

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 JUNE 2019**





Report on Review of Condensed Consolidated Interim Financial Information To the Directors of Dialog Axiata PLC

Introduction

We have reviewed the accompanying condensed statements of financial position of Dialog Axiata PLC and its subsidiaries as at June 30, 2019, and the related statements of comprehensive income, changes in equity and cash flows for the period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the Sri Lanka Accounting Standard 34 [LKAS 34] - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Sri Lanka Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making of inquiries, preliminarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Sri Lanka Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the Sri Lanka Accounting Standard 34 [LKAS 34] - Interim Financial Reporting.

7 August 2019

Date

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DIALOG AXIATA PLC

Statements of financial position

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	30 Jun 2019 (Reviewed)	31 Dec 2018 (Audited)	30 Jun 2019 (Reviewed)	31 Dec 2018 (Audited)
ASSETS				
Non-current assets				
Intangible assets	24,399,487	22,818,458	7,946,959	7,966,046
Right-of-use assets	4,724,815	-	4,490,164	-
Property, plant and equipment	107,921,944	111,256,617	67,975,250	70,354,265
Deferred tax asset	40,553	19,455	-	-
Investment in subsidiaries	-	-	49,991,852	49,137,458
Investment in associates	132,706	132,139	-	-
Trade and other receivables	-	187,147	-	187,147
Other financial assets	428,188	366,028	-	-
	137,647,693	134,779,844	130,404,225	127,644,916
Current assets				
Inventories	2,053,043	1,122,995	65,140	64,260
Trade and other receivables	22,787,815	17,757,629	26,468,665	24,581,820
Other financial assets	990,595	835,018	-	-
Cash and cash equivalents	12,537,194	10,097,521	10,956,288	7,839,159
	38,368,647	29,813,163	37,490,093	32,485,239
Total assets	176,016,340	164,593,007	167,894,318	160,130,155
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913
Reserves	42,328,016	39,163,921	50,947,239	47,902,571
Non-controlling interest	(11,720)	9,120	-	-
Total equity	70,420,209	67,276,954	79,051,152	76,006,484
LIABILITIES				
Non-current liabilities				
Borrowings	41,794,903	40,766,008	38,746,903	40,766,008
Other financial liabilities	27,874	8,311	-	-
Lease liabilities	4,037,054	-	3,857,662	-
Deferred revenue	841,256	938,037	841,256	938,037
Contract liabilities	634,567	819,821	71,931	93,238
Employee benefit payables	1,241,631	1,294,416	1,030,358	1,103,468
Provision for other liabilities	1,624,073	1,588,097	1,413,427	1,324,712
	50,201,358	45,414,690	45,961,537	44,225,463
Current liabilities				
Trade and other payables	33,510,605	35,640,356	26,889,406	27,179,708
Borrowings	12,791,972	9,012,708	8,386,631	7,187,413
Lease liabilities	1,520,756	-	1,420,856	-
Other financial liabilities	208,618	460,291	-	-
Contract liabilities	6,467,786	5,847,592	5,318,307	4,625,337
Current income tax liabilities	895,036	940,416	866,429	905,750
	55,394,773	51,901,363	42,881,629	39,898,208
Total liabilities	105,596,131	97,316,053	88,843,166	84,123,671
Total equity and liabilities	176,016,340	164,593,007	167,894,318	160,130,155
Net assets per share (Rs.)	8.65	8.26	9.71	9.33

The notes on pages 8 to 17 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.

Signed

Group Chief Financial Officer

Date: 7/8/2019

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.

Signed

Director

Date: 7/8/2019

Signed

Director

Date: 7/8/2019

DIALOG AXIATA PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Six months ended 30 June		Six months ended 30 June	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Revenue from contracts with customers	58,103,823	52,689,585	41,630,242	41,949,342
Direct costs	(31,909,080)	(27,526,447)	(19,931,355)	(21,691,279)
Gross profit	26,194,743	25,163,138	21,698,887	20,258,063
Distribution costs	(7,881,768)	(7,069,499)	(6,123,229)	(5,845,303)
Administrative costs	(10,354,888)	(9,570,642)	(7,704,415)	(6,590,562)
Other income	62,409	89,506	59,449	64,350
Operating profit	8,020,496	8,612,503	7,930,692	7,886,548
Finance income	90,324	112,305	108,612	135,458
Finance costs	(1,677,739)	(1,013,963)	(1,668,437)	(984,226)
Net foreign exchange gains / (losses)	1,368,695	(965,279)	1,288,690	(808,138)
Finance costs - net	(218,720)	(1,866,937)	(271,135)	(1,656,906)
Share of profit from associates - net of tax	567	1,012	-	-
Profit before income tax	7,802,343	6,746,578	7,659,557	6,229,642
Income tax expense	(963,077)	(1,079,831)	(914,114)	(1,064,533)
Profit for the period	6,839,266	5,666,747	6,745,443	5,165,109
Other comprehensive income				
Items that may be subsequently reclassified to comprehensive income				
- net change in cash flow hedge	-	(7,262)	-	(7,262)
Items that will not be reclassified to comprehensive income				
- remeasurements of defined benefit obligations	944	-	-	-
Other comprehensive income for the period	944	(7,262)	-	(7,262)
Total comprehensive income for the period	6,840,210	5,659,485	6,745,443	5,157,847
Profit / (loss) for the period attributable to:				
- owners of the Company	6,873,916	5,688,289	6,745,443	5,165,109
- non-controlling interest	(34,650)	(21,542)	-	-
Total comprehensive income for the period attributable to:				
- owners of the Company	6,874,849	5,681,027	6,745,443	5,157,847
- non-controlling interest	(34,639)	(21,542)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.84	0.70	0.83	0.63

The notes on pages 8 to 17 form an integral part of these financial statements.

DIALOG AXIATA PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Three months ended 30 June		Three months ended 30 June	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Revenue from contracts with customers	29,079,755	26,606,674	20,809,349	21,317,230
Direct costs	(16,450,621)	(13,790,762)	(10,377,071)	(10,938,381)
Gross profit	12,629,134	12,815,912	10,432,278	10,378,849
Distribution costs	(4,145,778)	(3,528,346)	(3,151,868)	(2,896,844)
Administrative costs	(5,163,153)	(5,025,070)	(3,983,302)	(3,449,638)
Other income	44,298	59,130	34,668	47,013
Operating profit	3,364,501	4,321,626	3,331,776	4,079,380
Finance income	46,286	42,323	55,096	48,947
Finance costs	(811,584)	(479,106)	(823,289)	(470,632)
Net foreign exchange losses	(136,664)	(457,034)	(108,624)	(394,127)
Finance costs - net	(901,962)	(893,817)	(876,817)	(815,812)
Share of profit from associates - net of tax	24	(12)	-	-
Profit before income tax	2,462,563	3,427,797	2,454,959	3,263,568
Income tax expense	(481,132)	(595,503)	(467,637)	(590,061)
Profit for the period	1,981,431	2,832,294	1,987,322	2,673,507
Other comprehensive income				
Items that may be subsequently reclassified to comprehensive income				
- net change in cash flow hedge	-	(5,810)	-	(5,810)
Items that will not be reclassified to comprehensive income				
- remeasurements of defined benefit obligations	944	-	-	-
Other comprehensive income for the period	944	(5,810)	-	(5,810)
Total comprehensive income for the period	1,982,375	2,826,484	1,987,322	2,667,697
Profit / (loss) for the period attributable to:				
- owners of the Company	1,995,193	2,846,685	1,987,322	2,673,507
- non-controlling interest	(13,762)	(14,391)	-	-
Total comprehensive income for the period attributable to:				
- owners of the Company	1,996,126	2,840,875	1,987,322	2,667,697
- non-controlling interest	(13,751)	(14,391)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.24	0.35	0.24	0.33

The notes on pages 8 to 17 form an integral part of these financial statements.

DIALOG AXIATA PLC

Consolidated statement of changes in equity

(all amounts in Sri Lanka Rupees thousands)

	Attributable to owners of the Company		Non-controlling interest	Total
	Stated capital	Reserves		
Balance at 1 January 2019	28,103,913	39,163,921	9,120	67,276,954
Change in accounting policy		(797,172)		(797,172)
Restated total equity as at 1 January 2019	28,103,913	38,366,749	9,120	66,479,782
Profit / (loss) for the period	-	6,873,916	(34,650)	6,839,266
Other comprehensive income	-	933	11	944
Total comprehensive income for the period	-	6,874,849	(34,639)	6,840,210
Transactions with non-controlling interest	-	4,570	13,799	18,369
Employee share schemes - value of employee services	-	95,046	-	95,046
Dividends to equity holders	-	(3,013,198)	-	(3,013,198)
Balance at 30 June 2019	28,103,913	42,328,016	(11,720)	70,420,209
Balance at 1 January 2018	28,103,913	33,583,241	(6,158)	61,680,996
Change in accounting policy	-	1,642,222	-	1,642,222
Restated total equity as at 1 January 2018	28,103,913	35,225,463	(6,158)	63,323,218
Profit / (loss) for the period	-	5,688,289	(21,542)	5,666,747
Other comprehensive income	-	(7,262)	-	(7,262)
Total comprehensive income for the period	-	5,681,027	(21,542)	5,659,485
Non-controlling interest on acquisition of subsidiary	-	-	62,824	62,824
Transaction with non-controlling interest		2,265	(2,265)	-
Employee share schemes - value of employee services	-	32,681	-	32,681
Dividends to equity holders	-	(3,746,138)	-	(3,746,138)
Balance at 30 June 2018	28,103,913	37,195,298	32,859	65,332,070
Balance at 1 July 2018	28,103,913	37,195,298	32,859	65,332,070
Profit / (loss) for the period	-	1,813,045	(30,325)	1,782,720
Other comprehensive income	-	71,720	-	71,720
Total comprehensive income for the period	-	1,884,765	(30,325)	1,854,440
Non-controlling interest on acquisition of subsidiary	-	-	6,682	6,682
Transactions with non-controlling interest	-	96	(96)	-
Employee share schemes - value of employee services	-	83,762	-	83,762
Balance at 31 December 2018	28,103,913	39,163,921	9,120	67,276,954

The notes on pages 8 to 17 form an integral part of these financial statements.

DIALOG AXIATA PLC**Company statement of changes in equity****(all amounts in Sri Lanka Rupees thousands)**

	Attributable to owners of the Company		
	Stated capital	Reserves	Total
Balance at 1 January 2019	28,103,913	47,902,571	76,006,484
Change in accounting policy	-	(782,623)	(782,623)
Restated total equity as at 1 January 2019	28,103,913	47,119,948	75,223,861
Profit for the period	-	6,745,443	6,745,443
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	6,745,443	6,745,443
Employee share schemes - value of employee services	-	95,046	95,046
Dividends to equity holders	-	(3,013,198)	(3,013,198)
Balance at 30 June 2019	28,103,913	50,947,239	79,051,152
Balance at 1 January 2018	28,103,913	46,178,818	74,282,731
Change in accounting policy	-	949,520	949,520
Restated total equity as at 1 January 2018	28,103,913	47,128,338	75,232,251
Profit for the period	-	5,165,109	5,165,109
Other comprehensive income	-	(7,262)	(7,262)
Total comprehensive income for the period	-	5,157,847	5,157,847
Employee share schemes - value of employee services	-	32,681	32,681
Dividends to equity holders	-	(3,746,138)	(3,746,138)
Balance at 31 June 2018	28,103,913	48,572,728	76,676,641
Balance at 1 July 2018	28,103,913	48,572,728	76,676,641
Loss for the period	-	(805,772)	(805,772)
Other comprehensive income	-	51,853	51,853
Total comprehensive income for the period	-	(753,919)	(753,919)
Employee share schemes - value of employee services	-	83,762	83,762
Balance at 31 December 2018	28,103,913	47,902,571	76,006,484

The notes on pages 8 to 17 form an integral part of these financial statements.

DIALOG AXIATA PLC**Statements of cash flows**

(all amounts in Sri Lanka Rupees thousands)

	Group 30 June		Company 30 June	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Cash flows from operating activities				
Cash generated from operations	21,369,123	15,236,333	20,662,452	8,855,428
Interest received	196,471	132,064	110,984	124,837
Interest paid	(1,453,533)	(838,742)	(1,384,708)	(813,441)
Taxes paid	(914,256)	(1,044,956)	(857,714)	(997,313)
Employee benefits paid	(27,236)	(22,871)	(20,393)	(16,164)
Net cash generated from operating activities	19,170,569	13,461,828	18,510,621	7,153,347
Cash flows from investing activities				
Purchase of property, plant and equipment	(15,758,243)	(17,744,672)	(8,290,426)	(11,446,649)
Purchase of intangible assets	(1,479,558)	(613,813)	(1,414,273)	(549,709)
Acquisition of subsidiary, net of cash acquired	-	19	-	(599,150)
Investment in subsidiaries	-	-	(854,395)	-
Advances to subsidiaries	-	-	-	(79,048)
Investment in associate	-	(131,250)	-	-
Purchase of other financial assets	(177,956)	(76,801)	-	-
Proceeds from sale of property, plant and equipment	127,615	35,057	124,936	35,057
Net cash used in investing activities	(17,288,142)	(18,531,460)	(10,434,158)	(12,639,499)
Cash flows from financing activities				
Repayment of borrowings	(2,054,675)	(3,703,530)	(1,783,333)	(3,339,530)
Proceeds from borrowings	7,185,175	11,750,289	1,300,000	11,397,127
Principal element of lease payment	(1,342,177)	-	(1,236,330)	-
Proceeds from share issue - non-controlling interests	8,594	33,240	-	-
Dividends paid to ordinary shareholders	(3,013,198)	(3,746,138)	(3,013,198)	(3,746,138)
Net cash generated from / (used in) financing activities	783,719	4,333,861	(4,732,861)	4,311,459
Net increase / (decrease) in cash and cash equivalents	2,666,146	(735,771)	3,343,602	(1,174,693)
Movement in cash and cash equivalents				
At beginning of the period	10,097,521	8,410,960	7,839,159	7,886,345
Increase / (decrease)	2,666,146	(735,771)	3,343,602	(1,174,693)
Effect of exchange rate changes	(226,473)	58,404	(226,473)	58,404
At end of the period	12,537,194	7,733,593	10,956,288	6,770,056

The notes on pages 8 to 17 form an integral part of these financial statements.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements

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

1 General 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 payments), digital health, education, navigation and enterprise services and financial services], provision of manpower for call centre operations and venture capital investment activities.

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

2 Basis of preparation

The condensed interim financial statements for the period ended 30 June 2019 of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standard LKAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018 except for changes brought in due to adoption of SLFRS 16, 'Leases'.

The impact of the adoption of this standard and the new accounting policies are disclosed in note 7.

3 Segment information

Operating segments are presented in a manner consistent with the internal reporting provided to chief operating decision makers.

- The segment results for the six months ended 30 June 2019 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	41,513,403	12,335,264	4,255,156		58,103,823
Inter-segment revenue	1,350,626	1,044,538	12,529		2,407,693
Total segmental revenue	42,864,029	13,379,802	4,267,685		60,511,516
Segment operating profit / (loss) for the period	7,533,777	686,661	(250,490)	50,548	8,020,496
Finance cost - net					(218,720)
Share of profit from associate - net of tax					567
Profit before income tax					7,802,343
Income tax expense					(963,077)
Profit for the period					6,839,266

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

3 Segment information (Continued)

- 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	9,804,411	4,037,346	1,326,484	-	15,168,241

- The segment assets and liabilities at 30 June 2019 and capital expenditure for the six months then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	172,251,551	50,212,530	9,389,395	(41,592,467)	190,261,009
Inter-segment assets	(14,101,190)	(24,458)	(119,021)	-	(14,244,669)
Total assets	158,150,361	50,188,072	9,270,374	(41,592,467)	176,016,340
Liabilities	93,238,841	20,722,284	5,980,019	-	119,941,144
Inter-segment liabilities	(2,494,736)	(9,825,869)	(2,024,408)	-	(14,345,013)
Total liabilities	90,744,105	10,896,415	3,955,611	-	105,596,131
Capital expenditure	5,763,788	3,242,023	52,239	-	9,058,050

- The segment results for the six months ended 30 June 2018 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	42,852,682	6,182,704	3,654,199	-	52,689,585
Inter-segment revenue	652,643	984,678	(18,224)	-	1,619,097
Total segmental revenue	43,505,325	7,167,382	3,635,975	-	54,308,682
Segment operating profit / (loss) for the period	7,659,196	1,138,624	(183,845)	(1,472)	8,612,503
Finance costs - net					(1,866,937)
Share of profit from associates - net of tax					1,012
Profit before income tax					6,746,578
Income tax expense					(1,079,831)
Profit for the period					5,666,747

- 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	8,046,913	3,111,167	641,170	-	11,799,250

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

3 Segment information (Continued)

- The segment assets and liabilities at 31 December 2018 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	165,715,525	46,457,027	8,667,973	(40,738,072)	180,102,453
Inter-segment assets	(14,215,145)	(2,851)	(1,291,450)	-	(15,509,446)
Total assets	151,500,380	46,454,176	7,376,523	(40,738,072)	164,593,007
Liabilities	90,390,563	17,699,658	4,966,377	-	113,056,598
Inter-segment liabilities	(4,334,777)	(9,838,679)	(1,567,089)	-	(15,740,545)
Total liabilities	86,055,786	7,860,979	3,399,288	-	97,316,053
Capital expenditure	21,264,066	12,683,692	468,291	-	34,416,049

4 Reserves

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Attributable to the owners of the Company				
Retained earnings	42,100,186	39,047,478	50,719,409	47,786,128
Share-based payments reserve	227,830	116,443	227,830	116,443
Attributable to the non-controlling interest				
Non-controlling interest	(11,720)	9,120	-	-
	42,316,296	39,173,041	50,947,239	47,902,571

5 Seasonal or cyclical factors

The operations of the Group were not significantly affected by any seasonal or cyclical factors.

6 Significant unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 30 June 2019.

7 Changes in accounting policies

The Company and the Group adopted SLFRS 16, 'Leases', with effect from 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in the Standard, the Company and the Group adopted the new rules retrospectively with the cumulative effect of implementing the Standard recognised at the date of initial application.

On adoption of SLFRS 16, the Company and the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17, 'Leases'.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

7 Changes in accounting policies (Continued)

The change in accounting policy affected the following individual line items in the statement of financial position on 1 January 2019.

Statement of financial position

Group	Note	Balance as at 31 Dec 2018	Impact from SLFRS 16	Balance as at 1 Jan 2019
Non-current assets				
Right-of-use assets	(a)	-	4,213,671	4,213,671
Current assets				
Trade and other receivables		17,757,629	(342,888)	17,414,741
Equity and reserves				
Reserves	(c)	39,163,921	(797,172)	38,366,749
Non-current liabilities				
Lease liabilities	(b)	-	3,879,258	3,879,258
Current liabilities				
Trade and other payables		35,640,356	(415,867)	35,224,489
Lease liabilities	(b)	-	1,204,564	1,204,564

Company	Note	Balance as at 31 Dec 2018	Impact from SLFRS 16	Balance as at 1 Jan 2019
Non-current assets				
Right-of-use assets	(a)	-	4,036,553	4,036,553
Current assets				
Trade and other receivables		24,581,820	(338,086)	24,243,734
Equity and reserves				
Reserves	(c)	47,902,571	(782,623)	47,119,948
Non-current liabilities				
Lease liabilities	(b)	-	3,722,837	3,722,837
Current liabilities				
Trade and other payables		27,179,708	(375,537)	26,804,171
Lease liabilities	(b)	-	1,133,787	1,133,787

(a) Right-of-use assets

Right-of-use assets are recognised 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 incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The opening adjustment as at 1 January 2019, represents the carrying value of the right-of-use assets relating to ongoing lease contracts measured on a retrospective basis as if the Standard had been applied since the commencement date of the contract.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

7 Changes in accounting policies (Continued)

(b) Lease Liabilities

In accordance with provisions of SLFRS 16, lease liabilities were recognised and measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period at a constant periodic rate of interest on the remaining balance of the liability for each period.

The opening adjustment as at 1 January 2019, represents the present value of the remaining lease payments, relating to ongoing lease contracts, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

(c) Reserves

The following is a summary of transition adjustments to the Company's and the Group's retained earnings from the initial application of SLFRS 16 as at 1 January 2019.

	Group	Company
Retained earnings as at 31 December 2018	39,163,921	47,902,571
Recognition of right-of-use assets	4,213,671	4,036,553
Adjustments to trade and other receivables (advances)	(342,888)	(338,089)
Adjustments to trade and other payables (accrued expenses)	415,867	375,537
Recognition of lease liabilities	(5,083,822)	(4,856,624)
Adjustments to retained earnings from changes in accounting policies	(797,172)	(782,623)
Retained earnings as at 1 January 2019	38,366,749	47,119,948

The following tables show the adjustments recognised for each individual line item affected with the adoption of the Standards as at 30 June 2019.

Statement of financial position

Group	30 June 2019		
	Before SLFRS 16 adjustments	Impact from SLFRS 16	After SLFRS 16 adjustments
Non-current assets			
Right-of-use assets	-	4,724,815	4,724,815
Current assets			
Trade and other receivables	23,062,538	(274,723)	22,787,815
Equity and reserves			
Reserves	43,104,781	(776,765)	42,328,016
Non-current liabilities			
Lease liabilities	-	4,037,054	4,037,054
Current liabilities			
Trade and other payables	33,841,558	(330,953)	33,510,605
Lease liabilities	-	1,520,756	1,520,756

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

7 Changes in accounting policies (Continued)

Company	30 June 2019		
	Before SLFRS 16 adjustments	Impact from SLFRS 16	After SLFRS 16 adjustments
Non-current assets			
Right-of-use assets	-	4,490,164	4,490,164
Current assets			
Trade and other receivables	26,741,144	(272,479)	26,468,665
Equity and reserves			
Reserves	51,706,978	(759,739)	50,947,239
Non-current liabilities			
Lease liabilities	-	3,857,662	3,857,662
Current liabilities			
Trade and other payables	27,190,500	(301,094)	26,889,406
Lease liabilities	-	1,420,856	1,420,856

Statement of comprehensive income

Group	For the six months ended 30 June 2019		
	Before SLFRS 16 adjustments	Impact from SLFRS 16	After SLFRS 16 adjustments
Direct costs	(32,209,195)	300,115	(31,909,080)
Distribution costs	(7,931,142)	49,374	(7,881,768)
Administration costs	(10,415,339)	60,451	(10,354,888)
Net finance income / (cost)	170,813	(389,533)	(218,720)
Profit before tax	7,781,936	20,407	7,802,343

Company	For the six months ended 30 June 2019		
	Before SLFRS 16 adjustments	Impact from SLFRS 16	After SLFRS 16 adjustments
Direct costs	(20,206,276)	274,921	(19,931,355)
Distribution costs	(6,172,603)	49,374	(6,123,229)
Administration costs	(7,755,544)	51,129	(7,704,415)
Net finance income / (cost)	81,407	(352,542)	(271,135)
Profit before tax	7,636,675	22,882	7,659,557

Practical expedients applied

In applying SLFRS 16 for the first time, the Company and the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- apply the Standard to contracts that were previously identified as leases applying LKAS 17, 'Leases' and IFRIC 4, 'Determining whether an Arrangement contains a Lease'.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

8 Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

There were no changes in estimates and assumptions used in prior financial periods that may have a material effect in the current quarter and for the financial period to date.

In preparing the condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the sources of estimates uncertainty are consistent with the audited financial statements for the year ended 31 December 2018.

9 Issues, repurchases and repayments of debt and equity securities

There were no significant and unusual issues, repurchases and repayments of debt and equity securities during the period ended 30 June 2019.

10 Stated capital

Stated capital of the Company consists of 8,143,778,405 ordinary shares.

11 Earnings per share

The diluted earnings per share is same as the basic earnings per share.

12 Market price per share

For the six months ended 30 June

	2019 Rs.	2018 Rs.
- Highest	9.70	14.80
- Lowest	8.60	13.60
- Last traded	9.00	14.20

13 Directors' shareholdings

The details of shares held directly by the Directors and their spouses as at 30 June 2019 are as follows:

	Number of shares
Dr. Hansa Wijayasuriya	43,010
Mr. Mohamed Muhsin	18,040

None of the Directors and their spouses other than those disclosed above directly held any shares in the Company.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

14 Twenty largest shareholders of the Company

Name of Shareholders	No. of shares	% Holding
1 Axiata Investments (Labuan) Limited	6,785,252,765	83.32%
2 Employees Provident Fund	237,424,082	2.92%
3 CITI Bank New York S/A Norges Bank Account 2	135,628,352	1.67%
4 JPMCB - Scottish ORL SML TR GTI 6018	83,426,021	1.02%
5 BNYM SA/NV RE - LF Ruffer Investment Funds: LF Ruffer Pacific and Emerging Markets Fund	67,314,300	0.83%
6 BNYM RE-UT SAGA Tree LLC	63,567,952	0.78%
7 Pershing LLC S/A Averbach Grauson and Co.	63,039,981	0.77%
8 Northern Trust Company S/A Hosking Global Fund PLC	50,639,293	0.62%
9 J.B. Cocoshell (Private) Limited	38,187,325	0.47%
10 State Street Luxembourg C/O SSBT- Alliancebernstein Next 50 Emerging Markets (Master) Fund Sicav-SIF S.C.SP.	38,024,290	0.47%
11 MSIP - Vittoria Fund - ST L.P.	36,056,411	0.44%
12 JPMLU - T Rowe Price Funds SICAV	35,256,465	0.43%
13 Rubber Investment Trust Limited A/C No. 01	21,054,973	0.26%
14 Mellon Bank N.A.- UPS Group Trust	18,880,000	0.23%
15 The Ceylon Investment PLC A/C No. 02	18,797,647	0.23%
16 MSIP - Saga Tree Asia Master Fund	18,492,290	0.23%
17 The Ceylon Guardian Investment Trust PLC A/C No. 02	16,470,454	0.20%
18 Deutsche Bank AG National Equity Fund	16,071,882	0.20%
19 SSBT- Parametric Tax-Managed Emerging Markets Fund	15,786,381	0.19%
20 Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	14,289,887	0.18%

15 Public shareholding

Information pertaining to public shareholding is as follows:

	30 Jun 2019	31 Dec 2018
Public holding percentage	16.68%	16.68%
Number of public shareholders	21,458	20,865
Float adjusted market capitalisation (Rs.)	12,226,181,310	13,719,660,603

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

16 Effect of changes in composition of the Group

(a) Dialog Axiata Digital Innovation Fund (Private) Limited ('DADIF'), which is a subsidiary company of Digital Holdings Lanka (Private) Limited ('DHL'), a wholly owned subsidiary of the Company, issued 201,987 Preference Shares on 8 March 2019. DHL holds 192,210 of the Preference Shares while remaining 9,777 Preference Shares are held by Mr. Rajan Jei Anandan (8,800) and Mr. Prajeeth Balasubramaniam (977).

(b) Pursuant to a conversion of shareholder advances, Digital Holdings Lanka (Private) Limited ('DHL'), a wholly owned subsidiary of the Company, issued and allotted 2,756,200 and 7,130,000 new ordinary shares in DHL to the Company on 29 March 2019 and 25 June 2019 respectively. This share issue has not changed the composition of the Group.

(c) Dialog Finance PLC ('DFP'), a subsidiary of the Company proceeded with a Rights Issue with a view to increasing the core Capital of the Company to ensure compliance with Central Bank Directions. Pursuant to a resolution adopted by the shareholders of DFP at a meeting held on 15 March 2019, DFP raised Rs. 764,126,320 through a Rights Issue by issuing and allotting 19,103,158 ordinary shares (in the proportion of 32 new shares for every 121 existing shares in DFP) at the price of Rs. 40 per share. The new shares were listed on the Colombo Stock Exchange on 26 April 2019.

Other than disclosed above there has not been a change in the composition of the Group which was disclosed in the audited financial statements for the year ended 31 December 2018.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

17 Financial instruments measured at fair value

		Measurement criteria and the fair value					
		Level 1		Level 3		Total	
Note		Rs.000		Rs.000		Rs.000	
		2019	2018	2019	2018	2019	2018
Financial assets							
Financial assets at fair value through profit or loss							
- Investment in quoted equities	(a)	846	1,024	-	-	846	1,024
- Investment in unquoted equities	(a)	-	-	296,358	119,469	296,358	119,469
Financial assets at fair value through other comprehensive income							
- Investment in unquoted equities	(b)	-	-	346	346	346	346

The Group measures the financial instruments based on published price quotations (Level 1), market approach valuation technique (Level 2) with inputs of valuation technique such as interest rates and yield curves observable at commonly quoted intervals; implied volatilities; and credit spreads that are observable directly or indirectly and valuation technique with unobservable inputs (Level 3) at the end of the financial reporting period.

(a) Carrying value of financial assets at FVTPL at the end of the financial reporting period 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.

(b) The 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.

18 Cash and cash equivalents

Cash and cash equivalents of the Group include restricted cash deposited in the following financial institutions:

	30 Jun 2019 Rs.	31 Dec 2018 Rs.
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	63,200,000	65,213,255
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation	610,000,000	530,000,000
	673,200,000	595,213,255

19 Revenue from contracts with customers

	Group		Company	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
Mobile operation	41,513,403	42,852,682	41,630,242	41,949,342
Fixed telephony and broadband operation	12,335,264	6,182,704	-	-
Television operation	4,255,156	3,654,199	-	-
	58,103,823	52,689,585	41,630,242	41,949,342

20 Valuation of property, plant and equipment

The Company and the Group do not adopt a revaluation policy on its property, plant and equipment.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

21 Contingent liabilities

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 Courts. Written submissions should be filed on or before 27 September 2019 and the matter is fixed for argument on 5 and 6 November 2019.

Except for disclosed above there has not been a significant change in the nature of the contingent liabilities, which were disclosed in the audited financial statements for the year ended 31 December 2018.

22 Capital commitments

Capital expenditure contracted for as at the statement of financial position date but not yet incurred consists of Rs. 10,842,729,877 (31.12.2018 - Rs. 7,518,901,392) and Rs. 15,495,118,234 (31.12.2018 - Rs. 13,247,485,823) of the Company and the Group respectively.

23 Events after the reporting period

No circumstances have arisen since the statement of financial position date which require adjustments to, or disclosure in the financial statements.