

**DIALOG AXIATA PLC**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED  
31 DECEMBER 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 31 December 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.

13 February 2020

Date

PricewaterhouseCoopers

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# DIALOG AXIATA PLC

## Statements of financial position

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	31 Dec 2019 (Reviewed)	31 Dec 2018 (Audited)	31 Dec 2019 (Reviewed)	31 Dec 2018 (Audited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	25,304,750	22,818,458	8,156,686	7,966,046
Right-of-use assets	4,499,551	-	4,327,586	-
Property, plant and equipment	115,682,983	111,256,617	75,659,324	70,354,265
Deferred tax asset	43,550	19,455	-	-
Investment in subsidiaries	-	-	50,156,852	49,137,458
Investment in associates	131,876	132,139	-	-
Trade and other receivables	-	187,147	-	187,147
Other financial assets	596,331	366,028	-	-
	<b>146,259,041</b>	<b>134,779,844</b>	<b>138,300,448</b>	<b>127,644,916</b>
<b>Current assets</b>				
Inventories	1,480,604	1,122,995	61,862	64,260
Trade and other receivables	19,931,812	17,757,629	24,839,562	24,581,820
Other financial assets	894,542	835,018	-	-
Cash and cash equivalents	7,631,374	10,097,521	6,333,191	7,839,159
	<b>29,938,332</b>	<b>29,813,163</b>	<b>31,234,615</b>	<b>32,485,239</b>
<b>Total assets</b>	<b>176,197,373</b>	<b>164,593,007</b>	<b>169,535,063</b>	<b>160,130,155</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders</b>				
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913
Reserves	46,134,448	39,163,921	55,658,646	47,902,571
Non-controlling interest	12,860	9,120	-	-
<b>Total equity</b>	<b>74,251,221</b>	<b>67,276,954</b>	<b>83,762,559</b>	<b>76,006,484</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	32,957,450	40,766,008	31,232,450	40,766,008
Other financial liabilities	40,520	8,311	-	-
Lease liabilities	3,868,982	-	3,719,196	-
Deferred revenue	748,586	938,037	748,586	938,037
Contract liabilities	580,103	819,821	30,546	93,238
Employee benefit payables	1,300,261	1,294,416	1,092,645	1,103,468
Provision for other liabilities	1,735,954	1,588,097	1,521,160	1,324,712
Deferred tax liability	26,419	-	-	-
	<b>41,258,275</b>	<b>45,414,690</b>	<b>38,344,583</b>	<b>44,225,463</b>
<b>Current liabilities</b>				
Trade and other payables	36,902,958	35,640,356	29,005,745	27,179,708
Borrowings	14,660,384	9,012,708	10,955,028	7,187,413
Lease liabilities	1,556,565	-	1,471,051	-
Other financial liabilities	329,467	460,291	-	-
Contract liabilities	6,366,036	5,847,592	5,164,371	4,625,337
Current income tax liabilities	872,467	940,416	831,726	905,750
	<b>60,687,877</b>	<b>51,901,363</b>	<b>47,427,921</b>	<b>39,898,208</b>
<b>Total liabilities</b>	<b>101,946,152</b>	<b>97,316,053</b>	<b>85,772,504</b>	<b>84,123,671</b>
<b>Total equity and liabilities</b>	<b>176,197,373</b>	<b>164,593,007</b>	<b>169,535,063</b>	<b>160,130,155</b>
Net assets per share (Rs.)	9.12	8.26	10.29	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: 13/02/2020

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.

Signed

Signed

.....  
**Director**

.....  
**Director**

Date: 13/02/2020

Date: 13/02/2020

# DIALOG AXIATA PLC

## Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Year ended 31 Dec		Year ended 31 Dec	
	2019 (Reviewed)	2018 (Audited)	2019 (Reviewed)	2018 (Audited)
Revenue from contracts with customers	116,827,341	109,156,685	82,631,908	84,512,660
Direct costs	(65,111,811)	(58,871,028)	(39,537,973)	(42,772,281)
Gross profit	51,715,530	50,285,657	43,093,935	41,740,379
Distribution costs	(15,240,602)	(14,381,371)	(12,341,633)	(12,133,037)
Administrative costs	(21,211,544)	(23,004,160)	(15,120,941)	(16,794,692)
Provision write back	-	3,698,280	-	-
Other income	72,823	124,624	66,000	91,208
Operating profit	15,336,207	16,723,030	15,697,361	12,903,858
Finance income	273,079	274,350	306,465	311,725
Finance costs	(3,404,690)	(2,224,704)	(3,092,318)	(2,179,855)
Net foreign exchange gains / (losses)	477,407	(5,223,896)	469,445	(4,678,473)
Finance costs - net	(2,654,204)	(7,174,250)	(2,316,408)	(6,546,603)
Share of (loss) / profit from associates - net of tax	(263)	1,432	-	-
Profit before income tax	12,681,740	9,550,212	13,380,953	6,357,255
Income tax expense	(1,955,289)	(2,100,745)	(1,813,270)	(1,997,918)
<b>Profit for the year</b>	<b>10,726,451</b>	<b>7,449,467</b>	<b>11,567,683</b>	<b>4,359,337</b>
<b>Other comprehensive income</b>				
<b>Items that may be subsequently reclassified to profit or loss</b>				
- net change in cash flow hedge	-	(22,392)	-	(22,392)
<b>Items that will not be reclassified to profit or loss</b>				
- changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	65,615	-	-	-
- remeasurements of defined benefit obligations, net of tax	(223,211)	86,850	(179,642)	66,983
<b>Other comprehensive income for the year, net of tax</b>	<b>(157,596)</b>	<b>64,458</b>	<b>(179,642)</b>	<b>44,591</b>
<b>Total comprehensive income for the year</b>	<b>10,568,855</b>	<b>7,513,925</b>	<b>11,388,041</b>	<b>4,403,928</b>
Profit / (loss) for the year attributable to:				
- owners of the Company	10,775,717	7,501,334	11,567,683	4,359,337
- non-controlling interest	(49,266)	(51,867)	-	-
Total comprehensive income for the year attributable to:				
- owners of the Company	10,612,333	7,565,792	11,388,041	4,403,928
- non-controlling interest	(43,478)	(51,867)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	1.32	0.92	1.42	0.54

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 31 Dec		Three months ended 31 Dec	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Revenue from contracts with customers	29,664,669	28,516,280	20,529,710	21,352,981
Direct costs	(16,790,731)	(15,877,636)	(9,798,187)	(10,673,533)
Gross profit	12,873,938	12,638,644	10,731,523	10,679,448
Distribution costs	(3,807,296)	(3,880,042)	(3,117,501)	(3,288,634)
Administrative costs	(5,514,798)	(9,027,170)	(3,780,810)	(6,934,275)
Provision write back	-	3,698,280	-	-
Other income	7,104	38,544	4,538	30,792
Operating profit	3,558,948	3,468,256	3,837,750	487,331
Finance income	58,031	85,913	66,910	92,834
Finance costs	(773,718)	(576,352)	(635,294)	(572,633)
Net foreign exchange gains / (losses)	76,630	(2,355,033)	152,144	(2,119,487)
Finance costs - net	(639,057)	(2,845,472)	(416,240)	(2,599,286)
Share of (loss) / profit from associates - net of tax	(254)	716	-	-
Profit / (loss) before income tax	2,919,637	623,500	3,421,510	(2,111,955)
Income tax expense	(491,084)	(546,941)	(438,168)	(481,546)
<b>Profit / (loss) for the period</b>	<b>2,428,553</b>	<b>76,559</b>	<b>2,983,342</b>	<b>(2,593,501)</b>
<b>Other comprehensive income</b>				
- <b>Items that will not be reclassified to profit or loss</b>				
-changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	65,615	-	-	-
-remeasurements of defined benefit obligations, net of tax	(224,155)	86,850	(179,642)	66,983
<b>Other comprehensive income for the period, net of tax</b>	<b>(158,540)</b>	<b>86,850</b>	<b>(179,642)</b>	<b>66,983</b>
<b>Total comprehensive income for the period</b>	<b>2,270,013</b>	<b>163,409</b>	<b>2,803,700</b>	<b>(2,526,518)</b>
Profit / (loss) for the period attributable to:				
- owners of the Company	2,427,568	92,016	2,983,342	(2,593,501)
- non-controlling interest	985	(15,457)	-	-
Total comprehensive income for the period attributable to:				
- owners of the Company	2,263,251	178,866	2,803,700	(2,526,518)
- non-controlling interest	6,762	(15,457)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.30	0.01	0.37	(0.32)

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	<b>28,103,913</b>	<b>38,366,749</b>	<b>9,120</b>	<b>66,479,782</b>
Profit / (loss) for the year	-	10,775,717	(49,266)	10,726,451
Other comprehensive income	-	(163,384)	5,788	(157,596)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>10,612,333</b>	<b>(43,478)</b>	<b>10,568,855</b>
Transactions with non-controlling interest	-	4,709	47,218	51,927
Employee share schemes - value of employee services	-	163,855	-	163,855
Dividends to equity holders	-	(3,013,198)	-	(3,013,198)
<b>Balance at 31 December 2019</b>	<b>28,103,913</b>	<b>46,134,448</b>	<b>12,860</b>	<b>74,251,221</b>
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	<b>28,103,913</b>	<b>35,225,463</b>	<b>(6,158)</b>	<b>63,323,218</b>
Profit / (loss) for the year	-	7,501,334	(51,867)	7,449,467
Other comprehensive income	-	64,458	-	64,458
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>7,565,792</b>	<b>(51,867)</b>	<b>7,513,925</b>
Non-controlling interest on acquisition of subsidiary	-	-	69,506	69,506
Transaction with non-controlling interest	-	2,361	(2,361)	-
Employee share schemes - value of employee services	-	116,443	-	116,443
Dividends to equity holders	-	(3,746,138)	-	(3,746,138)
<b>Balance at 31 December 2018</b>	<b>28,103,913</b>	<b>39,163,921</b>	<b>9,120</b>	<b>67,276,954</b>

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)**

	<b>Attributable to owners of the Company</b>		
	<b>Stated capital</b>	<b>Reserves</b>	<b>Total</b>
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	<b>28,103,913</b>	<b>47,119,948</b>	<b>75,223,861</b>
Profit for the year	-	11,567,683	11,567,683
Other comprehensive income	-	(179,642)	(179,642)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>11,388,041</b>	<b>11,388,041</b>
Employee share schemes - value of employee services	-	163,855	163,855
Dividends to equity holders	-	(3,013,198)	(3,013,198)
<b>Balance at 31 December 2019</b>	<b>28,103,913</b>	<b>55,658,646</b>	<b>83,762,559</b>
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	<b>28,103,913</b>	<b>47,128,338</b>	<b>75,232,251</b>
Profit for the year	-	4,359,337	4,359,337
Other comprehensive income	-	44,591	44,591
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>4,403,928</b>	<b>4,403,928</b>
Employee share schemes - value of employee services	-	116,443	116,443
Dividends to equity holders	-	(3,746,138)	(3,746,138)
<b>Balance at 31 December 2018</b>	<b>28,103,913</b>	<b>47,902,571</b>	<b>76,006,484</b>

# DIALOG AXIATA PLC

## Statements of cash flows

(all amounts in Sri Lanka Rupees thousands)

	Group 31 December		Company 31 December	
	2019 (Reviewed)	2018 (Audited)	2019 (Reviewed)	2018 (Audited)
<b>Cash flows from operating activities</b>				
Cash generated from operations	38,636,754	33,100,346	34,454,329	20,205,423
Interest received	510,064	312,478	300,430	295,327
Interest paid	(3,405,367)	(2,049,509)	(3,207,662)	(2,017,442)
Taxes paid	(1,847,996)	(1,976,811)	(1,721,482)	(1,903,666)
Employee benefits paid	(248,809)	(61,031)	(178,043)	(45,442)
<b>Net cash generated from operating activities</b>	<b>33,644,646</b>	<b>29,325,473</b>	<b>29,647,572</b>	<b>16,534,200</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(27,623,600)	(30,442,703)	(17,659,563)	(18,989,669)
Purchase of intangible assets	(2,325,554)	(1,358,019)	(2,252,001)	(1,211,692)
Acquisition of subsidiary, net of cash acquired	-	19	-	-
Increase in interest in subsidiaries	-	-	-	(592,468)
Advances to subsidiaries	-	-	-	(157,275)
Investment in subsidiaries	-	-	(1,019,395)	-
Investment in associate	-	(131,250)	-	-
Net cash flows from other financial assets	(132,642)	(125,593)	-	-
Proceeds from sale of property, plant and equipment	79,050	130,827	71,460	130,672
<b>Net cash used in investing activities</b>	<b>(30,002,746)</b>	<b>(31,926,719)</b>	<b>(20,859,499)</b>	<b>(20,820,432)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(8,495,051)	(7,102,234)	(6,927,387)	(6,439,176)
Proceeds from borrowings	7,151,000	14,635,337	1,300,000	13,963,439
Principal element of lease payment	(1,717,430)	-	(1,617,829)	-
Proceeds from share issue - non-controlling interests	8,594	39,921	-	-
Dividends paid to ordinary shareholders	(3,013,198)	(3,746,138)	(3,013,198)	(3,746,138)
<b>Net cash (used in) / generated from financing activities</b>	<b>(6,066,085)</b>	<b>3,826,886</b>	<b>(10,258,414)</b>	<b>3,778,125</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,424,185)</b>	<b>1,225,640</b>	<b>(1,470,341)</b>	<b>(508,107)</b>
<b>Movement in cash and cash equivalents</b>				
At beginning of the year	10,097,521	8,410,960	7,839,159	7,886,345
(Decrease) / increase	(2,424,185)	1,225,640	(1,470,341)	(508,107)
Effect of exchange rate changes	(41,962)	460,921	(35,627)	460,921
<b>At end of the year</b>	<b>7,631,374</b>	<b>10,097,521</b>	<b>6,333,191</b>	<b>7,839,159</b>

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], 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 year ended 31 December 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 year ended 31 December 2019 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Total segmental revenue	85,488,930	28,149,575	8,770,803	-	122,409,308
Inter-segment revenue	(3,372,428)	(2,178,424)	(31,115)	-	(5,581,967)
<b>Revenue from external customers</b>	<b>82,116,502</b>	<b>25,971,151</b>	<b>8,739,688</b>	<b>-</b>	<b>116,827,341</b>
Segment operating profit / (loss) for the year	15,277,991	666,339	(426,793)	(181,330)	15,336,207
Finance costs - net					(2,654,204)
Share of loss from associate - net of tax					(263)
Profit before income tax					12,681,740
Income tax expense					(1,955,289)
<b>Profit for the year</b>					<b>10,726,451</b>

## 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	20,057,731	8,550,791	2,830,964	-	31,439,486

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	174,141,582	49,038,051	9,210,931	(42,211,992)	190,178,572
Inter-segment assets	(13,856,848)	(109,901)	(14,450)	-	(13,981,199)
<b>Total assets</b>	<b>160,284,734</b>	<b>48,928,150</b>	<b>9,196,481</b>	<b>(42,211,992)</b>	<b>176,197,373</b>
Liabilities	89,957,143	19,923,868	6,079,292	-	115,960,303
Inter-segment liabilities	(2,864,693)	(9,448,834)	(1,700,624)	-	(14,014,151)
<b>Total liabilities</b>	<b>87,092,450</b>	<b>10,475,034</b>	<b>4,378,668</b>	<b>-</b>	<b>101,946,152</b>
Capital expenditure	21,993,436	7,214,919	77,693	-	29,286,048

- The segment results for the year ended 31 December 2018 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Total segmental revenue	87,975,174	17,209,327	7,503,703	-	112,688,204
Inter-segment revenue	(1,514,935)	(2,002,457)	(14,127)	-	(3,531,519)
<b>Revenue from external customers</b>	<b>86,460,239</b>	<b>15,206,870</b>	<b>7,489,576</b>	<b>-</b>	<b>109,156,685</b>
Segment operating profit / (loss) for the year	12,059,335	5,282,588	(662,249)	43,356	16,723,030
Finance costs – net					(7,174,250)
Share of profit from associates - net of tax					1,432
Profit before income tax					9,550,212
Income tax expense					(2,100,745)
<b>Profit for the year</b>					<b>7,449,467</b>

- 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	17,180,038	6,680,562	2,491,390	676,567	27,028,557

## 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)
<b>Total assets</b>	<b>151,500,380</b>	<b>46,454,176</b>	<b>7,376,523</b>	<b>(40,738,072)</b>	<b>164,593,007</b>
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)
<b>Total liabilities</b>	<b>86,055,786</b>	<b>7,860,979</b>	<b>3,399,288</b>	<b>-</b>	<b>97,316,053</b>
Capital expenditure	21,264,066	12,683,692	468,291	-	34,416,049

#### 4 Reserves

	Group		Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>Attributable to the owners of the Company</b>				
Retained earnings	45,837,808	39,047,478	55,362,006	47,786,128
Share-based payments reserve	296,640	116,443	296,640	116,443
<b>Attributable to the non-controlling interest</b>				
Non-controlling interest	12,860	9,120	-	-
	<b>46,147,308</b>	<b>39,173,041</b>	<b>55,658,646</b>	<b>47,902,571</b>

#### 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 year ended 31 December 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
<b>Non-current assets</b>				
Right-of-use assets	(a)	-	4,213,671	4,213,671
Trade and other receivables		187,147	(187,147)	-
<b>Current assets</b>				
Trade and other receivables		17,757,629	(155,741)	17,601,888
<b>Equity and reserves</b>				
Reserves	(c)	39,163,921	(797,172)	38,366,749
<b>Non-current liabilities</b>				
Lease liabilities	(b)	-	3,879,258	3,879,258
<b>Current liabilities</b>				
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
<b>Non-current assets</b>				
Right-of-use assets	(a)	-	4,036,553	4,036,553
Trade and other receivables		187,147	(187,147)	-
<b>Current assets</b>				
Trade and other receivables		24,581,820	(150,939)	24,430,881
<b>Equity and reserves</b>				
Reserves	(c)	47,902,571	(782,623)	47,119,948
<b>Non-current liabilities</b>				
Lease liabilities	(b)	-	3,722,837	3,722,837
<b>Current liabilities</b>				
Trade and other payables		27,179,708	(375,534)	26,804,174
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)
<b>Retained earnings as at 1 January 2019</b>	<b>38,366,749</b>	<b>47,119,948</b>

The following tables show the adjustments recognised for each individual line item affected with the adoption of the Standards as at 31 December 2019.

##### Statement of financial position

Group	31 December 2019		
	Before SLFRS 16 adjustments	Impact from SLFRS 16	After SLFRS 16 adjustments
<b>Non-current assets</b>			
Right-of-use assets	-	4,499,551	4,499,551
Trade and other receivables	90,855	(90,855)	-
<b>Current assets</b>			
Trade and other receivables	20,084,118	(152,306)	19,931,812
<b>Equity and reserves</b>			
Reserves	46,910,324	(775,877)	46,134,447
<b>Non-current liabilities</b>			
Lease liabilities	-	3,868,982	3,868,982
<b>Current liabilities</b>			
Trade and other payables	37,296,238	(393,280)	36,902,958
Lease liabilities	-	1,556,565	1,556,565

# DIALOG AXIATA PLC

## Notes to the condensed consolidated interim financial statements (Continued)

### 7 Changes in accounting policies (Continued)

Company	31 December 2019		
	Before SLFRS 16 adjustments	Impact from SLFRS 16	After SLFRS 16 adjustments
<b>Non-current assets</b>			
Right-of-use assets	-	4,327,586	4,327,586
Trade and other receivables	90,855	(90,855)	-
<b>Current assets</b>			
Trade and other receivables	24,988,612	(149,050)	24,839,562
<b>Equity and reserves</b>			
Reserves	56,400,806	(742,160)	55,658,646
<b>Non-current liabilities</b>			
Lease liabilities	-	3,719,196	3,719,196
<b>Current liabilities</b>			
Trade and other payables	29,366,151	(360,406)	29,005,745
Lease liabilities	-	1,471,051	1,471,051

### Statement of comprehensive income

Group	For the year ended 31 December 2019		
	Before SLFRS 16 adjustments	Impact from SLFRS 16	After SLFRS 16 adjustments
Direct costs	(65,671,125)	559,314	(65,111,811)
Distribution costs	(15,314,024)	73,422	(15,240,602)
Administration costs	(21,370,429)	158,885	(21,211,544)
Net finance cost	(1,884,447)	(769,757)	(2,654,204)
Profit before tax	12,659,876	21,864	12,681,740

Company	For the year ended 31 December 2019		
	Before SLFRS 16 adjustments	Impact from SLFRS 16	After SLFRS 16 adjustments
Direct costs	(40,061,528)	523,555	(39,537,973)
Distribution costs	(12,415,055)	73,422	(12,341,633)
Administration costs	(15,271,535)	150,594	(15,120,941)
Net finance cost	(1,609,297)	(707,111)	(2,316,408)
Profit before tax	13,340,493	40,460	13,380,953

### 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 31 December 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 three months ended 31 December

	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
- Highest	14.00	12.30
- Lowest	8.60	9.90
- Last traded	12.30	10.10

#### 13 Directors' shareholdings

The details of shares held directly by the Directors and their spouses as at 31 December 2019 are as follows:

	<b>Number of shares</b>
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 BBH Luxfidelity Funds - Pacific F	135,674,295	1.67%
4 CITI Bank New York S/A Norges Bank Account 2	89,213,425	1.10%
5 BNYM RE - Consilium Extended Opportunities Fund, L.P.	68,357,367	0.84%
6 BNYM SA/NV RE - LF Ruffer Investment Funds: LF Ruffer Pacific and Emerging Markets Fund	67,314,300	0.83%
7 Pershing LLC S/A Averbach Grauson and Co.	63,840,699	0.78%
8 Northern Trust Company S/A Hosking Global Fund PLC	42,192,342	0.52%
9 State Street Luxembourg C/O SSBT- Alliance Bernstein Next 50 Emerging Markets (Master) Fund SICAV - SIF S.C.SP.	38,024,290	0.47%
10 BBH - Fidelity Funds	37,431,785	0.46%
11 JPMCB NA - Fidelity Asian Values PLC	36,762,540	0.45%
12 Morgan Stanley and Co. LLC - RWC Frontier Markets Equity Master Fund	32,195,947	0.40%
13 J.B. Cocoshell (Private) Limited	29,553,123	0.36%
14 SSBT - Retail Employees Superannuation Trust	26,685,697	0.33%
15 JPMLU - T Rowe Price Funds SICAV	23,695,301	0.29%
16 Mellon Bank N.A.- UPS Group Trust	18,880,000	0.23%
17 SSBT- AL Mehwar Commercial Investments LLC	15,953,567	0.20%
18 SSBT- Parametric Tax-Managed Emerging Markets Fund	15,786,381	0.19%
19 Citibank Hong Kong S/A Hostplus Pooled Superannuation Trust	14,867,369	0.18%
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:

	31 Dec 2019	31 Dec 2018
Public holding percentage	16.68%	16.68%
Number of public shareholders	20,967	20,865
Float adjusted market capitalisation (Rs.)	16,709,114,457	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 of Digital Holdings Lanka (Private) Limited ('DHL'), a wholly owned subsidiary of the Company, issued 462,048 Preference Shares during the year. DHL holds 418,713 of these Preference Shares, while remaining 43,335 Preference Shares are held by individual shareholders.

(b) The Company provided advances amounting to Rs. 263,862,000 to Digital Holdings Lanka (Private) Limited ('DHL'), a wholly owned subsidiary of the Company, during the year. DHL converted the advances received, through the issue and allotment of 26,386,200 new ordinary shares in DHL to the Company, during the year. This share issue has not changed the composition of the Group.

(c) Telecard (Private) Limited, a subsidiary of Dialog Broadband Networks (Private) Limited ('DBN'), which is a wholly owned subsidiary of the Company issued and allotted 5,000,000 Ordinary Shares to DBN on 31 December 2019. This share issue has not changed the composition of the Group.

(d) Dialog Network Services (Private) Limited ('DNS'), a wholly owned subsidiary of the Company was incorporated on 17 December 2019, under the Companies Act No. 07 of 2007 with an issued share capital of Rs.750 consisting of 75 Ordinary Shares. Its principal activity consists of carrying out the business of providing network development, operations and maintenance services.



## DIALOG AXIATA PLC

### Notes to the condensed consolidated interim financial statements (Continued)

#### 16 Effect of changes in composition of the Group (Continued)

(e) Dialog Finance PLC ('DFP'), a subsidiary of the Company proceeded with a Rights Issue with a view of 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.

#### 17 Financial instruments measured at fair value

		Measurement criteria and the fair value					
	Note	Level 1 Rs.000		Level 3 Rs.000		Total Rs.000	
		2019	2018	2019	2018	2019	2018
<b>Financial assets</b>							
Financial assets at fair value through profit or loss (FVTPL)							
- Investment in quoted equities	(a)	1,286	1,024	-	-	1,286	1,024
- Investment in unquoted equities	(a)	-	-	153,036	80,000	153,036	80,000
Financial assets at fair value through other comprehensive income (FVOCI)							
- Investment in unquoted equities	(b)	-	-	257,200	39,815	257,200	39,815

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.

#### 18 Cash and cash equivalents

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

	31 Dec 2019 Rs.	31 Dec 2018 Rs.
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	64,112,326	65,213,255
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation	610,000,000	530,000,000
	<b>674,112,326</b>	<b>595,213,255</b>

#### 19 Revenue from contracts with customers

	Group		Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Mobile operation	82,116,502	86,460,239	82,631,908	84,512,660
Fixed telephony and broadband operation	25,971,151	15,206,870	-	-
Television operation	8,739,688	7,489,576	-	-
	<b>116,827,341</b>	<b>109,156,685</b>	<b>82,631,908</b>	<b>84,512,660</b>

#### 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. The matter is fixed for argument on 30 March 2020.

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. 8,669,997,774 (31.12.2018 - Rs. 7,518,901,392) and Rs. 13,169,991,159 (31.12.2018 - Rs. 13,247,485,823) of the Company and the Group respectively.

#### 23 Events after the reporting period

The Board of Directors has recommended a final dividend of Rs 0.53 per share amounting to Rs 4,316,202,555 for the financial year 2019, subject to the approval of the shareholders at the Annual General Meeting.

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