offer spontaneous coverage, cost-effective infrastructure solutions, rapid deployment, faster speeds, and the ability to handle large loads.

At the forefront of innovation, Dialog has revolutionized the communication landscape in Sri Lanka with state-of-the-art technologies, ushering

in a wave of seamless connectivity. The Dialog 5G network, offering speeds of up to 1Gbps, spans over 70 locations, providing Apple and Android users with 5GB of free data monthly. Over 200,000 users have connected to the Company's 5G Trial Network, underscoring its success in delivering cutting-edge connectivity solutions.

Device Drive

For full-year 2023, global smartphone shipments reached 1.1 billion units, a 4% decrease from the previous year. According to Canalsys' latest research, worldwide smartphone shipments grew 8% year on year in the fourth quarter of 2023, ending the seven consecutive quarters of decline.

Similarly, a drop was experienced in Sri Lanka since 2022 due to import restrictions and shortage of foreign currency. However, the situation began to ease during the year. The company was able to improve the smartphone penetration amidst import and device availability challenges. Together with Samsung Sri Lanka, launched the latest Samsung S23 Series at an exclusive event held in the Dialog Future Zone at the Lotus Tower for its Club Vision loyalty members, pre-order customers and Dialog Enterprise customers. The event marked a significant milestone, where Dialog customers were able to purchase the device for the first time in Sri Lanka.

Dialog being the only authorized One Number & eSIM service provider for iPhones and Apple Watches in Sri Lanka, launched the all-new, 5G-ready iPhone 15, iPhone 15 Pro and iPhone 15 Pro Max. Dialog is the first and only network to offer Voice over Wi-Fi (VoWiFi or WiFi Calling), VoLTE (Voice over LTE) and eSIM capabilities for the latest iPhone 15 range.

Innovation

The year also marked the launch of 'Futureverse' – Sri Lanka's first fully immersive, interactive and experiential Metaverse where people can shop for Dialog products and services, socialize, attend events, and play games in one persistent virtual world. It also hosted 'METASTAGE' the country's first metaverse

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entertainment experience in the 'Futureverse', featuring performances by the renowned Sri Lankan artists and performers. This exclusive ticketed event, hosted to a virtual audience across Sri Lanka and Indonesia, provided attendees with the opportunity to witness spellbinding live performances by simply logging into the futureverse.dialog.lk website.

In addition to the above, Dialog also launched 'Divinci' - Sri Lanka's first metaverse art exhibition, showcasing unique digital artwork pieces, in the 'Futureverse', the country's first fully immersive, interactive and experiential Metaverse. Continuing to lead the way in expanding the boundaries, another virtual event was held in the mixed reality space, Introducing Sri Lanka's First Metaverse Sporting Event, Dialog's Futureverse revolutionized the way Sri Lankans experience sports action, as it creates a convenient and immersive experience for users to watch their favorite sports at their convenience and comfort. The event allowed the viewers with access to exclusive footage and detailed play-by-play of the action on the School Big Match field, allowing sport's enthusiasts with the option to choose from four different camera angles.

These demonstrate Dialog's commitment towards providing all Sri Lankans, with innovative and unique experiences that are not only entertaining but also push the boundaries of what is possible with technology.

Dialog Announced Strategic Partners for Groundbreaking National Innovation Challenge, an initiative towards developing scalable, innovative digital solutions that can spearhead nation-wide digital transformation. The Information and Communication Technology Agency (ICTA) assumes the role of National Technology Partner, anchoring the challenge's technological foundation. Joining forces as Technology Ecosystem Partners are The Institution of Engineers, Sri Lanka (IESL), The Sri Lanka Inventors Commission (SLIC), and The National Innovation Agency (NIA). As Business Knowledge Partners, the Ceylon Chamber of Commerce (CCC), Sri Lanka Institute of Marketing (SLIM), and Digital Marketing Association of Sri Lanka (DMASL) bring unparalleled industry insight to the

initiative. The Dialog Innovation Challenge invites all Sri Lankans to contribute to the country's digital future. Individuals and teams are encouraged to submit innovative solutions leveraging technologies like AI, machine learning, IoT, blockchain, and more. With a generous prize pool of Rs. 5Mn and opportunity for selected winners to pitch for a part of the 500Mn DIF (Dialog Innovation Foundry) investment fund, mentorship, and access to Dialog's innovation ecosystem, participants have a unique opportunity to propel their ideas forward.

In its efforts to equip young minds with skills required for a technologically advanced future, Dialog Axiata recently awarded winners and participants of the 'Vidusara Magicbit IoT Challenge'. Magicbit, an easy-to-use STEM education platform, in collaboration with Vidusara Newspaper and backed by Dialog, launched a competition for kids aged 8 to 18 years to produce their innovative ideas. Participants were provided with a knowledge-sharing session to educate them on developing an IoT application from scratch. The winners and participants of the competition received exciting prizes. These young innovators were also given the exclusive opportunity to demonstrate their winning innovations at the awards ceremony held at the Dialog Auditorium.

Dialog Axiata PLC and Ideamart organized the eagerly awaited tech gathering 'Google I/O Extended Sri Lanka 2023,' placing a strong focus on Artificial Intelligence (AI). Notably, Google introduced BARD AI and integrated Generative AI into many of its product offerings. This marks the 7th year of hosting such an event. The event garnered over 250,000 online viewers, in addition to the hundreds who attended in person.

In 2022, Dialog launched Google Assistant-based customer support, a first for Sri Lanka, ushering in a smarter and more convenient ecosystem. Expanding on this initiative, the company introduced Amazon Alexa Voice Command Support for a diverse range of services, also a first in Sri Lanka. Dialog customers now have the convenience of accessing and managing various services such as Dialog Mobile, Home



Broadband, Television, Doc 990, and Star Points through voice commands using Alexa-supported home devices. This includes tasks like checking bills, data balances, reactivating connections, and accessing Star Points balance and promotions.

Dialog International Business

Dialog international business successfully navigated the year recording a high single digit YoY growth in USD revenue due to significant growth in capacity & Data sales and Roaming Business, along with a reduction in decline of International Voice Termination. Fueled by the success of the previous cable investments, Dialog is also successfully proceeding with its 3rd submarine cable investment in partnership with Reliance Jio, which is expected to further enhance Dialog's capability to accommodate high bandwidth applications with the expected commercial launch of 5G. On the roaming front, Dialog has successfully expanded its Preferred Roaming partnerships worldwide, engaging with more than 140 individual partners and 30 groups. Dialog Roaming customers can now take advantage of 5G roaming services with over 100 operators in more than 50 destinations providing seamless 5G connectivity. Overall, Dialog has established roaming partnerships with over 450 operators across over 200 destinations.

Value Added Services

Dialog offers a range of value-added services to enhance customer experience. These include mobile content, entertainment, utility services, and innovative digital solutions. From mobile entertainment subscriptions to health and wellness apps, Dialog's value-added services cater to diverse needs. With continuous innovation, Dialog remains committed to providing convenient and enriching experiences for its customers. However, Google DCB being the majority revenue generating service in the portfolio, had to discontinue from Q2 2022 onwards, with a view to limit the exposure on foreign currency, resulted a revenue drop.

Star Points

Star Points is the first and only mobile-based loyalty program in Sri Lanka, rewarding over 10 million customers across the country. As the largest loyalty rewards program, with over 1.3 billion points awarded annually. Dialog allows its customers to earn points with every bill payment or reload, honoring the valued patronage with Dialog. Members can also earn and redeem points across an extensive network of 750+ partner merchant outlets island-wide to access exclusive offers and discounts. For those members looking for an opportunity to give back to the community, they can donate their points to a range of charities including UNICEF, Little Hearts, HelpAge, World Vision, SOS, and more. Over the years, more than Rs. 100Mn has been donated to these charity programs.

Star Points also achieved global recognition by securing the Gold Award for the Best Loyalty Strategy in the Telecommunications category in Asia during the esteemed 2023 Loyalty & Engagement Awards, organized by MARKETING-INTERACTIVE, affirming its status as Sri Lanka's internationally acclaimed loyalty program. Moreover, Star Points is also showcased as a best-in-class case study in the Amazon Best Seller Loyalty Programs: The Complete Guide (2nd Edition), published by Loyalty & Reward Co.

Digital Services

Dialog Digital Services made changes to its internal operations and range of services in order to improve its ability to cater to the broader Digital sectors of FinTech, HealthTech, EduTech, and InsurTech. The effects of the Covid pandemic in 2020-21 and fuel and transport crisis in 2022, resulting in a greater uptake of the company's digital services.

Dialog Finance PLC, a licensed Non-Bank Financial Institution (NBFI), is authorized to conduct deposit-taking activities and offer various financial services, overseen by the Monetary Board of the Central Bank of Sri Lanka (CBSL) under the Finance Business Act No. 42 of 2011. It holds additional licenses from CBSL

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for issuing debit cards, acquiring payment cards, and conducting leasing activities. Moreover, it is accredited by VISA and Mastercard networks for card issuance and acquiring and licensed by the Securities and Exchange Commission of Sri Lanka for margin trading business. Offering a diverse range of Fintech products, including lending, fixed deposits & savings accounts, and payment & cash management solutions catering to consumers, retailers, and Micro, Small, and Medium Enterprises (MSMEs).

Genie, the pioneering PCI-DSS certified mobile payment app, launched as a comprehensive financial marketplace in 2021. The Genie App now boasts a registered customer base exceeding X and over X merchants as of the end of 2023. Product experienced substantial growth in monthly Gross transaction value during the year.

Genie Business, a fully-fledged mobile-based merchant solution, prioritizes financial inclusivity for micro and medium merchants. With 100% digital merchant onboarding and trilingual support, it serves as an all-in-one payment acceptance solution, enabling businesses to accept payments from any card, bank, or app. Despite being in its inaugural year, Genie businesses recorded a X% growth in transactions.

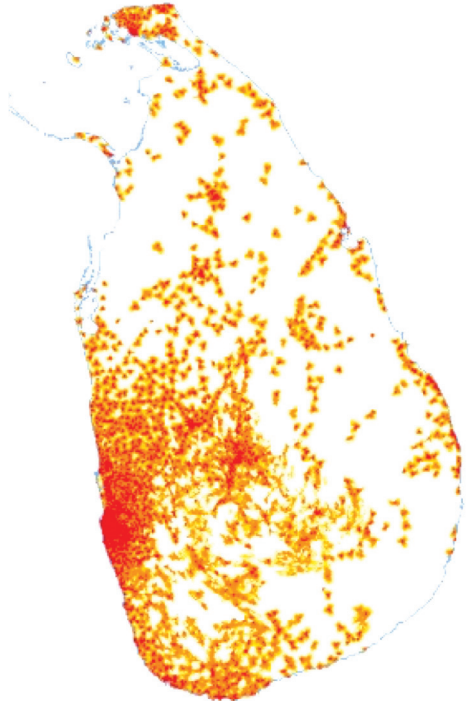
eZ Cash, the country's leading mobile money solution, boasts over X active wallets and X merchant partners across the island, experiencing double-digit growth. The introduction of eZ Banking in 2022, initially with one major bank, expanded to over 1300 outlets nationwide, enhancing its versatility. In 2023, eZ Banking agents facilitated cash deposits to the Genie Digital Savings Account by Dialog Finance PLC at all eZ Banking outlets island-wide, further augmenting customer convenience.

Lesi Pay

Lesi Pay is a comprehensive device financing product that offers Dialog customers the opportunity to acquire their desired devices through convenient monthly installment plans, without the need for a credit card or guarantor. In 2021, Lesi Pay embarked on a process transformation by leveraging the

Fintech platform, implementing an AI and ML credit scoring model for customer evaluation, alongside the optimization of customer onboarding and loan management procedures through the innovative Genie App. Additionally, Lesi Pay seamlessly integrated a device management solution for automated loan recovery process. The product range of Lesi Pay has expanded to include over 36 SKUs, including 5G-ready smartphones, and now facilitates connections for Dialog TV and Dialog Broadband through its scheme. By the end of 2023, Lesi Pay had digitally onboarded over 40,000 device loans and recorded a single digit non-performing loan percentage with a positive EBITDA.

Doc990, Sri Lanka's first all-in-one digital health solutions provider has revolutionised the country's integrated healthcare infrastructure with its combined



HBB 4G Coverage



expertise in health care and technology and is set to deliver state-of-the-art connected care services to its users via the Doc990 mobile app, web & IVR platform. It facilitates doctor channeling with over 5,500 doctors from over 180 hospitals across the island, audio/video doctor consultation (including a 24x7 operational health care hotline) with over 1,400 Specialists, medicine delivery & pick up services, online lab test booking and reporting, mobile laboratory services and carefully curated health & wellness subscription packages to suit both corporate clients with insurance partnerships and retail clients from all walks of life. Doc990 launched its services via Alexa voice commands as this feature enables customers to conveniently access digital healthcare services. The year marked a 35% YoY growth in revenue, concurrently driving digital conversion, with 70% of all bookings being made via digital channels.

Fixed Connectivity and Smart Home

The company serves more than 1 million individuals and corporates, providing multiple services including broadband internet, fixed telephony, hosted PABX offerings, and holds Subscriber market leadership position in Fixed Broadband arena. Fixed Business segment continued its growth to record a Subscriber market share over 50% driven by prepaid subscriber growth by 15.6% YoY. Fixed Revenue recorded a growth of 11% YoY, driven mainly by Enterprise segment.

Dialog continues to cater to the home broadband needs of individuals with a diverse range of affordable products available through both pre-paid and post-paid plans. The company has **refreshed its post-paid offerings**, provided **enhanced GBs** and introduced a roll-over feature for the first time in Sri Lanka for fixed broadband, and in addition we launched two new Prepaid packs targeting Social Media and Youtube users to drive ARPU ensuring customers have access to reliable, value for money and cost-effective broadband solutions tailored to their requirements.

Staying true to its brand ethos of delivering ‘The Future. Today.’, the company introduced **‘WiFi 6’ - the Next-Gen Standard in Wi-Fi Technology**

for the first time in Sri Lanka. With most homes having significantly more Wi-Fi enabled devices, from smartphones, tablets to TVs and smart home devices which require seamless connectivity, Wi-Fi 6 enables better communication between these multiple devices, which requires data simultaneously at faster speeds and lower latency along with wider coverage. Wi-Fi 6 will enable devices to work in an optimal manner even in interference zones (i.e. multiple Wi-Fi networks), where the beam forwarding feature of this technology provides overall superior Wi-Fi experience due to the Wi-Fi signal only targeting Wi-Fi 6 enabled devices. Wi-Fi 6 is a substantial upgrade over previous generations and introduces new technologies to help mitigate issues that arise when using multiple Wi-Fi devices on a single network, keeping connections strong even as more and more devices start demanding data. Further, the lower latency enabled by Wi-Fi 6 technology provides the best gaming and streaming experience.

During the year, as the latest addition to its portfolio of future-ready solutions, **Dialog Smart Home launched ‘Wi-Fi Mesh’**, a holistic and highly secure home Wi-Fi system designed to enable Wi-Fi connectivity to every corner of the home by eliminating low-coverage blind spots. This latest device offering is also inclusive of the dedicated Dialog Smart Home mobile app that enables users to conveniently control and manage all connected devices seamlessly, with features including adding/removing users/guests and connected devices, parental control features to make the internet safe for children, a view of user-wise utilization and throttled devices, the ability to change security settings and passwords remotely, and more. Dialog Smart Home Wi-Fi Mesh is compatible with Dialog Home Broadband and supports any other broadband or fibre network.

Dialog Smart Home sponsored the ‘Kedella Construction Expo 2023’, as part of its ongoing efforts to provide integrated solutions for intelligent automation and intuitive control of homes. Visitors to Dialog Smart Home’s stall at Kedella Construction Expo 2023 had the opportunity to experience a range of best-in-class Smart Home solutions, including Home Automation, Home Security & Surveillance, and Home

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Connectivity. These solutions included the newly introduced Wi-Fi Mesh, Voice Assistant devices, Smart Wall Switches, Fan Controllers, and other devices & systems designed for ultimate convenience.

The company continued its investments in upgrading the Fixed LTE network to support higher demand, and further investments in coverage and capacity will continue in 2024 to ensure further enhancement of customer experience.

Dialog Enterprise

Dialog Enterprise, the corporate solutions arm of Dialog, recorded a solid revenue growth of 14% YoY, driven by growth in both connectivity and ICT verticals. ICT recorded significant growth driven by growth in Large Enterprises and Small Medium Enterprises. ICT products such as cloud and colocation, IOT and security solutions recorded noteworthy growth during the year. Relatively newly established Business Insight and Education verticals also generated solid growth.

Key Partnerships and Products

Continuing the lead first established 2 years ago as the first VMWare Verified Cloud provider in Sri Lanka, **Dialog Enterprise Cloud** now emerges with its newest status as a sovereign cloud certified cloud capability, which is the highest tier of VMWare cloud partners. With this status, Dialog Enterprise Cloud has achieved a significant milestone by becoming the first sovereign cloud provider in the South Asian Region and is one of 38 of such providers from over 4,500 global VMware cloud service providers. Dialog Enterprise's sovereign cloud serves to protect and unlock the value of critical data (e.g., national data, corporate data, and personal data) for both private and public sector organizations. The locally hosted cloud platform offers a range of services including infrastructure as a service (IaaS), platform as a service (PaaS), and software as a service (SaaS). With features like automatic backup, disaster recovery, and 24/7 support, the service enables customers to primarily focus on their core business operations leaving their cloud infrastructure in able hands.

Dialog Enterprise, as the only SD-WAN Specialized Engage Level Fortinet Managed Security Service Provider (MSSP) in Sri Lanka, has secured numerous flagship projects and deployed large, complex networks. Since launching SD-WAN services in 2019, Dialog Enterprise continues to enhance its product portfolio, with offerings including SD-Branch and SASE to meet evolving enterprise needs. The successful deployment of SD-WAN to facilitate the digital transformation initiative of Cargills Bank, Star Garments, AB Mauri, AFC stands as one of the largest projects within this domain.

Cybersecurity has become a board level concern for most organizations, as they want to be sure that their business is protected, and their digital assets, intellectual property and customer data are secured. In partnership with Fortinet®, a global leader in broad, integrated, and automated cybersecurity solutions, Dialog announced the launch of **Next-Generation Firewall as a Service (NGFWaaS)** in Sri Lanka in 2023. Powered by FortiGate NGFW, the installation of this new virtual firewall which is six times faster, will enable Dialog Enterprise to offer cloud-based security to any edge at any scale. This new solution delivers seamless AI/ML-powered security and networking convergence over a single operating system and provides the highest ROI and lowest latency, across our enterprise portfolio. Being the only Fortinet managed security service provider in Sri Lanka, the company started to see the adoption of services by enterprise customers across all industries.

Powered by FortiGate NGFW, the installation of this new virtual firewall which is six times faster, will enable Dialog Enterprise to offer **cloud-based security** to any edge at any scale. It will also deliver unparalleled AI-powered security performance and threat intelligence with complete visibility and secure networking convergence to customers across Sri Lanka, with uninterrupted uptime, even during power outages.



Dialog Enterprise was honored with the **Emerging Partner award from CrowdStrike**, a leading endpoint protection platform. CrowdStrike was recognized as a Leader in the Gartner® Magic Quadrant™ for Endpoint Protection Platform. Dialog Enterprise offers CrowdStrike services including Endpoint Security, XDR, Cloud Security, Threat Intelligence, Identity Protection, Security & IT Ops, and Observability with advanced automation and orchestration. This partnership aligns with Dialog's vision of offering globally accredited technological benefits to local businesses.

In 2023, IoT solutions experienced a 1.4x revenue growth. Dialog Enterprise offers various IoT tracking solutions, including generator monitoring for optimizing performance, workforce solutions for staff management, cold room temperature monitoring for product preservation, ATM monitoring for network visibility, and server room monitoring for operational control. Additionally, the company provides tailored IoT device management solutions to enhance business efficiency. **In collaboration with Mines Advisory Group Sri Lanka (MAG), Dialog Enterprise deployed its Smart Fleet GPS tracking system on purpose-built vehicles**, enhancing demining efforts in the northern & eastern provinces. This system ensures safety by tracking vehicles and team members in remote areas, utilizing real-time satellite connectivity for route monitoring and maintenance alerts.

Dialog Enterprise collaborated with the Rubber Research Institute of Sri Lanka & Dialog University of Moratuwa Research Laboratory to implement **IoT solutions for local rubber plantations**, enhancing drying processes and embracing digitalization trends. The IoT solution offers continuous real-time monitoring of temperature and humidity in drying chambers, aiding in operational deficiency identification and proactive measures implementation. It aims to shorten drying periods, assure product quality, and reduce firewood usage. This is expected to provide significant improvement in manufacturing efficiency, resource utilization, product quality, and operational cost reduction.

Dialog Enterprise, partnered with Irisity, a global leader in **artificial intelligence video analytics**, to transform the video surveillance industry with cutting-edge technology. Irisity's IRIS+ platform surpasses human capabilities by analyzing surveillance footage in real-time, detecting suspicious behavior such as intrusion, violence, and fire incidents. The system offers modular integration and scalability, making it suitable for various applications, including smart cities, critical infrastructure monitoring, transportation, education, and healthcare. Dialog Enterprise aims to empower local enterprises with this advanced technology, aligning with its vision to promote digitalization for future readiness.

H One, the leading Microsoft Solutions Provider in Maldives and Sri Lanka, has announced its partnership with Dhiraagu, the premier telecommunications and digital services provider in the Maldives. The partnership is aimed at expanding H One's reach and service delivery capabilities in the Maldives market and aims to offer the highest quality services to customers compared to the competition.

Dialog Enterprise has collaborated with Microsoft and H One to introduce Operator Connect, a novel communication service seamlessly integrated with Microsoft Teams. This innovative solution aims to enhance collaboration experiences, prioritize mobility and security, and optimize costs, setting a new benchmark for communication solutions in the Sri Lankan enterprise market. **Operator Connect** represents another pioneering initiative by Dialog Enterprise, demonstrating its commitment to introducing cutting-edge advancements. With Teams boasting over 320 million monthly active users, it stands as a leading platform for digital collaboration and hybrid working. Notably, Operator Connect offers a fully integrated telephony system within Teams, providing businesses with simplified operations and cost-effective solutions. Whether through Direct Routing or Operator Connect, Microsoft offers various pathways to connect to Microsoft Teams Phone, catering to diverse business needs and preferences. Overall, Operator Connect presents a straightforward, rapid, and economical option for companies seeking to streamline PSTN breakout management within Teams.

Business & Financial Review

Dialog Enterprise's Digital Education division prioritizes aiding educational institutions nationwide in their digital transformation, providing enhanced learning opportunities. Teaming up with Databox Technologies, Dialog Enterprise created Dialog Edumix LMS for seamless online or hybrid teaching. This platform, accessible to authorized users, enables efficient communication and collaboration. Embracing blended learning, Dialog Edumix offers e-lectures, multimedia study materials, and supports hybrid teaching methods, including live and recorded video lessons and online exams. Additionally, it offers "Zero Worries on Data" service, ensuring free access to educational resources for students and lecturers. Collaborating with Kotelawala Defense University (KDU) in 2023 underscores Dialog's dedication to advancing digital education and empowering students with innovative technology.

In 2023, Dialog introduced **Dialog Bizpack Unlimited**, an all-inclusive voice solution tailored for Small Office Home Office (SOHO) and Small and Medium Enterprises (SMEs) in Sri Lanka. In today's dynamic business landscape, connectivity is crucial for competitiveness. Dialog Bizpack Unlimited addresses this need by offering a reliable and cost-effective communication solution. It includes essential features like short code dialing, call forwarding, call transferring, data add-ons, and call hunting, ensuring seamless connectivity for small businesses, facilitating communication with stakeholders regardless of location.

Dialog hosted an exhibition titled '**Future Proof Your Business Through Digital Transformation**' to cater to small and medium enterprises (SMEs) and small office/home office (SOHO) businesses in the Central Province. The event attracted over 250 entrepreneurs and ICT professionals. It aimed to introduce cutting-edge solutions and educate local businesses about their benefits. Dialog Enterprise showcased its latest ICT solutions, offering visitors insights and expert advice. Topics covered included cloud and colocation services, converged connectivity, data solutions, Internet of Things (IoT), cyber security, and the Dialog Enterprise Marketplace. Additionally, H One

providing consultancy and solutions in cloud, security, collaboration, analytics, and AI. This collaboration underscored Dialog Enterprise's commitment to bolstering business growth and digitalization across Sri Lanka.

Dialog Enterprise sponsored the the **National Industry Exhibition 2023** as the title sponsor for the second consecutive year. Dialog Enterprise together with the Industries Development Board of Sri Lanka embarked on a mission to provide a much impressive platform than ever before for the industries of Sri Lanka through the exhibition.

Dialog Platform-play experienced a stagnation in retail mobile segment and the company increased its play in Enterprise segment. **An Enterprise Marketplace** that offered a collection of Digital Solutions to Enterprise Customers (Over 6000 Customers in SME, SOHO, and large Enterprises), primarily on a self-service model, also serving as a Sales Toolkit for sales teams servicing these segments. Dialog Axiata took considerable time and effort to Digitally Transform, even with the availability of right tools, people and newly improved processes.

Sri Lanka's mobile operator collective initiated network APIs as part of the GSMA Open Gateway initiative. Dialog proudly joined this initiative with its Ideamart platform, aiming to facilitate developers and businesses in accelerating digital service and app growth. This initiative ensures seamless compatibility with all local mobile networks and numerous others globally, marking a significant advancement in the industry and ushering in a new era of digital innovation and connectivity for the nation.

Dialog Tele Infra

The infrastructure services division of the company remains at the forefront of providing both active and passive telecommunication infrastructure services in Sri Lanka. It caters to the infrastructure and transmission needs of all licensed operators and broadcasters with modern and cost-effective technical solutions. Dialog consistently expands its infrastructure and optical fiber network nationwide, sharing it with operators



to offer high-capacity, scalable, and reliable telecom infrastructure services. This support aids in the growth of their businesses by providing robust infrastructure solutions tailored to their requirements.

Media & Entertainment

After a challenging year in 2022, Dialog Television turned around the business from a negative EBIT of Rs. 1Bn to Positive Rs. 47Mn in 2023. Execution of various cost control initiatives in 2022 such as negotiations with channel and satellite partners supplemented by a rental revision helped to ease the pressure on profitability. However, the company relinquished one transponder and rationalized some of the content in the current year to restructure the cost base and ensure the continued viability of the business. This exercise helped to lower the operating costs without impacting on overall experience. This was supplemented by retaining the total subscriber base of over 1.7Mn through extensive churn management and win back campaigns.

Bringing unparalleled entertainment experiences to viewers, Dialog Television introduced the all new ViU Mini, a plug-and-play device that offers customers live TV with rewind and catchup facility, the latest Android TV features, a voice-enabled remote and an ever-expanding variety of apps. With its compact and portable design, user-friendly interface, and easy navigation, the Dialog Television ViU Mini offers a range of features, including over 100 Local and international live TV channels, rewind and catch-up facilities offered for prepaid customers for the first time in Sri Lanka, YouTube, Amazon Prime, 5,000+ Google Play Store apps, games, Chromecast support, and more.

ViU entertainment app offered by Dialog, provides users with a wide range of content that allows users to stream content on their mobile devices, either over a Wi-Fi connection or a mobile data connection. The app has a large library of local and international content, which is updated regularly. ViU was well received by DTV subscribers as well as non-DTV subscribers as an alternative to traditional Pay TV platforms with the demand increasing substantially during the sporting event seasons. ViU recorded exemplary performance in 2023 with the total registered base increasing by 10% YoY and the revenue increasing by 34% YoY. ViU app offers both free and paid content, with a subscription-based model for premium content. The service is marketed as an affordable alternative to traditional cable or satellite TV, providing a convenient way for users to access a variety of entertainment options on the go.

Dialog TV continues to be the market leader in the Pay TV industry in Sri Lanka while continuing to leverage analytics engine to drive targeted offers to customers to ensure that customers receive the best price proposition that is tailored for their requirements. Growing eyeball and viewership during sporting events enable steady performance in Advertising business.

Corporate Governance Report

INTRODUCTION

The Board of Directors of the Company remains steadfast in its commitment towards upholding robust corporate governance performance practices whilst advancing the Company's strategic objectives to foster enduring shareholder value and sustainable progress. In addition to the requirements outlined in the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant regulations, the Company adheres to Dialog's Code of Corporate Governance (the Code), an internally crafted framework grounded in global corporate governance standards and optimal methodologies. This Code extends across the Group, guiding the Board's functions, the Group's business conduct, its interactions with stakeholders, and fostering accountability and effective internal control systems.

The Board affirms 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 2023.

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;

The composition of the Board of Directors as at 31 December 2023, 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
Deshamanya Mahesh Amalean	15 May 2014	Independent, Non-Executive Director
Mr. Willem Timmermans	10 May 2017	Independent, Non-Executive Director
Mr. Vivek Sood	16 February 2019	Non-Independent, Non-Executive Director
Dr. Indrajit Coomaraswamy	1 February 2021	Independent, Non-Executive Director
Dr. Sharmini Coorey	15 October 2022	Independent, Non-Executive Director
Ms. Komathi Balakrishnan	7 July 2023	Non-Independent, Non-Executive Director

Table 1 – Composition of the Board as at 31 December 2023

Notes:

- Mr. Azwan Khan Osman Khan, Non-Independent, Non-Executive, passed away on 13 May 2023.
- Dato Dr. Nik Ramlah Nik Mahmood, Non-Independent, Non-Executive Director resigned from the Board with effect from 31 October 2023.
- Mr. Vivek Sood, Non-Independent, Non-Executive Director resigned from the Board with effect from 17 February 2024.
- Mr Thomas Hundt was appointed to the Board as a Non-Independent, Non-Executive Director with effect from 17 February 2024.



- ▶ 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 profiles of the current Directors are given on pages 26 to 30 of this Report.

▶ **Composition and Balance of the Board**

As at 31 December 2023, the Board comprised of 09 directors, of which 08 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 2023, the Board included three 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.

During the year under review, the Board of Directors adopted and introduced a Fit & Proper Policy (F&P Policy) that require assessments of fitness and probity of individuals nominated as directors and senior management of Dialog before their appointment and employment as the case may be.

▶ **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, Mr Willem Timmermans, Dr. Indrajit Coomaraswamy and Dr Sharmini Coorey are considered independent. Furthermore, the Board considers Deshamanya Mahesh Amalean as ‘independent’, given his objective and unbiased approach to matters of the Board notwithstanding that he has completed more than 9 consecutive years. However, Deshamanya Mahesh Amalean will be retiring from the Board at the conclusion of the forthcoming Annual General Meeting. 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 other 04 non-executive directors, namely Mr. David Nai Pek Lau, Dr. Hans Wijayasuriya, Mr. Vivek Sood and Ms. Komathi Balakrishnan were considered non-independent, as they were 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, Mr. David Nai Pek Lau, is to provide leadership to the Board, for the efficient organization 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 maximization of shareholder value.

Corporate Governance Report

▶ 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.

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 08 meetings were held in 2023, which included 05 special meetings. The attendance of directors at these meetings is set out in the table below:

Name of Director	Attendance
Mr. David Nai Pek Lau	8/8
Mr. Supun Weerasinghe	8/8
Dr. Hans Wijayasuriya	8/8
Mr Azwan Khan Osman Khan*	3/3
Deshamanya Mahesh Amalean	5/8
Mr. Willem Timmermans	8/8
Mr. Vivek Sood	8/8
Dato Dr Nik Ramlah Nik Mahmood**	6/6
Dr. Indrajit Coomaraswamy	8/8
Dr. Sharmini Coorey	8/8
Ms Komathi Balakrishnan ***	4/4

Table 2 – Board meeting Attendance

* Mr. Azwan Khan Osman Khan passed away on 13 May 2023

** Dato Dr Nik Ramlah Nik Mahmood resigned on 31 October 2023

*** Ms Komathi Balakrishnan was appointed to the Board on 7 July 2023

▶ 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, 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. Board Risk and Compliance Committee
5. Capital Investment and Procurement Management Committee (dissolved with effect from 13 December 2023)
6. Board Investment Committee (established on 13 December 2023 in place of the Capital Investment and Procurement Management 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 Chairpersons 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 64 to 66.

b) Nominating and Remuneration Committee (NRC)

The role of the NRC is to identify, consider and propose suitable candidates for appointment as directors and 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.

As at 31 December 2023, the NRC comprised of 03 non-executive directors, namely Mr. David Nai Pek Lau (Chairman), Mr. Willem Timmermans and Deshamanya Mahesh Amalean.

The NRC held 04 meetings during the financial year ended 31 December 2023 and the attendance at these meetings is set out below:

Corporate Governance Report

Name of Director	Attendance
Mr. David Nai Pek Lau – Chairman	4/4
Mr. Willem Timmermans	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 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 the CSE pertaining to Related Party Transactions.

The activities conducted by the RPTRC are set out in the RPTRC Report on page 67.

d) Board Risk and Compliance Committee (BRCC)

The role of the BRCC is to strengthen the Company's risk and compliance governance including the Anti-Bribery and Anti-Corruption (ABAC) control framework and to assist the Board to oversee the risk and compliance function and ethics programme.

The BRCC comprised of 05 members as of 31 December 2023, namely Dr. Indrajit Coomaraswamy (Chairman), Mr Willem Timmermans, Mr Vivek Sood, Mr Supun Weerasinghe and Mr Abid Adam.

The activities conducted by the BRCC are set out in the BRCC Report on pages 68 to 69.

e) Capital Investment and Procurement Management Committee (CIPMC)

The role of the CIPMC was 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 comprised of 04 representatives of the Board, namely Dr. Hans Wijayasuriya (Chairman), Mr. Willem Timmermans, Mr. Vivek Sood and Mr. Supun

Weerasinghe and 02 ex-officio members who were the Group Chief Financial Officer and Group Chief Operating Officer of Dialog.

The CIPMC held 06 meetings during the financial year ended 31 December 2023 which included 03 special meetings.

The Board on 13 December 2023 resolved to dissolve the Capital Investment and Procurement Management Committee and establish the Board Investment Committee in its place.

f) Board Investment Committee (BIC)

The BIC was established to support the Board in the oversight on Capital Allocation, Funding Requirements, Asset Productivity & ROIC Management and the evaluation of Related Propositions & Recommend to Board for Approval

The BIC comprises of three representatives of the Board, namely Dr. Hans Wijayasuriya (Chairman), Mr. Willem Timmermans, Mr Thomas Hundt.

No meetings were held during the financial year ended 31 December 2023.

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 176.

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 2023.

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.

The emoluments paid to the Directors for the financial year 2023 is given in note 27 to the financial statements.

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 organization, 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;

Corporate Governance Report

- Assessment and mitigation of risks related to bribery and corruption;
- Assessment and mitigation of risks related to legal and regulatory;
- Assessment and mitigation of risks related to sustainability;
- 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 (ABAC) program to uphold one of its core values "Uncompromising Integrity". Dialog's ABAC policy and program are aligned with the Anti-Corruption Act, No. 9 of 2023 and emphasizes the 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

The key activities of the BRCC are detailed in the BRCC Report on pages 68 to 69.

► 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 64 to 66.

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 Company's Board Code of Conduct and Ethics guide the directors to carry out their oversight responsibility in the best interest of the Company within the scope of their authority and fiduciary duties.

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 and the External Auditors.

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 2023, the Company participated in 01 overseas investor forum held in Singapore. The Company also participated virtually in 02 local forums with the attendance of local stockbrokers. In addition, the Company conducted 05 one-on-one meeting calls with key local and foreign investors during the course of the year.

The Company also held earnings calls via teleconference every quarter to brief local and foreign analysts and investors on the results achieved in that quarter.

These sessions not only provide analysts and investors with a comprehensive review of the Group's financial performance, but also gave them the opportunity to clarify related queries they may have. The contents 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 2023.

► 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. Amendments to the ToR was approved by the BAC in the year under review. 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. Willem Timmermans, who holds degrees in Business Administration from the Business Administration and Economic School of the State University Groningen, Netherlands and Business Economics and Financing from the State University of Groningen, Netherlands. The composition meets the requirements stipulated in the Listing Rules of the CSE. The Group Company Secretary functions as the Secretary to the BAC.

Mr. Vivek Sood, who was a member of the of the BAC, resigned from the BAC, effective 7 July 2023. The BAC wishes to place on record its sincere appreciation to Mr. Vivek Sood for his invaluable contribution and counsel to the BAC during his tenure as a member.

The members of the BAC as of 31 December 2023 were:

1. Mr. Willem Lucas Timmermans – Independent, Non-Executive Director (Chairman)
2. Dr. Indrajit Coomaraswamy - Independent, Non-Executive Director
3. Ms. Komathi Balakrishnan - Non-Independent, Non-Executive Director

MEETINGS

The BAC had six meetings during the year 2023, which included three special meetings. The meeting attendance of the members is set out in the table below: -

Name of Member	Attendance
Mr. Willem Timmermans – Chairman	6/6
Dr Indrajit Coomaraswamy	6/6
Ms. Komathi Balakrishnan	3/3*
Mr Vivek Sood	1/3**

Note:

* Appointed with effect from 7 July 2023

** Resigned with effect from 7 July 2023

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, in addition to the routine activities, the BAC reviewed reports submitted by the Special Affairs Unit on internal investigations. The BAC was



also updated on the coverage of revenue assurance and fraud management initiatives and reviewed and approved revisions or enhancements to several internal policies, including the Group Policy Manual and Limits of Authority, Related Party and Associated Enterprise Transactions Procedure Manual.

The following include other key routine activities carried out by the BAC during 2023:

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.

Financial 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;

- 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.

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.

During the year, the external auditors, PricewaterhouseCoopers Sri Lanka announced that they have exited from the PricewaterhouseCoopers network and have joined the Deloitte network with effect from 28 October 2023. Pursuant to the change, the name of the firm was changed from PricewaterhouseCoopers Sri Lanka to Deloitte Partners.

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. Deloitte Partners (formerly known as 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. Tilak Rahulan (DipM, MCIM, Chartered Marketer, CIPP, PMP and Six Sigma Black Belt). 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 Sales & Marketing, Analytics and Artificial Intelligence based machine learning.

Report of the Board Audit Committee

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 forty four (44) audits 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.



Willem Timmermans

Chairman, Board Audit Committee

30 April 2024

Report of the Related Party Transactions Review Committee



ROLE OF THE COMMITTEE

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

The primary function of the RPTRC is to review Related Party Transactions (RPTs) as prescribed in 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 RPTRC defines the role of the RPTRC and are reviewed periodically and updated as and when required.

COMPOSITION

The members of the RPTRC as of 31 December 2023 were:

1. Mr Willem Lucas Timmermans – Independent, Non-Executive Director (Chairman)
2. Dr Indrajit Coomaraswamy – Independent, Non-Executive Director

Dr Sharmini Coorey, Independent, Non-Executive Director, was appointed as a member of the RPTRC on 31 March 2024. Pursuant to the appointment, the RPTRC presently comprises of 03 Directors, all of whom are independent, non-executive directors, and the composition is compliant with the provisions of the Listing Rules of the CSE.

The Group Company Secretary functions as the Secretary to the RPTRC.

MEETINGS

The RPTRC had 04 meetings during the year 2023. The meeting attendance of the members is set out in the table below:-

Name of Member	Attendance
Mr Willem Lucas Timmermans - Chairman	4/4
Dr Indrajit Coomaraswamy	4/4

POLICIES & PROCEDURES ADOPTED BY THE RPTRC

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 RPTRC for consideration and review. Non-recurrent RPTs are also reviewed and approved by the RPTRC 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 RPTRC is satisfied that all RPTs reviewed by the RPTRC during the year 2023 were compliant with the CSE Rules pertaining to Related Party Transactions, Related Party Transactions principles and were at arm’s-length terms and not prejudicial to the interests of Company and its minority shareholders. The comments and observations of the RPTRC have been duly communicated to the Board.

On behalf of the Related Party Transactions Review Committee.

Willem Lucas Timmermans
Chairman

30 April 2024

Report of the Board Risk and Compliance Committee

ROLE OF THE COMMITTEE

The Board Risk and Compliance Committee (BRCC) is a formally constituted sub-committee of the Board of Directors (Board) which was established in 2020. The BRCC reports to and is accountable to the Board.

The primary functions of the BRCC are to assist the Board to fulfil its responsibilities with regard to risk management and compliance. 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
- iii) risk relating to data privacy and regulatory compliance.
- iv) risks arising from non-complaint practices and behaviours, particularly regarding Anti-Bribery and Anti- Corruption.
- v) Environmental, Social and Governance (ESG) and Sustainability related opportunities and risks
- vi) regulatory risks

The BRCC continuously seeks out best practices in terms of the processes (performance assessment etc.) to be utilised by the BRCC, while the members provide individual external independent opinions to the fact-finding, analysis and decision-making process of the BRCC, based on their experience and knowledge. Taking into account the viewpoints of the BRCC members, the Committee makes decisions and recommendations for the best interest of the Board.

COMPOSITION

The BRCC comprises of five members, majority of whom are Non-Executive directors. The BRCC is chaired by Dr Indrajit Coomaraswamy. The Group Company Secretary functions as the Secretary to the BRCC.

The members of the BRCC as at 31 December 2023 were:

1. Dr. Indrajit Coomaraswamy - Independent, Non-Executive Director (Chairman)
2. Mr. Vivek Sood - Non-Independent, Non-Executive Director
3. Mr. Willem Timmermans – Independent, Non-Executive Director
4. Mr Supun Weerasinghe – Group Chief Executive/ Non- Independent, Executive Director
5. Mr. Abid Adam – Group Chief Risk & Compliance Officer, Axiata Group Berhad

Mr Vivek Sood stepped down from the BRCC pursuant to his resignation from the Board of Directors of the Company, and Mr Thomas Hundt was appointed as a member of the BRCC in place of Mr Sood effective 17 February 2024.

The BRCC wishes to place on record its sincere appreciation to Mr. Vivek Sood for his invaluable contribution and guidance to the BRCC during his tenure as a member.

MEETINGS

The BRCC had four meetings during the year 2023. The meeting attendance of the members is set out in the table below: -

Name of Member	Attendance
Dr Indrajit Coomaraswamy – Chairman	4/4
Mr Vivek Sood	1/4
Mr Willem Timmermans	4/4
Mr Supun Weerasinghe	4/4
Mr Abid Adam	1/1*

Note:

* Appointed w.e.f. 10 August 2023



The Group Chief Financial Officer, Group Chief Technology Officer, Group Chief Information Officer, Group Chief of Risk and Compliance and the Group General Counsel/ Vice President – Group Legal and Regulatory attended these meetings on invitation. The Board is apprised of the significant issues deliberated and considers and adopts, if thought fit, the recommendations of the BRCC.

SUMMARY OF PRINCIPAL ACTIVITIES OF THE BRCC DURING THE YEAR

During the year the key focus areas of BRCC included;

- ▶ Anti-Bribery and Anti-Corruption programme of Dialog and continuous monitoring of compliance activities to ensure adequate procedures have been implemented.
- ▶ Gifts, Donations & Sponsorship Policy implementation
- ▶ Risk Management & Internal Control (SORMIC) Management Assurance
- ▶ Governance of the Enterprise Risk Management Policy
- ▶ Governance of the Business Continuity Framework
- ▶ Privacy Programme including the implementation of remediation activities from the assessment carried out in 2019/2020 period to strengthen the Privacy posture of Dialog and initiatives including the Privacy assessment of 25 critical applications.
- ▶ Monitoring of Cybersecurity programme and risk mitigation activities. Implementation of National Institute of Standards and Technology Cybersecurity Framework (NIST) and ISO 27001:2013 Information Security Management System.

- ▶ Legal and Regulatory compliance and significant litigation issues impacting the Dialog Group
- ▶ Environmental, Social and Governance (ESG) Programme of Dialog that is based on Telecom Industry Specific Metrics of Sustainability Accounting Standards Board (SASB) and ESG Metrics for Mobile recommended by Global System for Mobile Communications Association (GSMA). Further focus was on identifying potential climate related opportunities and risks faced by the organisation and advising the relevant teams on mitigatory action.

The BRCC is supported by the Group Risk and Compliance Division, which is headed by Mr. Asanga Priyadarshana, the Group Chief of Risk and Compliance. The Division leverages on global best practices and has an ongoing knowledge sharing and training program with the Axiata Group.

CONCLUSION

The BRCC is satisfied with the policies and practices of the Company carried out during the year under review.

On behalf of the Board Risk and Compliance Committee.

Dr Indrajit Coomaraswamy
Chairman, Board Risk and Compliance Committee

30 April 2024

DIAL Share Information

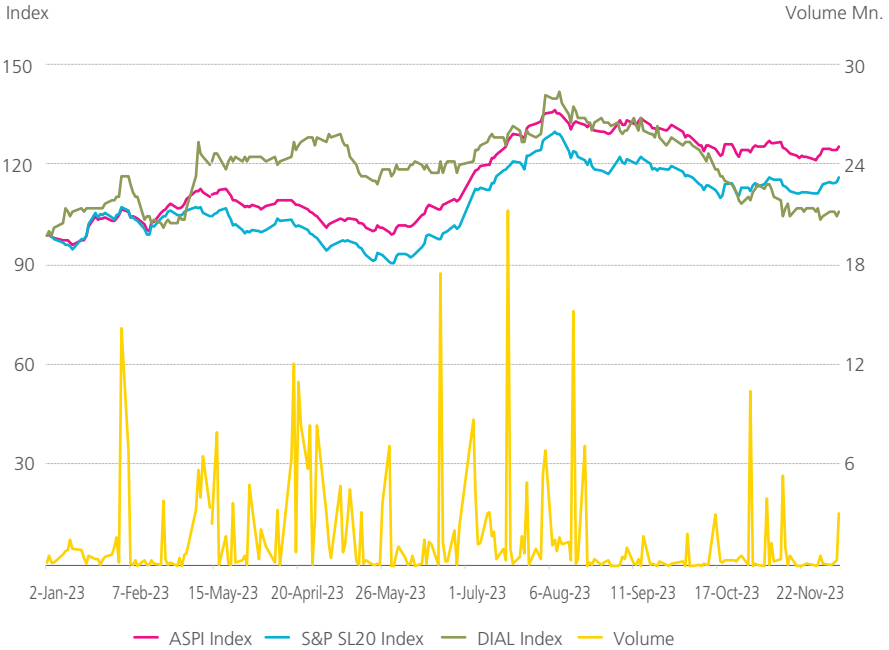


Figure 1: Share Volumes & Relative Performance Vs. Market

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 a strong rebound in 2023 as the country began normalizing post socio-economic crisis in 2022. Accordingly, ASPI ended 2023 with a growth of 25% while the more liquid S&P SL20 index recorded a growth of 16% during the year. The total return indices fared even better as All Share Total Return Index (ASTRI) and Total Return Index on S&P SL20 recorded growth of 28% and 20% respectively.


On the back of a year that witnessed negative growth, the CSE main indices displayed lackluster performance in 1H 2023. The 2H 2023 however began strongly as clarity on Domestic Debt Optimization emerged and subsequently was concluded. Both indices reached peak levels in August 2023 driven by strong foreign investor interest whilst the CBSL commenced a dovish

monitory policy cycle resulting in more liquidity being channeled to the equity market.

The DIAL share appreciated during the year as a result of business performance rebound and overall positive sentiment witnessed at CSE as the share closed at Rs. 9.0 up 6% during the year. The share traded between a high of Rs. 12.2 and a low of Rs. 8.5 and managed to remain a sizable contributor to CSE's overall market capitalization.

MARKET CAPITALISATION

The total market capitalisation of the Company increased by 5.9% to Rs. 74.2Bn during the year while the contribution from DIAL to the overall market capitalisation of CSE marginally decreased to 1.7% by end 2023 relative 1.8% previous year, indicative of the sharper increase in the overall market capitalization for the year.



	2023	Q4	Q3	Q2	Q1	2022
Share Information						
Highest Price (Rs.)	12.2	10.9	12.2	11.1	10.9	12.9
Lowest Price (Rs.)	8.5	8.8	10.4	9.8	8.5	7.9
Closing Price (Rs.)	9.0	9.0	11.0	10.3	10.5	8.5
Trading Statistics						
Number of Transactions	21,857	5,418	5,451	5,332	5,656	34,831
% of Total Market Transactions	0.4%	1.0%	0.4%	0.8%	0.2%	0.6%
Number of Shares Traded (Mn)	397	46	111	141	99	352
% of Total Shares Traded	2.3%	1.7%	1.9%	5.0%	1.8%	1.2%
% of Public Float	27.3%	3.1%	7.6%	9.7%	6.8%	24.2%
Turnover (Rs. Mn)	4,186	433	1,254	1,502	996	3,571
Avg. Daily Turnover (Rs. Mn)	17.3	6.9	20.9	26.4	16.1	15.5
% of Total Market Turnover	1.0%	0.7%	0.7%	2.6%	0.8%	0.4%
Market Capitalisation (Rs. Mn)	74,229	74,229	90,724	84,951	86,600	70,105
% of Total Market Capitalisation	1.7%	1.7%	2.0%	2.2%	2.2%	1.8%

Table 1: Market Information on DIAL Share

DIVIDENDS

Dialog has been guided by the published dividend policy in declaring dividends, after taking into consideration the Group performance and forward investment requirements to maintain leadership position in the market.

Accordingly, the Board of Directors, resolved to propose for consideration by the Shareholders of the Company, a cash dividend to ordinary shareholders amounting to One Rupee and Thirty-Four Cents (Rs. 1.34) per share for FY 2023.

The said dividend, if approved by shareholders, would translate to a payout of 55% of consolidated Group PATAMI for FY 2023, which is above the minimum payout stipulated (50%) by the dividend policy, corresponding to a total dividend of Rs. 11.1 billion and a dividend yield of 14.9%.

TOTAL SHAREHOLDER RETURN

The Total Shareholder Return (TSR) for the share was at 21.8% in 2023 mainly due to the 14.9% yield on the declared dividend and capital appreciation of 5.9%. The market TSR based on ASPI gained 28%, while TSR based on S&P SL20 gained 20% in 2023.

EARNINGS PER SHARE

The basic earnings per share (EPS) for the year returned to a positive Rs. 2.44 compared to the negative EPS of Rs. 4.06 recorded in FY2022, an increase of over 100% YoY. EPS is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue by end of the year.

DIAL Share Information

	2023	2022	2021
Market Cap (Rs. Bn)	74.2	70.1	89.4
Market Value Added (negative) / Positive - (Rs. Bn)	4.1	(19.3)	(12.0)
Enterprise Value (Rs. Bn)	147.4	132.2	109.1
EV / EBITDA (x)	2.4	2.6	1.9
Basic EPS (Rs)	2.44	-4.06	2.08
PER (x)	3.7	NA	5.2
Price to Book (x)	1.1	1.6	1.0
Dividend Yield (%)	14.9%	NA	11.4%

Table 2: Trading Multiples

PRICE TO BOOK RATIO

The price to book ratio of the Group as at 31st December 2023 was 1.1 times, compared to 1.6 times last year mainly resulting from the steep increase in Net Assets of the Company relative to the appreciation in share price.

LIQUIDITY

The liquidity of the share improved by 17.2% during the year in line with the appreciation of the share price by 5.9% as alluded to earlier and the increase in numbers of shares traded by 12.7%. However, the number of trades declined during the year. Accordingly, this indicates an increase in volume weighted average price for the share in 2023 relative to previous year.

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 17.65% by end 2023.

COMPOSITION OF SHAREHOLDERS

The total number of Shareholders of DIAL recorded a moderate decline to 23,043 as at 31 December 2023 compared to the 23,704 during the previous year.

The public float of DIAL was 17.65% as at 31 December 2023. In terms of the composition of the public float, foreign investors held 47% of the float, 37% was held by local institutional investors and 16% by local retail investors.

2023 marked a marginal decline in foreign investor participation in DIAL. Accordingly, overall foreign investor composition decreased to 47% in 2023 from 48% recorded in the previous year.

Composition of Shareholders

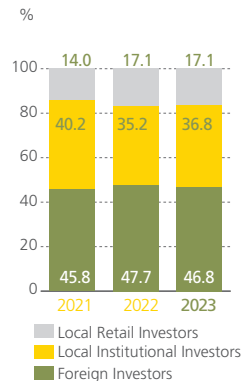


Figure 2: Composition of Shareholders



		Distribution of Shareholders							
		31 December 2023				31 December 2022			
		No. of Shareholders	%	No. of Shares Held	%	No. of Shareholders	%	No. of Shares Held	%
1	to 1,000	12,777	54.27	5,538,712	0.07	12,864	54.27	5,706,233	0.07
1,001	to 10,000	8,652	38.05	22,237,955	0.29	9,020	38.05	23,817,015	0.29
10,001	to 100,000	1,220	5.89	39,424,927	0.55	1,395	5.89	45,110,254	0.55
100,001	to 1,000,000	287	1.31	96,532,614	1.21	311	1.31	100,065,952	1.21
Over	1,000,000	107	0.48	8,083,906,097	97.88	114	0.48	8,072,940,851	97.88
Total		23,043	100.00	8,247,640,305	100.00	23,704	100.00	8,247,640,305	100.00

Table 3: Distribution of shareholders

* 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

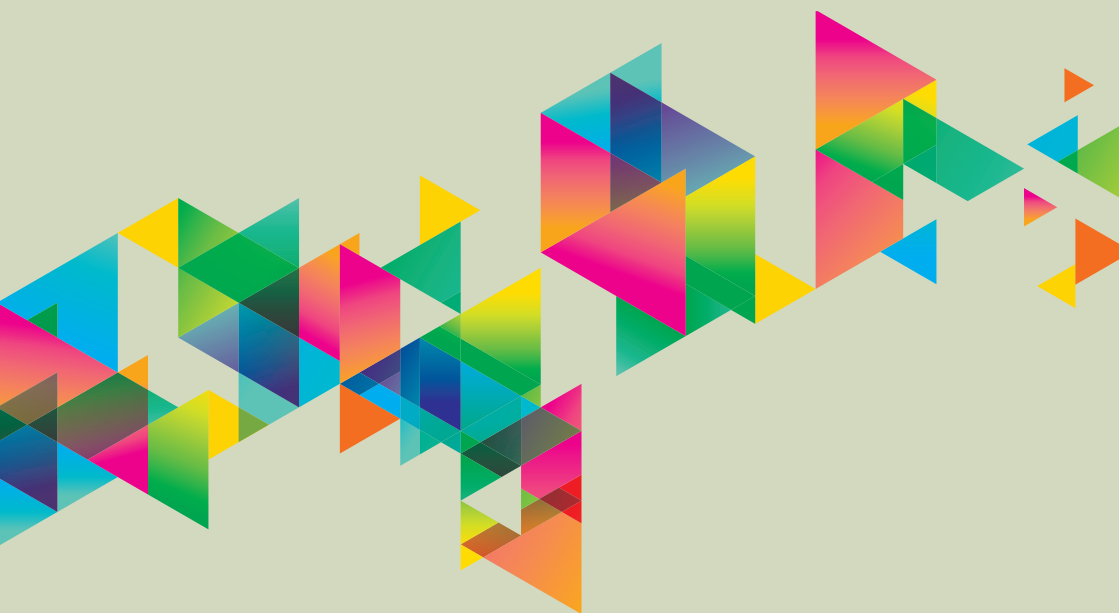
Reuters : DIAL.CM

DIAL Share Information

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY

No	Name of Shareholder	No. of Shares as at 31-Dec-2023	% of Holding	No. of Shares as at 31-Dec-2022	% of Holding
1	AXIATA INVESTMENTS (LABUAN) LIMITED	6,785,252,765	82.27	6,785,252,765	82.27
2	EMPLOYEES PROVIDENT FUND	237,424,082	2.88	237,424,082	2.88
3	BBH LUXFIDELITY FUNDS-PACIFIC F	147,311,909	1.79	147,311,909	1.79
4	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	123,779,336	1.5	129,327,342	1.57
5	SSBT-SUNSUPER PTY. LTD. AS TRUSTEE FOR SUNSUPER SUPERANNUATION FUND	87,288,612	1.06	50,351,813	0.61
6	CITIBANK HONG KONG S/A HOSTPLUS POOLED SUPERANNUATION TRUST	84,476,152	1.02	43,599,859	0.53
7	BBH - FIDELITY FUNDS	53,560,648	0.65	55,240,998	0.67
8	EMPLOYEES TRUST FUND BOARD	49,134,030	0.6	49,934,024	0.61
9	J.B. COCOSHELL (PVT) LTD	41,980,399	0.51	37,347,084	0.45
10	JPMCB NA-FIDELITY ASIAN VALUES PLC	38,530,079	0.47	38,530,079	0.47
11	NORTHERN TRUST COMPANY S/A HOSKING GLOBAL FUND PLC	36,393,681	0.44	30,971,698	0.38
12	INVENCO CAPITAL PRIVATE LIMITED	30,631,240	0.37	886,820	0.01
13	CACEIS BANK, LUXEMBOURG BRANCH-NEF	26,206,391	0.32	26,206,391	0.32
14	MR. DP PIERIS	22,496,254	0.27	22,496,254	0.27
15	SSBT- GLOBAL MACRO CAPITAL OPPORTUNITIES PORTFOLIO	15,839,081	0.19	N/A	N/A
16	HATTON NATIONAL BANK PLC- CAPITAL ALLIANCE QUANTITATIVE EQUITY	15,256,536	0.18	N/A	N/A
17	UNION ASSURANCE PLC - UNIVERSAL LIFE FUND	14,312,320	0.17	9,265,226	0.11
18	BNYM RE-TERRA GLOBAL OPPRTUNITY FUND, LP	13,644,813	0.17	N/A	N/A
19	DEUTSCHE BANK AG AS TRUSTEE FOR JB VANTAGE VALUE EQUITY FUND	11,143,441	0.14	12,144,887	0.15
20	MECANTILE INVESTMENTS AND FINANCE PLC	9,300,000	0.11	9,300,000	0.11

Table 4: Twenty Largest Shareholders of the Company



Financial Statements

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Annual Report of the Board of Directors for the year ended 31 December 2023

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 2023.

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 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), network operations and development 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, Platform (API), navigation and FinTech services, enterprise ICT services including data centre services, manpower services, provision of IT 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 2023 are set out on pages 88 to 170.

INDEPENDENT AUDITOR'S REPORT

The independent Auditor's Report is set out on pages 83 to 87.

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 93 to 111.

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 81 to 82.

REVIEW OF BUSINESS

The state of affairs of the Company and the Group as at 31 December 2023 is set out in the statements of financial position on page 88. An assessment of the financial performance of the Company and the Group is set out in the statements of comprehensive income on page 89.

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 90 and 91 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

The parent company, Axiata Investments (Labuan) Limited, held 82.27% of the ordinary shares in issue of the Company at 31 December 2023. The main shareholders of the Company and the corresponding holding percentages are set out below:

Name of Shareholder	2023		2022	
	No. of shares	% Holding	No. of shares	% Holding
1 Axiata Investments (Labuan) Limited	6,785,252,765	82.27	6,785,252,765	82.27
2 Employees Provident Fund	237,424,082	2.88	237,424,082	2.88
3 BBH Luxfidelity Funds-Pacific F	147,311,909	1.79	147,311,909	1.79
4 Citibank Newyork S/A Norges Bank Account 2	123,779,336	1.50	129,327,342	1.57
5 SSBT-Sunsuper PTY. LTD. as Trustee for Sunsuper Superannuation Fund	87,288,612	1.06	50,351,813	0.61
6 Citibank Hong Kong S/A Hostplus Pooled Superannuation Trust	84,476,152	1.02	43,599,859	0.53
7 BBH - Fidelity Funds	53,560,648	0.65	55,240,998	0.67
8 Employees Trust Fund Board	49,134,030	0.60	49,934,024	0.61
9 J.B. Cocoshell (Private) Limited	41,980,399	0.51	37,347,084	0.45
10 JPMCB NA - Fidelity Asian Values PLC	38,530,079	0.47	38,530,079	0.47

The percentage of shares held by the public as at 31 December 2023 was 17.65%, in the hands of 23,039 public shareholders (2022 - 17.65% in the hands of 23,700 public shareholders). The Float adjusted market capitalization as at 31 December 2023 was Rs. 13,101,465,870.

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

Annual Report of the Board of Directors for the year ended 31 December 2023

DIRECTORS

The Directors of the Company as at 31 December 2023 were;

Mr. David Nai Pek Lau (Chairman)
Mr. Supun Weerasinghe (Group Chief Executive Officer)
Dr. Hansa Wijayasuriya
Deshamanya Mahesh Amalean
Mr. Willem Lucas Timmermans
Mr. Vivek Sood
Dr. Indrajit Coomaraswamy
Dr. Sharmini Coorey
Ms. Komathi Balakrishnan

During the year under review, the following changes took place on the Board:

Mr Azwan Khan Osman Khan's tenure concluded with his demise on 13 May 2023.

Appointments to the Board:

Ms. Komathi Balakrishnan was appointed with effect from 7 July 2023.

Resignations from the Board:

Dato Dr. Nik Ramlah Nik Mahmood resigned with effect from 31 October 2023.

Further, the Board of Directors at the Meeting held on 16 February 2024 resolved to appoint Mr. Thomas Hundt as a Director with effect from 17 February 2024 in place of Mr. Vivek Sood who resigned effective 17 February 2024.

In accordance with the Articles of Association of the Company, Dr. Hansa Wijayasuriya retires by rotation and is eligible for re-election at the forthcoming Annual General Meeting.

Dr. Indrajit Coomaraswamy who attained the age of 74 years on 03 April 2024 and Mr. David Lau Nai Pek who attained the age of 71 years on 07 November 2023, 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 Dr. Indrajit Coomaraswamy

and Mr. David Lau Nai Pek will be proposed at the forthcoming Annual General Meeting.

As Ms. Komathi Balakrishnan and Mr Thomas Hundt were appointed to the Board since the last Annual General Meeting which was held on 7 June 2023, they will submit themselves for re-election at the forthcoming Annual General Meeting pursuant to Article 109 of the Articles of Association.

The names of the Directors eligible for re-election are included in the Notice of the Annual General Meeting.

INTERESTS REGISTER

The Company has maintained the interest 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 to the financial statements.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

The details of direct and indirect shareholdings of Directors as at 31 December 2023 are as follows:

	No of Shares	
	2023	2022
Dr. Hansa Wijayasuriya	2,408,910	2,408,910
Mr. Supun Weerasinghe	4,260,200	4,260,200
Deshamanya Mahesh Amalean*	-	500,000

* Shares 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 Deloitte Partners Sri Lanka was Rs. 9.78 million (2022 - Rs. 7.98 million) and Rs. 24.6 million (2022 - Rs. 20.5 million) for the Company and the Group respectively. In addition to the above, Rs. 9.04 million (2022 - Rs. 5.2 million) and Rs. 9.45 million (2022 - Rs. 5.6 million) was payable by the Company and the Group for other permitted services.

STATED CAPITAL

The stated capital of the Company as at 31 December 2023 was Rs. 29,349,706,105 (2022 - Rs. 29,349,706,105) comprising 8,247,640,305 ordinary shares (2022 - 8,247,640,305 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 compliant with 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 aggregative value exceeded the lower of 10% of the equity or 5% of the assets as per 31 December 2023 audited financial statements, which require additional disclosure in terms of Rule 9.14.8 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 2023, 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 on-going process to identify, evaluate and manage significant business risks.

ENVIRONMENTAL PROTECTION

The Company and the Group make every endeavor to comply with the relevant environmental laws, regulations and best practices applicable in the country. The Company's Environmental Management System was certified by the globally recognized ISO 14001: 2015 standards in July 2021 for its full scope of operations. This is reviewed and updated periodically by an international panel of experts. The Company became South Asia's first Quad-play Telecommunication Company (Mobile, Fixed, Media and Broadband) to achieve the same. After making adequate inquiries from management, the Directors are satisfied that the Company and its subsidiaries operate in a manner that minimizes 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.

Annual Report of the Board of Directors for the year ended 31 December 2023

MATERIAL ISSUES

There were no material issues pertaining to employees and industrial relations.

DONATIONS

The total donations made by the Company and its subsidiaries during the year amounted to Rs. 89,916,137 (2022 - Rs. 144,956,407).

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.

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 fiber 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 Deloitte Partners, Chartered Accountants, (formerly known as PricewaterhouseCoopers) 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 Deloitte Partners 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 Deloitte Partners 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 39 to the financial statements.

By Order of the Board



Mr. Supun Weerasinghe
Director



Dr. Hans Wijayasuriya
Director



Ms. Viranthi Attygalle
Group Company Secretary

Colombo
16 February 2024

The Statement of Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the financial statements of Dialog Axiata PLC ("the Company") and the Consolidated Financial Statements of the Company and its Subsidiaries and the Associates ("the Group") is set out in the following statement.

The responsibilities 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'), are set out in the Independent Auditor's Report from pages 83 to 87.

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,
- ▶ the Statement of Changes in Equity,
- ▶ the Statement of Cash Flows,
- ▶ Notes to the Financial Statements.

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 Sri Lanka Accounting Standards (SLFRS / LKAS), as relevant, have been followed and are consistent with the underlying books of accounts;
- ▶ reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected;
- ▶ and information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange has been disclosed.

- ▶ the companies within the Group maintain sufficient accounting records to disclose the financial position of the Group with reasonable accuracy.

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, designation, implementation and maintenance of appropriate accounting and internal control systems with a view of preventing and detecting fraud and other irregularities relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

The Statement of Directors' Responsibility for Financial Reporting

The Directors confirm that based on their assessment, the accounting controls are adequate, and nothing has come to their attention to indicate any breakdown in the functioning of these controls that may result in a material loss to the Company. The Directors also confirm that the Company has adequate resources to continue in operational existence and continue as a Going Concern for the foreseeable future.

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

By Order of the Board



Ms. Viranthi Attygalle
Group Company Secretary

Colombo
16 February 2024

Independent Auditor's Report



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100 Braybrooke Place
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Sri Lanka

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To the Shareholders of Dialog Axiata PLC Report on the audit of the financial statements Our opinion

We have audited the financial statements of Dialog Axiata PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"). The financial statements of the Company and the consolidated financial statements of the Group comprise:

- ▶ the statement of financial position as at 31 December 2023;
- ▶ 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). 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.

C S Manoharan FCA, T U Jayasinghe FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, L A C Tillekeratne ACA, M D B Boyagoda FCA, N R Gunasekera FCA, W D A S U Perera ACA, D C A J Yapa ACA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179



TO THE SHAREHOLDERS OF DIALOG AXIATA PLC (CONTINUED)

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

The Group:

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill on acquisition of subsidiaries</p> <p>(Refer accounting policies in note 2.5 (a) and note 7 in the financial statements)</p> <p>As at 31 December 2023, the Group’s goodwill arising from its acquisition of subsidiaries was Rs. 4.8 Bn. The Group is required to test goodwill for impairment annually according to the requirements of the applicable accounting standard.</p> <p>This annual impairment test was significant to our audit due to the following reasons:</p> <ul style="list-style-type: none"> ▶ the goodwill balance of the Group as at 31 December 2023 is material to the financial statements; and ▶ impairment testing is based on management’s assumptions and judgments about future results of the business and the discount rates applied to future cash flow forecasts of the related subsidiaries which are affected by the uncertainty of the expected future market or economic conditions. 	<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> <ul style="list-style-type: none"> a) assessed the key assumptions, including the 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. This also included assessing the impact of the present economic crisis of the country on the industry using both historical data as well as market expectations from published reports, where applicable; b) checked the mathematical accuracy of the impairment testing and agreed with relevant data to the approved management plans; c) checked the cashflow projections by comparing actual performance against previous forecasts and projections; d) discussed with relevant senior management the extent to which their assessment of uncertainty had been incorporated to cash flow projections; e) 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 EBITDA ratio; f) tested management judgements on calculating the reasonableness of assets and liabilities forming part of CGU; and g) engaged valuation specialists to test the reasonableness of key assumptions used including discount rate and terminal growth rate <p>We found the assumptions used are consistent and in line with our expectations.</p>

The Group and Company:

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition - Accuracy of mobile service revenues recorded given the complexity of systems and the inherent nature of the revenue.</p> <p>(Refer accounting policies in note 2.25 and note 26 in the financial statements)</p> <p>The mobile services revenue of the Company and the Group amounted to Rs.102.9 Bn and Rs.107.6 Bn respectively, and comprised revenues from voice, data, and value-added services that are material to the financial statements.</p> <p>We focused on this area, in determining telecommunication service revenue involves risks due to:</p> <ul style="list-style-type: none"> ▶ multiple element arrangements inherent to revenue in the industry; ▶ an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changes in pricing models to revenue recognition; and ▶ complex information technology systems involving the processing of large volumes of data. 	<p>Our audit procedures included testing of controls and substantive procedures as follows:</p> <ul style="list-style-type: none"> (a) evaluated the relevant IT systems and the design of relevant controls, and tested the operating effectiveness of such controls over the: <ul style="list-style-type: none"> - capturing and recording of revenue transactions; - authorization of rate changes and the rate input to the billing systems; and - accuracy of the system calculation of amounts billed to customers (b) checked the accounting treatment for all new products launched with multiple element arrangements and tested that they are appropriately incorporated into the billing systems; (c) recalculated the revenue recognised to evaluate whether the amounts recognised by the Company's IT system were accurate; (d) tested the reconciliations between the general ledger and IT system for all key revenue streams; (e) tested the results of the monitoring activities performed by the revenue assurance function of the Company; and (f) examined material non-standard journal entries and other adjustments posted to revenue. <p>Our procedures did not result in material findings with respect to the accuracy of revenue recorded in the year.</p>

Independent Auditor's Report



TO THE SHAREHOLDERS OF DIALOG AXIATA PLC (CONTINUED)

Report on the audit of the financial statements (Continued)

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 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the separate / consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 scepticism 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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 separate/ consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with 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.

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

Report on other legal 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.

Deloitte Partners

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number 4997
COLOMBO

16 February 2024

Statement of Financial Position

(all amounts in Sri Lanka Rupees thousands)

As at 31 December	Note	Group		Company	
		2023	2022	2023	2022
ASSETS					
Non - current assets					
Intangible assets	7	17,454,309	13,317,262	11,493,089	7,119,264
Contract cost assets	26(c)(i)	12,241,671	10,573,568	3,852,701	2,852,882
Property, plant and equipment	8	151,278,847	156,236,582	112,289,708	116,246,596
Right-of-use assets	9(a)(i)	8,312,349	8,531,477	8,100,888	8,279,270
Deferred tax assets	23(a)	304,966	219,720	-	-
Investment in subsidiaries	10	-	-	39,207,068	39,207,068
Investment in associates	11	34,585	104,948	-	-
Other financial assets	13	2,967,502	2,228,434	-	-
		192,594,229	191,211,991	174,943,454	173,705,080
Current assets					
Inventories	14	3,035,674	2,870,804	590,481	197,918
Trade and other receivables	15	47,534,230	30,920,907	35,872,078	33,625,447
Other financial assets	13	2,469,869	1,599,862	-	-
Cash and cash equivalents	16	40,613,115	40,546,906	28,494,858	30,978,618
		93,652,888	75,938,479	64,957,417	64,801,983
Total assets		286,247,117	267,150,470	239,900,871	238,507,063
EQUITY					
Capital and reserves attributable to equity holders					
Stated capital	17	29,349,706	29,349,706	29,349,706	29,349,706
Reserves	18	37,031,245	15,866,349	27,749,456	15,136,848
Equity attributable to equity holders		66,380,951	45,216,055	57,099,162	44,486,554
Non-controlling interests		(44,189)	(66,107)	-	-
Total equity		66,336,762	45,149,948	57,099,162	44,486,554
LIABILITIES					
Non - current liabilities					
Borrowings	21	67,674,317	66,581,118	63,626,373	65,282,580
Contract liabilities	26(c)(ii)	5,701,768	4,945,910	4,602,154	4,208,273
Deferred income	22	350,828	283,735	350,828	283,735
Lease liabilities	9(a)(ii)	7,871,095	7,797,196	7,645,323	7,551,270
Other financial liabilities	20	164,447	20,544	-	-
Employee benefit payables	24	2,095,107	3,193,399	1,467,253	2,437,154
Provision for other liabilities	25	3,434,609	5,547,146	3,071,880	5,215,949
Deferred tax liabilities	23(a)	201,982	20,104	-	-
		87,494,153	88,389,152	80,763,811	84,978,961
Current liabilities					
Trade and other payables	19	66,786,599	80,517,912	49,714,487	63,956,319
Borrowings	21	55,091,099	37,008,681	44,818,512	35,107,225
Other financial liabilities	20	1,672,808	3,774,729	-	-
Lease liabilities	9(a)(ii)	777,596	1,924,449	738,978	1,873,519
Contract liabilities	26(c)(ii)	6,667,964	8,787,804	5,487,863	6,525,075
Current income tax liabilities		1,420,136	1,597,795	1,278,058	1,579,410
		132,416,202	133,611,370	102,037,898	109,041,548
Total liabilities		219,910,355	222,000,522	182,801,709	194,020,509
Total equity and liabilities		286,247,117	267,150,470	239,900,871	238,507,063

Net assets per share (Rs.)

8.04

5.48

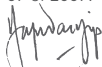
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The notes on pages 93 to 170 form an integral part of these financial statements.

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

Acting Group Chief Financial Officer

16 February 2024

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

16 February 2024



Dr. Hans Wijayasuriya

Director

16 February 2024

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

For the year ended 31 December	Note	Group		Company	
		2023	2022	2023	2022
Revenue	26(a)	187,813,228	178,130,762	102,932,077	101,372,997
Direct costs	27	(122,054,105)	(117,947,759)	(54,221,673)	(52,523,333)
Gross profit		65,759,123	60,183,003	48,710,404	48,849,664
Distribution costs	27	(18,001,764)	(16,477,205)	(15,145,873)	(14,016,863)
Administrative costs	27	(26,602,505)	(39,847,190)	(21,708,674)	(40,261,413)
Net impairment loss on financial assets		(898,845)	(1,728,411)	(589,318)	(920,605)
Other income	29	617,525	438,230	135,239	253,362
Operating profit / (loss)		20,873,534	2,568,427	11,401,778	(6,095,855)
Finance income	30	1,979,588	2,396,014	2,196,946	2,450,721
Finance costs	30	(10,051,168)	(5,308,623)	(8,878,602)	(5,010,147)
Net foreign exchange gain / (loss)	30	10,213,517	(30,280,313)	9,991,313	(26,902,351)
Finance income / (costs) - net	30	2,141,937	(33,192,922)	3,309,657	(29,461,777)
Share of loss of associates - net of tax	11	(70,363)	(78,077)	-	-
Profit / (loss) before income tax		22,945,108	(30,702,572)	14,711,435	(35,557,632)
Income tax expense	31	(2,832,251)	(2,706,119)	(2,713,480)	(2,751,125)
Profit / (loss) for the year		20,112,857	(33,408,691)	11,997,955	(38,308,757)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
- Fair value gain / (loss) on investments in equity instruments designated as at fair value through other comprehensive income, net of tax		251,292	30,550	-	-
- remeasurements of defined benefit obligation, net of tax		984,115	(1,266,473)	773,514	(953,909)
Other comprehensive income for the year, net of tax		1,235,407	(1,235,923)	773,514	(953,909)
Total comprehensive income for the year		21,348,264	(34,644,614)	12,771,469	(39,262,666)
Profit / (loss) for the year attributable to:					
- owners of the Company		20,124,094	(33,387,921)	11,997,955	(38,308,757)
- non-controlling interest		(11,237)	(20,770)	-	-
Total comprehensive income for the year attributable to:					
- owners of the Company		21,342,511	(34,623,842)	12,771,469	(39,262,666)
- non-controlling interest		5,753	(20,772)	-	-
Earnings / (loss) per share					
- Basic	32(a)(i)	2.44	(4.06)	1.45	(4.66)
- Diluted	32(a)(ii)	2.44	(4.04)	1.45	(4.63)

The notes on page 93 to 170 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
		Stated capital	Reserves		
As at 1 January 2023		29,349,706	15,866,349	(66,107)	45,149,948
Profit for the year		-	20,124,094	(11,237)	20,112,857
Other comprehensive income		-	1,218,417	16,990	1,235,407
Total comprehensive income for the year		-	21,342,511	5,753	21,348,264
Transactions with non-controlling interest		-	(18,754)	16,165	(2,589)
Transfer from share-based payment reserve upon cancellation the payment plan		-	(158,861)	-	(158,861)
Balance at 31 December 2023		29,349,706	37,031,245	(44,189)	66,336,762
Balance at 1 January 2022		28,855,862	64,731,300	(72,275)	93,514,887
Adjustment for surcharge tax		-	(3,819,733)	-	(3,819,733)
Adjusted balance at 1 January 2022		28,855,862	60,911,567	(72,275)	89,695,154
Loss for the year		-	(33,387,921)	(20,770)	(33,408,691)
Other comprehensive income		-	(1,235,921)	(2)	(1,235,923)
Total comprehensive income for the year		-	(34,623,842)	(20,772)	(34,644,614)
Transactions with non-controlling interest		-	(18,121)	26,940	8,819
Employee share scheme - value of employee services		-	259,342	-	259,342
Dividends to equity shareholders	32(b)	-	(10,168,753)	-	(10,168,753)
Transfer from share-based payment reserve upon vesting		493,844	(493,844)	-	-
Balance at 31 December 2022		29,349,706	15,866,349	(66,107)	45,149,948

The notes on pages 93 to 170 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		Total equity
		Stated capital	Reserves	
Balance at 1 January 2023		29,349,706	15,136,848	44,486,554
Profit for the year		-	11,997,955	11,997,955
Other comprehensive income		-	773,514	773,514
Total comprehensive income for the year		-	12,771,469	12,771,469
Transfer from share-based payment reserve upon cancellation the payment plan		-	(158,861)	(158,861)
Balance at 31 December 2023		29,349,706	27,749,456	57,099,162
Balance at 1 January 2022		28,855,862	68,176,351	97,032,213
Adjustment for surcharge tax		-	(3,373,582)	(3,373,582)
Adjusted balance at 1 January 2022		28,855,862	64,802,769	93,658,631
Loss for the year		-	(38,308,757)	(38,308,757)
Other comprehensive income		-	(953,909)	(953,909)
Total comprehensive income for the year		-	(39,262,666)	(39,262,666)
Employee share scheme - value of employee services		-	259,342	259,342
Dividends to equity shareholders	32(b)	-	(10,168,753)	(10,168,753)
Transfer from share-based payment reserve upon vesting		493,844	(493,844)	-
Balance at 31 December 2022		29,349,706	15,136,848	44,486,554

The notes on pages 93 to 170 form an integral part of these financial statements.

Statement of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

For the year ended 31 December	Note	Group		Company	
		2023	2022	2023	2022
Cash flows from operating activities					
Cash generated from operations	33(a)	32,630,701	63,281,338	32,010,594	38,149,883
Interest received		3,247,678	1,961,857	2,689,155	1,523,053
Interest paid		(10,465,558)	(2,488,345)	(9,041,367)	(1,897,080)
Income taxes paid		(3,124,515)	(5,976,206)	(3,000,198)	(5,524,270)
Employee benefit obligations paid	24(a)(i)	(962,438)	(125,899)	(722,416)	(98,134)
Net cash generated from operating activities		21,325,868	56,652,745	21,935,768	32,153,452
Cash flows from investing activities					
Purchase of property, plant and equipment		(37,702,315)	(56,803,994)	(29,977,498)	(44,705,685)
Purchase of intangible assets		(6,277,949)	(3,038,639)	(6,214,038)	(2,216,730)
Proceeds from sale of property, plant and equipment		118,480	8,572	117,659	8,572
Net cash flows used in other financial assets		-	(238,343)	-	-
Acquisition of subsidiary, net of cash used		-	-	-	(188,541)
Net cash used in investing activities		(43,861,784)	(60,072,404)	(36,073,877)	(47,102,384)
Cash flows from financing activities					
Repayment of borrowings	33(b)	(44,132,221)	(40,303,697)	(40,600,014)	(39,349,884)
Proceeds from borrowings	33(b)	45,709,617	74,159,017	34,182,500	74,143,017
Principal element of lease payment	33(b)	(2,738,678)	(2,802,628)	(2,659,559)	(1,245,491)
Proceeds from share issue – non controlling interest		-	5,132	-	-
Dividends paid to ordinary shareholders	32(b)	-	(10,168,753)	-	(10,168,753)
Net cash (outflow) / inflow from financing activities		(1,161,282)	20,889,071	(9,077,073)	23,378,889
Net (decrease) / increase in cash and cash equivalents		(23,697,198)	17,469,412	(23,215,182)	8,429,957
Movement in cash and cash equivalents					
At the beginning of year		32,241,475	14,969,061	23,588,257	15,322,265
(Decrease) / Increase		(23,697,198)	17,469,412	(23,215,182)	8,429,957
Effect of exchange rate changes		(680,953)	(196,998)	(463,553)	(163,965)
At end of year	(Note a)	7,863,324	32,241,475	(90,478)	23,588,257

Note a

Cash and cash equivalents at the end of the financial year consist of the following.

		Group		Company	
		2023	2022	2023	2022
Cash in hand and cash at bank	16	40,613,115	40,546,906	28,494,858	30,978,618
Bank overdrafts	21	(32,749,791)	(8,305,431)	(28,585,336)	(7,390,361)
		7,863,324	32,241,475	(90,478)	23,588,257

The notes on pages 93 to 170 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, enterprise services and financial services, data centre services, manpower services, provision of IT 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 16 February 2024.

2 SUMMARY OF MATERIAL 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 Group and the Company 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 2023

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- (i) The amendment to LKAS 1, 'Presentation of Financial Statements' replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Entities must separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The amendment to the standard is effective for accounting periods beginning on or after 1 January 2023.

- (ii) The amendment to LKAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The definition of a change in accounting estimates were deleted.

The amendment to the standard is effective for accounting periods beginning on or after 1 January 2023.

Notes to the Financial Statements

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

- (iii) Amendments to LKAS 12, 'Income tax' update applicable when an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Following the amendments to LKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in LKAS 12.

The amendment to the standard is effective for accounting periods beginning on or after 1 January 2023.

(b) New accounting standards, amendments and interpretations issued but not yet adopted in 2023

- (i) Amendments to SLFRS 10 'Consolidated Financial Statements' and LKAS 28, 'Investments in Associates and Joint Ventures'.

Amendments clarify that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

The effective date for this standard has not yet been finalised.

- (ii) Amendment to LKAS 1, 'Presentation of Financial Statements'

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

- (iii) Amendments to LKAS 7, 'Statement of Cash Flows' and SLFRS 7 'Financial Instruments: Disclosures -Supplier Finance Arrangements'.

The amendment requires Company to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows.

This amendment will be effective for annual reporting periods beginning on or after 1 January 2024.

- (iv) Amendments to LKAS 16, 'Leases—Lease Liability in a Sale and Leaseback

The amendment specify the subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in SLFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2024.

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

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group and the Company 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 relevant 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.

(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.

Notes to the Financial Statements

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

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 2.8.

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:

	Estimated useful lives (in years)
Buildings	25 to 40
Building - electrical installation	8
Building - leasehold property	Over lease period
Computer equipment	4 to 5
Telecom equipment	5 to 20
Customers' premises equipment	1 to 3
Office equipment	5 to 12.5
Office equipment – phones	2
Furniture and fittings	5 to 8
Toolkits	10
Motor vehicles	4 to 5

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 statement of 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.

Notes to the Financial Statements

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

The acquired item is measured in this way even if the Group and the Company 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 Group and the Company. 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 cost assets

The costs that are directly related to the acquisition and fulfilment of customer contracts are recognised as contract cost assets and amortised on a systematic basis that is consistent with the fulfilment of the performance obligation. Contract cost assets 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 cost assets incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

The capitalised contract cost assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

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.

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

Notes to the Financial Statements

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

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

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 profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group and the Company 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 Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

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

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

(c) Measurement

At initial recognition, the Group and the Company 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.

(d) 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. Impairment expenses are presented as separate line item in the comprehensive income.
- ▶ 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 Group and the Company 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.

(e) Impairment

The Group and the Company 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 a loss allowance at an amount equal to the 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 the 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.
- ▶ 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 Group and the Company 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

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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 Group and the Company.

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

(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 Group and the Company 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 Group and the Company 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 Group and the Company 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 which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position.

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.

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(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

The Group and the Company classify their financial liabilities in the following categories: trade and other payables (excluding statutory liabilities), borrowings and other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

Financial instruments issued by the Group and the Company, 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 comprehensive income.

2.15 Trade payables

Trade payables represent liabilities for goods and services provided to the Group and the Company prior to the end of 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 Group and the Company 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 and recorded under finance expense.

2.18 Income taxes

Tax expense for the period comprises current and deferred income tax. 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 Group and the Company 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.

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

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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 Group and the Company 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 Group and the Company 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 Group and the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company 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 Group and the Company have 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 Group and the Company 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 ROU or comprehensive income 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 and the Company do 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 Group and the Company 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 Group and the Company. 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 Group and the Company 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.

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

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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 Group and the Company 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 Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company 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 Group and the Company 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 Group and the Company 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 Group and the Company 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 Group and the Company, 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 comprehensive income 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 comprehensive income in the period in which the condition that triggers those payments occurs.

The Group and the Company present 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 Group and the Company are 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 Group and the Company 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 Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are 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.

The Group and the Company determine 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 Group and the Company consider 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 Group and the Company 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

Notes to the Financial Statements

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

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 Group and the Company 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 Group and the Company 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 Group and the Company 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.

(viii) Provision of IT services

Revenue from carrying on the business of importers, exporters, agents and distributors, dealers and traders in software licenses and carrying on the business of developing computer software, designers and distributors of software packages. Revenue from the sale of licences are recognised at the point of time whereas service is recognised during the agreed service period where the entity performs the related service. Whenever the Group and the Company control goods or services when they are delivered to a customer, the Group and the Company are the principal in the sale; otherwise, act as agents.

(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 Group and the Company 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, term loans and factoring

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.

Revenue from factoring is derived from two sources, funding and providing sales ledger related services.

- ▶ Funding - Discount income relating to factoring transactions is recognised at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the Client's current Account.
- ▶ Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement. Income is accounted for on an accrual basis and deemed earned on disbursement of advances for invoices factored.

(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 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- ▶ the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments, and
- ▶ the amount initially recognised less, where appropriate, the cumulative amount of income recognised as per the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.27 Earnings per share

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

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

2.28 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 Group's and the Company'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 Group's and the Company'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 Group and the Company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Group's and the Company's financial risk management policies. The Board of Directors regularly reviews these risks and approves the risk management policies, which cover 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.

(a) 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; and
- ▶ 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.

- (b) 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.
- (c) 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. The Company's and the Group's exposure to foreign currency risk at the end of the reporting period are shown in the Note 21 (c) to the financial statements.

If Sri Lanka rupee fluctuates by 1% against United States dollar ('USD') as at 31 December 2023, with all other variables held constant, it will result in a net foreign exchange difference of Rs. 526Mn (2022 - Rs. 907Mn) and Rs. 522Mn (2022 - Rs. 833Mn) on translation of USD denominated balances in the Group and the Company respectively.

(ii) Cash flow and fair value interest rate risk

The Group and the Company have cash and bank balances including deposits placed with creditworthy licensed banks and financial institutions. The Group and the Company 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 banking and non-banking 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 Group and the Company 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 Group and the Company use hedging instruments such as interest rate swap contracts. The Group and the Company analyse interest rate exposure on a dynamic basis.

The Company's and the Group's exposure to interest rate risk at the end of the reporting period are shown in the Note 21 to the financial statements.

If 6 months Sovereign Overnight Financing Rate ('SOFAR') on IFC loan, on long term rupee loans had been lower/higher by 1% as at 31 December 2023 with all other variables held constant, it will result in a lower/higher interest expense of the Group and the Company amounting to Rs. 436Mn (2022 - 188Mn).

The Group's borrowings and receivables are carried at amortised costs. The borrowings are periodically contractually repriced and to that extend are also exposed to the risk of future changes in market interest rates.

(b) Credit risk

Credit risk is managed on the Group and the Company 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 Group and the Company 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 Group and the

Company 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 Group and the Company 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.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets.

(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 Group and the Company monitor and maintain a level of cash and cash equivalents (including USD funding lines) 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 Group and the Company aim at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

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 (Contd.)

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.

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 2023					
Borrowings	34,442,132	7,396,617	26,897,727	42,749,333	4,914,000
Trade and other payables	65,154,208	259,342	499,260	817,060	56,730
Lease liabilities	608,089	1,443,723	1,460,952	2,953,980	3,753,055
Other financial liabilities	1,797,209	655,109	64,932	99,516	-

At 31 December 2022

Borrowings	11,757,014	25,218,356	3,745,000	24,414,687	38,454,742
Trade and other payables	72,668,743	5,944,801	1,599,799	229,577	74,990
Lease liabilities	835,008	1,059,651	1,140,263	2,126,225	4,560,494
Other financial liabilities	8,555	3,765,835	11,174	9,719	-

Company	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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At 31 December 2023

Borrowings	29,591,586	4,793,750	23,370,505	42,158,500	4,914,000
Trade and other payables	49,714,488	-	-	-	-
Lease liabilities	289,631	868,892	1,005,511	2,751,968	3,622,904

At 31 December 2022

Borrowings	10,571,804	24,535,444	3,341,667	23,486,148	38,454,742
Trade and other payables	53,947,139	-	-	-	-
Lease liabilities	835,008	1,059,651	1,140,263	2,126,229	4,560,494

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 maximize shareholder's value.

The Group and the Company manage the capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company 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	
	2023	2022	2023	2022
Debt	122,765,417	103,589,799	108,444,885	100,389,805
Total capital	66,336,762	45,149,948	57,099,162	44,486,554
Gearing ratio (Debt to Total capital)	1.85	2.29	1.90	2.26

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 Group and the Company 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).

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 - Group					
	Level 1		Level 3		Total	
	Rs. '000		Rs. '000		Rs. '000	
	2023	2022	2023	2022	2023	2022
Financial assets						
Financial assets at fair value through profit or loss (FVPL)						
Investment in quoted equities	2,466	2,865	-	-	2,466	2,865
Investment in unquoted equities	-	-	763,685	477,189	763,685	477,189
Financial assets at fair value through other comprehensive income (FVOCI)						
Investment in quoted equities	2,185	-	-	-	2,185	-
Investment in unquoted equities	-	-	565,685	205,847	565,685	205,847

Notes to the Financial Statements

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

4 FAIR VALUE MEASUREMENT (CONTINUED)

(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 2023 and 31 December 2022.

	Unlisted equity securities at FVTPL	Unlisted equity securities at FVOCI	Total
As at 1 January 2022	295,230	170,609	465,839
Net fair value (loss) /gain	(53,520)	30,550	(22,970)
Addition	238,344	4,688	243,032
As at 31 December 2022	480,054	205,847	685,901
Net fair value gain/ (loss)	286,496	359,838	697,055
Disposal	(2,865)	-	(2,865)
As at 31 December 2023	763,685	565,685	1,380,091

Description	Fair value		Unobservable input	Relationship of unobservable input to the fair value		
	2023	2022		Change in assumption	Increase in assumption	Decrease in assumption
Unlisted equity securities at FVTPL	373,771	275,054	Cash flow projection based on the forecasts covering a five-year period	Discount rate by 1%	Reduce the fair value by Rs. 39Mn	Increase the fair value by Rs. 43Mn
	389,914	205,000	Price contained within an offered quote	-	-	-
Unlisted equity securities at FVOCI	563,500	203,727	Cash flow projection based on the forecasts covering a five-year period	Discount rate by 1%	Reduce the fair value by Rs. 4.8Mn	Increase the fair value by Rs. 5.2Mn
	2,185	2,120	Adjusted net asset value per share	Adjusted net assets per share by 5%	Increase by Rs. 109Mn	Decrease by Rs. 109Mn

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant.

The following table represents the fair value level of the financial assets and liabilities that are not measured at fair value and related fair value hierarchy used at the end of the reporting period. The table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values. Since, they are short term in nature or re-priced to current market rates frequently.

	Carrying value	Level 1	Level 2	Level 3	Total
As at 31 December 2023					
Other financial assets at amortised cost - Loans and advance	4,105,933	-	4,105,933	-	4,105,933

	Carrying value	Level 1	Level 2	Level 3	Total
As at 31 December 2022					
Other financial assets at amortised cost - Loans and advance	3,142,395	-	3,142,395	-	3,142,395

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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 Group and the Company 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 Group and the Company 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 amortization 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 Group and the Company 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.

(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 Group and the Company 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 Group and the Company 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 Group and the Company 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 Group and the Company 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 Group and the Company 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 Group and the Company consult with legal counsel on matters related to litigation and other experts both within and outside the Group and the Company 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 Group and the Company use 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 contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling price. Where the Group and the Company 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 Group and the Company maximise the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Group and the Company, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach.

When the Group and the Company 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 Group and the Company are acting as agents. Whether the Group and the Company 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.

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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 Group and the Company 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.

(n) Estimation in relation to contract cost assets

Costs that are directly related to the acquisition and fulfilment of customer contracts are recognised as contract Cost assets and amortised on a systematic basis that is consistent with the fulfilment of the performance obligation. Contract cost assets are assessed at each reporting date whether there is any indication that the subscriber acquisition cost may be impaired.

(o) Going concern

When preparing financial statements, management shall make an assessment of the Group's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the Company or to cease trading or has no realistic alternative but to do so. When the management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, those uncertainties shall be disclosed. Where the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

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 2023, the Group is organised into three main business segments:

- ▶ Mobile operation
- ▶ Fixed telephony and broadband operation
- ▶ Television operations

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination / adjustment	Group
Total segmental revenue	119,138,149	73,617,165	12,351,969	-	205,107,283
Inter-segment revenue	(11,464,567)	(5,723,081)	(106,407)	-	(17,294,055)
Revenue from external customers	107,673,582	67,894,084	12,245,562	-	187,813,228
Segment operating profit for the year	12,763,965	6,700,838	123,505	1,285,226	20,873,534
Finance costs - net					2,141,937
Share of loss from associates - net of tax					(70,363)
Profit before income tax					22,945,108
Income tax expense					(2,832,251)
Profit for the year					20,112,857

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	27,262,871	11,105,349	2,889,631	-	41,257,851

The segment assets and liabilities at 31 December 2023 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination / adjustment	Group
Assets	256,083,629	63,372,789	12,641,343	(36,882,057)	295,215,704
Inter-segment assets	(6,250,744)	(2,711,592)	(6,251)	-	(8,968,587)
Total assets	249,832,885	60,661,197	12,635,092	(36,882,057)	286,247,117
Liabilities	195,610,580	19,062,987	14,638,834	-	229,312,401
Inter-segment liabilities	(5,214,145)	(2,286,203)	(1,901,698)	-	(9,402,046)
Total liabilities	190,396,435	16,776,784	12,737,136	-	219,910,355
Capital expenditure	26,445,242	6,701,220	239,086	-	33,385,548

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 2022 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination / adjustment	Group
Total segmental revenue	113,253,121	68,793,923	12,047,718	-	194,094,762
Inter-segment revenue	(10,924,466)	(4,942,777)	(96,757)	-	(15,964,000)
Revenue from external customers	102,328,655	63,851,146	11,950,961	-	178,130,762
Segment operating profit for the year	(5,407,754)	3,423,867	(2,150,414)	6,702,728	2,568,427
Finance costs - net					(33,192,922)
Share of loss from associates - net of tax					(78,077)
Loss before income tax					(30,702,572)
Income tax expense					(2,706,119)
Loss for the year					(33,408,691)

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	30,233,062	11,426,871	2,904,571	-	44,564,504
Impairment of goodwill [Note 7 (e)]	-	-	-	4,835,089	4,835,089
Impairment of investment in subsidiaries	11,602,577	-	-	(11,602,577)	-

The segment assets and liabilities at 31 December 2022 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination / adjustment	Group
Assets	252,828,100	61,068,807	9,470,244	(44,426,632)	278,940,519
Inter-segment assets	(10,614,546)	(1,169,340)	(6,163)	-	(11,790,049)
Total assets	242,213,554	59,899,467	9,464,081	(44,426,632)	267,150,470
Liabilities	205,827,358	22,647,346	12,127,686	-	240,602,390
Inter-segment liabilities	(9,644,854)	(8,019,988)	(937,026)	-	(18,601,868)
Total liabilities	196,182,504	14,627,358	11,190,660	-	222,000,522
Capital expenditure	49,869,731	12,773,250	505,639	-	63,148,620

7 INTANGIBLE ASSETS

(a) Group

	Goodwill	Licenses	Computer software	Others	Total
At 1 January 2023					
Cost	9,653,481	16,008,773	20,157,253	1,271,896	47,091,403
Accumulated amortisation / impairment	(4,835,087)	(12,114,641)	(15,593,767)	(1,230,646)	(33,774,141)
Net book amount	4,818,394	3,894,132	4,563,486	41,250	13,317,262
Year ended 31 December 2023					
Opening net book amount	4,818,394	3,894,132	4,563,486	41,250	13,317,262
Additions	-	4,493,562	1,777,116	28	6,270,706
Transfer from / (to) PPE	-	-	1,310,365	(782)	1,309,583
Impairment charge	-	-	(6,399)	-	(6,399)
Amortisation charge [Note 27]	-	(1,249,738)	(2,154,738)	(32,367)	(3,436,843)
Closing net book amount	4,818,394	7,137,956	5,489,830	8,129	17,454,309
At 31 December 2023					
Cost	9,653,481	20,502,335	23,657,172	1,271,141	55,084,129
Accumulated amortisation / impairment	(4,835,087)	(13,364,379)	(18,167,342)	(1,263,012)	(37,629,820)
Net book amount	4,818,394	7,137,956	5,489,830	8,129	17,454,309
Year ended 31 December 2022					
Opening net book amount	9,653,481	4,222,472	2,889,019	92,719	16,857,691
Additions	-	1,209,761	1,830,139	781	3,040,681
Transfer from / (to) PPE	-	-	1,809,450	-	1,809,450
Impairment charge	(4,835,087)	-	(2,168)	-	(4,837,255)
Amortisation charge [Note 27]	-	(1,538,101)	(1,962,954)	(52,250)	(3,553,305)
Closing net book amount	4,818,394	3,894,132	4,563,486	41,250	13,317,262
At 31 December 2022					
Cost	9,653,481	16,008,773	20,157,253	1,271,896	47,091,403
Accumulated amortisation / impairment	(4,835,087)	(12,114,641)	(15,593,767)	(1,230,646)	(33,774,141)
Net book amount	4,818,394	3,894,132	4,563,486	41,250	13,317,262

Notes to the Financial Statements

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

7 INTANGIBLE ASSETS (CONTINUED)

(b) Company

	Licenses	Computer software	Others	Total
At 1 January 2023				
Cost	10,977,328	18,497,148	1,214,391	30,688,867
Accumulated amortisation	(7,744,507)	(14,651,174)	(1,173,922)	(23,569,603)
Net book amount	3,232,821	3,845,974	40,469	7,119,264
Year ended 31 December 2023				
Opening net book amount	3,232,821	3,845,974	40,469	7,119,264
Additions	4,358,560	2,920,344	-	7,278,904
Amortisation charge [Note 27]	(979,162)	(1,893,553)	(32,364)	(2,905,079)
Closing net book amount	6,612,219	4,872,765	8,105	11,493,089
At 31 December 2023				
Cost	15,335,888	21,433,412	1,214,391	37,983,691
Accumulated amortisation	(8,723,669)	(16,560,647)	(1,206,286)	(26,490,602)
Net book amount	6,612,219	4,872,765	8,105	11,493,089
Year ended 31 December 2022				
Opening net book amount	3,384,848	2,603,925	92,719	6,081,492
Additions	960,004	3,066,176	-	4,026,180
Amortisation charge [Note 27]	(1,112,031)	(1,824,127)	(52,250)	(2,988,408)
Closing net book amount	3,232,821	3,845,974	40,469	7,119,264
At 31 December 2022				
Cost	10,977,328	18,497,148	1,214,391	30,688,867
Accumulated amortisation	(7,744,507)	(14,651,174)	(1,173,922)	(23,569,603)
Net book amount	3,232,821	3,845,974	40,469	7,119,264

(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:

Expense categories:	Group		Company	
	2023	2022	2023	2022
Direct costs	1,396,932	1,619,561	1,151,790	1,164,280
Administrative costs	2,039,911	1,933,744	1,753,289	1,824,128
	3,436,843	3,553,305	2,905,079	2,988,408

(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.

	2023	2022
Fixed telephony and broadband operation	3,562,557	3,562,557
Device sales operation	231,923	231,923
Financial services operation	709,933	709,933
IT Services	221,512	221,512
Health Services	92,469	92,469
	4,818,394	4,818,394

The recoverable amounts of fixed telephony and broadband operation, device sales operation, financial services operation, IT services operation and health services operation CGUs are determined based on the Value In Use ('VIU') calculations. The recoverable amount of financial services operation CGU is based on Fair Value Less Cost to Sell (FVLCS).

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, device sales operation, IT services operation and health services operation is calculated by applying DCF model using cash flow projections based on the business plan and forecasts 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 post-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.

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, device sales operation, IT service operation and health services 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 post-tax discount rate to discount cash flow projections. Free cashflows are adjusted to reflect tax adjusted cashflows.

Notes to the Financial Statements

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

7 INTANGIBLE ASSETS (CONTINUED)

► Terminal growth rate

Terminal growth reflects the management expectations on the fixed telephony and broadband operation, device sales operation, IT service operation and health service operation growth potential in Sri Lanka for the foreseeable future.

Given below are the variables used for the impairment tests pertaining to CGUs that have significant goodwill allocated to them for 2023 and 2022 under DCF method:

	Fixed telephony and broadband operation		Device sales operation		IT service operation	
	2023	2022	2023	2022	2023	2022
EBITDA margin	59.49%	55.00%	20.00%	15.00%	4.00%	6.00%
Capex to revenue ratio	22.53%	30.00%	-	-	0%	0.10%
Post - tax discount rate	11.01% - 15.10%	11.41% - 30.21%	11.01% - 15.10%	11.41%- 30.21%	11.01% - 15.10%	11.41- 30.21%
Terminal growth rate	3.00%	3.00%	3.00%	0.10%	3.00%	3.00%

Market value method

Market value is established based on the closing share price of Dialog Finance PLC as at 31 December 2023, quoted on the Colombo Stock Exchange. Costs to sell are established based on the transaction costs applicable for equity securities.

(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 including where realistic variances are applied to key assumptions.

The recoverable amounts of fixed telephony and broadband operation, device sales operation and IT service operation CGUs would equal its carrying amount if the key assumptions were to change as follows:

	Fixed telephony and broadband operation		Device sales operation		IT service operation	
	From	To	From	To	From	To
EBITDA margin	59.49%	21.5%	20%	9.49%	4%	1.2%
Capex to revenue ratio	22.53%	21.4%	-	-	0%	N/A
Terminal growth rate	3.00%	N/A	3.00%	N/A	3.00%	N/A

N/A - Any changes in the respective assumptions will not have a considerable impact on the above assessment.

(g) Impairment of goodwill of fixed telephony and broadband operations and television operations

Based on the impairment assessment performed using free cashflow forecasts, no impairment was identified during the current financial year.

In 2022, the Group recognised a full impairment of acquired goodwill, amounting to Rs. 1,273 million for the television business, and a partial impairment of Rs. 3,563 million for the broadband business. The recoverable amount of the CGU reflects management expectations of cashflow forecasts and accordingly present value of the future cash flows.

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 2023						
Cost	6,394,671	339,841,077	14,269,985	107,619	21,970,734	382,584,086
Accumulated depreciation / provision for impairment	(2,101,793)	(209,929,367)	(13,411,305)	(102,688)	(802,351)	(226,347,504)
Net book amount	4,292,878	129,911,710	858,680	4,931	21,168,383	156,236,582
Year ended 31 December 2023						
Opening net book amount	4,292,878	129,911,710	858,680	4,931	21,168,383	156,236,582
Additions	-	12,714	1,451	2,224	25,833,491	25,849,880
Transferred to Intangible Assets	-	-	-	-	(1,309,583)	(1,309,583)
Transferred from CWIP	64,178	25,164,214	191,912	-	(25,420,304)	-
Disposals	-	(18,156)	(815)	-	-	(18,971)
Impairment reversal / (provision) and assets written off	-	(65,351)	-	-	(155,316)	(220,667)
Depreciation charge [Note 27]	(287,077)	(28,586,253)	(379,809)	(4,836)	(419)	(29,258,394)
Closing net book amount	4,069,979	126,418,878	671,419	2,319	20,116,252	151,278,847
At 31 December 2023						
Cost	6,452,496	361,520,367	13,265,110	108,639	21,080,244	402,426,856
Accumulated depreciation / provision for impairment	(2,382,517)	(235,101,489)	(12,593,691)	(106,320)	(963,992)	(251,148,009)
Net book amount	4,069,979	126,418,878	671,419	2,319	20,116,252	151,278,847
Year ended 31 December 2022						
Opening net book amount	4,419,770	105,893,060	986,280	9,330	16,143,989	127,452,429
Additions	-	3,154,520	7,762	-	60,691,208	63,853,490
Transferred to Intangible Assets	-	-	-	-	(1,809,450)	(1,809,450)
Transferred from CWIP	200,156	52,381,790	272,014	-	(52,853,960)	-
Disposals	(23,056)	(148)	(15,537)	-	-	(38,741)
Adjustments	(297)	(221,868)	176,074	-	(1,066,092)	(1,112,183)
Impairment reversal / (provision) and assets written off	-	(3,022,023)	-	-	62,688	(2,959,335)
Depreciation charge [Note 27]	(303,695)	(28,273,621)	(567,913)	(4,399)	-	(29,149,628)
Closing net book amount	4,292,878	129,911,710	858,680	4,931	21,168,383	156,236,582
At 31 December 2022						
Cost	6,394,671	339,841,077	14,269,985	107,619	21,970,734	382,584,086
Accumulated depreciation / provision for impairment	(2,101,793)	(209,929,367)	(13,411,305)	(102,688)	(802,351)	(226,347,504)
Net book amount	4,292,878	129,911,710	858,680	4,931	21,168,383	156,236,582

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)

(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 2023						
Cost	5,085,298	232,819,694	4,834,288	39,696	19,977,929	262,756,905
Accumulated depreciation / provision for impairment	(1,760,282)	(140,417,934)	(4,136,999)	(34,766)	(160,328)	(146,510,309)
Net book amount	3,325,016	92,401,760	697,289	4,930	19,817,601	116,246,596
Year ended 31 December 2023						
Opening net book amount	3,325,016	92,401,760	697,289	4,930	19,817,601	116,246,596
Additions	-	-	-	-	18,135,880	18,135,880
Transferred from CWIP	60,790	18,913,380	31,492	-	(19,005,662)	-
Transferred to Intangible Assets	-	-	-	-	(1,064,866)	(1,064,866)
Disposals	-	-	(1,027)	-	-	(1,027)
Impairment reversal / (provision) and assets written off	-	(57,462)	-	-	(255,213)	(312,675)
Depreciation charge [Note 27]	(231,927)	(20,191,425)	(286,448)	(4,400)	-	(20,714,200)
Closing net book amount	3,153,879	91,066,253	441,306	530	17,627,740	112,289,708
At 31 December 2023						
Cost	5,146,087	251,733,076	4,864,753	39,696	18,043,280	279,826,892
Accumulated depreciation / provision for impairment	(1,992,208)	(160,666,823)	(4,423,447)	(39,166)	(415,540)	(167,537,184)
Net book amount	3,153,879	91,066,253	441,306	530	17,627,740	112,289,708
Year ended 31 December 2022						
Opening net book amount	3,396,566	72,862,113	819,402	9,330	14,273,275	91,360,686
Additions	-	2,758,000	-	-	47,921,471	50,679,471
Transferred from CWIP	198,403	40,159,642	242,979	-	(40,601,024)	-
Transferred to Intangible Assets	-	-	-	-	(1,809,450)	(1,809,450)
Disposals	(23,056)	-	(15,537)	-	-	(38,593)
Impairment reversal / (provision) and assets written off	-	(2,837,489)	-	-	33,329	(2,804,160)
Depreciation charge [Note 27]	(246,897)	(20,540,506)	(349,555)	(4,400)	-	(21,141,358)
Closing net book amount	3,325,016	92,401,760	697,289	4,930	19,817,601	116,246,596
At 31 December 2022						
Cost	5,085,298	232,819,694	4,834,288	39,696	19,977,929	262,756,905
Accumulated depreciation / provision for impairment	(1,760,282)	(140,417,934)	(4,136,999)	(34,766)	(160,328)	(146,510,309)
Net book amount	3,325,016	92,401,760	697,289	4,930	19,817,601	116,246,596

(c) Capital work-in progress mainly comprises network related assets.

(d) Depreciation expense has been charged under following expense categories:

Expense categories:	Group		Company	
	2023	2022	2023	2022
Direct costs	26,078,598	26,207,286	20,189,619	20,540,506
Administrative costs	3,179,796	2,942,342	524,581	600,852
	29,258,394	29,149,628	20,714,200	21,141,358

(e) Impairment provisions and assets written off have been charged under following expense categories:

Expense categories:	Group		Company	
	2023	2022	2023	2022
Direct costs	-	171,413	-	-
Administrative costs	220,667	2,799,281	312,675	2,807,689
	220,667	2,970,694	312,675	2,807,689

(f) At 31 December 2023, property, plant and equipment includes fully depreciated assets that are still in use, the cost of which amounted to Rs. 153,009 Mn (2022 - Rs. 112,183Mn) and Rs. 102,853Mn (2022 - Rs. 76,411Mn), for the Group and the Company respectively.

(g) The impairment provision relates to assets which are technologically obsolete, and assets decommissioned or discontinued.

(h) Dialog recognise the importance of keeping up with changing customer needs and evolving technologies. As part of our ongoing efforts to modernise the network infrastructure, Dialog has been investing in advanced network technologies such as 4G and 5G. In addition to upgrading the network, Dialog has also been simplifying the network infrastructure by decommissioning certain legacy network assets, including 3G network assets. These actions are aimed at enhancing the quality of service we provide to our customers and improving our operational efficiency. These initiatives have resulted in an impairment provision of Rs. 2,578Mn in 2022 on account of 3G network shutdown. There's no impact identified for the current financial year. During the year depreciation decreased by Rs. 1,309 Mn as a result of this impairment.

Depreciation in future years in relation to these assets will be decreased by the following amounts:

Year ending 31 December	Group / Company
2024	832,285
2025	405,878
2026	272,083
2027	99,924

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

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 2023					
Cost	13,738,122	4,418,852	2,368,000	573,538	21,098,512
Accumulated depreciation / impairment	(7,028,677)	(3,079,993)	(2,200,236)	(258,129)	(12,567,035)
Net book amount	6,709,445	1,338,859	167,764	315,409	8,531,477
Year ended 31 December 2023					
Opening net book amount	6,709,445	1,338,859	167,764	315,409	8,531,477
Additions	1,317,169	108,938	-	-	1,426,107
Depreciation charge [Note 27]	(1,021,812)	(417,438)	(167,764)	(38,221)	(1,645,235)
Closing net book amount	7,004,802	1,030,359	-	277,188	8,312,349
At 31 December 2023					
Cost	15,055,289	4,520,965	2,368,000	573,538	22,517,792
Accumulated depreciation / impairment	(8,050,487)	(3,490,606)	(2,368,000)	(296,350)	(14,205,443)
Net book amount	7,004,802	1,030,359	-	277,188	8,312,349
Year ended 31 December 2022					
Opening net book amount	5,417,920	1,225,589	349,058	353,526	7,346,093
Additions	2,286,905	587,742	227,116	-	3,101,763
Adjustments	-	(176)	-	-	(176)
Depreciation charge [Note 27]	(995,380)	(474,296)	(408,410)	(38,117)	(1,916,203)
Closing net book amount	6,709,445	1,338,859	167,764	315,409	8,531,477
At 31 December 2022					
Cost	13,738,122	4,418,852	2,368,000	573,538	21,098,512
Accumulated depreciation / impairment	(7,028,677)	(3,079,993)	(2,200,236)	(258,129)	(12,567,035)
Net book amount	6,709,445	1,338,859	167,764	315,409	8,531,477

Company	Land	Buildings	Advertising boards	Network infrastructure	Total
At 1 January 2023					
Cost	13,198,409	4,193,642	2,368,002	573,538	20,333,591
Accumulated depreciation / impairment	(6,714,141)	(2,881,815)	(2,200,236)	(258,129)	(12,054,321)
Net book amount	6,484,268	1,311,827	167,766	315,409	8,279,270
Year ended 31 December 2023					
Opening net book amount	6,484,268	1,311,827	167,766	315,409	8,279,270
Additions	1,299,052	112,333	-	-	1,411,385
Depreciation charge [Note 27]	(990,464)	(393,315)	(167,766)	(38,222)	(1,589,767)
Closing net book amount	6,792,856	1,030,845	-	277,187	8,100,888
At 31 December 2023					
Cost	14,497,460	4,305,976	2,368,000	573,538	21,744,974
Accumulated depreciation	(7,704,604)	(3,275,131)	(2,368,000)	(296,351)	(13,644,086)
Net book amount	6,792,856	1,030,845	-	277,187	8,100,888
Year ended 31 December 2022					
Opening net book amount	5,267,190	1,219,734	349,059	353,526	7,189,509
Additions	2,150,610	532,284	227,117	-	2,910,011
Depreciation charge [Note 27]	(933,532)	(440,191)	(408,410)	(38,117)	(1,820,250)
Closing net book amount	6,484,268	1,311,827	167,766	315,409	8,279,270
At 31 December 2022					
Cost	13,198,409	4,193,642	2,368,002	573,538	20,333,591
Accumulated depreciation	(6,714,141)	(2,881,815)	(2,200,236)	(258,129)	(12,054,321)
Net book amount	6,484,268	1,311,827	167,766	315,409	8,279,270

(ii) Lease liabilities

	Group		Company	
	2023	2022	2023	2022
Current	777,596	1,924,449	738,978	1,873,519
Non-current	7,871,095	7,797,196	7,645,323	7,551,270
	8,648,691	9,721,645	8,384,301	9,424,789

Notes to the Financial Statements

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

9 LEASES (CONTINUED)

(b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	Group		Company	
	2023	2022	2023	2022
Depreciation charge of right-of-use assets	1,645,235	1,916,203	1,589,767	1,820,250
Interest expense (included in finance costs) (Note 30)	1,156,566	837,674	1,101,749	809,789
Expenses relating to short-term leases (included in administrative expenses)	129,825	149,131	129,825	149,131
Expenses relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	3,413	2,787	3,413	2,787
	2,935,039	2,905,795	2,824,754	2,781,957

(c) The total cash outflow for leases are Rs. 3,895Mn (2022 - Rs. 3,640Mn) and Rs. 3,761Mn (2022 - Rs. 2,055 Mn) for the Group and the Company respectively.

10 INVESTMENT IN SUBSIDIARIES

Name of the subsidiary	2023		2022		Investment	2023	Investment
	% Holding		% Holding				
	Group	Company	Group	Company			
Dialog Broadband Networks (Private) Limited ('DBN')	100%	100%	34,224,101	100%	100%	34,224,101	
Dialog Television (Private) Limited ('DTV')	100%	100%	-	100%	100%	-	
Dialog Finance PLC ('DFP')	100%	99.05%	3,924,108	99.05%	99.05%	3,924,108	
Digital Holdings Lanka (Private) Limited ('DHL')	100%	100%	796,871	100%	100%	796,871	
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')	56.31%	-	-	56.24%	-	-	
Dialog Axiata Digital Innovation Fund (Private) Limited ('DADIF')	93.26%	-	-	92.93%	-	-	
Dialog Network Services (Private) Limited ('DNS')	100.00%	100%	57,000	100%	100%	57,000	
Headstart (Private) Limited ('Headstart')	97.44%	-	-	97.31%	-	-	
H-One (Private) Limited ('HONE')	100.00%	-	-	100%	-	-	
My Health Solutions (Private) Limited ('MHS')	56.31%	-	-	56.24%	-	-	
			39,207,068			39,207,068	

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; This Company remained dormant during the year.	Sri Lanka
Telecard (Private) Limited	Providing digital credit facilities	Sri Lanka
Digital Commerce Lanka (Private) Limited	eCommerce and digital marketing services; This Company remained dormant during the year.	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
H-One (Private) Limited	Carrying out the business of importers, exporters, agents and distributors, and traders in software licenses	Sri Lanka
My Health Solutions (Private) Limited	Developing and operating a state-of-the-art electronic commerce infrastructure for the healthcare sector	Sri Lanka

Notes to the Financial Statements

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

11 INVESTMENT IN ASSOCIATES

	Group	
	2023	2022
At 1 January	104,948	183,025
Share of loss	(70,363)	(78,077)
At 31 December	34,585	104,948

Name of the associate	Principal activities	Measurement method	Country of incorporation and place of business	% Holding
Digital Reality (Private) Limited ('DRP')	Establish, operate and manage a data centre	Equity method	Sri Lanka	35%
Firstsource Dialog Solutions (Private) Limited ('FDSL')	Providing call centre operation	Equity method	Sri Lanka	26%

(a) Investment in FDSL was fully impaired since the entity is dormant.

(b) The summarised financial information of Digital Reality (Private) Limited is as follows:

	Digital Reality (Private) Limited	
Financial performance	2023	2022
Income	51,581	9,383
Expenses	(252,618)	(232,461)
Loss before tax	(201,037)	(223,078)
Income tax expense	-	-
Loss after tax	(201,037)	(223,078)

	Digital Reality (Private) Limited	
Financial position	2023	2022
Non-current assets	690,847	772,466
Current assets	70,819	49,465
Non-current liabilities	(463,319)	(347,759)
Current liabilities	(206,900)	(181,688)
Net assets	91,447	292,484

The reconciliation of net assets of associates are as follows.

	Digital Reality (Private) Limited	
	2023	2022
Opening net assets - 1 January	292,484	515,562
Loss for the period	(201,037)	(223,078)
Net assets	91,447	292,484

(c) The details of carrying amount of the associates of the Group are as follows:

	2023	2022
Group's share of net assets	33,913	104,276
Goodwill	672	672
At 31 December	34,585	104,948

12 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The group holds the following financial instruments:

Financial assets	Group		Company	
	2023	2022	2023	2022
Financial assets at amortised cost				
Trade and other receivables excluding prepayments	45,183,515	29,868,897	34,895,677	32,865,210
Other financial assets at amortised cost	4,105,933	3,142,395	-	-
Cash and cash equivalents (note 16 (a))	40,613,115	40,546,906	28,494,858	30,978,618
Financial assets at Fair Value through Other Comprehensive Income ('FVOCI')	565,685	205,847	-	-
Financial assets at Fair Value through Profit or Loss ('FVTPL')	765,753	480,054	-	-
Financial liabilities				
Liabilities at amortised cost				
Trade and other payables	38,961,945	57,804,162	27,644,715	43,399,866
Borrowings	122,765,416	103,589,799	108,444,885	100,389,805
Other financial liabilities	1,837,255	3,795,273	-	-
Lease liabilities	8,648,691	9,721,645	8,384,301	9,424,789

Notes to the Financial Statements

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

12 FINANCIAL INSTRUMENTS (CONTINUED)

(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	
	2023	2022	2023	2022
Subscribers				
- Individual	4,282,133	3,377,303	3,014,719	2,297,090
- Corporate	4,057,877	3,700,474	2,366,746	1,717,996
Operators				
- Domestic	9,639,264	4,218,955	6,146,731	1,761,948
- International	4,885,860	3,826,578	2,502,199	2,594,814
Distributors	2,271,785	2,063,599	1,515,276	1,825,428
Others	250,282	232,234	119,656	111,055
	25,387,201	17,419,143	15,665,327	10,308,331

The aging 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	
	2023	2022	2023	2022
AAA Ika	12,547,476	14,548,902	10,418,202	12,239,082
AA Ika	604,313	3,124,247	604,313	637,149
AA- Ika	-	13,046,675	-	12,499,193
A+ Ika to A- Ika	21,099,559	7,959,541	13,872,000	4,834,867
Below A	5,187,436	1,071,307	3,106,389	733,440
Non- rated	979,601	187,176	395,045	-
Cash in hand	194,730	609,058	98,909	34,887
At 31 December	40,613,115	40,546,906	28,494,858	30,978,618

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	
	2023	2022	2023	2022
Cash at bank and in hand				
Sri Lanka rupees	14,572,644	8,399,921	5,743,487	3,881,494
United States dollars	1,571,248	14,846,920	1,571,248	12,812,798
	16,143,892	23,246,841	7,314,735	16,694,292
Short-term bank deposits				
Sri Lanka rupees	7,992,203	17,300,065	7,992,203	14,284,326
United States dollars	16,477,020	-	13,187,921	-
	24,469,223	17,300,065	21,180,123	14,284,326
Cash and cash equivalents	40,613,115	40,546,906	28,494,858	30,978,618

(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.

Effect of offsetting on the statement of financial position

Group	Gross amount receivable / (payable)	Gross amount set off	Net receivable / (payable) amount presented
At December 2023			
Trade and other receivables	10,951,819	(3,798,274)	7,153,545
Trade and other payables	(4,959,047)	3,798,274	(1,160,773)
At December 2022			
Trade and other receivables	25,215,357	(4,484,498)	20,730,859
Trade and other payables	(6,060,851)	4,484,498	(1,576,353)

Effect of offsetting on the statement of financial position

Company	Gross amount receivable / (payable)	Gross amount set off	Net receivable / (payable) amount presented
At December 2023			
Trade and other receivables	9,328,062	(3,613,188)	5,714,874
Trade and other payables	(3,673,784)	3,613,188	(60,597)
At December 2022			
Trade and other receivables	6,556,444	(1,172,730)	5,383,714
Trade and other payables	(2,734,739)	1,172,730	(1,562,009)

Notes to the Financial Statements

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

13 OTHER FINANCIAL ASSETS

Non-current	Note	Group	
		2023	2022
Other financial assets at amortised cost	(a)	1,638,531	1,542,533
Financial assets at Fair Value through Other Comprehensive Income ('FVOCI')	(c)	565,685	205,847
Financial assets at Fair Value through Profit or Loss ('FVTPL')	(d)	763,286	480,054
		2,967,502	2,228,434

Current	Note	Group	
		2023	2022
Other financial assets at amortised cost	(a)	2,467,402	1,599,862
Financial assets at FVTPL	(d)	2,467	-
		2,469,869	1,599,862

(a) Other financial assets at amortised cost

	Group	
	2023	2022
Other loans and receivables	4,286,000	3,274,320
Less: Loss allowance	(180,067)	(131,925)
	4,105,933	3,142,395

(i) The movement of the provision for impairment of other financial assets at amortised cost are as follows:

	Group	
	2023	2022
At 1 January	131,925	126,058
Provision for impairment of other financial assets	48,142	45,966
Receivables written off during the year as uncollectible	-	(40,099)
At 31 December	180,067	131,925

(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 2023				
Gross loans and receivables	2,846,345	1,288,089	151,566	4,286,000
Less: Loss allowance	(26,303)	(82,562)	(71,202)	(180,067)
Net loans and receivables	2,820,042	1,205,527	80,364	4,105,933
31 December 2022				
Gross loans and receivables	3,090,406	126,535	57,379	3,274,320
Less: Loss allowance	(45,740)	(48,621)	(37,564)	(131,925)
Net loans and receivables	3,044,666	77,914	19,815	3,142,395

- (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. 4,106Mn (2022 - Rs. 3,142Mn).

14 INVENTORIES

	Group		Company	
	2023	2022	2023	2022
Phone stock	2,744,569	2,307,464	54,262	57,145
Accessories and consumables	768,256	1,675,531	617,058	221,891
Provision for slow moving inventory	(477,151)	(1,112,191)	(80,839)	(81,118)
	3,035,674	2,870,804	590,481	197,918

Notes to the Financial Statements

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

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
Current				
Trade receivables	32,504,629	23,468,984	19,058,564	13,190,235
Less: provision for impairment of trade receivables	(7,117,428)	(6,049,841)	(3,393,237)	(2,881,904)
Net trade receivables	25,387,201	17,419,143	15,665,327	10,308,331
Receivables from related companies	8,544,000	3,438,047	11,809,997	20,421,999
Less: provision for impairment of receivables from related companies	(655,147)	(28,693)	(653,787)	(556,892)
Net receivables from related companies [Note 37(d)]	7,888,853	3,409,354	11,156,210	19,865,107
Prepayments	2,350,715	1,052,010	976,401	760,237
Other receivables	11,907,461	9,040,400	8,074,140	2,691,772
At 31 December	47,534,230	30,920,907	35,872,078	33,625,447

- (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	
	2023	2022	2023	2022
Current	11,803,911	9,729,175	8,394,877	7,137,288
Past due but not impaired [Note 15(d)]	13,583,290	7,689,968	7,270,450	3,171,043
Impaired [Note 15(e)]	7,117,428	6,049,841	3,393,237	2,881,904
	32,504,629	23,468,984	19,058,564	13,190,235

Past due but not impaired trade receivable balances of the Group and the Company have not been impaired as there has not been a significant change in credit quality and the Management 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	
	2023	2022	2023	2022
Amount overdue:				
1 month to 6 months	6,126,939	4,957,768	3,615,862	1,632,805
6 months to 1 year	4,302,747	461,957	1,324,558	13,302
More than 1 year	3,153,604	2,270,243	2,330,030	1,524,936
	13,583,290	7,689,968	7,270,450	3,171,043

(e) The movement of the provision for impairment of trade receivables are as follows:

	Group		Company	
	2023	2022	2023	2022
At 1 January	6,049,841	5,101,534	2,881,904	2,492,724
Provision for impairment of trade receivables	1,100,766	1,655,953	544,512	830,844
Receivables written off during the year as uncollectible	(33,179)	(707,646)	(33,179)	(441,664)
At 31 December	7,117,428	6,049,841	3,393,237	2,881,904

(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
2023					
Expected loss rate %	4.86%	14.71%	83.29%	87.49%	21.9%
Gross trade receivable	18,753,871	7,930,730	1,272,101	4,547,927	32,504,629
Provision for impairment	(912,053)	(1,166,934)	(1,059,567)	(3,978,874)	(7,117,428)
Net trade receivables	17,841,818	6,763,796	212,534	569,053	25,387,201
2022					
Expected loss rate %	3.21%	19.68%	67.21%	63.48%	25.78%
Gross trade receivable	10,136,207	6,375,937	1,430,089	5,526,751	23,468,984
Provision for impairment	(325,601)	(1,254,682)	(961,198)	(3,508,360)	(6,049,841)
Net trade receivables	9,810,606	5,121,255	468,891	2,018,391	17,419,143

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)

Company	Less than 1 month	1-6 months	6 months to 1 year	Over 1 year	Total
2023					
Expected loss rate %	3.21%	14.41%	23.37%	48.21%	17.80%
Gross trade receivable	8,875,282	3,615,862	2,330,030	4,237,390	19,058,564
Provision for impairment	(284,941)	(521,059)	(544,512)	(2,042,725)	(3,393,237)
Net trade receivables	8,590,341	3,094,803	1,785,518	2,194,665	15,665,327
2022					
Expected loss rate %	1.99%	22.25%	96.89%	54.85%	21.85%
Gross trade receivable	7,282,434	2,100,176	430,103	3,377,522	13,190,235
Provision for impairment	(145,237)	(467,371)	(416,711)	(1,852,585)	(2,881,904)
Net trade receivables	7,137,197	1,632,805	13,392	1,524,937	10,308,331

(g) The carrying amounts of trade receivables are denominated in following currencies:

	Group		Company	
	2023	2022	2023	2022
Sri Lanka rupees	18,715,000	10,489,850	13,163,128	7,713,516
United States dollars	6,672,201	6,929,293	2,502,199	2,594,815
	25,387,201	17,419,143	15,665,327	10,308,331

Trade and other receivables are not pledged as securities for any financing arrangements.

16 CASH AND CASH EQUIVALENTS

(a)	Group		Company	
	2023	2022	2023	2022
Cash at bank and in hand	16,143,892	23,246,841	7,314,735	16,694,291
Short-term bank deposits	24,469,223	17,300,065	21,180,123	14,284,327
At 31 December	40,613,115	40,546,906	28,494,858	30,978,618

- (b) Cash and cash equivalents of the Group and the Company include restricted cash deposited in the following financial institutions:

	Group		Company	
	2023	2022	2023	2022
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	-	64,390	-	64,276
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation	806,000	610,000	806,000	610,000
Margin requirements against imports on documents against acceptance terms	18,750	444,263	18,750	30,745
	824,750	1,118,653	824,750	705,021

17 STATED CAPITAL

(a)	Ordinary shares issued and fully paid	Stated capital
At 1 January 2023	29,349,706	29,349,706
At 31 December 2023	29,349,706	29,349,706

At 1 January 2022	28,855,862	28,855,862
Share issue during the year	493,844	493,844
At 31 December 2022	29,349,706	29,349,706

(b) Movement in shares

	Number of ordinary shares
At 1 January 2023	8,247,640,305
At 31 December 2023	8,247,640,305
At 1 January 2022	8,200,607,505
Share issue during the year	47,032,800
At 31 December 2022	8,247,640,305

- (c) The holders of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

Notes to the Financial Statements

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

18 RESERVES

	Note	Group		Company	
		2023	2022	2023	2022
Attributable to the owners of the Company					
Retained earnings		36,776,686	15,704,248	27,749,456	14,978,014
Fair value through other comprehensive income ("FVOCI") reserve		254,559	3,267	-	-
Share-based payments reserve		-	158,834	-	158,834
		37,031,245	15,866,349	27,749,456	15,136,848
Attributable to the non-controlling interest					
Non-controlling interest		(44,189)	(66,107)	-	-
		(44,189)	(66,107)	-	-
At 31 December		36,987,056	15,800,242	27,749,456	15,136,848

The movement of the reserves is as follows:

Group	Note	Share-based payments reserve	FVOCI reserve	Retained earnings	Total
Balance at 1 January 2023		158,834	3,267	15,704,248	15,866,349
Profit for the year		-	-	20,124,094	20,124,094
Other comprehensive income:					
- changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		-	251,292	-	251,292
- remeasurement gain on defined benefit obligation, net of tax		-	-	967,125	967,125
Total comprehensive income for the year		-	251,292	21,091,219	21,342,511
Transactions with non-controlling interest		-	-	(18,754)	(18,754)
Transfer from share-based payment reserve upon cancellation the payment plan		(158,861)	-	-	(158,861)
Balance at 31 December 2023		(27)	254,559	36,776,713	37,031,245
Balance at 1 January 2022		393,336	(27,283)	60,545,514	60,911,567
Loss for the year		-	-	(33,387,921)	(33,387,921)
Other comprehensive income:					
- changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		-	30,550	-	30,550
- remeasurement loss on defined benefit obligation, net of tax		-	-	(1,266,471)	(1,266,471)
Total comprehensive income for the year		-	30,550	(34,654,392)	(34,623,842)
Transactions with non-controlling interest		-	-	(18,121)	(18,121)
Employee share schemes - value of employee services		259,342	-	-	259,342
Transfer from share-based payment reserve upon vesting		(493,844)	-	-	(493,844)
Dividends to equity shareholders	32(b)	-	-	(10,168,753)	(10,168,753)
Balance at 31 December 2022		158,834	3,267	15,704,248	15,866,349

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	Note	Share-based payments reserve	Retained earnings	Total
Balance at 1 January 2023		158,834	14,978,014	15,136,848
Profit for the year		-	11,997,955	11,997,955
Other comprehensive income:				
- remeasurement gain on defined benefit obligation, net of tax		-	773,514	773,514
Total comprehensive income for the year		-	12,771,469	12,771,469
Transfer from share-based payment reserve upon cancellation the payment plan		(158,861)	-	(158,861)
Balance at 31 December 2023		(27)	27,749,483	27,749,456
Balance at 1 January 2022		393,336	64,409,433	64,802,769
Loss for the year		-	(38,308,757)	(38,308,757)
Other comprehensive income:				
- remeasurement gains on defined benefit obligation, net of tax		-	(953,909)	(953,909)
Total comprehensive income for the year		-	(39,262,666)	(39,262,666)
Employee share schemes - value of employee services		259,342	-	259,342
Dividends to equity shareholders		-	(10,168,753)	(10,168,753)
Transfer from share-based payment reserve upon vesting		(493,844)	-	(493,844)
Balance at 31 December 2022		158,834	14,978,014	15,136,848

(a) FVOCI reserve

The group has elected to recognise changes in fair value of certain investments in equity securities as explained in 13 (c) These changes are accumulated within FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the equity securities are derecognised.

(b) Share based payment reserves

The Board of Directors had approved the implementation of a performance based Restrictive Share Plan ("RSP") as part of Dialog's 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.

Due to the current market condition, the management decided to cancel the said LTIP scheme effective from the current financial year, hence the total provision has been reversed.

	2023	2022
Number of unvested shares granted as at 1 January	18,680,370	66,447,014
Movement during the year	-	(733,844)
Vested during the year	-	(47,032,800)
Cancelled during the year	(18,680,370)	-
Number of unvested shares granted as at 31 December	-	18,680,370

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	
				31 December 2023	31 December 2022
Grant 1	1 October 2017	30 September 2020	12.10	-	-
Grant 2	1 May 2018	30 April 2021	14.50	-	-
Grant 3	1 October 2019	30 September 2022	10.50	-	-
Grant 4	1 October 2021	30 April 2023	10.77	-	18,680,370
				-	18,680,370

Employee share option scheme expenses have been charged under the following expense categories.

Expense categories:	Group		Company	
	2023	2022	2023	2022
Administrative costs	(158,834)	259,342	(158,834)	259,342

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

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
Trade payables	19,076,714	27,962,664	7,128,008	18,875,815
Amounts due to ultimate parent company [Note 37(e) - excluding borrowings]	307,037	2,144,927	3,732,743	2,144,927
Amounts due to related companies [Note 37(e)]	5,618,163	11,428,850	4,885,359	9,872,304
Deferred income (Note 22)	106,499	128,464	106,499	128,464
Accrued expenses	27,824,654	22,713,750	22,069,772	20,556,453
Customer deposits	1,031,358	1,106,138	896,476	974,007
Other payables	12,822,174	15,033,119	10,895,630	11,404,349
	66,786,599	80,517,912	49,714,487	63,956,319

20 OTHER FINANCIAL LIABILITIES

Current	Group	
	2023	2022
Deposits from customers	1,672,808	3,774,729
	1,672,808	3,774,729

Non-current	Group	
	2023	2022
Deposits from customers	164,447	20,544
	164,447	20,544

21 BORROWINGS

Unsecured	Note	Group		Company	
		2023	2022	2023	2022
Current					
Bank overdrafts		32,749,791	8,305,431	28,585,336	7,390,361
Bank borrowings	(a)	22,341,308	28,703,250	16,233,176	27,716,864
At 31 December		55,091,099	37,008,681	44,818,512	35,107,225

Non-current	Note	Group		Company	
		2023	2022	2023	2022
Bank borrowings	(a)	67,674,317	66,581,118	63,626,373	65,282,580
At 31 December		67,674,317	66,581,118	63,626,373	65,282,580

(a) Bank borrowings

(i) Bank borrowings - foreign

Bank borrowings comprise a loan facility from the International Financing Corporation (IFC) of USD 136.5Mn outstanding as of December 31st, 2023 and a loan borrowed by Axiata Group Berhad (AGB) of USD 19.5Mn.

The effective interest rate on bank borrowings (foreign) ranges from 6.00% to 7.28% p.a. (2022 - 2.75% to 6.25% p.a.).

(ii) Bank borrowings - local

Bank borrowings comprise of term loans and short term loans. 1) Term loan for Rs. 24.3Bn which carries both fixed and variable interest rates ranging from 7.2% - 17.5% p.a. 2) Short Term loans for 12.7Bn which carries both fixed and variable interest rates ranging 11.96% - 12.79% 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	
	2023	2022	2023	2022
3 months or less	34,439,791	11,765,325	29,591,586	10,571,781
3 - 6 months	1,975,000	1,125,022	1,450,000	783,333
6 - 12 months	18,676,308	24,118,333	13,776,926	23,752,111
1 - 5 years	67,674,317	66,581,119	63,626,373	65,282,580
	122,765,416	103,589,799	108,444,885	100,389,805

(c) The carrying amounts of the Company's and the Group's borrowings are denominated in following currencies:

	Group		Company	
	2023	2022	2023	2022
Sri Lanka rupees	66,660,896	17,078,937	52,340,365	13,878,943
United States dollars	56,104,520	86,510,862	56,104,520	86,510,862
	122,765,416	103,589,799	108,444,885	100,389,805

(d) The covenants related to the IFC loan and Standard Chartered Bank underwent revision during the year. The company complied with these covenants throughout the financial year, and there are no indications that the company will encounter difficulties in meeting them when they are measured next.

(e) The fair values are not materially different from the carrying amounts for the majority of borrowings.

Notes to the Financial Statements

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

22 DEFERRED INCOME

	Group		Company	
	2023	2022	2023	2022
At 1 January	412,199	568,530	412,199	568,530
Addition during the year	177,233	-	177,233	-
Release of TDC disbursements to comprehensive income	(132,105)	(156,331)	(132,105)	(156,331)
At 31 December	457,327	412,199	457,327	412,199

	Group		Company	
	2023	2022	2023	2022
Current (Note 19)	106,499	128,464	106,499	128,464
Non-current	350,828	283,735	350,828	283,735
	457,327	412,199	457,327	412,199

- (a) The deferred income of the Group mainly relates to the government grants for the purchase of certain qualifying assets.

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.

	Net deferred tax assets		Net deferred tax liabilities	
	2023	2022	2023	2022
Deferred income tax liabilities	(3,627,709)	(3,322,743)	201,982	20,104
Deferred income tax assets	3,932,675	3,542,463	-	-
Net deferred income tax assets / (liabilities)	304,966	219,720	201,982	20,104

(b) The movement on the deferred income tax assets / (liabilities) account is as follows:

Group	Net deferred tax assets		Net deferred tax liabilities	
	2023	2022	2023	2022
At 1 January	219,720	181,816	(20,104)	(22,448)
Acquisition from business combination				
Property plant and equipment	53,682	(264,335)	-	-
Retirement benefit obligations	(1,241)	79,277	-	-
Impairment of financial assets	159,609	107,528	-	-
Assets retirement obligation	4,730	11,336	-	-
Net lease liabilities	10,985	(31,043)	-	-
Net investment in leases	363	(1,062)	-	-
Unrealized fair value gain on financial assets at FVPL	-	-	(105,935)	2,344
Bonus and other provisions	34,212	5,059	-	-
Unutilised tax losses	(177,067)	131,216	-	-
Total amount recognised in profit or (loss)	85,273	37,976	(105,935)	2,344
Actuarial (gain) / loss on retirement benefit obligations	-	-	-	-
Unrealized fair value (gain) / loss on financial assets at FVOCI	(28)	(72)	(75,943)	-
Total amount recognised in other comprehensive income	(28)	(72)	(75,943)	-
At 31 December	304,965	219,720	(201,982)	(20,104)

(c) The balance comprises temporary differences attributable to:

Group	Net deferred tax assets		Net deferred tax liabilities	
	2023	2022	2023	2022
Retirement benefit obligations	151,207	152,448	-	-
Bonus and other provisions	63,882	29,670	-	-
Impairment of financial assets	672,533	512,924	-	-
Assets retirement obligation	54,409	49,679	-	-
Net lease liabilities	13,496	2,511	-	-
Unutilised tax losses	2,618,164	2,795,231	-	-
Total deferred tax assets before offsetting	3,573,691	3,542,463	-	-
Offsetting deferred tax liability on:				
Property plant and equipment	(3,268,090)	(3,321,772)	-	-
Unrealized fair value gain on financial assets	(276)	(248)	(201,982)	(20,104)
Net investment in leases	(360)	(723)	-	-
Total deferred tax liabilities before offsetting	(3,268,726)	(3,322,743)	(201,982)	(20,104)
Deferred tax assets / (liabilities) after offsetting	304,965	219,720	(201,982)	(20,104)

Notes to the Financial Statements

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

23 DEFERRED INCOME TAX (CONTINUED)

- (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. 2.62Bn (2022 - Rs. 2.53Bn) was not recognised in respect of subsidiaries in the consolidated financial statements.

In Rs. Millions	Within 1 year	1 - 2 years	2 - 3 years	More than 3 years	Total
31 December 2023	1,042	225	737	614	2,618
31 December 2022	15	207	224	2,080	2,526

24 EMPLOYEE BENEFIT PAYABLES

	Note	Group		Company	
		2023	2022	2023	2022
Defined benefit obligation	(a)	2,095,107	3,193,399	1,467,253	2,437,154

(a) Defined benefit obligation

- (i) The movement in the present value of defined benefit obligation over the year is as follows:

	Group		Company	
	2023	2022	2023	2022
At 1 January	3,193,399	1,690,014	2,437,154	1,300,150
Transferred from/ (to) related company	-	1,581	(33,736)	1,581
Current service cost	232,341	179,815	160,456	126,880
Interest expense	613,975	181,415	399,309	152,768
Total amount recognised in comprehensive income	846,316	361,230	559,765	279,648
Remeasurement losses / (gains):				
- (Gain) / losses from changes in financial assumptions	(949,707)	963,073	(773,514)	744,318
- (Gain) / Losses from changes in demographic assumptions	(32,463)	-	-	-
- Experience adjustments	-	303,400	-	209,591
Total amount recognised in other comprehensive income	(982,170)	1,266,473	(773,514)	953,909
Employee benefits obligations paid	(962,438)	(125,899)	(722,416)	(98,134)
At 31 December	2,095,107	3,193,399	1,467,253	2,437,154

This obligation is not externally funded.

The gratuity liability of the Group is based on the actuarial valuation performed in December 2023 by Actuaries, Messrs Actuarial & Management Consultants (Private) Limited.

(ii) The principal actuarial valuation assumptions used are as follows:

	Group		Company	
	2023	2022	2023	2022
Financial assumptions				
Discount rate	13%	12.75% - 17.77%	13%	15.00%
Future salary growth rate	10%-12%	17.00%	12%	17.00%
Demographic assumptions				
Mortality table	1967/70	1967/70	1967/70	1967/70
Expected average future working life of the active participants or Retirement age	60	60	60	60

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 defined benefit obligation's sensitivity to changes in the key assumptions for 2023 is as follows:

	Impact on defined benefit obligation				
	Change in assumption	Group		Company	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 25.06%	Increase by 12.63%	Decrease by 27.41%	Increase by 14.81%
Future salary growth rate	1.00%	Increase by 12.44%	Decrease by 25.33%	Increase by 14.61%	Decrease by 27.68%

The following table shows the sensitivity of the defined benefit obligation - 2022 to changes in the key assumptions:

	Impact on defined benefit obligation				
	Change in assumption	Group		Company	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 16.49%	Increase by 2.39%	Decrease by 9.20%	Increase by 10.60%
Future salary growth rate	1.00%	Increase by 2.33%	Decrease by 16.61%	Increase by 10.60%	Decrease by 9.30%

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24 EMPLOYEE BENEFIT PAYABLES (CONTINUED)

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 11.20 (2022 – 11.20) years and average time to benefit pay-out is 12.50 (2022 - 12.50) years for the Company. The distribution of the timing of undiscounted benefit payments is as follow:

	Group		Company	
	2023	2022	2023	2022
Less than 1 year	151,097	109,732	88,555	95,331
Between 1 - 2 years	290,534	219,097	167,840	188,684
Between 2 - 5 years	516,678	477,245	348,465	433,341
Over 5 years	5,714,260	2,167,205	4,112,967	1,719,798
	6,672,569	2,973,279	4,717,827	2,437,154

25 PROVISION FOR OTHER LIABILITIES

Provisions for other liabilities comprise the amounts provided for Asset Retirement Obligation ('ARO').

	Group		Company	
	2023	2022	2023	2022
At 1 January	5,547,146	2,129,209	5,215,949	1,873,587
Amounts capitalised / (reversal)	(2,112,664)	2,807,641	(2,094,551)	2,757,998
Adjustment for fully depreciated ARO assets	(56,003)	(7,029)	(42,801)	(6,559)
Charged to comprehensive income (Note 30)	56,130	617,325	(6,717)	590,923
At 31 December	3,434,609	5,547,146	3,071,880	5,215,949

The principal assumptions used to determine the Asset Retirement Obligation are as follows:

	Group		Company	
	2023	2022	2023	2022
Inflation rate	4.00%	46.40%	4.00%	46.40%
Discount rate	12.20%	33.32%	12.20%	33.32%

The sensitivity of the Asset Retirement Obligation to changes in the principal assumptions for 2023 is as follows:

	Change in assumption	Impact on Asset Retirement Obligation			
		Group		Company	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by Rs. 79Mn	Increase by Rs. 86Mn	Decrease by Rs. 77Mn	Increase by Rs. 85Mn
Inflation rate	1.00%	Increase by Rs. 92Mn	Decrease by Rs. 85Mn	Increase by Rs. 91Mn	Decrease by Rs. 84Mn

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant.

The following table shows the sensitivity of the Asset Retirement Obligation - 2022 to changes in the key assumptions:

	Change in assumption	Impact on Asset Retirement Obligation			
		Group		Company	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by Rs. 304Mn	Increase by Rs. 334Mn	Decrease by Rs. 299Mn	Increase by Rs. 329Mn
Inflation rate	1.00%	Increase by Rs. 301Mn	Decrease by Rs. 280Mn	Increase by Rs. 297Mn	Decrease by Rs. 276Mn

26 REVENUE

(a) Disaggregation of revenue from contracts with customers

The Group and the Company 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	
	2023	2022	2023	2022
Mobile operation	107,691,367	102,328,655	102,932,077	101,372,997
Fixed telephony and broadband operation	67,877,298	63,851,146	-	-
Television operation	12,244,563	11,950,961	-	-
	187,813,228	178,130,762	102,932,077	101,372,997

Timing of revenue recognition	Group		Company	
	2023	2022	2023	2022
At a point in time	7,212,048	680,532	64,903	58,093
Over time	180,601,180	177,450,230	102,867,174	101,314,904
	187,813,228	178,130,762	102,932,077	101,372,997

Notes to the Financial Statements

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

26 REVENUE (CONTINUED)

(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 cost assets

The Group and the Company recognised an asset in relation to costs that are directly related to the acquisition and fulfilment of customer contracts.

	Group		Company	
	2023	2022	2023	2022
At 1 January	10,573,568	10,909,988	2,852,882	2,613,195
Additions	8,371,889	6,567,910	2,640,214	1,493,082
Amortisation (note 27)	(6,703,786)	(6,904,330)	(1,640,395)	(1,253,395)
At 31 December	12,241,671	10,573,568	3,852,701	2,852,882

Contract acquisition costs comprise mainly of sales commission paid to dealers. Contract fulfilment cost comprises mainly of set-top boxes and routers. The contract cost assets are expected to be amortised over twenty-three (23) to forty-two (42) months (2022: twenty-three (23) to forty-two (42) months).

(ii) Contract liabilities

The following table shows unsatisfied performance obligations resulting from customer contracts.

	Group		Company	
	2023	2022	2023	2022
At 1 January	13,733,714	12,911,540	10,733,348	9,709,758
Additions	242,243,982	167,424,949	194,807,174	153,649,398
Realisations	(243,607,964)	(166,602,775)	(195,450,505)	(152,625,808)
Balance as at 31 December	12,369,732	13,733,714	10,090,017	10,733,348
Contract liabilities - current	6,667,964	8,787,804	5,487,863	6,525,075
Contract liabilities - non-current	5,701,768	4,945,910	4,602,154	4,208,273
Balance as at 31 December	12,369,732	13,733,714	10,090,017	10,733,348

(iii) Revenue recognised in relation to contract liabilities

During the current year the Group and the Company recognised Rs. 9,367Mn (2022 - Rs. 10,990Mn) and Rs. 6,541Mn (2022 - Rs. 8,853Mn) 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. 1,270Mn) and 15% (Rs. 718Mn) of the transaction price allocated to the unsatisfied long-term contracts as of 31 December 2023 will be recognised as revenue by the Group and the Company respectively during the 2025 financial year. 12% (Rs. 682Mn) and 12% (Rs. 539Mn) of the transaction price allocated to the unsatisfied long-term contracts as of 31 December 2023 will be recognised as revenue by the Group and the Company respectively during the 2026 financial year. The remaining 66% (Rs. 3,750Mn) and 73% (Rs. 3,345Mn) will be recognised during the 2027 financial year by the Group and the Company respectively.

27 EXPENSES BY NATURE

	Group		Company	
	2023	2022	2023	2022
Directors' fees	206,284	157,257	199,083	154,182
Impairment of investment	-	-	-	11,602,577
Impairment of goodwill (Note 7(g))	-	4,835,089	-	-
Fees for professional services	87,301	219,112	68,185	207,395
Amortisation charge of intangible assets (Note 7)	3,436,843	3,553,305	2,905,079	2,988,408
Amortisation charge of contract cost assets [Note 26(c)(i)]	6,703,786	6,904,330	1,640,395	1,253,395
Depreciation charge of property, plant and equipment (Note 8)	29,258,394	29,149,628	20,714,200	21,141,358
Depreciation charge of ROU assets (Note 9)	1,645,235	1,916,203	1,589,767	1,820,250
Domestic interconnection and international origination cost	42,292,175	42,530,890	2,752,711	3,294,866
Telecommunication development charge	2,280,783	2,625,069	796,242	1,140,528
Marketing, advertising and promotion	12,791,396	11,366,456	13,023,709	12,033,423
Rental for site and office premises	1,842,740	2,400,538	5,474,139	5,359,081
Electricity for site and office premises	9,737,647	5,759,317	8,932,902	5,002,651
Annual maintenance services	5,371,542	6,619,850	5,841,442	6,041,914
Employee benefit expenses (Note 28)	13,054,076	15,186,006	8,950,280	12,170,236
Telecommunication regulatory charges	1,472,517	2,228,092	1,194,911	1,952,103
Revenue share expenses	1,113,561	1,012,755	641,857	1,011,772
International network cost	2,965,488	3,577,632	2,964,259	3,635,100
Outbound roaming cost	1,302,236	952,145	1,300,333	952,145
Call centre services charges	70,777	148,076	603,530	414,982
Device and accessories consumption cost	7,372,647	5,694,130	266,613	158,380
Other operating costs	23,652,946	27,436,274	11,216,583	14,466,863
Total direct costs, administrative costs and distribution costs	166,658,374	174,272,154	91,076,220	106,801,609

Other operating expenses of the Group mainly consist of channel fees of Rs. 5,113Mn, Cost of Sales Equipment's Consumption of Rs. 3,445Mn, Cloud hosting charges of Rs. 1,745 Mn, Transponder service fees of Rs. 1,444Mn, VGF Cost of Rs. 1,398Mn, License Fees of Rs. 927Mn, PVR Consumption of Rs. 834Mn, Internet port charges of 831Mn, Lease line Access charges of Rs. 741Mn, Annual tower tax expenses of Rs. 652Mn, Generator fuel expenses of Rs. 636Mn and telephone charges of Rs. 568 Mn.

Notes to the Financial Statements

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

28 EMPLOYEE BENEFIT EXPENSES

	Note	Group		Company	
		2023	2022	2023	2022
Wages, salaries and others		7,631,260	10,492,502	5,136,871	8,679,577
Staff allowances and benefits		3,262,801	3,198,315	2,384,240	2,358,189
Defined contribution plans		1,313,699	1,133,959	869,404	852,822
Defined benefit obligation	24 (a)	846,316	361,230	559,765	279,648
		13,054,076	15,186,006	8,950,280	12,170,236
Number of persons employed as at 31 December - full time		3,021	3,884	1,564	2,223

a) Provision for business transformation

The Group has embarked on a comprehensive business transformation journey in 2022, that aims to modernise and streamline our business operations. This transformation initiative encompasses the implementation of cutting-edge digital technologies and platforms across all our business activities, processes, and competencies. By fully embracing the digital age, we seek to enhance our operational efficiency, boost productivity, and improve our customer experience. Through this transformation, we aimed to position ourselves as a leader in the digital space and stay ahead of the competition. One-off costs related to the settlement of obligations under this programme are estimated to be Rs. 4.16 Bn, which has been provided for in the financial statements for 2022 and classified under wages, salaries, and others. In the current year, Group celebrates successful completion of significant part of the transformation journey, with Rs. 2.83 Bn of the provision having been utilized at the end of the year 2023.

29 OTHER INCOME

Other income of the Group and the Company consist of sundry income.

30 FINANCE INCOME AND COSTS

	Group		Company	
	2023	2022	2023	2022
Interest income on deposits	1,979,588	2,396,014	2,196,946	2,450,721
Finance income	1,979,588	2,396,014	2,196,946	2,450,721
Interest expenses on:				
- bank overdrafts	(2,643,357)	(226,263)	(2,627,044)	(190,508)
- bank borrowings	(6,195,115)	(3,627,361)	(5,156,526)	(3,418,927)
- asset retirement obligation (Note 25)	(56,130)	(617,325)	6,717	(590,923)
- lease liabilities [Note 9(b)]	(1,156,566)	(837,674)	(1,101,749)	(809,789)
Finance costs	(10,051,168)	(5,308,623)	(8,878,602)	(5,010,147)
Net foreign exchange gain / (loss) on foreign currency transactions / translations	10,213,517	(30,280,313)	9,991,313	(26,902,351)
Finance income / (costs) - net	2,141,937	(33,192,922)	3,309,657	(29,461,777)

31 INCOME TAX EXPENSE

	Group		Company	
	2023	2022	2023	2022
Current tax	2,811,561	2,755,453	2,713,480	2,751,125
Deferred income tax charged / (credited) to comprehensive income	20,690	(49,334)	-	-
	2,832,251	2,706,119	2,713,480	2,751,125

- (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.
- (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, Dialog Network Services (Private) Limited, My Helth (Private) Limited and H-One (Private) Limited are subjected to a corporate tax of 30%.
- (e) The Group and the Company are also liable to pay income tax at standard rate of 30% on interest income earned in Sri Lanka Rupees. (2022:30%).

Notes to the Financial Statements

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

31 INCOME TAX EXPENSE (CONTINUED)

(f) The tax on profit / (loss) before tax differs from the theoretical amount that would arise using the applicable tax rate to profit as follows:

	Group		Company	
	2023	2022	2023	2022
Profit / (loss) before tax	22,945,108	(30,702,572)	14,711,435	(35,557,633)
Tax at the standard tax rate of 30% (2022:30%)	6,883,533	(7,467,795)	4,413,430	(9,183,529)
Tax effects on:				
- Income not subject to tax	(13,870)	(10,718)	-	-
- Associates results reported net of tax	21,109	21,275	-	-
- Expenses not deductible for tax purposes	100,294	32,383	-	-
- Unrecognised deferred income tax	(420,832)	(934,825)	-	-
- Utilisation of previously unrecognised tax losses	(1,136,099)	(786,314)	-	-
- Adjustment for revenue-based tax (Note a)	(1,699,950)	11,934,654	(1,699,950)	11,934,654
- Rate differentials (Note b and c)	(922,624)	(33,207)	-	-
Deferred income tax credited to comprehensive income	20,690	(49,334)	-	-
Income tax expense	2,832,251	2,706,119	2,713,480	2,751,125

32 EARNINGS PER SHARE AND DIVIDENDS

(a) Earnings per share

(i) **Basic earnings per share**

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	
	2023	2022	2023	2022
Profit / (loss) for the year attributable to ordinary shareholders	20,124,094	(33,387,921)	11,997,955	(38,308,757)
Weighted average number of ordinary shares in issue (thousands)	8,247,640	8,216,921	8,247,640	8,216,921
Earnings / (loss) per share (Rs.)	2.44	(4.06)	1.45	(4.66)

(ii) Diluted earnings per share

Diluted 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 including additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares through LTIP.

	Group		Company	
	2023	2022	2023	2022
Profit / (loss) for the year attributable to ordinary shareholders	20,124,094	(33,387,921)	11,997,955	(38,308,757)
Weighted average number of ordinary shares and potential ordinary shares from LTIP (thousands)	8,247,640	8,271,067	8,247,640	8,271,067
Diluted earnings / (loss) per share (Rs.)	2.44	(4.04)	1.45	(4.63)

(b) Dividends

The Board of Directors has proposed a final dividend of Rs. 1.34 per share amounting to Rs. 11,051,838,008.70 for the financial year 2023, to be declared subject to the approval of the shareholders at the Annual General Meeting. The company has not declared dividends for the financial year 2022. (2021 – Rs. 1.24 per share amounting to Rs. 10,168,572,306.)

Notes to the Financial Statements

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

33 CASH FLOW INFORMATION

(a) Reconciliation of profit / (loss) before tax to cash generated from operations:

	Group		Company	
	2023	2022	2023	2022
Profit / (loss) before tax	22,945,109	(30,702,572)	14,711,434	(35,557,632)
Adjustments for:				
Exchange losses	(7,873,506)	27,122,122	(8,135,362)	26,991,448
Net impairment losses on financial assets	898,845	1,655,953	598,318	830,844
Bad debts written back	-	(71,434)	(52,089)	(39,128)
Loss/ (gain) on sale of property, plant and equipment	21,703	33,941	22,398	33,927
Interest expense on borrowings	8,838,472	3,853,624	7,783,569	3,609,345
Interest expense on lease liabilities	1,156,566	837,674	1,101,749	809,789
Finance cost on asset retirement obligation (Note 30)	56,130	617,325	(6,717)	590,923
Interest income (Note 30)	(1,979,588)	(2,396,014)	(2,196,946)	(2,450,721)
Depreciation, impairment and amortisation	41,044,258	41,523,466	26,849,441	27,203,411
Impairment and write off of non-current assets	227,066	2,970,693	312,675	2,807,689
Release of TDC disbursement (Note 22)	(132,105)	(156,331)	(132,105)	(156,331)
Under / (Over) provision - site abandonment costs	127,338	(1,544,298)	(42,801)	(584,364)
Defined benefit obligation (Note 24)	846,316	361,230	559,765	279,648
(Reversal) / provision of slow-moving inventory	(106,330)	242,406	1,729	32,694
Share of loss from associates	70,363	78,077	-	-
Long term incentive plan	(158,861)	259,342	(158,861)	259,342
Net (gain) / loss from financial instruments at fair value through profit or loss	(282,834)	440,122	-	440,122
Investment impairment (subsidiaries and associates)	-	-	-	11,602,577
Goodwill impairment	-	4,835,089	-	-
Provision for business transformation	-	3,555,267	-	3,555,267
FV adjustment interest expense	1,263,031	-	1,263,031	440,122
Changes in working capital				
- Trade and other receivables	(10,600,211)	(27,684,978)	(7,725,766)	(19,499,252)
- Other financial assets	(1,010,308)	(14,425)	-	-
- Inventories	(167,584)	638,323	(394,293)	(13,941)
- Trade payables	(20,595,151)	34,072,375	(2,348,575)	16,964,104
- Other financial liabilities	(1,958,018)	2,754,361	-	-
Cash generated from operations	32,630,701	63,281,338	32,010,594	38,149,883

(b) Reconciliation of liabilities arising from financing activities

	Group		Company	
	2023	2022	2023	2022
Bank Borrowings				
At 1 January	95,284,368	34,725,818	92,999,444	31,685,063
Proceeds from borrowings	45,709,617	74,159,017	34,182,500	74,143,017
Repayments of borrowings	(44,132,221)	(40,303,697)	(40,600,014)	(39,349,884)
Foreign exchange losses	(8,236,173)	24,072,766	(8,236,173)	24,072,766
Other movements	1,390,034	2,630,464	1,513,792	2,448,482
At 31 December	90,015,625	95,284,368	79,859,549	92,999,444

	Group		Company	
	2023	2022	2023	2022
Lease liabilities				
At 1 January	9,721,645	7,713,686	9,424,789	7,501,343
Additions during the year	1,202,799	3,070,690	1,176,865	2,909,755
Net accrual / payment of interest	-	28,504	-	-
Repayment of principle portion of lease liabilities	(2,738,678)	(2,802,628)	(2,659,559)	(1,245,491)
Terminations and other movements	462,925	1,711,393	(442,206)	259,182
At 31 December	8,648,691	9,721,645	8,384,301	9,424,789

(c) Non cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets - note 9 (a)

Notes to the Financial Statements

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

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 subsequent 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. 1,626,622,200. 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 and notices were issued on the respondents.

Thereafter, SLC filed objections on 15 February 2019 as directed by the Courts. The case was fixed for argument on several dates, the last date being 26 October 2022. The matter has been re-fixed for argument on 14 March 2024.

(b) Guarantees

Guarantees given by the Group and the Company as at 31 December are as follows:

	Group		Company	
	2023	2022	2023	2022
Corporate guarantees	8,842	8,842	8,842	8,842
Bank guarantees	996,359	1,616,576	812,984	1,444,217
	1005,201	1,625,418	821,826	1,453,059

Corporate guarantees of the Company which are on demand, include cash deficiency support provided by the Company to its subsidiaries for outstanding borrowings as at 31 December 2023.

As at 31 December 2023

	On Demand	Within 1 year	1 - 5 years	More than 5 years	Total
Bank Guarantees					
Group	-	996,359	44,191	-	996,359
Company	-	812,984	-	-	812,984

As at 31 December 2022

	On Demand	Within 1 year	1 - 5 years	More than 5 years	Total
Bank Guarantees					
Group	-	550,042	1,066,534	-	1,616,576
Company	-	520,045	924,172	-	1,444,217

35 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2023	2022	2023	2022
Purchase of telecommunication equipment	6,410,450	9,599,006	4,278,651	6,077,476

(b) Financial commitments

At the end of the financial reporting period, the Group has the following annual commitments:

	2023	2022
Annual fees to the Board of Investment of Sri Lanka	3,420	3,409
Annual maintenance contracts	6,856,513	8,788,648
Undrawn loan facilities (on demand)	497,339	476,594

Undrawn loan facilities (on demand) are relevant to loan facilities granted by Dialog Finance PLC.

36 INCORPORATIONS AND ACQUISITIONS

- a) During the year 2023, Dialog Axiata Digital Innovation Fund (Private) Limited ('DADIF') which is a subsidiary of Digital Holdings Lanka (Private) Limited ('DHL'), issued a total of 15,141 and 15,000 Preference Shares in respect of Fund 1 and Fund 2 respectively out of which DHL was issued 15,000 Preference Shares in each Fund, while the remaining preference shares were issued to individual shareholders.

Furthermore, on 28 December 2023, DADIF redeemed 34,000 of its Preference Shares in respect of Fund 1 on 28 December 2023, out of which 31,193 shares were redeemed from Preference Shares held by DHL.

Pursuant to the aforementioned transactions, DHL's stake in DADIF increased to 93.26% from 92.93%.

- b) Communiq Broadband Network (Private) Limited ("CBN"), which is a subsidiary company of Dialog Television (Private) Limited ("DTV"), a wholly owned subsidiary of the Company, issued 39,747,811 ordinary shares of LKR 10/- each to DTV on 28 April 2023 pursuant to the conversion of Shareholder Advances, as at 31 March 2023, granted by DTV. This share issue has not changed the composition of the Group.
- c) Dialog Network Services (Private) Limited ("DNS") a wholly owned subsidiary of Dialog Axiata PLC ("Dialog"), on 22 December 2023 issued 5,699,925 new ordinary shares of LKR 10/- each to Dialog in relation to the conversion of intercompany payables recorded in the books, provided by Dialog as the parent company, totaling to LKR 56,999,250.00. This share issue has not changed the composition of the Group.

Notes to the Financial Statements

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

37 RELATED PARTY TRANSACTIONS

- (a) Axiata Investments (Labuan) Limited owns 82.27% of the total number of shares in issue of the Company. The remaining 17.73% 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.

- (b) Details of transactions carried out with related parties in the ordinary course of business are set out below:

	2023	2022
Sales of goods and services		
Subsidiaries		
Site sharing services	1,478,655	1,259,421
Mobile telecommunication services	149,382	1,091,278
Local interconnection services	355,451	655,041
International interconnection services	1,625,133	1,640,417
Digital services	87,412	1,057
Managed services	130,453	76,578
Affiliates		
Mobile telecommunication services	2,695	-
International termination services	7,554	34,278
International interconnection services	37,325	-
Inbound roaming services	369	8
Digital services	694,906	517,743
Managed services	19,811	47,716
	4,589,146	5,323,537

	2023	2022
Purchase of goods and services		
Ultimate parent company		
Head office support charges	2,209,528	1,856,708
Subsidiaries		
Fibre and transmission sharing services	2,526,066	2,238,161
Fixed telephony and broadband services	2,559,665	2,946,124
International interconnection services	30,129	29,263
Local interconnection services	18,269	27,033
Site sharing services	139,845	70,503
Data centre services	109,678	196,851
Television services	-	2,886
Advertising services	99,936	87,547
Purchase of devices	428,632	359,987
Purchase of property, plant and equipment	692,010	403,664
Managed services	9,916	482,899
Site maintenance and development services	1,978,306	2,130,626
E-learning services	1,037	5,214
E-learning services - donation	-	330
Manpower services	58,479	922,525
Affiliates		
International origination services	1	1,815
Outbound roaming services	2,033	4,830
Managed services	322,772	1,312,973
Software service fee	337,709	1,381,849
Purchase of software	183,947	233,303
	11,707,958	14,695,091
Impairment expense on receivables		
Subsidiaries	96,895	148,741
Interest income on interest bearing deposits		
Subsidiaries	64,012	54,765

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: (Continued)

	2023	2022
Other transactions:		
Ultimate parent company		
Settlement of liabilities by the company on behalf of parent company	3,718	385,033
Settlement of liabilities on behalf of the company by parent company	72,990	118,189
Subsidiaries		
Settlement of liabilities by the company on behalf of subsidiaries	122,630	4,043,565
Settlement of liabilities on behalf of the company by subsidiaries	1,372,115	1,415,134
Associates		
Settlement of liabilities by the company on behalf of associates	13,246	14,787
Affiliates		
Settlement of liabilities by the company on behalf of affiliates	-	18,087
Settlement of liabilities on behalf of the company by affiliates	129,632	48,311
Parent company		
Dividends paid	-	8,413,713

(c) Key management personnel include members of the Group senior management of Dialog Axiata PLC:

	Group / Company	
	2023	2022
Short-term employee benefits	703,559	665,854
Defined benefit plans	251,681	200,693
	955,240	866,547

(d) Outstanding receivable balances arising from related company transactions:

	Group		Company	
	2023	2022	2023	2022
Current receivables (Note 15)				
Subsidiaries	-	-	4,108,458	17,014,568
Affiliates	7,888,853	3,409,354	7,047,752	2,850,539
	7,888,853	3,409,354	11,156,210	19,865,107

(e) Outstanding payable balances arising from related company transactions:

	Group		Company	
	2023	2022	2023	2022
Current payables (Note 19)				
Ultimate parent company	307,037	2,144,927	3,732,743	2,144,927
Subsidiaries	-	-	2,936,138	799,459
Affiliates	5,618,163	11,428,850	1,949,221	9,072,845
	5,925,200	13,573,777	8,618,102	12,017,231

The above balances are settled in the ordinary course of business.

	Group		Company	
	2023	2022	2023	2022
Borrowings (Note 21) from ultimate parent company				
Current borrowings	6,018,383	23,131,825	6,018,383	23,131,825
Non-current borrowings	6,333,610	10,980,222	6,333,610	10,980,222

The aforementioned loan is for a term of 03 years and is unsecured. It is to be repaid at the end of the term as a bullet repayment in US dollars at a rate of interest of 6.25% p.a. This was executed on an arms-length basis.

(f) Investment in short term deposits

	Group		Company	
	2023	2022	2023	2022
Subsidiaries	632,876	542,618	632,876	542,618
	632,876	542,618	632,876	542,618

Affiliates comprises of subsidiaries and associates of the parent company.

(g) Issuance of shares within the group of companies are disclosed in note 36 to the financial statements.

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.

Notes to the Financial Statements

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

38 SIGNIFICANT UNUSUAL EVENTS OR TRANSACTIONS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

Implications of acute economic crisis

In the current year, the Sri Lankan economy demonstrates positive development, marking a significant turnaround from challenges stemming from the COVID-19 pandemic, tax cuts, and substantial sovereign debt repayments. Supported by vital measures, including financial assistance from the International Monetary Fund (IMF), the Sri Lankan economy shows clear signs of recovery.

Efforts to stabilize the economy have led to a strengthened exchange rate, marking a favorable departure from the depreciation experienced in the previous year. Official United States Dollar (USD) reserve assets have shown significant improvement, rising from USD 1,896 million as of December 31, 2022, to USD 4,400 million by the end of 2023. Sri Lankan Rupee ("LKR") has displayed resilience against the USD, contributing to a more stable forex environment. The LKR appreciated by 11% against the USD by December 31, 2023 as compared to 31 December, 2022, resulting in a forex gain of Rs. 10.2 billion (compared to the 2022 forex loss of Rs. 30.3 billion) and Rs. 9.9 billion (compared to the 2022 forex loss of Rs. 29.9 billion) for the Group and the Company, respectively.

Challenges faced in the previous year, such as inflation, higher interest rates, increased taxes, power cuts, and shortages in essential supplies, have been successfully mitigated by the company. Government actions, coupled with international support, have fostered a more conducive business environment. The Central Bank of Sri Lanka (CBSL) reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 100 basis points each in October and November 2023. Consequently, the SDFR and SLFR rates reached 9.00% and 10.00%, respectively, while prime lending rates dipped below 12%. The CBSL has indicated a pause in any additional monetary policy easing in the near term, allowing market interest rates to fall further in line with easing measures.

Our working capital cycle, previously impacted by a negative business climate and liquidity crisis in USD markets, has shown improvement as at 31 December 2023. Proactive measures by the board, including securing additional funding and reducing USD exposure in the balance sheet, have played a crucial role in ensuring smooth operations and business continuity. While acknowledging positive changes, we remain vigilant, monitoring the evolving economic landscape. The future impact on our business hinges on the sustained recovery of the Sri Lankan economy, consumer spending patterns, and the overall resurgence of the country's enterprises. Recognizing external factors' influence on operations, the board remains committed in taking proactive steps to navigate potential challenges.

39 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors has proposed a final dividend of Rs. 1.34 per share amounting to Rs. 11,051,838,008.70 for the financial year 2023, to be declared subject to the approval of the shareholders at the Annual General Meeting.

US Dollar Financial Statements

STATEMENT OF FINANCIAL POSITION

For Information purpose only

For the year ended 31 December In USD '000	Group		Company	
	2023	2022	2023	2022
ASSETS				
Non-current assets				
Intangible assets	53,875	36,385	35,475	19,451
Contract cost assets	37,786	28,889	11,892	7,795
Right-of-use assets	25,657	23,310	25,004	22,620
Property, plant and equipment	466,943	426,867	346,597	317,607
Deferred tax assets	941	600	-	-
Investment in subsidiaries	-	-	121,018	107,121
Investment in associates	107	287	-	-
Other financial assets	9,160	6,088	-	-
	594,469	522,427	539,986	474,594
Current assets				
Inventories	9,370	7,844	1,823	541
Trade and other receivables	146,721	84,482	110,724	91,871
Other financial assets	7,623	4,371	-	-
Cash and cash equivalents	125,358	110,782	87,953	84,639
	289,072	207,478	200,500	177,051
Total assets	883,541	729,905	740,486	651,645
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	90,591	80,189	90,592	80,189
Reserves	114,302	43,350	85,652	41,357
Non-controlling interest	(136)	(181)	-	-
Total equity	204,757	123,358	176,244	121,546
LIABILITIES				
Non-current liabilities				
Borrowings	208,886	181,912	196,391	178,364
Other financial liabilities	508	56	-	-
Lease liabilities	24,295	21,303	23,598	20,631
Deferred income	1,083	775	1,083	775
Contract liabilities	17,599	13,513	14,205	11,498
Employee benefit payables	6,467	8,725	4,529	6,659
Provision for other liabilities	10,601	15,156	9,482	14,251
Deferred tax liability	624	55	-	-
	270,063	241,496	249,288	232,178
Current liabilities				
Trade and other payables	206,146	219,990	153,451	174,741
Borrowings	170,046	101,115	138,338	95,919
Other financial liabilities	5,163	10,313	-	-
Lease liabilities	2,400	5,258	2,281	5,119
Contract liabilities	20,582	24,010	16,939	17,828
Current income tax liabilities	4,384	4,365	3,945	4,315
	408,721	365,051	314,954	297,922
Total liabilities	678,784	606,547	564,242	530,100
Total equity and liabilities	883,541	729,905	740,486	651,645
Exchange rate	323.98	366.01	323.98	366.01

US Dollar Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

For Information purpose only

For the year ended 31 December In USD '000	Group		Company	
	2023	2022	2023	2022
Revenue	572,934	539,779	313,999	307,184
Direct costs	(372,332)	(357,410)	(165,406)	(159,158)
Gross profit	200,602	182,369	148,593	148,026
Distribution costs	(54,915)	(49,930)	(46,203)	(42,474)
Administrative costs	(81,152)	(120,746)	(66,223)	(122,002)
Net impairment losses on financial assets	(2,742)	(5,237)	(1,798)	(2,790)
Other Income	1,884	1,328	413	768
Operating profit	63,677	7,783	34,782	(18,472)
Finance income	6,039	7,260	6,702	7,426
Finance costs	(30,662)	(16,086)	(27,085)	(15,182)
Finance costs - net	6,534	(100,582)	10,096	(89,276)
Share of loss of associates - net of tax	(215)	(237)	-	-
Profit before income tax	69,996	(93,036)	44,878	(107,748)
Income tax expense	(8,640)	(8,200)	(8,278)	(8,337)
Profit for the year	61,356	(101,236)	36,600	(116,085)
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	767	93	-	-
- remeasurements of defined benefit obligation, net of tax	3,002	(3,838)	2,360	(2,891)
Other comprehensive income for the year	3,769	(3,745)	2,360	(2,891)
Total comprehensive income for the year	65,125	(104,981)	38,960	(118,975)
Profit / (loss) for the year is attributable to:	61,390	(101,173)	36,600	(116,085)
- owners of the Company	(34)	(63)	-	-
- non-controlling interest				
Total comprehensive income for the year is attributable to:				
- owners of the Company	65,106	(104,919)	38,960	(118,975)
- non-controlling interest	18	(63)	-	-
Annual average exchange rates	327.81	330.01	327.81	330.01

Group Value Added Statement

For the year ended 31 December

2023

2022

In Rs. '000

Value added

Revenue	187,813,228	178,130,762
Other operating income	617,525	438,230
Interest income	1,979,588	2,396,014

190,410,341 180,965,006

Cost of materials and services bought in

(109,543,399) (111,392,714)

Value creation

80,866,942 69,572,292

Distribution of value added

To employees

Salaries and other benefits 13,054,076 15,186,006

To government

Taxes, fees and levies (Note 1) 6,500,100 7,563,424

To lenders of capital

Interest on borrowings 9,995,038 4,691,298

To shareholders as dividends

Dividend to shareholders - 10,168,753

Retained in the business

Profit retained 10,059,877 (12,601,729)

Depreciation and amortization 41,257,851 44,564,540

51,317,728 31,962,811

80,866,942 69,572,292

Distribution of value added

To employees 16.14% 21.83%

To government 8.04% 10.87%

To lenders of capital 12.36% 6.74%

To shareholders as dividends 13.67% 14.62%

Retained in the business 49.79% 45.94%

Note 1: Includes direct taxes, fees and levies

Five Year Summary

31 December In Rs. '000	GROUP				
	2023	2022	2021	2020	2019
OPERATING RESULTS					
Revenue	187,813,228	178,130,762	141,914,839	120,141,512	116,827,341
EBIT	20,873,534	2,568,427	23,440,005	16,682,890	15,336,207
Finance costs	2,141,937	(33,192,922)	(4,358,481)	(2,890,204)	(2,654,204)
Share of loss from associate	(70,363)	(78,077)	(28,765)	(4,221)	(263)
Profit before tax	22,945,108	(30,702,572)	19,052,759	13,788,465	12,681,740
Profit after tax	20,112,857	(33,408,691)	17,018,768	12,002,686	10,726,451
Total comprehensive income	21,348,264	(34,644,614)	17,108,297	11,697,439	10,568,855
CAPITAL EMPLOYED					
Stated capital	29,349,706	29,349,706	28,855,862	28,467,285	28,103,913
Share payment reserve	-	158,834	393,336	491,735	296,640
Fair value through other comprehensive income reserve	254,559	3,267	(27,283)	(15,721)	59,835
Retained earnings	36,776,686	15,704,248	64,365,247	53,269,769	45,777,973
Shareholders funds	66,380,951	45,216,055	93,587,162	82,213,068	74,238,361
Non-controlling interest	(44,189)	(66,107)	(72,275)	(10,006)	12,860
Total debt	122,765,416	103,589,799	41,835,614	40,425,911	47,811,677
	189,102,178	148,739,747	135,350,501	122,628,973	122,062,898
ASSETS EMPLOYED					
Property, plant and equipment	151,278,847	156,236,582	127,452,429	118,475,106	115,682,983
Other non-current assets	41,315,382	34,975,409	36,948,044	31,291,656	30,576,058
Current assets	93,652,888	75,938,479	54,599,955	37,925,927	30,873,983
Liabilities, net of debt	(97,144,939)	(118,410,723)	(83,649,927)	(65,063,716)	(55,070,126)
	189,102,178	148,739,747	135,350,501	122,628,973	122,062,898
CASH FLOW					
Net cash generated from operating activities	21,325,868	56,652,745	54,335,628	44,667,314	33,644,646
Net cash outflow from investing activities	(43,861,784)	(60,072,404)	(39,292,200)	(21,040,518)	(30,245,359)
Net cash outflow from financing activities	(1,161,282)	20,889,071	(14,339,125)	(13,459,812)	(6,066,085)
Net (decrease) / increase in cash and cash equivalents	(23,697,198)	17,469,412	704,303	10,166,984	(2,666,798)
Key Indicators					
Basic Earnings Per Share	2.44	-4.06	2.08	1.48	1.32
Interest Cover (Times)	3.73	1.71	29.47	13.76	6.51
Net Asset Per Share (Rs.)	8.04	5.48	11.40	10.06	9.12
Current Ratio (Times)	0.71	0.57	0.53	0.50	0.50
Price Earnings Ratio (Times)	3.69	-2.09	5.24	8.38	9.30
Dividend Per share	1.34	-	1.24	0.74	0.53
Dividend Yield (%)	14.9	N/A	11.38	5.97	4.31
Market Price Per Share (Rs.)	9.00	8.50	10.90	12.40	12.30

Group Real Estate Portfolio

Owning company and location	Number of buildings	Buildings in sq feet	Land in acres freehold	Net book value		Fair value
				2023 Rs. '000	2022 Rs. '000	2023 Rs. '000
Properties in Colombo						
Dialog Axiata PLC						
No. 475, Union Place, Colombo 02	3	74,255		257,095	270,149	716,021
No. 25, Samarakoon Mawatha, Thumbowila, Piliyandala	2	22,506	0.57	27,368	28,809	135,036
No. 11, De Soysa Road, Mt lavinia	1	9,500		92,044	95,540	104,500
Foster Lane Car Park and Training Centre	1	54,774		267,730	276,315	290,302
No. 475, Union Place, Colombo 02, New office Building	1	157,913		1,181,224	1,219,128	1,658,000
1039/4, Pothuarawa Road, Pothuarawa, Malabe	1		0.62	100,488	100,488	201,120
CDC Building-25, Samarakoon Mawatha, Thumbowila, Piliyandala	1	2,554	0.01	238,158	244,594	251,029
Dialog Broadband Networks (Private) Limited						
390 D, Horizon Drive Road, Welivita, Malabe	2	40,960	3.76	527,562	537,922	777,600
No. 24, Foster Lane, Union place, Colombo 02			0.24	129,998	129,998	500,000
No. 55/2C, Old Avisawella Road, Kotikawatta	1	12,360	0.48	30,837	30,748	178,200
DBN Site, De Soysa Road, Mount lavinia			0.17	44,428	44,428	93,500
Kaluandura, Puwakkpitiya, 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, Imbaulakanda, Gamunu Road, Homagama			0.09	779	779	11,963
Siddamulla Temple, Siddamulla, Mattegoda			0.07	1,646	1,646	9,600
Properties outside Colombo						
Matara Cable Landing Station			0.24	206,377	-	206,377
Dialog Broadband Networks (Private) Limited						
Saliya Mawatha, Anuradhapura			1.92	7,778	7,778	85,690
Vewaykananthapuram, 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
Puwaggaslanda, 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 Road, 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, Negombo			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	15,365	15,662	76,500
Furnishing and fixtures on leaseholding building				307,425	345,421	-
Total Land and building - Dialog				3,481,156	3,394,259	5,666,817

Notice of Annual General Meeting

DIALOG AXIATA PLC (PQ 38)

NOTICE IS HEREBY GIVEN THAT THE TWENTY SEVENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AS A FULLY VIRTUAL MEETING ON THURSDAY, 13 JUNE 2024 AT 4:00PM (IST – INDIA STANDARD TIME) FROM THE BROADCAST VENUE AT THE AUDITORIUM, DIALOG AXIATA PLC, 15TH 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 2023 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, Dr. Shridhir Sariputta Hansa Wijayasuriya, 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, Ms. Komathi Balakrishnan, who was appointed to the Board since the last Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company.

5. ORDINARY RESOLUTION 5

To re-elect as a Director, Mr. Thomas Hundt, 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 attained the age of 74 years on 3 April 2024 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 Dr. Indrajit Coomaraswamy.

7. ORDINARY RESOLUTION 7

To re-elect as a Director, Mr. David Nai Pek Lau, who attained the age of 71 years on 7 November 2023 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. David Nai Pek Lau

8. ORDINARY RESOLUTION 8

To re-appoint Messrs. Deloitte Partners, formerly known as 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

30 April 2024
Colombo

Notice of Annual General Meeting

NOTES:

- i) *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 6 June 2024 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.*

Administrative Details for the 27th Annual General Meeting

The 27th Annual General Meeting (AGM) of Dialog Axiata PLC (the "Company") will be held as a fully virtual meeting on Thursday, 13 June 2024 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 Thursday 13 June 2024 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 Auditorium 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 <https://www.dialog.lk/shareholder-notification>.

NO PERSONAL ATTENDANCE AT AGM

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) duly appointing a 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 6 June 2024 are required pre-register participation. Registrations that do not meet this requirement will be rejected during the verification stage.
- (b) In order to pre-register participation, shareholders are requested to complete the online pre-registration form available at <https://www.dialog.lk/shareholder-notification> on or before 4:00PM on 6 June 2024.
- (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 login information closer to the AGM. Please note that the login 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 login 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.
- (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 or any one of the Directors of the Company to participate and vote on their behalf such that each shareholder's vote may be identified and recorded as if such shareholder were present at the meeting.
- (c) In order to be valid, the Form of Proxy must be duly completed and forwarded to the Group Company Secretary via post to Dialog Axiata PLC, No. 475, Union Place, Colombo 2 and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 4:00PM on 11 June 2024.

ANNUAL REPORT 2023

The Annual Report 2023 has been published on the corporate website and may be accessed at <https://www.dialog.lk/investors>. If a shareholder wishes to receive a printed copy of the Annual Report 2023, 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 6 June 2024 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 to the FAQs on our corporate website at <https://www.dialog.lk/shareholder-notification> or contact Ms. Divya Ranaraj on +94 773 908 929 during working hours.

THANK YOU

Notes

A large rounded rectangular box with a thin green border, containing 20 horizontal dashed lines for writing notes.

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, or failing him, any one of the Directors of the Company

as my/our proxy to participate and vote on my/our behalf in accordance with the preference as indicated below at the **Twenty Seventh Annual General Meeting of the Company** to be held by virtual means on 13 June 2024 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 to the Group Company Secretary via post to Dialog Axiata PLC, No. 475, Union Place, Colombo 2 and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 4:00PM on 11 June 2024.
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 <https://www.dialog.lk/shareholder-notification>.
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.

A large rectangular area with rounded corners, containing 20 horizontal dotted lines for writing.

A large rounded rectangular box with a thin black border, containing 20 horizontal dashed lines for writing. The lines are evenly spaced and extend across the width of the box.

Corporate Information

NAME OF COMPANY

Dialog Axiata PLC

COMPANY REGISTRATION NO.

PQ 38

REGISTERED ADDRESS

475, Union Place
Colombo 02
Sri Lanka
Telephone: +94 777 678 700
Website: www.dialog.lk

LEGAL FORM

A public quoted company with limited liability.
Incorporated as a private limited liability company on 27th August 1993 and subsequently converted to a public limited liability company on 26th May 2005.
Listed on the Colombo Stock Exchange in July 2005.

STOCK EXCHANGE LISTING

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

BOARD OF DIRECTORS

Mr. David Nai Pek Lau - Chairman
Mr. Supun Weerasinghe - Group Chief Executive
Dr. Hans Wijayasuriya
Deshamanya Mahesh Amalean
Mr. Willem Lucas Timmermans
Dr. Indrajit Coomaraswamy
Dr. Sharmini Coorey
Ms. Komathi Balakrishnan
Mr. Thomas Hundt

GROUP COMPANY SECRETARY

Ms. Viranthi Attygalle

AUDITORS

Messrs. Deloitte Partners
Chartered Accountants
100, Braybrooke Place
Colombo 02, Sri Lanka

REGISTRARS

SSP Corporate Services (Private) Limited
No. 101, Inner Flower Road,
Colombo 03
Telephone: +94 112 573 894
Email: sspsc@sltnet.lk

CONTACT FOR INVESTOR RELATIONS

Group Investor Relations
Telephone: +94 777 332 052
E-mail: ir@dialog.lk

CONTACT FOR MEDIA

Group Corporate Communications
Telephone: +94 773 332 222
E-mail: corporate.communications@dialog.lk

SUBSIDIARY AND ASSOCIATE COMPANIES

(All incorporated and operating in Sri Lanka) -
As of 30 April 2024

- Dialog Broadband Networks (Pvt) Ltd - 100%
 - ▶ Telecard (Pvt) Ltd – 100%
 - ▶ H One (Pvt) Ltd – 100%
 - ▶ Digital Realty (Pvt) Ltd – 35%
- Dialog Television (Pvt) Ltd - 100%
 - ▶ Communiq Broadband Network (Pvt) Ltd - 100%
- Digital Holdings Lanka (Pvt) Ltd – 100%
 - ▶ Digital Commerce Lanka (Pvt) Ltd [together with Dialog Axiata PLC] – 100%
 - ▶ Headstart (Pvt) Ltd – 100% [together with Dialog Axiata Digital Innovation Fund (Pvt) Ltd]
 - ▶ Digital Health (Pvt) Ltd [together with Dialog Axiata Digital Innovation Fund (Pvt) Ltd] – 57.69%
 - My Health Solutions (Pvt) Ltd – 100%
 - ▶ Dialog Axiata Digital Innovation Fund (Pvt) Ltd - Ordinary Shares – 25% and Preference Shares – 93.26%
- Dialog Device Trading (Pvt) Ltd - 100%
- Dialog Business Services (Pvt) Ltd – 100%
- Dialog Finance PLC – 99.05%
- Dialog Network Services (Pvt) Ltd – 100%
- Firstsource-Dialog Solutions (Pvt) Ltd - 26%

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