

**DIALOG AXIATA PLC**

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

15 February 2019  
Date

  
PricewaterhouseCoopers

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## DIALOG AXIATA PLC

## Statements of financial position

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	31 Dec 2018 (Reviewed)	31 Dec 2017 (Audited)	31 Dec 2018 (Reviewed)	31 Dec 2017 (Audited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	22,818,458	19,118,899	7,966,046	6,403,659
Property, plant and equipment	111,256,617	100,018,295	70,354,265	65,461,770
Deferred tax asset	19,455	3,572	-	-
Investment in subsidiaries	-	-	49,137,458	47,541,414
Investment in associates	132,139	106,211	-	27,742
Trade and other receivables	187,147	186,385	187,147	591,560
Other financial assets	366,028	287,269	-	466,655
	<b>134,779,844</b>	<b>119,720,631</b>	<b>127,644,916</b>	<b>120,492,800</b>
<b>Current assets</b>				
Inventories	1,122,995	863,252	64,260	107,303
Trade and other receivables	17,757,629	15,535,339	24,581,820	14,209,175
Other financial assets	835,018	775,059	-	-
Derivative financial instrument	-	14,311	-	14,311
Cash and cash equivalents	10,097,521	8,410,960	7,839,159	7,886,345
	<b>29,813,163</b>	<b>25,598,921</b>	<b>32,485,239</b>	<b>22,217,134</b>
<b>Total assets</b>	<b>164,593,007</b>	<b>145,319,552</b>	<b>160,130,155</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	39,163,921	33,583,241	47,902,571	46,178,818
Non-controlling interest	9,120	(6,158)	-	-
<b>Total equity</b>	<b>67,276,954</b>	<b>61,680,996</b>	<b>76,006,484</b>	<b>74,282,731</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	40,766,008	25,629,323	40,766,008	25,629,323
Other financial liabilities	8,311	297,205	-	-
Deferred revenue	938,037	1,394,415	938,037	1,133,841
Contract liabilities	819,821	-	93,238	-
Employee benefit payables	1,294,416	1,353,939	1,103,468	1,170,841
Provision for other liabilities	1,588,097	1,738,411	1,324,712	1,464,309
	<b>45,414,690</b>	<b>30,413,293</b>	<b>44,225,463</b>	<b>29,398,314</b>
<b>Current liabilities</b>				
Trade and other payables	35,640,356	41,098,872	27,179,708	28,873,036
Borrowings	9,012,708	10,966,157	7,187,413	9,319,590
Other financial liabilities	460,291	283,360	-	-
Contract liabilities	5,847,592	-	4,625,337	-
Current income tax liabilities	940,416	876,874	905,750	836,263
	<b>51,901,363</b>	<b>53,225,263</b>	<b>39,898,208</b>	<b>39,028,889</b>
<b>Total liabilities</b>	<b>97,316,053</b>	<b>83,638,556</b>	<b>84,123,671</b>	<b>68,427,203</b>
<b>Total equity and liabilities</b>	<b>164,593,007</b>	<b>145,319,552</b>	<b>160,130,155</b>	<b>142,709,934</b>
Net assets per share (Rs.)	8.26	7.57	9.33	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.


  
Group Chief Financial Officer

Date: 15/02/2019

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

  
Director

Date: 15/02/2019

  
Director

Date: 15/02/2019

## DIALOG AXIATA PLC

## Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Year ended 31 Dec		Year ended 31 Dec	
	2018 (Reviewed)	2017 (Audited)	2018 (Reviewed)	2017 (Audited)
Revenue	109,156,685	94,195,890	84,512,660	77,595,632
Direct costs	(58,871,028)	(49,242,786)	(42,772,281)	(40,555,282)
Gross profit	50,285,657	44,953,104	41,740,379	37,040,350
Distribution costs	(14,381,371)	(14,136,950)	(12,133,037)	(11,405,762)
Administrative costs	(23,004,160)	(16,059,113)	(16,794,692)	(11,823,908)
Provision write back	3,698,280	-	-	-
Other income	124,624	45,236	91,208	81,862
Operating profit	16,723,030	14,802,277	12,903,858	13,892,542
Finance income	274,350	244,612	311,725	286,046
Finance costs	(7,448,600)	(2,599,217)	(6,858,328)	(2,047,442)
Finance costs - net	(7,174,250)	(2,354,605)	(6,546,603)	(1,761,396)
Share of profit / (loss) from associates - net of tax	1,432	(13,426)	-	-
Profit before income tax	9,550,212	12,434,246	6,357,255	12,131,146
Income tax expense	(2,100,745)	(1,674,491)	(1,997,918)	(1,629,875)
Profit for the year	7,449,467	10,759,755	4,359,337	10,501,271
Other comprehensive income for the year				
- net change in cash flow hedge	(22,392)	37,653	(22,392)	37,653
- remeasurement gain on defined benefit obligation, net of tax	86,850	181,047	66,983	147,406
Other comprehensive income for the year, net of tax	64,458	218,700	44,591	185,059
Total comprehensive income for the year	7,513,925	10,978,455	4,403,928	10,686,330
Profit/(loss) for the year is attributable to:				
- owners of the Company	7,501,334	10,785,424	4,359,337	10,501,271
- non-controlling interest	(51,867)	(25,669)	-	-
Total comprehensive income for the year is attributable to:				
- owners of the Company	7,565,792	11,004,124	4,403,928	10,686,330
- non-controlling interest	(51,867)	(25,669)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.92	1.32	0.54	1.29

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

## DIALOG AXIATA PLC

## Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Three months ended 31 Dec		Three months ended 31 Dec	
	2018 (Reviewed)	2017 (Reviewed)	2018 (Reviewed)	2017 (Reviewed)
Revenue	28,516,280	24,801,375	21,352,981	20,170,675
Direct costs	(15,877,636)	(12,522,205)	(10,673,533)	(10,194,644)
Gross profit	12,638,644	12,279,170	10,679,448	9,976,031
Distribution costs	(3,880,042)	(3,822,995)	(3,288,634)	(2,688,053)
Administrative costs	(9,027,170)	(4,442,852)	(6,934,275)	(3,383,867)
Provision write back	3,698,280	-	-	-
Other income	38,544	20,700	30,792	24,765
Operating profit	3,468,256	4,034,023	487,331	3,928,876
Finance income	85,913	63,328	92,834	75,309
Finance costs	(2,931,385)	(530,316)	(2,692,120)	(488,161)
Finance costs - net	(2,845,472)	(466,988)	(2,599,286)	(412,852)
Share of profit from associates - net of tax	716	9,016	-	-
Profit before income tax	623,500	3,576,051	(2,111,955)	3,516,024
Income tax expense	(546,941)	(417,187)	(481,546)	(413,516)
<b>Profit for the period</b>	<b>76,559</b>	<b>3,158,864</b>	<b>(2,593,501)</b>	<b>3,102,508</b>
<b>Other comprehensive income for the period</b>				
- net change in cash flow hedge	-	(542)	-	(542)
- remeasurement gain on defined benefit obligation, net of tax	86,850	181,047	66,983	147,406
<b>Other comprehensive income for the year, net of tax</b>	<b>86,850</b>	<b>180,505</b>	<b>66,983</b>	<b>146,864</b>
<b>Total comprehensive income for the period</b>	<b>163,409</b>	<b>3,339,369</b>	<b>(2,526,518)</b>	<b>3,249,372</b>
Profit/(loss) for the period is attributable to:				
- owners of the Company	92,016	3,171,447	(2,593,501)	3,102,508
- non-controlling interest	(15,457)	(12,583)	-	-
Total comprehensive income for the period is attributable to:				
- owners of the Company	178,866	3,351,952	(2,526,518)	3,249,372
- non-controlling interest	(15,457)	(12,583)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.01	0.39	(0.32)	0.38

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 year	-	7,501,334	(51,867)	7,449,467
Other comprehensive income	-	64,458	-	64,458
<b>Total comprehensive income for the year</b>	-	<b>7,565,792</b>	<b>(51,867)</b>	<b>7,513,925</b>
Non-controlling interest on acquisition of subsidiary	-	-	69,506	69,506
Transaction with non-controlling interest	-	2,361	(2,361)	-
Employee share schemes - value of employee services	-	116,443	-	116,443
Dividends to equity shareholders	-	(3,746,138)	-	(3,746,138)
<b>Balance at 31 December 2018</b>	<b>28,103,913</b>	<b>39,163,921</b>	<b>9,120</b>	<b>67,276,954</b>
Balance at 1 January 2017	28,103,913	25,902,547	14,420	54,020,880
Profit/(loss) for the year	-	10,785,424	(25,669)	10,759,755
Other comprehensive income	-	218,700	-	218,700
<b>Total comprehensive income for the year</b>	-	<b>11,004,124</b>	<b>(25,669)</b>	<b>10,978,455</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 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	<b>28,103,913</b>	<b>47,128,338</b>	<b>75,232,251</b>
Profit for the year	-	4,359,337	4,359,337
Other comprehensive income	-	44,591	44,591
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>4,403,928</b>	<b>4,403,928</b>
Employee share schemes - value of employee services	-	116,443	116,443
Dividends to equity shareholders	-	(3,746,138)	(3,746,138)
<b>Balance at 30 December 2018</b>	<b>28,103,913</b>	<b>47,902,571</b>	<b>76,006,484</b>
Balance at 1 January 2017	28,103,913	38,652,221	66,756,134
Profit for the year	-	10,501,271	10,501,271
Other comprehensive income	-	185,059	185,059
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>10,686,330</b>	<b>10,686,330</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 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 31 Dec		Company 31 Dec	
	2018 (Reviewed)	2017 (Audited)	2018 (Reviewed)	2017 (Audited)
<b>Cash flows from operating activities</b>				
Cash generated from operations	33,100,346	38,331,388	20,205,423	30,635,762
Interest received	312,478	254,019	295,327	244,641
Interest paid	(2,049,509)	(1,740,295)	(2,017,442)	(1,440,974)
Taxes paid	(1,976,811)	(1,635,272)	(1,903,666)	(1,575,933)
Employee benefits paid	(61,031)	(56,069)	(45,442)	(49,308)
<b>Net cash generated from operating activities</b>	<b>29,325,473</b>	<b>35,153,771</b>	<b>16,534,200</b>	<b>27,814,188</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(30,442,703)	(26,515,221)	(18,989,669)	(17,642,350)
Purchase of intangible assets	(1,358,019)	(3,844,823)	(1,211,692)	(3,545,927)
Acquisition of subsidiary, net of cash acquired	19	(997,938)	-	(1,072,651)
Increase in interest in subsidiaries	-	-	(592,468)	(247,367)
Advances to subsidiaries	-	-	(157,275)	(1,006,000)
Loans to subsidiaries	-	-	-	(60,000)
Investment in associates	(131,250)	-	-	-
Proceeds from sales of available-for-sale financial assets	120	1,042	-	-
Purchase of other financial assets	(125,713)	(26,273)	-	-
Proceeds from sale of property, plant and equipment	130,827	30,335	130,672	25,599
<b>Net cash used in investing activities</b>	<b>(31,926,719)</b>	<b>(31,352,878)</b>	<b>(20,820,432)</b>	<b>(23,548,696)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(7,102,234)	(7,107,399)	(6,439,176)	(6,164,055)
Proceeds from borrowings	14,635,337	7,095,635	13,963,439	6,164,055
Dividends paid to ordinary shareholders	(3,746,138)	(3,176,074)	(3,746,138)	(3,176,074)
Transactions with non-controlling interests	-	(247,367)	-	-
Proceeds from share issue - non-controlling interests	39,921	-	-	-
<b>Net cash generated from / (used in) financing activities</b>	<b>3,826,886</b>	<b>(3,435,205)</b>	<b>3,778,125</b>	<b>(3,176,074)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,225,640</b>	<b>365,688</b>	<b>(508,107)</b>	<b>1,089,418</b>
<b>Movement in cash and cash equivalents</b>				
At start of the year	8,410,960	8,044,848	7,886,345	6,796,503
Increase / (decrease)	1,225,640	365,688	(508,107)	1,089,418
Effect of exchange rate changes	460,921	424	460,921	424
<b>At end of the year</b>	<b>10,097,521</b>	<b>8,410,960</b>	<b>7,839,159</b>	<b>7,886,345</b>

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



# DIALOG AXIATA PLC

## Notes to the condensed consolidated interim financial statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

### 1 General information

Dialog Axiata PLC ('the Company') and its subsidiaries (together 'the Group') provide communication services (mobile, fixed, broadband, international gateway services), telecommunication infrastructure services (tower infrastructure and transmission services), media (digital television services based on multiple media - satellite, cable, terrestrial), digital services [including but not limited to digital commerce (mobile and eCommerce), electronic payments (including mobile payments), digital health, education, navigation and enterprise services and financial services] 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 year ended 31 December 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.

### 3 Segment information

Operating segments are presented in a manner consistent with the internal reporting provided to chief operating decision makers.

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

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

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

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	165,715,525	46,457,027	8,667,973	(40,738,072)	180,102,453
Inter-segment assets	(14,215,145)	(2,851)	(1,291,450)	-	(15,509,446)
<b>Total assets</b>	<b>151,500,380</b>	<b>46,454,176</b>	<b>7,376,523</b>	<b>(40,738,072)</b>	<b>164,593,007</b>
Liabilities	90,390,563	17,699,658	4,966,377	-	113,056,598
Inter-segment liabilities	(4,334,777)	(9,838,679)	(1,567,089)	-	(15,740,545)
<b>Total liabilities</b>	<b>86,055,786</b>	<b>7,860,979</b>	<b>3,399,288</b>	<b>-</b>	<b>97,316,053</b>
Capital expenditure	21,264,066	12,683,692	468,291	-	34,416,049

- The segment results for the year ended 31 December 2017 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	77,677,829	10,527,165	5,990,896	-	94,195,890
Inter-segment revenue	1,295,715	1,839,446	11,187	-	3,146,348
<b>Total segmental revenue</b>	<b>78,973,544</b>	<b>12,366,611</b>	<b>6,002,083</b>	<b>-</b>	<b>97,342,238</b>
Segment operating profit/(loss) for the year	13,057,950	2,119,080	(375,352)	599	14,802,277
Finance costs - net					(2,354,605)
Share of loss from associates - net of tax					(13,426)
Profit before income tax					12,434,246
Income tax expense					(1,674,491)
<b>Profit for the year</b>					<b>10,759,755</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	13,207,571	4,833,565	1,067,938	-	19,109,074

## 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

	Group		Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
<b>Attributable to the owners of the Company</b>				
Retained earnings	39,047,478	33,544,509	47,786,128	46,140,086
Share-based payments reserve	116,443	16,341	116,443	16,341
Hedging reserve	-	22,391	-	22,391
<b>Attributable to the non-controlling interest</b>				
Non-controlling interest	9,120	(6,158)	-	-
	<b>39,173,041</b>	<b>33,577,083</b>	<b>47,902,571</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 year ended 31 December 2018.

## 7 Changes in accounting policies

The Company and the Group 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 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 year.

## Statement of financial position

Group	Note	Before SLFRS 9 and SLFRS 15 adjustments	Impact from SLFRS 9	Impact from SLFRS 15	31 Dec 2018 (reported)
<b>Non-current assets</b>					
Intangible assets	(a)	18,472,781	-	4,345,677	22,818,458
<b>Current assets</b>					
Other financial assets	(c)	885,031	(50,013)	-	835,018
<b>Equity and reserves</b>					
Reserves		36,853,659	(50,013)	2,360,275	39,163,921
<b>Non-current liabilities</b>					
Deferred revenue	(b)	1,062,707	-	(124,670)	938,037
Contract liabilities	(b)	-	-	819,821	819,821
<b>Current liabilities</b>					
Trade and other payables	(b)	40,197,696	-	(4,557,340)	35,640,356
Contract liabilities	(b)	-	-	5,847,592	5,847,592

Company	Note	Before SLFRS 9 and SLFRS 15 adjustments	Impact from SLFRS 15	31 Dec 2018 (reported)
<b>Non-current assets</b>				
Intangible assets	(a)	6,295,417	1,670,629	7,966,046
<b>Equity and reserves</b>				
Reserves		46,774,078	1,128,493	47,902,571
<b>Non-current liabilities</b>				
Contract liabilities	(b)	-	93,238	93,238
<b>Current liabilities</b>				
Trade and other payables	(b)	31,356,146	(4,176,438)	27,179,708
Contract liabilities	(b)	-	4,625,337	4,625,337

## Statement of comprehensive income

Group	Before SLFRS 9 and SLFRS 15 adjustments	Impact from SLFRS 9	Impact from SLFRS 15	31 Dec 2018 (reported)
Revenue	108,497,397	-	659,288	109,156,685
Direct costs	(57,731,195)	-	(1,139,833)	(58,871,028)
Distribution costs	(15,333,395)	-	952,024	(14,381,371)
Administration costs	(23,200,658)	(5,139)	201,637	(23,004,160)
Profit before tax	8,882,235	(5,139)	673,116	9,550,212

## 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 Dec 2018 (reported)
Revenue	84,912,659	(399,999)	84,512,660
Direct costs	(42,640,638)	(131,643)	(42,772,281)
Distribution costs	(12,843,650)	710,613	(12,133,037)
Profit before tax	6,178,284	178,971	6,357,255

## (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 the 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 the 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	3,646,979	1,409,821
Amortisation	(3,060,156)	(1,197,754)
Balance as at 31 Dec 2018	4,345,677	1,670,629

## (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	2,262,869	1,298,068
Realization	(2,349,164)	(1,264,973)
Reclassification from deferred revenue	4,682,010	4,176,438
Balance as at 31 Dec 2018	6,667,413	4,718,575

## (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)	-
<b>Impact of change in accounting policies to retained earnings as at 1 January 2018</b>	<b>1,642,222</b>	<b>949,520</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 year ended 31 December 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 year ended 31 December

	2018 Rs.	2017 Rs.
- Highest	12.30	13.60
- Lowest	9.90	12.00
- Last traded	10.10	13.00

## 13 Directors' shareholdings

The details of shares held directly by the Directors and their spouses as at 31 December 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	133,428,352	1.64%
4 BNYM RE-UT SAGA Tree LLC	118,595,642	1.46%
5 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 MSIP - Saga Tree Asia Master Fund	60,862,436	0.75%
8 BNYM SA/NV RE - LF Ruffer Investment Funds: LF Ruffer Pacific and Emerging Markets Fund	57,314,300	0.70%
9 MSIP - Vittoria Fund - ST L.P.	54,512,186	0.67%
10 Northern Trust Company S/A Hosking Global Fund PLC	53,709,332	0.66%
11 State Street Luxembourg C/O SSBT-Alliancebernstein Next 50 Emerging Markets (Master) Fund Sicav-SIF S.C.SP.	38,024,290	0.47%
12 JPMLU-T Rowe Price Funds Sicav	30,228,280	0.37%
13 Rubber Investment Trust Limited A/C No. 01	27,154,119	0.33%
14 J.B. Cocoshell (Private) Limited	25,532,276	0.31%
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 The Ceylon Guardian Investment Trust PLC A/C No. 02	16,470,454	0.20%
18 SSBT- Parametric Tax-Managed Emerging Markets Fund	15,786,381	0.19%
19 MAS Capital (Private) Limited	15,091,350	0.19%
20 Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	14,289,887	0.18%

#### 15 Public shareholding

Information pertaining to public shareholding is as follows:

	31 Dec 2018	31 Dec 2017
Public holding percentage	16.68%	16.68%
Number of public shareholders	20,865	20,078
Float adjusted market capitalisation (Rs.)	13,719,660,603	17,660,039,670

The Company is compliant with the Minimum Public Holding requirement under option 1 of rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange.

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

- 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 year ended 31 December 2018. The resultant goodwill on acquisition was Rs. 76,136,983.
- 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.
- 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.
- DHL, a wholly owned subsidiary of the Company issued and allotted 119,330,693 new ordinary shares in DHL to the Company during the year. Subsequent to the above, the Company holds 119,330,694 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%.
- (f) Dialog Finance PLC ('DFP'), formerly known as 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 DFP at a meeting held on 25 May 2018, DFP 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 DFP) 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.
- (h) Firstsource-Dialog Solutions (Private) Limited ('FDS'), an associate company in which the Company holds 26% of the total shares in issue, acquired 4,610,520 ordinary shares from the shareholders of FDS, being 50% of the Ordinary Shares in issue by way of a share buyback, at the price of Rs. 11.62 per share. Pursuant to the share buyback, the Company now holds 1,198,735 shares in FDS, representing 26% of the total shareholding. This share buyback 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 Intangible assets

The management is of the view that the cash generating unit of the digital commerce operation has no recoverable value as at 31 December 2018. Hence, the Group recognised an impairment charge of Rs. 660,329,272, on account of goodwill relating to this cash generating unit.

#### 18 Investment in subsidiaries

The management is of the view that the investment in DCL has no recoverable value as at 31 December 2018. Hence, the Company recognised an impairment charge of Rs. 394,719,200, on account of the investment relating to DCL.

#### 19 Trade and other payables

- (a) A provision was 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 (which was subsequently amalgamated with DBN) on 9 March 2012 in HC (Civil) 282/2001(1) in the Commercial High Court of the Western Province in favor of Electroteks Network Services (Private) Limited (Electroteks). A Petition of Appeal challenging the said Judgment of the Commercial High Court was made by DBN to the Supreme Court of Sri Lanka on 23 April 2012. Final Judgment was delivered by the Supreme Court of Sri Lanka on 14 December 2018 in favor of DBN by allowing the appeal of DBN and setting aside the said judgment of the Commercial High Court which was in favor of Electroteks. Accordingly, a reversal of the full provision was made in Q4 2018.
- (b) The Group embarked on an organisation transformation journey in 2017 to accelerate simplification and digitisation of business activities, processes and competencies to fully leverage on capabilities of digital platforms and technologies. One-off costs related to this program is estimated to be Rs2.5Bn which has been provided for in the financial statements during Q4 2018.

## DIALOG AXIATA PLC

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

## 20 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)	-	-	14,311	-	-	-	14,311
Financial assets at fair value through profit or loss								
- Investment in quoted equities	(c)	1,024	1,762	-	-	-	1,024	1,762
- Investment in unquoted equities	(d)	-	-	-	119,815	346	119,815	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 year.

(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 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. The interest rate swap was matured 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 DFP.

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

## 21 Cash and cash equivalents

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

	31 Dec 2018 Rs.	31 Dec 2017 Rs.
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	65,213,255	57,594,233
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation	530,000,000	430,000,000
	<b>595,213,255</b>	<b>487,594,233</b>

## 22 Revenue

	Group		Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Sale of goods	4,503,109	3,398,815	815,845	2,053,816
Sale of services	104,653,576	90,797,075	83,696,815	75,541,816
	<b>109,156,685</b>	<b>94,195,890</b>	<b>84,512,660</b>	<b>77,595,632</b>

## DIALOG AXIATA PLC

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

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

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

#### 24 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 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 28th November 2018.

SLC was directed to file objections on or before 15th February 2019, the DBN to file counter objections on or before 12th April 2019, parties to file written submissions on 30th May 2019. The case is listed for Argument on 19th and 20th June 2019.

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.

#### 25 Capital commitments

Capital expenditure contracted for as at the statement of financial position date but not yet incurred consists of Rs 7,518,901,392 (31.12.2017 - Rs. 6,573,147,655) and Rs. 13,247,485,823 (31.12.2017 - Rs. 11,939,945,243) of the Company and the Group respectively.

#### 26 Events after the reporting period

The Board of Directors has recommended a final dividend of Rs. 0.37 per share amounting to Rs. 3,013,198,010 for the financial year 2018, subject to the approval of the shareholders at the Annual General Meeting.

Except as disclosed above, no events have occurred since the statement of financial position date that would require adjustment to, or disclosure in the financial statements.