

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2020**





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 30 September 2020, 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.

10 November 2020
Date


PricewaterhouseCoopers

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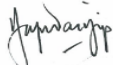
Statement of financial position

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	30 Sep 2020 (Reviewed)	31 Dec 2019 (Audited)	30 Sep 2020 (Reviewed)	31 Dec 2019 (Audited)
ASSETS				
Non-current assets				
Intangible assets	17,481,007	17,452,431	6,399,002	6,153,978
Contract costs	7,067,344	7,852,319	1,507,128	2,002,708
Right-of-use assets	4,741,436	4,499,551	4,517,765	4,327,586
Property, plant and equipment	109,504,687	115,682,983	73,338,007	75,659,324
Deferred tax asset	76,453	43,550	-	-
Investment in subsidiaries	-	-	50,928,964	50,156,852
Investment in associates	129,411	131,876	-	-
Other financial assets	634,656	596,331	-	-
	139,634,994	146,259,041	136,690,866	138,300,448
Current assets				
Inventories	780,566	1,480,604	51,675	61,862
Trade and other receivables	19,081,642	20,867,463	23,699,467	25,420,703
Other financial assets	1,689,560	1,137,155	-	-
Cash and cash equivalents	14,775,435	7,388,761	12,592,486	6,333,191
	36,327,203	30,873,983	36,343,628	31,815,756
Total assets	175,962,197	177,133,024	173,034,494	170,116,204
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	28,467,285	28,103,913	28,467,285	28,103,913
Reserves	50,501,752	46,134,448	60,465,614	55,658,646
Non-controlling interest	7,522	12,860	-	-
Total equity	78,976,559	74,251,221	88,932,899	83,762,559
LIABILITIES				
Non-current liabilities				
Borrowings	20,213,447	32,957,450	19,913,447	31,232,450
Lease liabilities	3,454,792	3,868,982	3,287,906	3,719,196
Other financial liabilities	30,700	40,520	-	-
Deferred revenue	611,635	748,586	611,635	748,586
Contract liabilities	1,251,740	580,103	701,315	30,546
Employee benefit payables	1,275,886	1,300,261	986,642	1,092,645
Provision for other liabilities	1,992,160	1,735,954	1,768,892	1,521,160
Deferred tax liability	27,204	26,419	-	-
	28,857,564	41,258,275	27,269,837	38,344,583
Current liabilities				
Trade and other payables	37,730,113	37,644,766	30,780,473	29,397,530
Borrowings	20,284,182	14,854,227	17,688,309	11,144,384
Lease liabilities	2,027,692	1,556,565	1,910,749	1,471,051
Other financial liabilities	487,417	329,467	-	-
Contract liabilities	6,717,734	6,366,036	5,628,802	5,164,371
Current income tax liabilities	880,936	872,467	823,425	831,726
	68,128,074	61,623,528	56,831,758	48,009,062
Total liabilities	96,985,638	102,881,803	84,101,595	86,353,645
Total equity and liabilities	175,962,197	177,133,024	173,034,494	170,116,204
Net assets per share (Rs.)	9.66	9.12	10.88	10.29

The notes on pages 8 to 14 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.



.....
Group Chief Financial Officer

Date: 10/11/2020

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



.....
Director

Date: 10/11/2020



.....
Director

Date: 10/11/2020

Statement of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Nine months ended 30 Sep		Nine months ended 30 Sep	
	2020 (Reviewed)	2019 (Reviewed)	2020 (Reviewed)	2019 (Reviewed)
Revenue from contracts with customers	87,894,228	87,162,671	60,628,909	62,102,198
Direct costs	(50,013,371)	(48,321,080)	(28,694,719)	(29,739,785)
Gross profit	37,880,857	38,841,591	31,934,190	32,362,413
Distribution costs	(10,892,978)	(11,433,305)	(8,782,381)	(9,224,132)
Administrative costs	(15,154,441)	(15,696,746)	(11,104,175)	(11,340,131)
Other income	273,015	65,719	234,350	61,463
Operating profit	12,106,453	11,777,259	12,281,984	11,859,613
Finance income	232,776	215,048	245,964	239,555
Finance costs	(1,848,700)	(2,630,972)	(1,557,887)	(2,457,024)
Net foreign exchange (losses) / gains	(511,144)	400,777	(648,681)	317,301
Finance costs - net	(2,127,068)	(2,015,147)	(1,960,604)	(1,900,168)
Share of loss from associate - net of tax	(2,464)	(9)	-	-
Profit before income tax	9,976,921	9,762,103	10,321,380	9,959,445
Income tax expense	(1,402,098)	(1,464,206)	(1,289,679)	(1,375,102)
Profit for the period	8,574,823	8,297,897	9,031,701	8,584,343
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	(163)	-	-	-
- remeasurements of defined benefit obligations, net of tax	54	944	-	-
Other comprehensive income for the period, net of tax	(109)	944	-	-
Total comprehensive income for the period	8,574,714	8,298,841	9,031,701	8,584,343
Profit / (loss) for the period attributable to:				
- owners of the Company	8,596,771	8,348,148	9,031,701	8,584,343
- non-controlling interest	(21,948)	(50,251)	-	-
Total comprehensive income for the period attributable to:				
- owners of the Company	8,596,663	8,349,081	9,031,701	8,584,343
- non-controlling interest	(21,949)	(50,240)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	1.06	1.03	1.11	1.05

The notes on pages 8 to 14 form an integral part of these financial statements.

Statement of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Three months ended 30 Sep		Three months ended 30 Sep	
	2020	2019	2020	2019
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Revenue from contracts with customers	30,470,591	29,058,848	21,055,706	20,471,956
Direct costs	(17,232,188)	(16,411,999)	(9,457,213)	(9,808,431)
Gross profit	13,238,403	12,646,849	11,598,493	10,663,525
Distribution costs	(2,763,681)	(3,551,537)	(2,637,651)	(3,100,903)
Administrative costs	(5,244,838)	(5,341,859)	(3,981,552)	(3,635,716)
Other income	231,556	3,310	194,283	2,014
Operating profit	5,461,440	3,756,763	5,173,573	3,928,920
Finance income	106,149	124,725	106,743	130,943
Finance costs	(531,569)	(953,233)	(449,931)	(788,587)
Net foreign exchange gains / (losses)	187,912	(967,918)	172,149	(971,389)
Finance costs - net	(237,508)	(1,796,426)	(171,039)	(1,629,033)
Share of loss from associate - net of tax	(207)	(576)	-	-
Profit before income tax	5,223,725	1,959,761	5,002,534	2,299,887
Income tax expense	(435,687)	(501,128)	(448,648)	(460,988)
Profit for the period	4,788,038	1,458,633	4,553,886	1,838,899
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	-	-	-	-
- remeasurements of defined benefit obligations, net of tax	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	4,788,038	1,458,633	4,553,886	1,838,899
Profit / (loss) for the period attributable to:				
- owners of the Company	4,796,581	1,474,234	4,553,886	1,838,899
- non-controlling interest	(8,543)	(15,601)	-	-
Total comprehensive income for the period attributable to:				
- owners of the Company	4,796,581	1,474,234	4,553,886	1,838,899
- non-controlling interest	(8,543)	(15,601)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.59	0.18	0.56	0.23

The notes on pages 8 to 14 form an integral part of these financial statements.

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 2020	28,103,913	46,134,448	12,860	74,251,221
Profit / (loss) for the period	-	8,596,771	(21,948)	8,574,823
Other comprehensive income	-	(108)	(1)	(109)
Total comprehensive income for the period	-	8,596,663	(21,949)	8,574,714
Transaction with non-controlling interest	-	(4,626)	16,611	11,985
Employee share schemes - value of employee services	-	454,842	-	454,842
Dividends to equity holders	-	(4,316,203)	-	(4,316,203)
Transfer from share-based payment reserve upon vesting	363,372	(363,372)	-	-
Balance at 30 September 2020	28,467,285	50,501,752	7,522	78,976,559
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	-	8,348,148	(50,251)	8,297,897
Other comprehensive income	-	933	11	944
Total comprehensive income for the period	-	8,349,081	(50,240)	8,298,841
Transaction with non-controlling interest	-	5,958	33,223	39,181
Employee share schemes - value of employee services	-	106,485	-	106,485
Dividends to equity holders	-	(3,013,198)	-	(3,013,198)
Balance at 30 September 2019	28,103,913	43,815,075	(7,897)	71,911,091
Balance at 1 October 2019	28,103,913	43,815,075	(7,897)	71,911,091
Profit for the period	-	2,427,569	985	2,428,554
Other comprehensive income	-	(164,317)	5,777	(158,540)
Total comprehensive income for the period	-	2,263,252	6,762	2,270,014
Transaction with non-controlling interest	-	(1,249)	13,995	12,746
Employee share schemes - value of employee services	-	57,370	-	57,370
Balance at 31 December 2019	28,103,913	46,134,448	12,860	74,251,221

The notes on pages 8 to 14 form an integral part of these financial statements.

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 2020	28,103,913	55,658,646	83,762,559
Profit for the period	-	9,031,701	9,031,701
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	9,031,701	9,031,701
Employee share schemes - value of employee services	-	454,842	454,842
Dividends to equity holders	-	(4,316,203)	(4,316,203)
Transfer from share-based payment reserve upon vesting	363,372	(363,372)	-
Balance at 30 September 2020	28,467,285	60,465,614	88,932,899
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	-	8,584,343	8,584,343
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	8,584,343	8,584,343
Employee share schemes - value of employee services	-	106,485	106,485
Dividends to equity holders	-	(3,013,198)	(3,013,198)
Balance at 30 September 2019	28,103,913	52,797,578	80,901,491
Balance at 1 October 2019	28,103,913	52,797,578	80,901,491
Profit for the period	-	2,983,340	2,983,340
Other comprehensive income	-	(179,642)	(179,642)
Total comprehensive income for the period	-	2,803,698	2,803,698
Employee share schemes - value of employee services	-	57,370	57,370
Balance at 31 December 2019	28,103,913	55,658,646	83,762,559

The notes on pages 8 to 14 form an integral part of these financial statements.

Statement of cash flows

(all amounts in Sri Lanka Rupees thousands)

	Group 30 September		Company 30 September	
	2020 (Reviewed)	2019 (Reviewed)	2020 (Reviewed)	2019 (Reviewed)
Cash flows from operating activities				
Cash generated from operations	37,400,148	33,153,966	31,091,497	28,808,666
Interest received	289,677	330,106	236,371	235,789
Interest paid	(1,865,130)	(2,221,253)	(1,547,527)	(2,006,315)
Taxes paid	(1,220,691)	(1,359,882)	(1,153,191)	(1,268,154)
Employee benefits paid	(98,694)	(115,213)	(78,223)	(92,006)
Net cash generated from operating activities	34,505,310	29,787,724	28,548,927	25,677,980
Cash flows from investing activities				
Purchase of property, plant and equipment	(14,136,973)	(21,342,833)	(10,916,598)	(12,872,522)
Purchase of intangible assets	(1,277,054)	(1,175,958)	(1,060,179)	(1,127,016)
Increase in interest in subsidiaries	-	-	(772,111)	(910,145)
Net cash used in other financial assets	(65,511)	(114,145)	-	-
Proceeds from sale of property, plant and equipment	4,267	127,388	4,267	124,931
Net cash used in investing activities	(15,475,271)	(22,505,548)	(12,744,621)	(14,784,752)
Cash flows from financing activities				
Repayment of borrowings	(6,028,560)	(6,581,459)	(3,966,060)	(5,605,360)
Proceeds from borrowings	-	7,251,869	-	1,300,000
Principal element of lease payment	(1,181,070)	(1,935,072)	(1,127,865)	(1,811,256)
Proceeds from share issue - non-controlling interests	11,985	8,594	-	-
Dividends paid to ordinary shareholders	(4,316,203)	(3,013,198)	(4,316,203)	(3,013,198)
Net cash used in financing activities	(11,513,848)	(4,269,266)	(9,410,128)	(9,129,814)
Net increase in cash and cash equivalents	7,516,191	3,012,910	6,394,178	1,763,414
Movement in cash and cash equivalents				
At beginning of the period	7,388,761	10,097,521	6,333,191	7,839,159
Increase	7,516,191	3,012,910	6,394,178	1,763,414
Effect of exchange rate changes	(129,517)	(79,931)	(134,883)	(88,215)
At end of the period	14,775,435	13,030,500	12,592,486	9,514,358

The notes on pages 8 to 14 form an integral part of these financial statements.

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 payment), digital health, education, navigation and enterprise services and financial services], data centre services, manpower services and venture capital investment activities.

Dialog Axiata PLC is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on 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 September 2020 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 2019, except for the reclassification of interest payable on borrowings, overpaid amounts by subscribers and deposits placed with banks and government securities with maturity periods exceeding three months, as disclosed in note 22.

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 nine months ended 30 September 2020 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Total segmental revenue	63,814,325	23,288,338	6,458,255	-	93,560,918
Inter-segment revenue	(3,971,687)	(1,669,372)	(25,631)	-	(5,666,690)
Revenue from external customers	59,842,638	21,618,966	6,432,624	-	87,894,228
Segment operating profit / (loss) for the period	12,244,589	780,474	(774,208)	(144,402)	12,106,453
Finance costs – net					(2,127,068)
Share of loss from associate - net of tax					(2,464)
Profit before income tax					9,976,921
Income tax expense					(1,402,098)
Profit for the period					8,574,823

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	15,324,558	6,899,353	2,450,289	-	24,674,201

- The segment assets and liabilities at 30 September 2020 and capital expenditure for the nine months then ended are as follows:

	Mobile operation	Fixed telephony and broadband Operation	Television operation	Elimination /adjustment	Group
Assets	179,709,338	45,048,822	8,431,606	(43,071,061)	190,118,705
Inter-segment assets	(13,818,364)	(263,375)	(74,769)	-	(14,156,508)
Total assets	165,890,974	44,785,447	8,356,837	(43,071,061)	175,962,197
Liabilities	89,558,829	15,308,153	6,145,008	-	111,011,990
Inter-segment liabilities	(4,302,831)	(8,066,640)	(1,656,881)	-	(14,026,352)
Total liabilities	85,255,998	7,241,513	4,488,127	-	96,985,638
Capital expenditure	10,438,952	1,966,786	27,977	-	12,433,715

- The segment results for the nine months ended 30 September 2019 are as follows:

	Mobile operation	Fixed telephony and broadband Operation	Television operation	Elimination /adjustment	Group
Total segmental revenue	63,899,088	20,628,162	6,523,368	-	91,050,618
Inter-segment revenue	(2,282,109)	(1,582,866)	(22,972)	-	(3,887,947)
Revenue from external customers	61,616,979	19,045,296	6,500,396	-	87,162,671
Segment operating profit / (loss) for the period	11,338,714	624,843	(252,211)	65,913	11,777,259
Finance costs – net					(2,015,147)
Share of profit from associates - net of tax					(9)
Profit before income tax					9,762,103
Income tax expense					(1,464,206)
Profit for the period					8,297,897

- 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	14,993,883	6,267,588	2,072,388	-	23,333,859

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

3 Segment information (Continued)

- The segment assets and liabilities at 31 December 2019 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband Operation	Television operation	Elimination /adjustment	Group
Assets	174,722,723	49,293,243	9,310,249	(42,211,992)	191,114,223
Inter-segment assets	(13,856,848)	(109,901)	(14,450)	-	(13,981,199)
Total assets	160,865,875	49,183,342	9,295,799	(42,211,992)	177,133,024
Liabilities	90,538,284	20,179,060	6,178,610	-	116,895,954
Inter-segment liabilities	(2,864,693)	(9,448,834)	(1,700,624)	-	(14,014,151)
Total liabilities	87,673,591	10,730,226	4,477,986	-	102,881,803
Capital expenditure	21,993,436	7,214,919	77,693	-	29,286,048

4 Reserves

	Group		Company	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Attributable to the owners of the Company				
Retained earnings	50,113,641	45,837,808	60,077,504	55,362,006
Share-based payments reserve	388,110	296,640	388,110	296,640
Attributable to the non-controlling interest				
Non-controlling interest	7,522	12,860	-	-
	50,509,273	46,147,308	60,465,614	55,658,646

5 Seasonal or cyclical factors

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

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

COVID-19 pandemic has resulted in a substantive shift in management's focus towards ensuring the continued safety of people, connectivity of customers, compliance with guidelines issued by various government authorities and continuity of critical business operations.

The outbreak and the associated developments impacted the business on multiple fronts including distribution, network rollout and working capital management. The lockdown and credit extensions provided to keep customers connected, significantly impacted cash collections. The global impact of the pandemic and the repatriation of Sri Lankans has also adversely affected the Group's international business including inbound and outbound roaming. Accordingly, the Group faced an adverse impact on revenue, impairment of trade receivables and health and safety related expenses. With the easing of strict lockdown measures starting mid-May, business activity resumed across the country and the Group saw a gradual recovery in revenue and collections. However, the second wave of outbreak which commenced in early October, is more widespread and the elevated risks result in a gradual shutdown of the country.

The current unprecedented situation is yet evolving and the future impact will heavily depend on the complete removal of restrictions and time taken for economic activity to rebound to pre COVID-19 levels. The overall impact on consumer spending and the recovery of the country's enterprises will also be key determinants of future impact on our business. The Group has resorted to aggressive cost rescaling and rationalisation initiatives both in operating and capital expenditure to soften the impact on the business.

Accordingly, the Group does not consider it practical to provide a quantitative estimate of the potential impact in the current context.

There were no other unusual events or transactions affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 30 September 2020.

DIALOG AXIATA PLC**Notes to the condensed consolidated interim financial statements (Continued)****7 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 2019.

8 Issues, repurchases and repayments of debt and equity securities

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

9 Stated capital

Stated capital of the Company consists of 8,173,809,105 ordinary shares.

10 Earnings per share

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

11 Market price per share

For the three months ended 30 September

	2020 Rs.	2019 Rs.
- Highest	12.90	11.30
- Lowest	7.90	8.90
- Last traded	11.30	10.60

12 Directors' shareholdings

The details of shares held directly by the Directors and their spouses as at 30 September 2020 are as follows:

	Number of shares
Dr. Hansa Wijayasuriya	2,408,910
Mr. Mohamed Muhsin	18,040
Mr. Supun Weerasinghe	1,135,600

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)****13 Twenty largest shareholders of the Company**

Name of Shareholders	No. of shares	% Holding
1 Axiata Investments (Labuan) Limited	6,785,252,765	83.01%
2 Employees Provident Fund	237,424,082	2.90%
3 BBH Luxfidelity Funds - Pacific F	147,311,909	1.80%
4 BNYM RE - Consilium Extended Opportunities Fund, L.P.	92,354,708	1.13%
5 CITI Bank New York S/A Norges Bank Account 2	76,512,010	0.94%
6 BNYM SA/NV RE - LF Ruffer Investment Funds: LF Ruffer Pacific and Emerging Markets Fund	67,314,300	0.82%
7 Pershing LLC S/A Averbach Grauson and Co.	63,039,981	0.77%
8 JPMCB NA - Fidelity Asian Values PLC	41,762,540	0.51%
9 BBH - Fidelity Funds	40,181,803	0.49%
10 Employees Trust Fund Board	37,138,462	0.45%
11 J.B. Cocoshell (Private) Limited	34,717,646	0.42%
12 Northern Trust Company S/A Hosking Global Fund PLC	30,538,657	0.37%
13 SSBT - Retail Employees Superannuation Trust	26,685,697	0.33%
14 Morgan Stanley and Co. LLC - RWC Frontier Markets Equity Master Fund	21,949,883	0.27%
15 SSBT- AL Mehwar Commercial Investments LLC	15,953,567	0.20%
16 Mellon Bank N.A.- UPS Group Trust	15,877,075	0.19%
17 JPMBL SA - Kapitalforeningen Institutional Investor, Asiatiske Smid Cap Aktier	15,059,195	0.18%
18 Citibank Hong Kong S/A Hostplus Pooled Superannuation Trust	14,867,369	0.18%
19 Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	14,289,887	0.17%
20 Ceylon Investment PLC	13,797,647	0.17%

14 Public shareholding

Information pertaining to public shareholding is as follows:

	30 Sep 2020	31 Dec 2019
Public holding percentage	16.94%	16.68%
Number of public shareholders	22,185	20,967
Float adjusted market capitalisation (Rs.)	15,511,930,448	16,709,114,457

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.

15 Effect of changes in composition of the Group

- Dialog Axiata Digital Innovation Fund (Private) Limited ('DADIF'), which is a subsidiary of Digital Holdings Lanka (Private) Limited ('DHL'), a wholly owned subsidiary of the Company, issued 98,909 Preference Shares during the period. DHL holds 86,958 of these Preference Shares, while remaining 11,951 Preference Shares are held by individual shareholders.
- Dialog Finance PLC ('DFP'), a subsidiary of the Company proceeded with a Rights Issue, with a view to increasing the core capital of the Company to ensure compliance with Central Bank Directions. Pursuant to a resolution adopted by the shareholders of DFP at a meeting held on 2 March 2020, DFP raised Rs. 701,344,798 through a Rights Issue by issuing 17,446,388 ordinary shares (in the proportion of 17 new shares for every 89 existing shares in DFP) at the price of LKR 40.20 per share. The new shares were listed on the Colombo Stock Exchange on 3 June 2020.
- Pursuant to a conversion of shareholder advances, Digital Holdings Lanka (Private) Limited ('DHL'), a fully owned subsidiary of the Company, issued and allotted 7,080,000 new ordinary shares in DHL to the Company on 29 June 2020. This share issue has not changed the composition of the Group.

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 2019.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

16 Financial instruments measured at fair value

	Note	Measurement criteria and the fair value					
		Level 1		Level 3		Total	
		Rs.000		Rs.000		Rs.000	
		2020	2019	2020	2019	2020	2019
Financial assets							
Financial assets at fair value through profit or loss (FVTPL)							
- Investment in quoted equities	(a)	1,174	1,286	-	-	1,174	1,286
- Investment in unquoted equities	(a)	-	-	203,037	153,036	203,037	153,036
Financial assets at fair value through other comprehensive income (FVOCI)							
- Investment in unquoted equities	(b)	-	-	297,200	257,200	297,200	257,200

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 and investment in unquoted equity investments by Dialog Axiata Digital Innovation Fund (Private) Limited.

17 Cash and cash equivalents

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

	30 Sep 2020 Rs.	31 Dec 2019 Rs.
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation	610,000,000	610,000,000
Margin requirements against imports on Documents against Acceptance terms	93,404,823	199,235,466
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	64,215,176	64,112,326
	767,619,999	873,347,792

18 Revenue from contracts with customers

	Group		Company	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Mobile operation	59,842,638	61,616,979	60,628,909	62,102,198
Fixed telephony and broadband operation	21,618,966	19,045,296	-	-
Television operation	6,432,624	6,500,396	-	-
	87,894,228	87,162,671	60,628,909	62,102,198

19 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)

20 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. Matter came up for argument on several dates the last date being 2 October 2020. Matter was mentioned on 26 October 2020 to fix a date for argument but was not taken up due to curfew. The next date will be notified by the court.

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 2019.

21 Capital commitments

Capital expenditure contracted for as at the statement of financial position date but not yet incurred consists of Rs. 14,123,330,001 (31.12.2019 - Rs. 8,669,997,774) and Rs. 17,738,879,547 (31.12.2019 - Rs. 13,169,991,159) of the Company and the Group respectively.

22 Reclassifications

- (a) The Company's and Group's interest payable on borrowings was previously presented under trade and other payables in the statement of financial position. However, management considers it more relevant if interest payable on borrowings is presented under current borrowings. Prior year comparatives as at 31 December 2019 have been restated by reclassifying Rs. 189,355,760 and Rs. 193,843,252, from trade and other payables to current borrowings, for the Company and the Group respectively.
- (b) Overpaid amounts by subscribers of the Company and Group as at the reporting date, was previously presented under trade and other receivables in the statement of financial position. However, management considers it more relevant if overpaid amounts by subscribers is presented under trade and other payables. Prior year comparatives as at 31 December 2019 have been restated by reclassifying Rs. 581,140,984 and Rs. 935,650,758, from trade and other receivables to trade and other payables, for the Company and the Group respectively.
- (c) Investments in the form of deposits placed at banks and government securities, with maturity periods exceeding three months were previously presented under cash and cash equivalents in the statement of financial position and has been reclassified under other financial assets as at 30 September 2020. Prior year comparatives as at 31 December 2019 for the Group, have been restated by reclassifying Rs. 242,613,040 from cash and cash equivalents to other financial assets.

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.