

**DIALOG AXIATA PLC**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED  
31 MARCH 2018**





## 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 March 31, 2018, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the Sri Lanka Accounting Standard 34 [LKAS34] – 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 [LKAS34] – Interim Financial Reporting.

10 May 2018

Date

PricewaterhouseCoopers

Colombo

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**DIALOG AXIATA PLC****Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar 2018 (Reviewed)</b>	<b>31 Dec 2017 (Audited)</b>	<b>31 Mar 2018 (Reviewed)</b>	<b>31 Dec 2017 (Audited)</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	19,172,821	19,118,899	6,644,633	6,403,659
Property, plant and equipment	98,258,292	100,018,295	63,677,509	65,461,770
Contract assets	3,920,247	-	1,458,597	-
Deferred tax asset	10,498	3,572	-	-
Investment in subsidiaries	-	-	48,167,194	47,541,414
Investment in associates	44,460	106,211	27,742	27,742
Trade and other receivables	168,332	186,385	574,638	591,560
Other financial assets	291,053	287,269	-	466,655
	<b>121,865,703</b>	<b>119,720,631</b>	<b>120,550,313</b>	<b>120,492,800</b>
<b>Current assets</b>				
Inventories	1,111,930	863,252	57,715	107,303
Trade and other receivables	17,296,575	15,535,339	17,707,326	14,209,175
Other financial assets	616,156	775,059	-	-
Derivative financial instrument	13,398	14,311	13,398	14,311
Cash and cash equivalents	6,223,801	8,410,960	5,594,943	7,886,345
	<b>25,261,860</b>	<b>25,598,921</b>	<b>23,373,382</b>	<b>22,217,134</b>
<b>Total assets</b>	<b>147,127,563</b>	<b>145,319,552</b>	<b>143,923,695</b>	<b>142,709,934</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	38,081,980	33,583,241	49,634,853	46,178,818
Non-controlling interest	16,275	(6,158)	-	-
<b>Total equity</b>	<b>66,202,168</b>	<b>61,680,996</b>	<b>77,738,766</b>	<b>74,282,731</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	29,085,832	25,629,323	29,085,832	25,629,323
Other financial liabilities	295,830	297,205	-	-
Deferred revenue	1,084,860	1,394,415	1,084,860	1,133,841
Contract liabilities	942,612	-	123,562	-
Deferred tax liabilities	854	-	-	-
Employee benefit payables	1,384,262	1,353,939	1,188,994	1,170,841
Provision for other liabilities	1,930,041	1,738,411	1,643,182	1,464,309
	<b>34,724,291</b>	<b>30,413,293</b>	<b>33,126,430</b>	<b>29,398,314</b>
<b>Current liabilities</b>				
Trade and other payables	31,802,327	41,098,872	21,580,029	28,873,036
Borrowings	7,752,776	10,966,157	6,381,925	9,319,590
Other financial liabilities	240,708	283,360	-	-
Contract liabilities	5,483,210	-	4,215,317	-
Current income tax liabilities	922,083	876,874	881,228	836,263
	<b>46,201,104</b>	<b>53,225,263</b>	<b>33,058,499</b>	<b>39,028,889</b>
<b>Total liabilities</b>	<b>80,925,395</b>	<b>83,638,556</b>	<b>66,184,929</b>	<b>68,427,203</b>
<b>Total equity and liabilities</b>	<b>147,127,563</b>	<b>145,319,552</b>	<b>143,923,695</b>	<b>142,709,934</b>
Net assets per share (Rs.)	8.13	7.57	9.55	9.12

The notes on pages 7 to 15 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: 10 May 2018

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed

**Director**

Date: 10 May 2018

Signed

**Director**

Date: 10 May 2018

**DIALOG AXIATA PLC****Statements of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	<b>Group Three months ended 31 March</b>		<b>Company Three months ended 31 March</b>	
	<b>2018 (Reviewed)</b>	<b>2017 (Reviewed)</b>	<b>2018 (Reviewed)</b>	<b>2017 (Reviewed)</b>
Revenue	26,082,911	22,164,661	20,632,112	18,333,387
Direct costs	(13,735,685)	(11,877,670)	(10,752,898)	(9,777,782)
Gross profit	12,347,226	10,286,991	9,879,214	8,555,605
Distribution costs	(3,187,357)	(3,531,493)	(2,681,272)	(2,932,010)
Administrative costs	(4,899,368)	(3,876,444)	(3,408,111)	(2,871,658)
Other income	30,376	7,409	17,337	18,573
Operating profit	4,290,877	2,886,463	3,807,168	2,770,510
Finance income	69,982	75,564	86,511	84,630
Finance costs	(1,043,102)	(968,023)	(927,605)	(719,702)
Finance costs - net	(973,120)	(892,459)	(841,094)	(635,072)
Share of loss from associates - net of tax	1,024	(18,422)	-	-
Profit before income tax	3,318,781	1,975,582	2,966,074	2,135,438
Income tax expense	(484,328)	(435,605)	(474,472)	(396,700)
<b>Profit for the period</b>	<b>2,834,453</b>	<b>1,539,977</b>	<b>2,491,602</b>	<b>1,738,738</b>
<b>Other comprehensive income for the period</b>				
- net change in cash flow hedge	(1,452)	43,623	(1,452)	43,623
<b>Total comprehensive income for the period</b>	<b>2,833,001</b>	<b>1,583,600</b>	<b>2,490,150</b>	<b>1,782,361</b>
Profit/(loss) for the period is attributable to:				
- owners of the Company	2,841,604	1,546,261	2,491,602	1,738,738
- non-controlling interest	(7,151)	(6,284)	-	-
Total comprehensive income for the period is attributable to:				
- owners of the Company	2,840,152	1,589,884	2,490,150	1,782,361
- non-controlling interest	(7,151)	(6,284)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.35	0.19	0.31	0.21

The notes on pages 7 to 15 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 2018	28,103,913	33,583,241	(6,158)	61,680,996
Change in accounting policy		1,642,246		1,642,246
Restated total equity as at 1 January 2018	<b>28,103,913</b>	<b>35,225,487</b>	<b>(6,158)</b>	<b>63,323,242</b>
Profit/(loss) for the period	-	2,841,604	(7,151)	2,834,453
Other comprehensive income	-	(1,452)	-	(1,452)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2,840,152</b>	<b>(7,151)</b>	<b>2,833,001</b>
Non-controlling interest on acquisition of subsidiary	-	-	29,584	29,584
Employee share schemes - value of employee services	-	16,341	-	16,341
<b>Balance at 31 March 2018</b>	<b>28,103,913</b>	<b>38,081,980</b>	<b>16,275</b>	<b>66,202,168</b>
Balance at 1 January 2017	28,103,913	25,902,547	14,420	54,020,880
Profit/(loss) for the period	-	1,546,261	(6,284)	1,539,977
Other comprehensive income	-	43,623	-	43,623
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,589,884</b>	<b>(6,284)</b>	<b>1,583,600</b>
<b>Balance at 31 March 2017</b>	<b>28,103,913</b>	<b>27,492,431</b>	<b>8,136</b>	<b>55,604,480</b>
Balance at 1 April 2017	28,103,913	27,492,431	8,136	55,604,480
Profit/(loss) for the period	-	9,239,163	(19,385)	9,219,778
Other comprehensive income	-	175,077	-	175,077
<b>Total comprehensive income for the period</b>		<b>9,414,240</b>	<b>(19,385)</b>	<b>9,394,855</b>
Non-controlling interest on acquisition of subsidiary	-	-	88,761	88,761
Transactions with non-controlling interest	-	(163,697)	(83,670)	(247,367)
Employee share schemes - value of employee services	-	16,341	-	16,341
Dividends to equity shareholders	-	(3,176,074)	-	(3,176,074)
<b>Balance at 31 December 2017</b>	<b>28,103,913</b>	<b>33,583,241</b>	<b>(6,158)</b>	<b>61,680,996</b>

The notes on pages 7 to 15 form an integral part of these financial statements.

**DIALOG AXIATA PLC****Company statement of changes in equity**

(all amounts in Sri Lanka Rupees thousands)

	Attributable to owners of the Company		
	Stated capital	Reserves	Total
Balance at 1 January 2018	28,103,913	46,178,818	74,282,731
Change in accounting policy	-	949,544	949,544
Restated total equity as at 1 January 2018	<b>28,103,913</b>	<b>47,128,362</b>	<b>75,232,275</b>
Profit for the period	-	2,491,602	2,491,602
Other comprehensive income	-	(1,452)	(1,452)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2,490,150</b>	<b>2,490,150</b>
Employee share schemes - value of employee services	-	16,341	16,341
<b>Balance at 31 March 2018</b>	<b>28,103,913</b>	<b>49,634,853</b>	<b>77,738,766</b>
Balance at 1 January 2017	28,103,913	38,652,221	66,756,134
Profit for the period	-	1,738,738	1,738,738
Other comprehensive income	-	43,623	43,623
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,782,361</b>	<b>1,782,361</b>
<b>Balance at 31 March 2017</b>	<b>28,103,913</b>	<b>40,434,582</b>	<b>68,538,495</b>
Balance at 1 April 2017	28,103,913	40,434,582	68,538,495
Profit for the period	-	8,762,533	8,762,533
Other comprehensive income	-	141,436	141,436
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>8,903,969</b>	<b>8,903,969</b>
Employee share schemes - value of employee services	-	16,341	16,341
Dividends to equity shareholders	-	(3,176,074)	(3,176,074)
<b>Balance at 31 December 2017</b>	<b>28,103,913</b>	<b>46,178,818</b>	<b>74,282,731</b>

The notes on pages 7 to 15 form an integral part of these financial statements.

**DIALOG AXIATA PLC****Statements of cash flows**

(all amounts in Sri Lanka Rupees thousands)

	<b>Group 31 March</b>		<b>Company 31 March</b>	
	<b>2018 (Reviewed)</b>	<b>2017 (Reviewed)</b>	<b>2018 (Reviewed)</b>	<b>2017 (Reviewed)</b>
<b>Cash flows from operating activities</b>				
Cash generated from operations	3,912,267	7,057,976	1,646,278	6,048,692
Interest received	78,976	91,976	75,010	91,015
Interest paid	(380,597)	(479,139)	(367,620)	(345,676)
Taxes paid	(439,424)	(395,401)	(422,450)	(382,570)
Employee benefits paid	(14,198)	(16,883)	(10,937)	(16,474)
<b>Net cash generated from operating activities</b>	<b>3,157,024</b>	<b>6,258,529</b>	<b>920,281</b>	<b>5,394,987</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(4,900,789)	(8,147,687)	(2,781,145)	(5,320,181)
Purchase of intangible assets	(224,202)	(115,475)	(215,537)	(96,797)
Acquisition of subsidiary, net of cash acquired	19	-	-	-
Advances to subsidiaries	-	-	(46,131)	(1,867,000)
Purchase of other financial assets	(44,811)	-	-	-
Proceeds from sales of available-for-sale financial assets	120	-	-	-
Proceeds from sale of property, plant and equipment	409	2,850	409	-
<b>Net cash used in investing activities</b>	<b>(5,169,254)</b>	<b>(8,260,312)</b>	<b>(3,042,404)</b>	<b>(7,283,978)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(1,842,752)	(1,733,936)	(1,656,927)	(1,518,091)
Proceeds from borrowings	1,640,968	1,821,833	1,460,793	1,518,091
<b>Net cash (used in)/ generated from financing activities</b>	<b>(201,784)</b>	<b>87,897</b>	<b>(196,134)</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,214,014)</b>	<b>(1,913,886)</b>	<b>(2,318,257)</b>	<b>(1,888,991)</b>
<b>Movement in cash and cash equivalents</b>				
At start of the period	8,410,960	8,044,848	7,886,345	6,796,503
Decrease	(2,214,014)	(1,913,886)	(2,318,257)	(1,888,991)
Effect of exchange rate changes	26,855	(9,782)	26,855	(9,782)
<b>At end of the period</b>	<b>6,223,801</b>	<b>6,121,180</b>	<b>5,594,943</b>	<b>4,897,730</b>

The notes on pages 7 to 15 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] and business process outsourcing services.

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 31 March 2018 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 2017 except for changes required due to adoption of following standards.

- (i) SLFRS 9, 'Financial Instruments', replaces the provisions of LKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.
- (ii) SLFRS 15, 'Revenue from Contracts with Customers', is based on the principle that revenue is recognised when control of a good or service is transferred to the customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 7 below.

### 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 31 March 2018 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	21,051,440	3,174,716	1,856,755	-	26,082,911
Inter-segment revenue	310,171	492,239	570	-	802,980
<b>Total segmental revenue</b>	<b>21,361,611</b>	<b>3,666,955</b>	<b>1,857,325</b>	<b>-</b>	<b>26,885,891</b>
Segment operating profit / (loss) for the period	3,664,196	682,647	(82,039)	26,073	4,290,877
Finance costs - net					(973,120)
Share of profit from associate - net of tax					1,024
Profit before income tax					3,318,781
Income tax expense					(484,328)
<b>Profit for the period</b>					<b>2,834,453</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	3,875,708	1,509,075	314,664	-	5,699,447

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	146,200,692	37,650,441	9,464,181	(39,615,491)	153,699,823
Inter-segment assets	(6,460,773)	(108,232)	(3,255)	-	(6,572,260)
<b>Total assets</b>	<b>139,739,919</b>	<b>37,542,209</b>	<b>9,460,926</b>	<b>(39,615,491)</b>	<b>147,127,563</b>
Liabilities	68,909,138	13,292,429	5,931,873	-	88,133,440
Inter-segment liabilities	(1,677,314)	(4,214,198)	(1,316,533)	-	(7,208,045)
<b>Total liabilities</b>	<b>67,231,824</b>	<b>9,078,231</b>	<b>4,615,340</b>	<b>-</b>	<b>80,925,395</b>
Capital expenditure	1,941,484	1,244,883	313,872	-	3,500,239

- The segment results for the period ended 31 March 2017 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	18,239,547	2,428,243	1,496,871	-	22,164,661
Inter-segment revenue	252,887	483,943	1,497	-	738,327
<b>Total segmental revenue</b>	<b>18,492,434</b>	<b>2,912,186</b>	<b>1,498,368</b>	<b>-</b>	<b>22,902,988</b>
Segment operating profit/(loss) for the period	2,691,667	403,743	(200,089)	(8,858)	2,886,463
Finance costs - net					(892,459)
Share of loss from associates - net of tax					(18,422)
Profit before income tax					1,975,582
Income tax expense					(435,605)
<b>Profit for the period</b>					<b>1,539,977</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	2,987,917	1,100,952	252,857	-	4,341,726

## DIALOG AXIATA PLC

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

#### 3 Segment information (Continued)

- The segment assets and liabilities at 31 December 2017 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	145,091,047	37,229,490	6,814,654	(38,971,625)	150,163,566
Inter-segment assets	(4,753,277)	(87,480)	(3,257)	-	(4,844,014)
<b>Total assets</b>	<b>140,337,770</b>	<b>37,142,010</b>	<b>6,811,397</b>	<b>(38,971,625)</b>	<b>145,319,552</b>
Liabilities	71,113,615	13,804,761	3,565,284	-	88,483,660
Inter-segment liabilities	(1,603,643)	(2,747,710)	(493,751)	-	(4,845,104)
<b>Total liabilities</b>	<b>69,509,972</b>	<b>11,057,051</b>	<b>3,071,533</b>	<b>-</b>	<b>83,638,556</b>
Capital expenditure	20,073,262	9,428,897	1,133,047	-	30,635,206

#### 4 Reserves

	Note	Group		Company	
		31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
<b>Attributable to the owners of the Company</b>					
Retained earnings		38,028,358	33,542,916	49,581,231	46,140,085
Share-based payments reserve		32,682	16,341	32,682	16,341
Hedging reserve		20,940	22,392	20,940	22,392
<b>Attributable to the non-controlling interest</b>					
Non-controlling interest		16,275	(6,158)	-	-
		<b>38,098,255</b>	<b>33,575,491</b>	<b>49,634,853</b>	<b>46,178,818</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 period ended 31 March 2018.

#### 7 Changes in accounting policies

The Company and the Group has adopted SLFRS 9, 'Financial Instruments' and SLFRS 15, 'Revenue from Contracts with Customers', with effect from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in these standards, the Company and the Group has adopted the new rules retrospectively with the cumulative effect of these standards recognised at the date of initial application.

# DIALOG AXIATA PLC

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

### 7 Changes in accounting policies (Continued)

The following tables show the adjustments recognised for each individual line item affected with the adoption of above standards during the reporting period.

#### Statement of financial position

Group	Note	Before SLFRS 9 and SLFRS 15 adjustments	Impact from SLFRS 9	Impact from SLFRS 15	31 Mar 2018 (reported)
<b>Non-current assets</b>					
Intangible assets	(a)	19,341,162	-	(168,341)	19,172,821
Contract assets	(b)	-	-	3,920,247	3,920,247
<b>Current assets</b>					
Other financial assets	(d)	666,926	(50,770)	-	616,156
<b>Equity and reserves</b>					
Reserves		36,421,862	(50,770)	1,710,888	38,081,980
<b>Non-current liabilities</b>					
Deferred revenue	(c)	1,186,961	-	(102,101)	1,084,860
Contract liabilities	(c)	-		942,612	942,612
<b>Current liabilities</b>					
Trade and other payables	(c)	36,085,029	-	(4,282,702)	31,802,327
Contract liabilities	(c)	-	-	5,483,210	5,483,210

Company	Note	Before SLFRS 9 and SLFRS 15 adjustments	Impact from SLFRS 15	31 Mar 2018 (reported)
<b>Non-current assets</b>				
Contract assets	(b)	-	1,458,597	1,458,597
<b>Equity and reserves</b>				
Reserves		48,728,311	906,542	49,634,853
<b>Non-current liabilities</b>				
Contract liabilities	(c)	-	123,562	123,562
<b>Current liabilities</b>				
Trade and other payables	(c)	25,366,853	(3,786,824)	21,580,029
Contract liabilities	(c)	-	4,215,317	4,215,317

#### Statement of comprehensive income

Group	Before SLFRS 9 and SLFRS 15 adjustments	Impact from SLFRS 9	Impact from SLFRS 15	31 Mar 2018 (reported)
Revenue	25,973,716	-	109,195	26,082,911
Direct cost	(13,455,927)	-	(279,758)	(13,735,685)
Distribution cost	(3,729,578)	-	542,221	(3,187,357)
Administration cost	(4,545,567)	(5,836)	(347,965)	(4,899,368)
Profit before tax	3,300,925	(5,836)	23,692	3,318,781

## DIALOG AXIATA PLC

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

#### 7 Changes in accounting policies (Continued)

Company	Before SLFRS 9 and SLFRS 15 adjustments	Impact from SLFRS 15	31 Mar 2018 (reported)
Revenue	20,752,623	(120,511)	20,632,112
Direct cost	(10,720,641)	(32,257)	(10,752,898)
Distribution cost	(3,057,176)	375,904	(2,681,272)
Administration cost	(3,141,974)	(266,137)	(3,408,111)
Profit before tax	3,009,076	(43,002)	2,966,074

#### (a) Intangible assets

Subscriber acquisition costs previously recognised as intangible assets has been reversed and related amounts are recognised as contract assets and contract liabilities separately.

#### (b) Contract assets

In accordance with provisions of SLFRS 15, the costs that are directly related to the acquisition and fulfilment of customer contracts are recognised as contract assets and amortised on a systematic basis that is consistent with the fulfilment of the performance obligation. Previously, these costs were directly charged to profit or loss. However, where the amortisation period is one year or less, the Company and the Group recognise the incremental costs of obtaining a contract as an expense when incurred.

The opening adjustment as at 1 January 2018, represents the contract assets arising from the costs relating to ongoing customer contracts that were directly charged to profit or loss prior to 1 January 2018. The movement of the contract assets are as below.

	Group	Company
Opening adjustment as at 1 January 2018	3,934,002	1,458,586
Addition	740,794	284,258
Amortisation	(754,549)	(284,247)
<b>Balance as at 31 March 2018</b>	<b>3,920,247</b>	<b>1,458,597</b>

#### (c) Contract liabilities

According to the provisions of SLFRS 15, revenue is recognised when each performance obligation in a contract with customer is satisfied. The total consideration received/receivable has been allocated between separate performance obligations based on relative standalone selling prices. This has primarily resulted in change in the timing of revenue recognition.

Further, the Company and the Group reclassify amounts related to contracts with customers previously presented as deferred revenue to contract liabilities.

The opening adjustment as at 1 January 2018 represents the contract liabilities arising from the performance obligations that are unsatisfied as at 1 January 2018.

	Group	Company
Opening adjustment as at 1 January 2018	2,071,698	509,042
Addition	495,831	289,163
Realization	(526,510)	(246,150)
Reclassification from deferred revenue	4,384,803	3,786,824
<b>Balance as at 31 March 2018</b>	<b>6,425,822</b>	<b>4,338,879</b>

#### (d) Other financial assets

According to the provisions of SLFRS 9, the Group recognises impairment provisions based on expected credit losses. Impairment provisions were previously based on incurred credit losses.

**DIALOG AXIATA PLC****Notes to the condensed consolidated interim financial statements (Continued)****7 Changes in accounting policies (Continued)****(e) Retained earnings**

The following is a summary of transition adjustments to the Company's and the Group's retained earnings from the initial application of SLFRS 9 and SLFRS 15 as at 1 January 2018.

	<b>Group</b>	<b>Company</b>
Recognition of contract assets	3,934,002	1,458,586
Reversal of intangible assets	(175,124)	-
Recognition of contract liabilities	(2,071,698)	(509,042)
Increase in impairment provision	(44,934)	-
<b>Impact of change in accounting policies to retained earnings as at 1 January 2018</b>	<b>1,642,246</b>	<b>949,544</b>

**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 year 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 2017.

**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 March 2018.

**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 March

	<b>2018 Rs.</b>	<b>2017 Rs.</b>
- Highest	14.00	11.60
- Lowest	12.80	10.40
- Last traded	13.80	11.30

**13 Directors' shareholdings**

The details of shares held directly by the Directors and their spouses as at 31 March 2018 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	180,787,158	2.22%
3 CITI Bank New York S/A Norges Bank Account 2	134,714,879	1.65%
4 BNYM RE-UT SAGA Tree LLC	118,595,642	1.46%
5 HSBC International Nominees Limited - JPMCB - Scottish ORL SML TR GTI 6018	83,426,021	1.02%
6 Pershing LLC S/A Averbach Grauson and Co.	63,039,981	0.77%
7 HSBC International Nominees Limited - MSIP - SAGA Tree Asia Master Fund	60,862,436	0.75%
8 BNYM SA/NV RE - CF Ruffer Investment Funds: CF Ruffer Pacific Fund	57,314,300	0.70%
9 HSBC International Nominees Limited - MSIP - Vittoria Fund-ST, L.P.	54,512,186	0.66%
10 Northern Trust Company S/A Hosking Global Fund PLC	44,081,055	0.54%
11 HSBC International Nominees Limited - JPMLU - T Rowe Price Funds SICAV	39,445,307	0.48%
12 HSBC International Nominees Limited - State Street Luxembourg C/O SSBT- Alliance Bernstein Next 50 Emerging Markets (Master) Fund SICAV - SIF S.C.SP.	38,024,290	0.47%
13 Rubber Investment Trust Limited A/C No. 01	36,668,830	0.45%
14 CB NY S/A International Finance Corporation	23,293,400	0.29%
15 J.B. Cocoshell (Private) Limited	19,401,262	0.24%
16 Mellon Bank N.A.- UPS Group Trust	18,880,000	0.23%
17 The Ceylon Investment PLC A/C No. 02	18,797,647	0.23%
18 HSBC International Nominees Limited - BBH - Prusik Asian Smaller Companies Fund Public Limited Company	18,200,000	0.22%
19 HSBC International Nominees Limited - SSBT- Parametric Emerging Markets Fund	17,294,868	0.21%
20 The Ceylon Guardian Investment Trust PLC A/C No. 02	16,470,454	0.20%

#### 15 Public shareholding

Information pertaining to public shareholding as at 31 March 2018 is as follows:

	31 Mar 2018	31 Dec 2017
Public holding percentage	16.68%	16.68%
Number of public shareholders	20,083	20,078

The Company is in compliance with the Minimum Public Holding requirement as per the Listing Rules of the Colombo Stock Exchange and the Directive of the Securities and Exchange Commission of Sri Lanka.

#### 16 Effect of change in composition of the Group

- (a) Digital Holdings Lanka (Private) Limited ('DHL'), a wholly owned subsidiary of the Company proceeded with the conversion to equity the 'Bond type D' in Headstart (Private) Limited ('Headstart'), consisting of 258 Ordinary Shares on 1 January 2018. Subsequent to the said conversion, the total shareholding of DHL in Headstart increased from 43.37% to 50.59% consisting of a total of 1,024 Ordinary Shares. Thereby, Headstart is consolidated as a subsidiary of the Group for the period ended 31 March 2018. The resultant goodwill on acquisition was Rs. 76,136,983.
- (b) Dialog Broadband Networks (Private) Limited ('DBN'), a wholly owned subsidiary of the Company entered into a joint venture partnership with St. Anthony's Property Developers (Private) Limited ('SAPD'), a part of St Anthony's Group, to establish, operate and manage a Data Centre, Digital Reality (Private) Limited ('DRP'). Pursuant thereto, DBN and SAPD signed a Shareholders Agreement on 16 March 2018, wherein DBN will be issued a 35% stake in the newly incorporated Company, with an investment of Rs. 262.5Mn and SAPD will hold the remaining 65% stake with an investment of Rs. 487.5Mn.
- (c) Digital Commerce Lanka (Private) Limited ('DCL'), a subsidiary of the Company, issued and allotted 62,578,036 new ordinary shares in DCL to DHL, a wholly owned subsidiary of the Company on 22 March 2018. Subsequent to the above, DHL holds 99.03% of the shareholding of DCL consisting of 63,318,036 shares. The remaining 623,124 shares are held by the Company. This share issue has not changed the composition of the Group.
- (d) DHL, a wholly owned subsidiary of the Company issued and allotted 62,578,036 new ordinary shares in DHL to the Company on 29 March 2018. Subsequent to the above, the Company holds 62,578,037 shares in DHL. 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 2017.

## DIALOG AXIATA PLC

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

#### 17 Trade and other payables

Accrued expenses and provisions of the Group include a provision made as a matter of prudence, for a possible claim amounting to a sum of Rs. 3,698,280,185 on account of a judgment delivered against Suntel Limited on 9 March 2012 in HC (Civil) 282/2001(1) in the Commercial High Court of the Western Province in favour of Electroteks Network Services (Private) Limited. Suntel Limited [now amalgamated with Dialog Broadband Networks (Private) Limited], on the basis of legal advice received, has appealed against this judgment to the Supreme Court of Sri Lanka. The Supreme Court will notify the parties as to the date on which the judgment will be delivered.

The escrow agreement entered into between the parties expired in March 2017 and money was released to the sellers of Suntel Limited in April 2017.

Pending such appeal, Electroteks Network Services (Private) Limited filed a writ pending appeal application in the Commercial High Court of the Western Province seeking to execute the judgment given in their favour. On 3 March 2014 proceedings in relation to this application was terminated upon Dialog Broadband Networks (Private) Limited providing a guarantee to cover the judgment in the appeal made to the Supreme Court of Sri Lanka, through its parent company Dialog Axiata PLC, in the form of a Bank Guarantee for the value of Rs.1Bn and a Corporate Guarantee for the value of Rs.3.2Bn.

#### 18 Financial instruments measured at fair value

Note	Measurement criteria and the fair value							
	Level 1 Rs.000		Level 2 Rs.000		Level 3 Rs.000		Total Rs.000	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Financial assets</b>								
Available-for-sale financial assets:								
- Investment in unquoted convertible redeemable bonds	(a)	-	-	-	25,000	-	25,000	-
Derivative designated as hedging instrument								
- Interest rate swap	(b)	-	13,398	14,311	-	-	13,398	14,311
Financial assets at fair value through profit or loss								
- Investment in quoted equities	(c)	1,568	1,762	-	-	-	1,568	1,762
- Investment in unquoted equities	(d)	-	-	-	44,815	346	44,815	346

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

(a) The carrying value of investment in unquoted convertible redeemable bonds represents the fair value of the investment in redeemable convertible bonds in Headstart.

(b) The carrying amount of the derivative financial instrument represents the fair value of the interest rate swap with notional amount of USD 24,133,333 (31.12.2017 - USD 33,786,667) which has a fixed interest payment of 2.6075% per annum and floating interest receipt of USD 3 months LIBOR plus a spread on the amortising outstanding principal amount maturing on 29 July 2018.

The fair value is determined based on the discounted future cash flows using the applicable yield curve over the duration of the interest rate swap. The fair value of the interest rate swap is provided by counterparty financial institution which is determined based on forward interest rates from observable yield curves and contracted interest rates discounted at a rate that reflects the credit risk of the counterparty.

(c) The carrying amount of the investment in quoted equities represents the investment in equity shares by Colombo Trust Finance PLC.

(d) The carrying value of investment in unquoted equities represents the fair value of the investment in unquoted shares by Colombo Trust Finance PLC and Dialog Axiata Digital Innovation Fund (Private) Limited.

## DIALOG AXIATA PLC

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

#### 19 Cash and cash equivalents

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

	31 Mar 2018 Rs.	31 Dec 2017 Rs.
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	58,111,975	57,594,233
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation	430,000,000	430,000,000
	<b>488,111,975</b>	<b>487,594,233</b>

#### 20 Revenue

	Group		Company	
	3 months ended March 2018	3 months ended March 2017	3 months ended March 2018	3 months ended March 2017
Sales of services	24,808,843	21,147,554	20,186,916	17,684,048
Sales of goods	1,274,068	1,017,107	445,196	649,339
	<b>26,082,911</b>	<b>22,164,661</b>	<b>20,632,112</b>	<b>18,333,387</b>

#### 21 Valuation of property, plant and equipment

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

#### 22 Contingent liabilities

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 2017.

#### 23 Capital commitments

Capital expenditure contracted for supply of telecommunication equipment at the statement of financial position date but not yet incurred consists of Rs 6,323,709,547 (31.12.2017 - Rs. 6,573,147,655) and Rs. 10,645,075,063 (31.12.2017 - Rs. 11,939,945,243) of the Company and the Group respectively.

#### 24 Events after the reporting period

- (a) In August 2008, Sri Lanka Customs (SLC) detained a shipment of CDMA Customers' Premises Equipment (CPE) belonging to 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 inquiry. Inquiry was held on several dates and the last date being 09 September 2016, however the inquiry was not concluded on this date. On 11 April 2018, DBN was served with an 'Order' dated 06 April 2018 by SLC imposing a mitigated monetary forfeiture of LKR 1,626,622,200. DBN has instituted legal action on 25 April 2018 in the Court of Appeal to challenge the Order made by SLC.

Except for disclosed above, no other circumstances have arisen since the statement of financial position date that would require adjustment to, or disclosure in the financial statements.