

**DIALOG AXIATA PLC**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED  
30 SEPTEMBER 2017**





## 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 September 30, 2017, and the related statements of comprehensive income, changes in equity and cash flows for the period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the Sri Lanka Accounting Standard 34 [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, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Sri Lanka Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the Sri Lanka Accounting Standard 34 [LKAS34] – Interim Financial Reporting.

6 November 2017

Date

PricewaterhouseCoopers

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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>30 Sep 2017 (Reviewed)</b>	<b>31 Dec 2016 (Audited)</b>	<b>30 Sep 2017 (Reviewed)</b>	<b>31 Dec 2016 (Audited)</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	18,793,144	16,434,054	5,975,467	4,421,222
Property, plant and equipment	93,851,015	89,943,822	62,507,708	60,388,142
Deferred tax asset	5,347	-	-	-
Investment in subsidiaries	-	-	47,294,047	19,220,729
Investment in associates	97,195	72,230	27,742	27,742
Trade and other receivables	192,722	-	597,362	25,721,404
Other financial assets	350,570	40,000	453,184	310,000
	<b>113,289,993</b>	<b>106,490,106</b>	<b>116,855,510</b>	<b>110,089,239</b>
<b>Current assets</b>				
Inventories	666,175	676,916	148,495	295,384
Trade and other receivables	16,426,287	17,966,165	15,599,982	15,922,866
Other financial assets	825,919	-	-	-
Derivative financial instrument	14,576	-	14,576	-
Non-current assets held for sale	542	-	-	-
Cash and cash equivalents	6,279,345	8,044,848	5,395,886	6,796,503
	<b>24,212,844</b>	<b>26,687,929</b>	<b>21,158,939</b>	<b>23,014,753</b>
<b>Total assets</b>	<b>137,502,837</b>	<b>133,178,035</b>	<b>138,014,449</b>	<b>133,103,992</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	30,378,645	25,902,547	42,913,105	38,652,221
Non-controlling interest	90,095	14,420	-	-
<b>Total equity</b>	<b>58,572,653</b>	<b>54,020,880</b>	<b>71,017,018</b>	<b>66,756,134</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	25,677,103	26,313,347	25,677,103	26,313,347
Other financial liabilities	521,979	-	-	-
Derivative financial instrument	-	14,535	-	14,535
Deferred revenue	1,452,501	1,657,561	1,181,933	1,327,709
Employee benefit payables	1,552,921	1,372,654	1,340,579	1,202,212
Provision for other liabilities	1,619,896	1,309,731	1,354,498	1,090,532
	<b>30,824,400</b>	<b>30,667,828</b>	<b>29,554,113</b>	<b>29,948,335</b>
<b>Current liabilities</b>				
Trade and other payables	36,903,309	39,743,581	27,600,068	28,460,743
Borrowings	10,026,514	7,872,230	9,001,879	7,066,838
Other financial liabilities	295,056	-	-	-
Derivative financial instrument	-	15,512	-	15,512
Current income tax liabilities	880,905	858,004	841,371	856,430
	<b>48,105,784</b>	<b>48,489,327</b>	<b>37,443,318</b>	<b>36,399,523</b>
<b>Total liabilities</b>	<b>78,930,184</b>	<b>79,157,155</b>	<b>66,997,431</b>	<b>66,347,858</b>
<b>Total equity and liabilities</b>	<b>137,502,837</b>	<b>133,178,035</b>	<b>138,014,449</b>	<b>133,103,992</b>
Net assets per share (Rs.)	7.19	6.63	8.72	8.20

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

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

Signed  
**Group Chief Financial Officer**  
Date: 6/11/2017

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

Signed  
**Director**  
Date: 6/11/2017

Signed  
**Director**  
Date: 6/11/2017

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

(all amounts in Sri Lanka Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>Nine months ended 30 Sep</b>		<b>Nine months ended 30 Sep</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(Reviewed)</b>	<b>(Reviewed)</b>	<b>(Reviewed)</b>	<b>(Reviewed)</b>
Revenue	69,394,515	63,970,070	57,424,957	53,944,199
Direct costs	(36,720,581)	(33,599,716)	(30,360,638)	(27,220,273)
Gross profit	32,673,934	30,370,354	27,064,319	26,723,926
Distribution costs	(10,313,955)	(9,807,518)	(8,717,709)	(8,395,464)
Administrative costs	(11,616,261)	(10,373,127)	(8,440,041)	(7,675,907)
Other income	24,536	71,166	57,097	76,588
Operating profit	10,768,254	10,260,875	9,963,666	10,729,143
Finance income	181,284	270,441	210,737	286,143
Finance costs	(2,068,901)	(1,615,843)	(1,559,281)	(1,459,308)
Finance costs - net	(1,887,617)	(1,345,402)	(1,348,544)	(1,173,165)
Share of loss from associates - net of tax	(22,442)	(1,112)	-	-
Profit before income tax	8,858,195	8,914,361	8,615,122	9,555,978
Income tax expense	(1,257,304)	(1,134,872)	(1,216,359)	(1,168,900)
<b>Profit for the period</b>	<b>7,600,891</b>	<b>7,779,489</b>	<b>7,398,763</b>	<b>8,387,078</b>
<b>Other comprehensive income for the period - net change in cash flow hedge</b>	<b>38,195</b>	<b>(10,007)</b>	<b>38,195</b>	<b>(10,007)</b>
<b>Total comprehensive income for the period</b>	<b>7,639,086</b>	<b>7,769,482</b>	<b>7,436,958</b>	<b>8,377,071</b>
Profit/(loss) for the period is attributable to:				
- owners of the Company	7,613,977	7,790,538	7,398,763	8,387,078
- non-controlling interest	(13,086)	(11,049)	-	-
Total comprehensive income for the period is attributable to:				
- owners of the Company	7,652,172	7,780,531	7,436,958	8,377,071
- non-controlling interest	(13,086)	(11,049)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.93	0.96	0.91	1.03

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

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

(all amounts in Sri Lanka Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>Three months ended 30 Sep</b>		<b>Three months ended 30 Sep</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(Reviewed)</b>	<b>(Reviewed)</b>	<b>(Reviewed)</b>	<b>(Reviewed)</b>
Revenue	24,217,733	21,748,337	20,055,312	18,305,236
Direct costs	(12,727,743)	(11,148,651)	(10,486,828)	(9,058,103)
Gross profit	11,489,990	10,599,686	9,568,484	9,247,133
Distribution costs	(3,154,651)	(3,297,287)	(2,759,769)	(2,772,932)
Administrative costs	(3,933,472)	(3,695,325)	(2,888,360)	(2,699,833)
Other income	20,887	6,944	33,096	17,243
Operating profit	4,422,754	3,614,018	3,953,451	3,791,611
Finance income	90,023	56,727	76,524	64,258
Finance costs	(360,663)	(481,310)	(286,012)	(434,605)
Finance costs - net	(270,640)	(424,583)	(209,488)	(370,347)
Share of loss from associates - net of tax	(3,108)	(61)	-	-
Profit before income tax	4,149,006	3,189,374	3,743,963	3,421,264
Income tax expense	(430,228)	(359,039)	(428,532)	(384,655)
<b>Profit for the period</b>	<b>3,718,778</b>	<b>2,830,335</b>	<b>3,315,431</b>	<b>3,036,609</b>
<b>Other comprehensive income for the period - net change in cash flow hedge</b>	<b>(3,006)</b>	<b>41,228</b>	<b>(3,006)</b>	<b>41,228</b>
<b>Total comprehensive income for the period</b>	<b>3,715,772</b>	<b>2,871,563</b>	<b>3,312,425</b>	<b>3,077,837</b>
Profit/(loss) for the period is attributable to:				
- owners of the Company	3,721,298	2,832,948	3,315,431	3,036,609
- non-controlling interest	(2,520)	(2,613)	-	-
Total comprehensive income for the period is attributable to:				
- owners of the Company	3,718,292	2,874,176	3,312,425	3,077,837
- non-controlling interest	(2,520)	(2,613)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.46	0.35	0.41	0.37

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

## DIALOG AXIATA PLC

### Consolidated statement of changes in equity

(all amounts in Sri Lanka Rupees thousands)

	Attributable to owners of the Company		Non-controlling interest	Total
	Stated capital	Reserves		
Balance at 1 January 2017	28,103,913	25,902,547	14,420	54,020,880
Acquisition of subsidiary	-	-	88,761	88,761
Profit/(loss) for the period	-	7,613,977	(13,086)	7,600,891
Other comprehensive income	-	38,195	-	38,195
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>7,652,172</b>	<b>(13,086)</b>	<b>7,639,086</b>
Dividends to equity shareholders	-	(3,176,074)	-	(3,176,074)
<b>Balance at 30 September 2017</b>	<b>28,103,913</b>	<b>30,378,645</b>	<b>90,095</b>	<b>58,572,653</b>
Balance at 1 January 2016	28,103,913	19,213,739	(697)	47,316,955
Share issue (Non-controlling interest)	-	-	30,000	30,000
Profit/(loss) for the period	-	7,790,538	(11,049)	7,779,489
Other comprehensive income	-	(10,007)	-	(10,007)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>7,780,531</b>	<b>(11,049)</b>	<b>7,769,482</b>
Dividends to equity shareholders	-	(2,606,009)	-	(2,606,009)
<b>Balance at 30 September 2016</b>	<b>28,103,913</b>	<b>24,388,261</b>	<b>18,254</b>	<b>52,510,428</b>
Balance at 1 October 2016	28,103,913	24,388,261	18,254	52,510,428
Profit /(loss) for the period	-	1,250,740	(3,834)	1,246,906
Other comprehensive income	-	263,546	-	263,546
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,514,286</b>	<b>(3,834)</b>	<b>1,510,452</b>
<b>Balance at 31 December 2016</b>	<b>28,103,913</b>	<b>25,902,547</b>	<b>14,420</b>	<b>54,020,880</b>

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

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

(all amounts in Sri Lanka Rupees thousands)

	Attributable to owners of the Company		
	Stated capital	Reserves	Total
Balance at 1 January 2017	28,103,913	38,652,221	66,756,134
Profit for the period	-	7,398,763	7,398,763
Other comprehensive income	-	38,195	38,195
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>7,436,958</b>	<b>7,436,958</b>
Dividends to equity shareholders	-	(3,176,074)	(3,176,074)
<b>Balance at 30 September 2017</b>	<b>28,103,913</b>	<b>42,913,105</b>	<b>71,017,018</b>
Balance at 1 January 2016	28,103,913	30,737,111	58,841,024
Profit for the period	-	8,387,078	8,387,078
Other comprehensive income	-	(10,007)	(10,007)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>8,377,071</b>	<b>8,377,071</b>
Dividends to equity shareholders	-	(2,606,009)	(2,606,009)
<b>Balance at 30 September 2016</b>	<b>28,103,913</b>	<b>36,508,173</b>	<b>64,612,086</b>
Balance at 1 October 2016	28,103,913	36,508,173	64,612,086
Profit for the period	-	1,940,861	1,940,861
Other comprehensive income	-	203,187	203,187
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2,144,048</b>	<b>2,144,048</b>
<b>Balance at 31 December 2016</b>	<b>28,103,913</b>	<b>38,652,221</b>	<b>66,756,134</b>

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

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

(all amounts in Sri Lanka Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>Nine months ended 30 Sep</b>		<b>Nine months ended 30 Sep</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(Reviewed)</b>	<b>(Reviewed)</b>	<b>(Reviewed)</b>	<b>(Reviewed)</b>
<b>Cash flows from operating activities</b>				
Cash generated from operations	28,078,246	13,651,477	22,460,312	14,181,544
Interest received	189,575	283,985	184,272	280,867
Interest paid	(1,372,731)	(941,058)	(1,074,144)	(932,076)
Tax paid	(1,239,656)	(1,097,830)	(1,196,907)	(1,077,116)
Employee benefits paid - gratuity	(43,751)	(71,111)	(39,676)	(56,554)
<b>Net cash generated from operating activities</b>	<b>25,611,683</b>	<b>11,825,463</b>	<b>20,333,857</b>	<b>12,396,665</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(20,133,489)	(18,333,245)	(13,662,038)	(11,714,682)
Purchase of intangible assets	(3,052,675)	(654,986)	(2,760,591)	(636,111)
Advances to subsidiaries	-	-	(1,006,000)	(6,687,700)
Loans to subsidiary	-	-	(60,000)	(75,000)
Investment in available-for-sale financial assets	(25,000)	-	-	-
Acquisition of subsidiary, net of cash acquired	(997,938)	-	(1,072,651)	-
Proceeds from sale of property, plant and equipment	6,814	211,983	3,964	207,462
<b>Net cash used in investing activities</b>	<b>(24,202,288)</b>	<b>(18,776,248)</b>	<b>(18,557,316)</b>	<b>(18,906,031)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(5,318,411)	(7,106,184)	(4,612,917)	(6,892,373)
Proceeds from borrowings	5,320,671	15,773,482	4,612,917	15,443,569
Dividend paid to ordinary shareholders	(3,176,074)	(2,606,009)	(3,176,074)	(2,606,009)
Proceeds from share issue - non controlling interest	-	30,000	-	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(3,173,814)</b>	<b>6,091,289</b>	<b>(3,176,074)</b>	<b>5,945,187</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,764,419)</b>	<b>(859,496)</b>	<b>(1,399,533)</b>	<b>(564,179)</b>
<b>Movement in cash and cash equivalents</b>				
At start of the year	8,044,848	6,992,782	6,796,503	5,779,594
Decrease	(1,764,419)	(859,496)	(1,399,533)	(564,179)
Effect of exchange rate changes	(1,084)	18,302	(1,084)	18,302
<b>At end of the period</b>	<b>6,279,345</b>	<b>6,151,588</b>	<b>5,395,886</b>	<b>5,233,717</b>

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



# DIALOG AXIATA PLC

## Notes to the condensed consolidated interim financial statements

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

### 1 General information

Dialog Axiata PLC ('the Company') and its subsidiaries (together 'the Group') provide communication services (mobile, fixed, broadband, international gateway services), telecommunication infrastructure services (tower infrastructure and transmission services), media (digital television services based on multiple media - satellite, cable, terrestrial), digital services [including but not limited to digital commerce (mobile and eCommerce), electronic payments (including mobile payments), digital health, education, navigation and enterprise services] and business process outsourcing services. On 12 September 2017 Company has acquired Colombo Trust Finance PLC to facilitate the expansion of the scope of operations of the Group in to the sphere of mainstream digital financing 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 30 September 2017 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 2016.

With effect from the financial year 2017, the Group has adopted the amendments to the following Sri Lanka Accounting Standards that are relevant for the preparation of the Group's condensed interim financial statements.

- (i) LKAS 7, 'Statement of Cash Flows' - Introduce additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities
- (ii) LKAS 12, 'Income Taxes' - Clarify the requirements for recognizing deferred tax assets on unrealized losses

The adoption of the above amendments to the Sri Lanka Accounting Standards did not have any significant impact to the Group during the current quarter.

### 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 September 2017 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	57,353,071	7,650,451	4,390,993	-	69,394,515
Inter-segment revenue	885,117	1,457,595	12,202	-	2,354,914
<b>Total segmental revenue</b>	<b>58,238,188</b>	<b>9,108,046</b>	<b>4,403,195</b>	<b>-</b>	<b>71,749,429</b>
Segment operating profit/(loss) for the period	9,622,898	1,539,256	(393,900)	-	10,768,254
Finance costs - net					(1,887,617)
Share of profit from associate - net of tax					(22,442)
Profit before income tax					8,858,195
Income tax expense					(1,257,304)
<b>Profit for the period</b>					<b>7,600,891</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	9,668,030	3,545,745	793,325	-	14,007,100

- The segment assets and liabilities at 30 September 2017 and capital expenditure for the period then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	140,307,210	33,726,717	6,277,868	(38,724,259)	141,587,536
Inter-segment assets	(4,026,514)	(50,996)	(7,189)	-	(4,084,699)
<b>Total assets</b>	<b>136,280,696</b>	<b>33,675,721</b>	<b>6,270,679</b>	<b>(38,724,259)</b>	<b>137,502,837</b>
Liabilities	69,560,372	10,892,121	2,962,475	-	83,414,968
Inter-segment liabilities	(1,224,362)	(2,772,603)	(487,819)	-	(4,484,784)
<b>Total liabilities</b>	<b>68,336,010</b>	<b>8,119,518</b>	<b>2,474,656</b>	<b>-</b>	<b>78,930,184</b>
Capital expenditure	(13,240,495)	(4,967,446)	(934,273)	-	(19,142,214)

- The segment results for the period ended 30 September 2016 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	53,472,029	5,924,912	4,573,129	-	63,970,070
Inter-segment revenue	882,070	834,908	3,527	-	1,720,505
<b>Total segmental revenue</b>	<b>54,354,099</b>	<b>6,759,820</b>	<b>4,576,656</b>	<b>-</b>	<b>65,690,575</b>
Segment operating profit/(loss) for the period	10,559,078	32,476	(330,679)	-	10,260,875
Finance costs - net					(1,345,402)
Share of loss from associates - net of tax					(1,112)
Profit before income tax					8,914,361
Income tax expense					(1,134,872)
<b>Profit for the period</b>					<b>7,779,489</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	8,204,590	2,756,023	640,932	-	11,601,545

## DIALOG AXIATA PLC

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

#### 3 Segment information (Continued)

- The segment assets and liabilities at 31 December 2016 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	133,939,253	32,016,930	6,685,369	(11,360,873)	161,280,679
Inter-segment assets	(27,789,512)	(4,445)	(308,687)	-	(28,102,644)
<b>Total assets</b>	<b>106,149,741</b>	<b>32,012,485</b>	<b>6,376,682</b>	<b>(11,360,873)</b>	<b>133,178,035</b>
Liabilities	67,557,494	33,215,903	6,911,657	-	107,685,054
Inter-segment liabilities	(863,096)	(23,760,514)	(3,904,289)	-	(28,527,899)
<b>Total liabilities</b>	<b>66,694,398</b>	<b>9,455,389</b>	<b>3,007,368</b>	<b>-</b>	<b>79,157,155</b>
Capital expenditure	16,549,643	8,567,298	1,246,429	-	26,363,370

#### 4 Reserves

	Group		Company	
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
<b>Attributable to the owners of the company</b>				
Retained earnings	30,355,711	25,917,809	42,890,171	38,667,483
Hedging reserve	22,934	(15,262)	22,934	(15,262)
<b>Attributable to the non-controlling interest</b>				
Non-controlling interest	90,095	14,420	-	-
	<b>30,468,740</b>	<b>25,916,967</b>	<b>42,913,105</b>	<b>38,652,221</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 30 September 2017.

#### 7 Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

There were no changes in estimates and assumptions used in prior financial periods that may have a material effect in the current quarter and for the financial period to date.

In preparing the condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the sources of estimates uncertainty are consistent with the audited financial statements for the year ended 2016.

#### 8 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 September 2017.

## DIALOG AXIATA PLC

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

#### 9 Stated capital

Stated capital of the Company consists of 8,143,778,405 ordinary shares.

#### 10 Earnings per share

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

#### 11 Market price per share

For the three months ended 30 September

	2017 Rs.	2016 Rs.
- Highest	12.20	11.60
- Lowest	11.10	10.40
- Last traded	12.10	11.60

#### 12 Directors' shareholdings

The details of shares held directly by the Directors and their spouses as at 30 September 2017 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.

#### 13 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	104,040,026	1.28%
4 HSBC International Nominees Limited - JPMCB - Scottish ORL SML TR GTI 6018	83,426,021	1.02%
5 CB NY S/A International Finance Corporation	64,086,800	0.79%
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	0.67%
10 BNYM SA/NV RE - First State Investments ICVC - Stewart Investors Asia Pacific Sustainability Fund	47,270,000	0.58%
11 Northern Trust Company S/A Hosking Global Fund PLC	43,483,399	0.53%
12 HSBC International Nominees Limited - JPMLU - T Rowe Price Funds SICAV	39,695,882	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 HSBC International Nominees Limited - JPMCB - Pacific Assets Trust PLC	33,865,700	0.42%
15 Rubber Investment Trust Limited A/C No. 01	32,168,830	0.40%
16 BNYM SA/NV RE - First State Investments ICVC - Stewart Investors Indian Subcontinent Fund	22,195,433	0.27%
17 BNYM RE-UT SAGA Tree LLC	21,045,642	0.26%
18 Mellon Bank N.A - Eaton Vance Trust Co. Collective Investment Trust for Employee Benefit Plans - Eaton Vance Trust Co./ Parametric Structured Emerging Market Equity Fund	19,392,086	0.24%
19 Mellon Bank N.A.- UPS Group Trust	18,880,000	0.23%
20 The Ceylon Investment PLC A/C No. 02	18,797,647	0.23%

## DIALOG AXIATA PLC

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

#### 14 Public shareholding

Information pertaining to public shareholding as at 30 September 2017 is as follows:

	30 Sep 2017	31 Dec 2016
Public holding percentage	16.68%	16.68%
Number of public shareholders	20,217	20,627

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.

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

- (a) Digital Holdings Lanka (Private) Limited ('DHL'), a subsidiary of Dialog Axiata PLC, proceeded with the conversion to equity the 'Bond type B' and 'Bond type C' in Headstart (Private) Limited ('Headstart'), consisting of 414 Ordinary Shares on 15 March 2017. Subsequent to the said conversion, the total shareholding of DHL in Headstart increased from 26% to 43.37% amounting to a total of 766 Ordinary Shares.
- (b) Shareholder advances amounting to LKR 22,825,393,438 and LKR 4,175,274,089 extended by the Company to its wholly owned subsidiaries Dialog Broadband Networks (Private) Limited and Dialog Television (Private) Limited, were capitalized in the form of 2,282,539,344 and 417,527,409 ordinary shares respectively, at the price of LKR 10/- each, in favour of the Company. This share issue has not changed the composition of the Group.
- (c) On 12 September 2017, the Company acquired a total of 37,374,598 ordinary shares of Colombo Trust Finance PLC ("CTF"), a finance company licensed by the Central Bank of Sri Lanka, representing 80.34% of the voting rights in CTF. The shares were acquired at a price of LKR 28.70 per share amounting to a total consideration of LKR 1,072,650,962.60.

Thereby, CTF became a subsidiary of the Company with effect from 12 September 2017 and accordingly the assets and liabilities of CTF are consolidated into Group for the financial period ended 30 September 2017. The resultant goodwill on acquisition was LKR 709,933,067.

In accordance with the Takeovers and Mergers Code of the Securities and Exchange Commission, the Company has made a mandatory offer to the remaining shareholders of CTF to acquire the remaining 9,144,645 ordinary voting shares held by such shareholders in CTF at an offer price of LKR 28.70 per share.

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 2016.

#### 16 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.

# DIALOG AXIATA PLC

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

### 17 Financial instruments measured at fair value

Note	Measurement criteria and the fair value							
	Level 2 Rs.000		Level 2 Rs.000		Level 3 Rs.000		Total Rs.000	
	2017	2017	2017	2016	2017	2016	2017	2016
<b>Financial assets</b>								
Available-for-sale financial assets:								
- Investment in unquoted convertible redeemable bonds	(a)	-	-	-	25,000	40,000	25,000	40,000
- Investment in unquoted shares	(b)	-	-	-	346	-	346	-
Derivative designated as hedging instrument								
- Interest rate swap	(c)	-	-	14,576	-	-	14,576	-
Financial assets at fair value through profit or loss								
- Investment in quoted equities	(d)	1,852	-	-	-	-	1,852	-
<b>Financial liabilities</b>								
Derivative designated as hedging instrument								
- Interest rate swap	(c)	-	-	30,047	-	-	-	30,047

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 represented the fair value of the investment in redeemable convertible bonds in Headstart (Private) Limited ("Headstart"). On 15 March 2017, the bonds were converted to equity resulting a 43.38% (2016 - 26%) stake of issued share capital of Headstart by Digital Holdings (Private) Limited. Accordingly, the investments in unquoted convertible redeemable bonds were classified as investment in associates in the consolidated financial statements for the quarter ended 30 September 2017.
- (b) The carrying value of investment in unquoted shares represented the fair value of the investment in shares in the Credit Information Bureau of Sri Lanka by Colombo Trust Finance PLC.
- (c) The carrying amount of the derivative financial instrument represents the fair value of the interest rate swap with notional amount of USD 42,836,667 (31.12.2016 - USD 69,986,667) 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.

- (d) The carrying amount of the investment in quoted equities represents the investment in equity shares of Balangoda Plantations PLC, Ceylon Hotel Corporation, Keels Hotels- John Keels PLC, Kingsbury PLC and Tokyo Cements Company (Lanka) PLC by Colombo Trust Finance PLC.

## DIALOG AXIATA PLC

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

#### 18 Cash and cash equivalents

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

	30 Sep 2017 Rs.	31 Dec 2016 Rs.
Standard Chartered Bank, amount deposited in escrow account for the purpose of acquisition of Suntel Limited.	-	522,760,000
People's Bank, amount deposited in settlement account to facilitate NFC Travel card value	51,615,635	29,307,451
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation.	400,000,000	345,000,000
	<b>451,615,635</b>	<b>897,067,451</b>

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

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

#### 20 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 2016.

#### 21 Capital commitments

Capital expenditure contracted for supply of telecommunication equipment at the statement of financial position date but not yet incurred consists of Rs. 6,193,159,694 (31.12.2016 - Rs. 5,666,101,368) and Rs. 10,469,033,113 (31.12.2016 - Rs.10,205,021,361) of the Company and the Group respectively.

#### 22 Events after the reporting period

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