

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 JUNE 2022**





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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dialog Axiata PLC ("the Company") and condensed consolidated interim statement of financial position of Dialog Axiata PLC and its subsidiaries ("the Group") as of 30 June 2022, and the related condensed statements of comprehensive income, changes in equity and cash flows for the 30 June 2022 period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information of the Company and condensed consolidated interim financial information of the Group 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 [SLSRE] 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, primarily 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 condensed interim financial information of the Company and the condensed consolidated interim financial information of the Group are not presented, in all material respects, in accordance with the Sri Lanka Accounting Standard 34 [LKAS 34] - Interim Financial Reporting.

8 August 2022

COLOMBO

CHARTERED ACCOUNTANTS

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

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

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

DIALOG AXIATA PLC**Statement of financial position**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	30 Jun 2022 (Reviewed)	31 Dec 2021 (Audited) (Adjusted)	30 Jun 2022 (Reviewed)	31 Dec 2021 (Audited) (Adjusted)
ASSETS				
Non-current assets				
Intangible assets	17,558,702	16,857,691	6,897,407	6,081,492
Contract costs assets	10,865,110	10,909,988	2,684,492	2,613,195
Property, plant and equipment	138,610,005	127,452,429	99,662,574	91,360,686
Right-of-use assets	8,682,826	7,346,093	8,473,098	7,189,509
Deferred tax asset	169,782	181,816	-	-
Investment in subsidiaries	-	-	50,621,104	50,621,104
Investment in associates	147,221	183,025	-	-
Other financial assets	2,059,992	1,469,431	-	-
	178,093,638	164,400,473	168,338,675	157,865,986
Current assets				
Inventories	4,258,993	3,712,248	323,051	216,670
Trade and other receivables	35,370,143	26,994,303	25,927,125	21,340,503
Other financial assets	1,503,396	1,814,547	-	-
Cash and cash equivalents	42,721,033	22,078,857	34,528,065	18,488,499
	83,853,565	54,599,955	60,778,241	40,045,672
Total assets	261,947,203	219,000,428	229,116,916	197,911,658
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	28,855,862	28,855,862	28,855,862	28,855,862
Reserves	22,536,853	60,911,567	28,922,236	64,802,769
Non-controlling interest	(56,799)	(72,275)	-	-
Total equity	51,335,916	89,695,154	57,778,098	93,658,631
LIABILITIES				
Non-current liabilities				
Borrowings	35,295,648	10,477,656	33,678,981	8,319,323
Contract liabilities	3,734,220	1,921,962	2,880,307	857,022
Deferred income	343,645	408,132	343,645	408,132
Lease liabilities	7,686,760	6,255,902	7,451,894	6,078,964
Other financial liabilities	14,764	86,947	-	-
Employee benefit payables	1,816,128	1,690,014	1,387,515	1,300,150
Provision for other liabilities	3,217,575	2,129,209	2,935,984	1,873,587
Deferred tax liability	22,448	22,448	-	-
	52,131,188	22,992,270	48,678,326	18,837,178
Current liabilities				
Trade and other payables	92,468,745	56,985,403	63,537,709	44,254,044
Borrowings	49,599,643	31,357,958	48,072,315	26,531,973
Other financial liabilities	2,854,216	689,685	-	-
Lease liabilities	1,629,551	1,457,784	1,600,870	1,422,379
Contract liabilities	8,876,933	10,989,578	6,654,010	8,852,736
Current income tax liabilities	3,051,011	4,832,596	2,795,588	4,354,717
	158,480,099	106,313,004	122,660,492	85,415,849
Total liabilities	210,611,287	129,305,274	171,338,818	104,253,027
Total equity and liabilities	261,947,203	219,000,428	229,116,916	197,911,658
Net assets per share (Rs.)	6.26	10.94	7.05	11.42

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: 08/08/2022

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: 08/08/2022


.....
Director

Date: 08/08/2022

DIALOG AXIATA PLC**Statement of comprehensive income****(all amounts in Sri Lanka Rupees thousands)**

	Group		Company	
	Six months ended 30 Jun	Six months ended 30 Jun	Six months ended 30 Jun	Six months ended 30 Jun
	2022	2021	2022	2021
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Revenue	81,559,043	67,929,320	49,081,263	44,081,746
Direct costs	(51,691,383)	(39,093,249)	(24,696,065)	(20,637,693)
Gross profit	29,867,660	28,836,071	24,385,198	23,444,053
Distribution costs	(7,971,432)	(6,758,697)	(6,758,427)	(5,749,658)
Administrative costs	(13,161,197)	(10,395,730)	(10,685,645)	(7,984,288)
Net impairment losses on financial assets	(574,180)	(763,931)	(368,535)	(483,233)
Other income	132,749	160,683	108,727	129,247
Operating profit	8,293,600	11,078,396	6,681,318	9,356,121
Finance income	632,437	167,239	639,499	164,742
Finance costs	(1,765,921)	(943,471)	(1,613,257)	(837,350)
Net foreign exchange losses	(34,322,444)	(2,236,764)	(30,436,906)	(2,162,187)
Finance costs - net	(35,455,928)	(3,012,996)	(31,410,664)	(2,834,795)
Share of loss from associates - net of tax	(35,804)	(5,904)	-	-
(Loss) / profit before income tax	(27,198,132)	8,059,496	(24,729,346)	6,521,326
Income tax expense	(1,151,322)	(1,014,274)	(1,139,288)	(929,349)
(Loss) / profit for the period	(28,349,454)	7,045,222	(25,868,634)	5,591,977
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	(28,349,454)	7,045,222	(25,868,634)	5,591,977
(Loss) / profit for the period attributable to:				
- owners of the Company	(28,339,907)	7,064,804	(25,868,634)	5,591,977
- non-controlling interest	(9,547)	(19,582)	-	-
Total comprehensive income for the period attributable to:				
- owners of the Company	(28,339,907)	7,064,804	(25,868,634)	5,591,977
- non-controlling interest	(9,547)	(19,582)	-	-
Basic earnings per share for (loss) / profit attributable to the equity holders of the Company (Rs.)	(3.46)	0.86	(3.15)	0.68

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

DIALOG AXIATA PLC**Statement of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Three months ended 30 Jun		Three months ended 30 Jun	
	2022 (Reviewed)	2021 (Reviewed)	2022 (Reviewed)	2021 (Reviewed)
Revenue	43,308,053	35,079,054	25,076,705	22,278,880
Direct costs	(29,070,794)	(20,257,877)	(13,129,748)	(10,320,152)
Gross profit	14,237,259	14,821,177	11,946,957	11,958,728
Distribution costs	(4,060,421)	(3,424,108)	(3,452,162)	(2,913,522)
Administrative costs	(7,093,351)	(5,217,131)	(5,784,171)	(4,078,185)
Net impairment losses on financial assets	(324,547)	(550,680)	(195,059)	(334,598)
Other income	110,782	39,220	95,303	29,649
Operating profit	2,869,722	5,668,478	2,610,868	4,662,072
Finance income	428,966	80,371	428,726	80,501
Finance costs	(1,026,148)	(486,700)	(955,089)	(437,634)
Net foreign exchange losses	(14,154,293)	(130,831)	(12,161,222)	(190,620)
Finance costs - net	(14,751,475)	(537,160)	(12,687,585)	(547,753)
Share of loss from associates - net of tax	(16,980)	(3,795)	-	-
(Loss) / profit before income tax	(11,898,733)	5,127,523	(10,076,717)	4,114,319
Income tax expense	(623,010)	(521,214)	(605,210)	(469,347)
(Loss) / profit for the period	(12,521,743)	4,606,309	(10,681,927)	3,644,972
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	-	-	-	-
- remeasurement of defined benefit obligations, net of tax	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	(12,521,743)	4,606,309	(10,681,927)	3,644,972
(Loss) / profit for the period attributable to:				
- owners of the Company	(12,516,136)	4,616,559	(10,681,927)	3,644,972
- non-controlling interest	(5,607)	(10,250)	-	-
Total comprehensive income for the period attributable to:				
- owners of the Company	(12,516,136)	4,616,559	(10,681,927)	3,644,972
- non-controlling interest	(5,607)	(10,250)	-	-
Basic earnings per share for (loss) / profit attributable to the equity holders of the Company (Rs.)	(1.53)	0.56	(1.30)	0.44

The notes on pages 8 to 14 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		
Adjusted balance at 1 January 2022	28,855,862	60,911,567	(72,275)	89,695,154
Loss for the period	-	(28,339,907)	(9,547)	(28,349,454)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	(28,339,907)	(9,547)	(28,349,454)
Transactions with non-controlling interest	-	(22,908)	25,023	2,115
Employee share scheme - value of employee services	-	156,854	-	156,854
Dividends to equity holders	-	(10,168,753)	-	(10,168,753)
Balance at 30 June 2022	28,855,862	22,536,853	(56,799)	51,335,916
Balance at 1 January 2021	28,467,285	53,745,783	(10,006)	82,203,062
Adjustment for surcharge tax (Note 22)	-	(3,819,733)	-	(3,819,733)
Adjusted balance at 1 January 2021	28,467,285	49,926,050	(10,006)	78,383,329
Profit / (loss) for the period	-	7,064,804	(19,582)	7,045,222
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	7,064,804	(19,582)	7,045,222
Transactions with non-controlling interest	-	689	(24,276)	(23,587)
Employee share scheme - value of employee services	-	165,091	-	165,091
Dividends to equity holders	-	(6,068,450)	-	(6,068,450)
Transfer from share-based payment reserve upon vesting	388,577	(388,577)	-	-
Adjusted balance at 30 June 2021	28,855,862	50,699,607	(53,864)	79,501,605
Adjusted balance at 1 July 2021	28,855,862	50,699,607	(53,864)	79,501,605
Profit / (loss) for the period	-	9,996,008	(22,462)	9,973,546
Other comprehensive income	-	90,965	(1,436)	89,529
Total comprehensive income for the period	-	10,086,973	(23,898)	10,063,075
Transactions with non-controlling interest	-	(100)	5,487	5,387
Employee share scheme - value of employee services	-	125,087	-	125,087
Adjusted balance at 31 December 2021	28,855,862	60,911,567	(72,275)	89,695,154

The notes on pages 8 to 14 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
Adjusted balance at 1 January 2022	28,855,862	64,802,769	93,658,631
Loss for the period	-	(25,868,634)	(25,868,634)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(25,868,634)	(25,868,634)
Employee share scheme - value of employee services	-	156,854	156,854
Dividends to equity holders	-	(10,168,753)	(10,168,753)
Balance at 30 June 2022	28,855,862	28,922,236	57,778,098
Balance at 1 January 2021	28,467,285	63,118,890	91,586,175
Adjustment for surcharge tax (Note 22)	-	(3,373,582)	(3,373,582)
Adjusted balance at 1 January 2021	28,467,285	59,745,308	88,212,593
Profit for the period	-	5,591,977	5,591,977
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	5,591,977	5,591,977
Employee share scheme – value of employee services	-	165,091	165,091
Dividends to equity holders	-	(6,068,450)	(6,068,450)
Transfer from share-based payment reserve upon vesting	388,577	(388,577)	-
Adjusted balance at 30 June 2021	28,855,862	59,045,349	87,901,211
Adjusted balance at 1 July 2021	28,855,862	59,045,349	87,901,211
Profit for the period	-	5,559,104	5,559,104
Other comprehensive income	-	73,229	73,229
Total comprehensive income for the period	-	5,632,333	5,632,333
Employee share scheme - value of employee services	-	125,087	125,087
Adjusted balance at 31 December 2021	28,855,862	64,802,769	93,658,631

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

DIALOG AXIATA PLC**Statement of cash flows**

(all amounts in Sri Lanka Rupees thousands)

	Group 30 June		Company 30 June	
	2022 (Reviewed)	2021 (Reviewed)	2022 (Reviewed)	2021 (Reviewed)
Cash flows from operating activities				
Cash generated from operations	36,548,526	30,063,776	24,269,542	27,864,477
Interest received	449,626	189,783	426,724	157,265
Interest paid	(1,191,457)	(852,987)	(1,003,292)	(916,145)
Income taxes paid	(2,934,181)	(794,058)	(2,698,935)	(790,926)
Employee benefits obligations paid	(26,343)	(28,514)	(19,722)	(13,822)
Net cash generated from operating activities	32,846,171	28,578,000	20,974,317	26,300,849
Cash flows from investing activities				
Purchase of property, plant and equipment	(26,782,459)	(24,598,871)	(24,011,340)	(22,257,006)
Purchase of intangible assets	(1,547,330)	(356,872)	(1,182,960)	(281,512)
Acquisition of subsidiary, net of cash acquired	-	13,567	-	(30,442)
Net cash flows used in other financial assets	(238,343)	(31,098)	-	-
Proceeds from sale of property, plant and equipment	4,940	-	4,940	-
Net cash used in investing activities	(28,563,192)	(24,973,274)	(25,189,360)	(22,568,960)
Cash flows from financing activities				
Repayment of borrowings	(17,330,906)	(15,408,623)	(16,852,567)	(13,790,919)
Proceeds from borrowings	41,327,605	8,030,000	41,327,605	8,030,000
Principal element of lease payment	(1,133,582)	(1,297,314)	(1,071,546)	(1,084,990)
Redemption of preference shares from non-controlling interests	-	(15,356)	-	-
Proceeds from share issue - non-controlling interests	2,115	6,566	-	-
Dividends paid to ordinary shareholders	(1,674,943)	(998,546)	(1,674,943)	(998,546)
Net cash generated from / (used) in financing activities	21,190,289	(9,683,273)	21,728,549	(7,844,455)
Net increase / (decrease) in cash and cash equivalents	25,473,268	(6,078,547)	17,513,506	(4,112,566)
Movement in cash and cash equivalents				
At beginning of the period	14,969,061	14,029,038	15,322,265	11,862,294
Increase / (decrease)	25,473,268	(6,078,547)	17,513,506	(4,112,566)
Effect of exchange rate changes	(432,037)	463,170	(439,549)	469,052
At end of the period	40,010,292	8,413,661	32,396,222	8,218,780

Cash and cash equivalents at the end of the financial period consist of the following:

	Group		Company	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
Cash in hand and at bank	42,721,033	13,677,769	34,528,065	11,066,586
Bank overdrafts	(2,710,741)	(5,264,108)	(2,131,845)	(2,847,806)
	40,010,292	8,413,661	32,396,220	8,218,780

The notes on pages 8 to 14 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 payment), digital health, education, navigation and enterprise services and financial services], software solutions, data centre services, manpower services, provision of Information Technology 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 2022 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 2021, except for the impact to the financial statements from Surcharge Tax Act No.14 of 2022 and reclassifications as disclosed in note 22 and 23 respectively.

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 period ended 30 June 2022 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Total segmental revenue	54,756,512	28,807,946	5,575,064	-	89,139,522
Inter-segment revenue	(4,702,484)	(2,853,716)	(24,279)	-	(7,580,479)
Revenue from external customers	50,054,028	25,954,230	5,550,785	-	81,559,043
Segment operating profit / (loss) for the period	6,882,764	2,103,803	(397,223)	(295,744)	8,293,600
Finance costs – net					(35,455,928)
Share of loss from associate - net of tax					(35,804)
Loss before income tax					(27,198,132)
Income tax expense					(1,151,322)
Loss for the period					(28,349,454)

- 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	12,512,550	5,313,835	1,495,256	-	19,321,641

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

3 Segment information (Continued)

- The segment assets and liabilities at 30 June 2022 and capital expenditure for the period then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	243,837,796	60,816,347	11,834,718	(44,104,969)	272,383,892
Inter-segment assets	(8,720,349)	(676,086)	(1,040,254)	-	(10,436,689)
Total assets	235,117,447	60,140,261	10,794,464	(44,104,969)	261,947,203
Liabilities	184,350,521	24,250,179	12,340,913	-	220,941,613
Inter-segment liabilities	(6,387,248)	(3,182,984)	(760,094)	-	(10,330,326)
Total liabilities	177,963,273	21,067,195	11,580,819	-	210,611,287
Capital expenditure	18,812,793	6,887,789	133,257	-	25,833,839

- The segment results for the period ended 30 June 2021 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Total segmental revenue	47,795,399	20,307,011	4,876,282	-	72,978,692
Inter-segment revenue	(3,504,695)	(1,514,622)	(30,055)	-	(5,049,372)
Revenue from external customers	44,290,704	18,792,389	4,846,227	-	67,929,320
Segment operating profit / (loss) for the period	9,315,972	2,161,601	(212,296)	(186,881)	11,078,396
Finance costs – net					(3,012,996)
Share of loss from associates – net of tax					(5,904)
Profit before income tax					8,059,496
Income tax expense					(1,014,274)
Profit for the period					7,045,222

- 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	10,864,553	4,447,939	1,636,135	-	16,948,627

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

3 Segment information (Continued)

- The segment assets and liabilities at 31 December 2021 and capital expenditure for the period then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	207,420,963	53,496,804	10,730,050	(43,895,338)	227,752,479
Inter-segment assets	(6,624,498)	(304,473)	(1,823,080)	-	(8,752,051)
Total assets	200,796,465	53,192,331	8,906,970	(43,895,338)	219,000,428
Liabilities	111,776,346	18,203,457	8,320,693	-	138,300,496
Inter-segment liabilities	(5,300,569)	(3,375,111)	(319,542)	-	(8,995,222)
Total liabilities	106,475,777	14,828,346	8,001,151	-	129,305,274
Capital expenditure	28,347,386	7,590,799	101,526	-	36,039,711

4 Reserves

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Attributable to the owners of the Company				
Retained earnings	22,013,946	60,545,514	28,372,046	64,409,433
Fair value through other comprehensive income ("FVOCI") reserve	(27,283)	(27,283)	-	-
Share-based payments reserve	550,190	393,336	550,190	393,336
Attributable to the non-controlling interest				
Non-controlling interest	(56,799)	(72,275)	-	-
	22,480,054	60,839,292	28,922,236	64,802,769

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

Related implications of Covid-19 and engulfed in an economic and political crisis

COVID-19 pandemic has resulted in a substantive shift in management's focus towards business operations fueled the digitization journey of the organization. The global impact of the Covid-19 pandemic and the repatriation of Sri Lankans have also adversely affected the Group's international business including inbound and outbound roaming. Despite the resurgence of the outbreak and related restrictions, the Group continued to see a gradual recovery in revenue and collections in 2022.

Sri Lanka is engulfed in an economic and political crisis resulting from the impacts of COVID-19, significant tax cuts and large sovereign debt repayments collectively depleting the limited foreign reserves of the country. As a result, the Sri Lankan Rupee ("LKR") depreciated by 80% against the USD during the period ended 30 June 2022 resulting in a forex loss of Rs. 34.3Bn for the Group. The current situation has caused a significant rise in inflation, prolonged power cuts and the shortage of essential fuel and medicine resulting significant challenges in business operations. The negative business climate and USD liquidity crisis in the market had impacted the Group's working capital cycle.

The future impact will heavily depend on time taken for the economy to rebound. The overall impact on economy, consumer spending and the recovery of the country's enterprises will also be key determinants of future impact on our business. The board continues to monitor the potential implications of these factors on the Group's business activities and takes required proactive steps, including the additional funding as disclosed in Note 15, to ensure smooth business operations and continuity. Further, accounting assumptions and estimates used in the preparation of financial statements have been carefully evaluated considering movements of macroeconomic variables. Necessary changes have been incorporated where applicable, and further changes will be incorporated appropriately based on these evaluations.

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 June 2022.

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 2021.

8 Stated capital

Stated capital of the Company consists of 8,200,607,505 ordinary shares.

9 Earnings per share

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

10 Market price per share

For the three months ended 30 June

	2022 Rs.	2021 Rs.
- Highest	10.30	13.30
- Lowest	8.40	12.00
- Last traded	8.50	12.00

11 Directors' shareholdings

The details of shares held directly by the Directors and their spouses as at 30 June 2022 are as follows:

	Number of shares
Dr. Hansa Wijayasuriya	2,408,910
Mr. Supun Weerasinghe	2,181,600

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)

12 Twenty largest shareholders of the Company

Name of Shareholders	No. of shares	% Holding
1 Axiata Investments (Labuan) Limited	6,785,252,765	82.74%
2 Employees Provident Fund	237,424,082	2.90%
3 BBH Luxfidelity Funds - Pacific F	147,311,909	1.80%
4 CITI Bank New York S/A Norges Bank Account 2	129,327,342	1.58%
5 BNYM RE - Consilium Extended Opportunities Fund, L.P.	78,771,442	0.96%
6 BBH - Fidelity Funds	55,240,998	0.67%
7 Employees Trust Fund Board	49,934,024	0.61%
8 JPMCB NA - Fidelity Asian Values PLC	38,530,079	0.47%
9 J.B. Cocoshell (Private) Limited	37,191,727	0.45%
10 SSBT-Sunsuper PTY. LTD. As Trustee for Sunsuper Superannuation Fund	34,372,606	0.42%
11 Northern Trust Company S/A Hosking Global Fund PLC	25,055,007	0.31%
12 Citibank Hong Kong S/A Hostplus Pooled Superannuation Trust	23,528,963	0.29%
13 Mr. D P Pieris	22,496,254	0.27%
14 Ceylon Investment PLC A/C # 02	21,144,932	0.26%
15 Pershing LLC S/A Averbach Grauson and Co.	20,846,316	0.25%
16 Ceylon Guardian Investment PLC A/C # 02	20,820,454	0.25%
17 Caceis Bank Luxembourg Branch	17,433,297	0.21%
18 Rubber Investment Trust LTD A/C NO 01	17,246,973	0.21%
19 Union Assurance PLC-Universal Life Fund	13,407,172	0.16%
20 Mellon Bank N.A.- UPS Group Trust	12,369,731	0.15%

13 Public shareholding

Information pertaining to public shareholding is as follows:

	30 Jun 2022	31 Dec 2021
Public holding percentage	17.20%	17.20%
Number of public shareholders	23,577	22,595
Float adjusted market capitalisation (Rs.)	11,991,495,955	15,377,133,471

The Company is compliant with the Minimum Public Holding requirement under option 1 of rule 7.14.1(a) of the Listing Rules of the Colombo Stock Exchange.

14 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'), issued 171,417 preference shares, out of which 169,302 were issued to DHL and the remaining preference shares were issued to individual shareholders. Pursuant to the transactions, DHL's stake in DADIF increased to 91.83% from 89.04%.
- Headstart (Private) Limited ('Headstart'), which is a subsidiary of DHL, issued 608 ordinary Shares to DHL on 24 May 2022 pursuant to the conversion of a loan granted by the Company to Headstart to equity. Pursuant to the transactions, DHL's stake in Headstart increased to 62.01% from 50.59%.

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 2021.

15 Borrowings

a) Loan from IFC

A loan of US\$150 million to the Company for the development of broadband infrastructure has been approved by International Finance Corporation (IFC), a member of the World Bank Group. The amount drawn down in the month of June 2022 was US\$ 51.5 million.

b) Loan from Axiata

The Company's ultimate parent, Axiata Group Berhad (Axiata), has granted a loan of US\$ 90 million in order to strengthen the Company's USD liquidity position ensuring business continuity. The full draw down was made as of 30 April 2022.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

16 Financial instruments measured at fair value

		Measurement criteria and the fair value					
		Level 1 Rs.000		Level 3 Rs.000		Total Rs.000	
Note		30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Financial assets							
Financial assets at fair value through profit or loss (FVTPL)							
- Investment in quoted equities	(a)	1,447	1,919	-	-	1,447	1,919
- Investment in unquoted equities	(a)	-	-	533,574	295,231	533,574	295,231
Financial assets at fair value through other comprehensive income (FVOCI)							
- Investment in unquoted equities	(b)	-	-	170,609	170,609	170,609	170,609

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) 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 also include restricted cash deposited in the following financial institutions:

	30 Jun 2022	31 Dec 2021
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation	613,082	611,603
Margin requirements against imports on Documents against Acceptance terms	159,134	276,081
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	64,390	64,390
	836,606	952,074

18 Revenue from contracts with customers

	Group		Company	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
Mobile operation	50,054,028	44,290,704	49,081,263	44,081,746
Fixed telephony and broadband operation	25,954,230	18,792,389	-	-
Television operation	5,550,785	4,846,227	-	-
	81,559,043	67,929,320	49,081,263	44,081,746

Timing of revenue recognition	Group		Company	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
At a point in time	2,895,955	1,857,653	41,532	53,088
Over time	78,663,088	66,071,667	49,039,731	44,028,658
	81,559,043	67,929,320	49,081,263	44,081,746

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 the Courts. The case was fixed for argument on several dates, the last date being 09 May 2022. The matter has been refixed for argument on 26 October 2022.

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 2021.

21 Capital commitments

Capital expenditure contracted for as at the statement of financial position date but not yet incurred consists of Rs. 21,646,568,290 (31.12.2021 - Rs. 22,139,556,038) and Rs. 24,475,198,337 (31.12.2021 - Rs. 28,596,911,824) of the Company and the Group respectively.

22 Impact to the financial statements from Surcharge Tax Act No.14 of 2022

As per the Surcharge Tax Act No. 14 of 2022 which was issued on 8 April 2022, the Company and the Group are liable for the surcharge tax of Rs 3,373,582,044 and Rs. 3,819,733,104 respectively on the taxable income pertaining to the year of assessment 2020/2021. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the financial year ended 31 December 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the Statement of Alternative Treatment ("SoAT") on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022. Accordingly, surcharge tax is recorded as an adjustment to the opening retained earnings reported in the statement of changes in equity as at 1 January 2021.

The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would have been given below:

	Group	Company
Profit after tax for the year ended 31 December 2020	12,002,686	11,739,556
Surcharge tax levied under Surcharge Act	(3,819,733)	(3,373,582)
Adjusted comparable profit for the year ended 31 December 2020	8,182,953	8,365,974

The Company and the Group paid the first installments of Rs. 1,686,791,022 and Rs. 1,909,866,552 respectively which were due on or before 20 April 2022. The final installments of surcharge tax payable reported under current income tax liabilities as of 30 June 2022 have been paid on 20 July 2022.

23 Reclassification

- The Company's and Group's bank overdrafts was previously not considered under cash and cash equivalents in the statement of cash flows. However, management considers it is more relevant if bank overdrafts are presented under cash and cash equivalents in the statement of cash flows. Prior period comparatives as at 30 June 2021 have been restated by reclassifying Rs.937,234,287 and Rs. 2,633,009,950 from cash generated from operations for the Company and the Group respectively.
- Advance payments made to vendors for the purchase of property plant and equipment and intangible assets of the Company and the Group as at the reporting date, was previously presented under cash generated from operations in the statement of cash flows. However, management considered it is more relevant to classify under cash flows from investing activities. Prior period comparatives as at 30 June 2021 have been restated by reclassifying Rs.3,708,322,344 and Rs. 4,430,987,725 from cash flows from operating activities to cash flows from investing activities for the Company and the Group respectively.