

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 JUNE 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 June 30, 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 [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.

8 August 2018

Date

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DIALOG AXIATA PLC**Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	30 June 2018 (Reviewed)	31 Dec 2017 (Audited)	30 June 2018 (Reviewed)	31 Dec 2017 (Audited)
ASSETS				
Non-current assets				
Intangible assets	22,879,147	19,118,899	7,959,993	6,403,659
Property, plant and equipment	102,532,856	100,018,295	66,967,996	65,461,770
Deferred tax asset	19,455	3,572	-	-
Investment in subsidiaries	-	-	48,971,332	47,541,414
Investment in associates	175,698	106,211	27,742	27,742
Trade and other receivables	168,467	186,385	652,689	591,560
Other financial assets	321,133	287,269	-	466,655
	126,096,756	119,720,631	124,579,752	120,492,800
Current assets				
Inventories	1,199,751	863,252	61,058	107,303
Trade and other receivables	16,557,347	15,535,339	19,160,567	14,209,175
Other financial assets	723,933	775,059	-	-
Derivative financial instrument	7,215	14,311	7,215	14,311
Cash and cash equivalents	7,733,593	8,410,960	6,770,056	7,886,345
	26,221,839	25,598,921	25,998,896	22,217,134
Total assets	152,318,595	145,319,552	150,578,648	142,709,934
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913
Reserves	37,195,298	33,583,241	48,572,728	46,178,818
Non-controlling interest	32,859	(6,158)	-	-
Total equity	65,332,070	61,680,996	76,676,641	74,282,731
LIABILITIES				
Non-current liabilities				
Borrowings	36,882,283	25,629,323	36,882,283	25,629,323
Other financial liabilities	27,908	297,205	-	-
Deferred revenue	1,042,006	1,394,415	1,042,006	1,133,841
Contract liabilities	781,014	-	110,029	-
Deferred tax liabilities	854	-	-	-
Employee benefit payables	1,419,473	1,353,939	1,212,857	1,170,841
Provision for other liabilities	1,790,629	1,738,411	1,514,195	1,464,309
	41,944,167	30,413,293	40,761,370	29,398,314
Current liabilities				
Trade and other payables	30,943,937	41,098,872	21,352,827	28,873,036
Borrowings	7,519,955	10,966,157	6,619,391	9,319,590
Other financial liabilities	87,008	283,360	-	-
Contract liabilities	5,574,173	-	4,278,636	-
Current income tax liabilities	917,285	876,874	889,783	836,263
	45,042,358	53,225,263	33,140,637	39,028,889
Total liabilities	86,986,525	83,638,556	73,902,007	68,427,203
Total equity and liabilities	152,318,595	145,319,552	150,578,648	142,709,934
Net assets per share (Rs.)	8.02	7.57	9.42	9.12

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: 8 August 2018

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

Signed
Director
Date: 8 August 2018

Signed
Director
Date: 8 August 2018

DIALOG AXIATA PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Period ended 30 June		Period ended 30 June	
	2018	2017	2018	2017
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Revenue	52,689,585	45,176,782	41,949,342	37,369,645
Direct costs	(27,526,447)	(23,992,838)	(21,691,279)	(19,873,810)
Gross profit	25,163,138	21,183,944	20,258,063	17,495,835
Distribution costs	(7,069,499)	(7,159,304)	(5,845,303)	(5,957,940)
Administrative costs	(9,570,642)	(7,682,789)	(6,590,562)	(5,551,681)
Other income	89,506	3,649	64,350	24,001
Operating profit	8,612,503	6,345,500	7,886,548	6,010,215
Finance income	112,305	91,261	135,458	134,213
Finance costs	(1,979,242)	(1,708,238)	(1,792,364)	(1,273,269)
Finance costs - net	(1,866,937)	(1,616,977)	(1,656,906)	(1,139,056)
Share of profit / (loss) from associates - net of tax	1,012	(19,334)	-	-
Profit before income tax	6,746,578	4,709,189	6,229,642	4,871,159
Income tax expense	(1,079,831)	(827,076)	(1,064,533)	(787,827)
Profit for the period	5,666,747	3,882,113	5,165,109	4,083,332
Other comprehensive income for the period				
- net change in cash flow hedge	(7,262)	41,201	(7,262)	41,201
Total comprehensive income for the period	5,659,485	3,923,314	5,157,847	4,124,533
Profit/(loss) for the period is attributable to:				
- owners of the Company	5,688,289	3,892,679	5,165,109	4,083,332
- non-controlling interest	(21,542)	(10,566)	-	-
Total comprehensive income for the period is attributable to:				
- owners of the Company	5,681,027	3,933,880	5,157,847	4,124,533
- non-controlling interest	(21,542)	(10,566)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.70	0.48	0.63	0.50

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

DIALOG AXIATA PLC**Statements of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Three months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Revenue	26,606,674	23,012,121	21,317,230	19,036,258
Direct costs	(13,790,762)	(12,115,168)	(10,938,381)	(10,096,028)
Gross profit	12,815,912	10,896,953	10,378,849	8,940,230
Distribution costs	(3,528,346)	(3,627,811)	(2,896,844)	(3,025,930)
Administrative costs	(5,025,070)	(3,806,345)	(3,449,638)	(2,680,023)
Other income	59,130	(3,760)	47,013	5,428
Operating profit	4,321,626	3,459,037	4,079,380	3,239,705
Finance income	42,323	15,697	48,947	49,583
Finance costs	(936,140)	(740,215)	(864,759)	(553,567)
Finance costs - net	(893,817)	(724,518)	(815,812)	(503,984)
Share of loss from associates - net of tax	(12)	(912)	-	-
Profit before income tax	3,427,797	2,733,607	3,263,568	2,735,721
Income tax expense	(595,503)	(391,471)	(590,061)	(391,127)
Profit for the period	2,832,294	2,342,136	2,673,507	2,344,594
Other comprehensive income for the period				
- net change in cash flow hedge	(5,810)	(2,422)	(5,810)	(2,422)
Total comprehensive income for the period	2,826,484	2,339,714	2,667,697	2,342,172
Profit/(loss) for the period is attributable to:				
- owners of the Company	2,846,685	2,346,418	2,673,507	2,344,594
- non-controlling interest	(14,391)	(4,282)	-	-
Total comprehensive income for the period is attributable to:				
- owners of the Company	2,840,875	2,343,996	2,667,697	2,342,172
- non-controlling interest	(14,391)	(4,282)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.35	0.29	0.33	0.29

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 2018	28,103,913	33,583,241	(6,158)	61,680,996
Change in accounting policy	-	1,642,222	-	1,642,222
Restated total equity as at 1 January 2018	28,103,913	35,225,463	(6,158)	63,323,218
Profit/(loss) for the period		5,688,289	(21,542)	5,666,747
Other comprehensive income		(7,262)	-	(7,262)
Total comprehensive income for the period	-	5,681,027	(21,542)	5,659,485
Non-controlling interest on acquisition of subsidiary	-	-	62,824	62,824
Transaction with non-controlling interest	-	2,265	(2,265)	-
Employee share schemes - value of employee services	-	32,681	-	32,681
Dividends to equity shareholders	-	(3,746,138)	-	(3,746,138)
Balance at 30 June 2018	28,103,913	37,195,298	32,859	65,332,070
Balance at 1 January 2017	28,103,913	25,902,547	14,420	54,020,880
Profit/(loss) for the period		3,892,679	(10,566)	3,882,113
Other comprehensive income		41,201	-	41,201
Total comprehensive income for the period	-	3,933,880	(10,566)	3,923,314
Dividends to equity shareholders		(3,176,074)	-	(3,176,074)
Balance at 30 June 2017	28,103,913	26,660,353	3,854	54,768,120
Balance at 1 July 2017	28,103,913	26,660,353	3,854	54,768,120
Profit/(loss) for the period	-	6,892,745	(15,103)	6,877,642
Other comprehensive income	-	177,499	-	177,499
Total comprehensive income for the period	-	7,070,244	(15,103)	7,055,141
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
Balance at 31 December 2017	28,103,913	33,583,241	(6,158)	61,680,996

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

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

(all amounts in Sri Lanka Rupees thousands)

	Attributable to owners of the Company		
	Stated capital	Reserves	Total
Balance at 1 January 2018	28,103,913	46,178,818	74,282,731
Change in accounting policy	-	949,520	949,520
Restated total equity as at 1 January 2018	28,103,913	47,128,338	75,232,251
Profit for the period	-	5,165,109	5,165,109
Other comprehensive income	-	(7,262)	(7,262)
Total comprehensive income for the period	-	5,157,847	5,157,847
Employee share schemes - value of employee services	-	32,681	32,681
Dividends to equity shareholders	-	(3,746,138)	(3,746,138)
Balance at 30 June 2018	28,103,913	48,572,728	76,676,641
Balance at 1 January 2017	28,103,913	38,652,221	66,756,134
Profit for the period	-	4,083,332	4,083,332
Other comprehensive income	-	41,201	41,201
Total comprehensive income for the period		4,124,533	4,124,533
Dividends to equity shareholders	-	(3,176,074)	(3,176,074)
Balance at 30 June 2017	28,103,913	39,600,680	67,704,593
Balance at 1 July 2017	28,103,913	39,600,680	67,704,593
Profit for the period	-	6,417,939	6,417,939
Other comprehensive income	-	143,858	143,858
Total comprehensive income for the period	-	6,561,797	6,561,797
Employee share schemes - value of employee services		16,341	16,341
Balance at 31 December 2017	28,103,913	46,178,818	74,282,731

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

DIALOG AXIATA PLC

Statements of cash flows

(all amounts in Sri Lanka Rupees thousands)

	Group 30 June		Company 30 June	
	2018 (Reviewed)	2017 (Reviewed)	2018 (Reviewed)	2017 (Reviewed)
Cash flows from operating activities				
Cash generated from operations	15,236,333	18,578,693	8,855,428	15,281,649
Interest received	132,064	122,974	124,837	120,881
Interest paid	(838,742)	(974,124)	(813,441)	(704,496)
Taxes paid	(1,044,956)	(804,411)	(997,313)	(778,345)
Employee benefits paid	(22,871)	(29,338)	(16,164)	(27,385)
Net cash generated from operating activities	13,461,828	16,893,794	7,153,347	13,892,304
Cash flows from investing activities				
Purchase of property, plant and equipment	(17,744,672)	(14,229,691)	(11,446,649)	(9,596,332)
Purchase of intangible assets	(613,813)	(1,131,026)	(549,709)	(1,015,167)
Acquisition of subsidiary, net of cash acquired	19	-	(599,150)	-
Advances to subsidiaries	-	-	(79,048)	(1,077,700)
Loans to subsidiaries	-	-	-	(60,000)
Investment in associates	(131,250)	-	-	-
Purchase of other financial assets	(76,801)	-	-	-
Investment in available-for-sale financial assets	-	(25,000)	-	-
Proceeds from sale of property, plant and equipment	35,057	2,850	35,057	-
Net cash used in investing activities	(18,531,460)	(15,382,867)	(12,639,499)	(11,749,199)
Cash flows from financing activities				
Repayment of borrowings	(3,703,530)	(3,546,593)	(3,339,530)	(3,058,839)
Proceeds from borrowings	11,750,289	3,592,352	11,397,127	3,058,839
Proceeds from share issue - non-controlling interests	33,240	-	-	-
Dividends paid to ordinary shareholders	(3,746,138)	(3,176,074)	(3,746,138)	(3,176,074)
Net cash generated from / (used in) financing activities	4,333,861	(3,130,315)	4,311,459	(3,176,074)
Net decrease in cash and cash equivalents	(735,771)	(1,619,388)	(1,174,693)	(1,032,969)
Movement in cash and cash equivalents				
At start of the year	8,410,960	8,044,848	7,886,345	6,796,503
Decrease	(735,771)	(1,619,388)	(1,174,693)	(1,032,969)
Effect of exchange rate changes	58,404	7,327	58,404	7,327
At end of the period	7,733,593	6,432,787	6,770,056	5,770,861

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] and provision of manpower for call centre operations.

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 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 significant 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 30 June 2018 are as follows:

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

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

- The segment assets and liabilities at 30 June 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	156,332,628	38,641,202	8,596,807	(40,813,486)	162,757,151
Inter-segment assets	(8,894,504)	(137,945)	(1,406,107)	-	(10,438,556)
Total assets	147,438,124	38,503,257	7,190,700	(40,813,486)	152,318,595
Liabilities	79,289,143	13,877,368	4,239,994	-	97,406,505
Inter-segment liabilities	(2,625,511)	(5,844,394)	(1,950,075)	-	(10,419,980)
Total liabilities	76,663,632	8,032,974	2,289,919	-	86,986,525
Capital expenditure	8,993,640	3,769,105	412,917	-	13,175,662

- The segment results for the period ended 30 June 2017 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	37,193,341	4,971,221	3,012,220	-	45,176,782
Inter-segment revenue	566,658	969,070	3,071	-	1,538,799
Total segmental revenue	37,759,999	5,940,291	3,015,291	-	46,715,581
Segment operating profit/(loss) for the period	5,826,699	872,266	(353,465)	-	6,345,500
Finance costs – net					(1,616,977)
Share of loss from associates - net of tax					(19,334)
Profit before income tax					4,709,189
Income tax expense					(827,076)
Profit for the period					3,882,113

- 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	6,453,871	2,287,775	507,559	-	9,249,205

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)
Total assets	140,337,770	37,142,010	6,811,397	(38,971,625)	145,319,552
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)
Total liabilities	69,509,972	11,057,051	3,071,533	-	83,638,556
Capital expenditure	20,073,262	9,428,897	1,133,047	-	30,635,206

4 Reserves

	Group		Company	
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
Attributable to the owners of the Company				
Retained earnings	37,147,486	33,544,509	48,524,916	46,140,086
Share-based payments reserve	32,681	16,341	32,681	16,341
Hedging reserve	15,131	22,391	15,131	22,391
Attributable to the non-controlling interest				
Non-controlling interest	32,859	(6,158)	-	-
	37,228,157	33,577,083	48,572,728	46,178,818

5 Seasonal or cyclical factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 30 June 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	30 June 2018 (reported)
Non-current assets					
Intangible assets	(a)	19,016,974	-	3,862,173	22,879,147
Current assets					
Other financial assets	(c)	776,444	(52,511)	-	723,933
Equity and reserves					
Reserves		35,368,397	(52,511)	1,879,411	37,195,297
Non-current liabilities					
Deferred revenue	(b)	1,114,376	-	(72,370)	1,042,006
Contract liabilities	(b)	-	-	781,014	781,014
Current liabilities					
Trade and other payables	(b)	35,243,993	-	(4,300,056)	30,943,937
Contract liabilities	(b)	-	-	5,574,173	5,574,173

Company	Note	Before SLFRS 9 and SLFRS 15 adjustments	Impact from SLFRS 15	30 June 2018 (reported)
Non-current assets				
Intangible assets	(a)	6,363,965	1,596,028	7,959,993
Equity and reserves				
Reserves		47,522,388	1,050,340	48,572,728
Non-current liabilities				
Contract liabilities	(b)	-	110,029	110,029
Current liabilities				
Trade and other payables	(b)	25,195,804	(3,842,977)	21,352,827
Contract liabilities	(b)	-	4,278,636	4,278,636

Statement of comprehensive income

Group	Before SLFRS 9 and SLFRS 15 adjustments	Impact from SLFRS 9	Impact from SLFRS 15	30 June 2018 (reported)
Revenue	52,433,613	-	255,972	52,689,585
Direct costs	(26,889,265)	-	(637,182)	(27,526,447)
Distribution costs	(7,560,739)	-	491,240	(7,069,499)
Administration costs	(9,645,094)	(7,637)	82,089	(9,570,642)
Profit before tax	6,562,096	(7,637)	192,119	6,746,578

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	30 June 2018 (reported)
Revenue	42,161,206	(211,864)	41,949,342
Direct costs	(21,629,175)	(62,104)	(21,691,279)
Distribution costs	(6,220,091)	374,788	(5,845,303)
Profit before tax	6,128,821	100,821	6,229,642

(a) Intangible 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 intangible 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 intangible assets arising from the costs relating to ongoing customer contracts that were directly charged to profit or loss prior to 1 January 2018. The impact to intangible assets are as below.

	Group	Company
Opening adjustment as at 1 January 2018	3,758,854	1,458,562
Addition	1,641,165	718,906
Amortisation	(1,537,846)	(581,440)
	3,862,173	1,596,028

(b) Contract liabilities

According to the provisions of SLFRS 15, revenue is recognised when each performance obligation in a contract with a 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 a 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	1,029,627	602,073
Realization	(1,118,172)	(565,427)
Reclassification from deferred revenue	4,372,034	3,842,977
Balance as at 30 June 2018	6,355,187	4,388,665

(c) 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)

(d) 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.

	Group	Company
Recognition of intangible assets	3,758,854	1,458,562
Recognition of contract liabilities	(2,071,698)	(509,042)
Increase in impairment provision	(44,934)	-
Impact of change in accounting policies to retained earnings as at 1 January 2018	1,642,222	949,520

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 30 June 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 six months ended 30 June	2018 Rs.	2017 Rs.
- Highest	14.8	12.3
- Lowest	13.6	11.1
- Last traded	14.2	12.0

13 Directors' shareholdings

The details of shares held directly by the Directors and their spouses as at 30 June 2018 are as follows:

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

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

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

14 Twenty largest shareholders of the Company

Name of Shareholders	No. of shares	% Holding
1 Axiata Investments (Labuan) Limited	6,785,252,765	83.32%
2 Employees Provident Fund	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 Northern Trust Company S/A Hosking Global Fund PLC	56,026,315	0.69%
10 HSBC International Nominees Limited - MSIP - Vittoria Fund-ST, L.P.	54,512,186	0.67%
11 HSBC International Nominees Limited - JPMLU - T Rowe Price Funds SICAV	48,010,618	0.59%
12 Rubber Investment Trust Limited A/C No. 01	40,086,091	0.49%
13 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%
14 J.B. Cocoshell (Private) Limited	23,277,276	0.29%
15 Mellon Bank N.A.- UPS Group Trust	18,880,000	0.23%
16 The Ceylon Investment PLC A/C No. 02	18,797,647	0.23%
17 HSBC International Nominees Limited - BBH - Prusik Asian Smaller Companies Fund Public Limited Company	18,200,000	0.22%
18 HSBC International Nominees Limited - SSBT- Parametric Emerging Markets Fund	17,294,868	0.21%
19 The Ceylon Guardian Investment Trust PLC A/C No. 02	16,470,454	0.20%
20 HINL-JPMCB NA-Nordea Global Frontier Markets Fund	16,080,939	0.20%

15 Public shareholding

Information pertaining to public shareholding as at 30 June 2018 is as follows:

	30 June 2018	31 Dec 2017
Public holding percentage	16.68%	16.68%
Number of public shareholders	20,067	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 30 June 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'), 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 17,500 ordinary shares were issued and allotted to DBN on 21 June 2018, being 35% of the shareholding in DRP, for a consideration of Rs. 131,250,000 and SAPD hold the remaining 65% stake with an investment of Rs. 487,500,000.
- (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.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

16 Effect of change in composition of the Group (Continued)

- (e) Digital Health (Private) Limited ('DH'), a subsidiary of the Company entered into an Investment Agreement with Asiri Hospital Holdings PLC ('Asiri'), Digital Holdings Lanka (Private) Limited ('DHL'), Nawaloka Hospitals PLC ('Nawaloka') and Ceylon Hospitals PLC ('Durdans') on 25 April 2018. Pursuant thereto, DH issued and allotted 1,973,684 and 1,184,211 new ordinary shares in DH to Nawaloka and Durdans respectively on 15 June 2018. Accordingly, the shareholding of DHL in DH decreased from 70% to 53.2% as at 30 June 2018.
- (f) Colombo Trust Finance PLC ('CTF'), 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 CTF at a meeting held on 25 May 2018, CTF raised Rs. 599,149,551 through a Rights Issue by issuing 25,714,573 ordinary shares (in the proportion of 309 new shares for every 559 existing shares in CTF) at the price of Rs. 23.30 per share. The new shares were listed on the Colombo Stock Exchange on 9 July 2018.
- (g) Dialog Television (Private) Limited ('DTV'), a subsidiary of the Company transferred 1,499 ordinary shares held in Dialog Device Trading (Private) Limited ('DDT') to the Company for a total consideration of Rs. 204,988,250 on 30 June 2018. Accordingly, the Company currently holds 100% of the issued shares of DDT. This share transfer 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.

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

		Measurement criteria and the fair value								
Note		Level 1		Level 2		Level 3		Total		
		Rs.000		Rs.000		Rs.000		Rs.000		
		2018	2017	2018	2017	2018	2017	2018	2017	
Financial assets										
	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)	-	-	7,215	14,311	-	-	7,215	14,311
	Financial assets at fair value through profit or loss									
	- Investment in quoted equities	(c)	1,262	1,762	-	-	-	1,262	1,762	
	- Investment in unquoted equities	(d)	-	-	-	-	74,814	346	74,814	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.

DIALOG AXIATA PLC

Notes to the condensed consolidated interim financial statements (Continued)

18 Financial instruments measured at fair value (Continued)

- (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 14,480,000 (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.

19 Cash and cash equivalents

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

	30 June 2018 Rs.	31 Dec 2017 Rs.
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	60,328,645	57,594,233
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation	460,000,000	430,000,000
	520,328,645	487,594,233

20 Revenue

	Group		Company	
	6 months ended June 2018	6 months ended June 2017	6 months ended June 2018	6 months ended June 2017
Sales of goods	2,286,046	1,569,152	611,282	1,105,537
Sales of services	50,403,539	43,607,630	41,338,060	36,264,108
	52,689,585	45,176,782	41,949,342	37,369,645

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

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 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 LKR 1,626,622,200. DBN has instituted legal action on 25th April 2018 in the Court of Appeal to challenge the Order made by SLC. Currently the matter is fixed for argument on 30th August 2018.

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 2017.

DIALOG AXIATA PLC**Notes to the condensed consolidated interim financial statements (Continued)****23 Capital commitments**

Capital expenditure contracted for as at the statement of financial position date but not yet incurred consists of Rs 7,157,294,218 (31.12.2017 - Rs. 6,573,147,655) and Rs. 13,503,710,850 (31.12.2017 - Rs. 11,939,945,243) of the Company and the Group respectively.

24 Events after the reporting period

No circumstances have arisen since the statement of financial position date that would require adjustment to, or disclosure in the financial statements.