

**DIALOG AXIATA PLC**

**CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2012**



**Independent auditor's review report**  
**To the Directors of Dialog Axiata PLC**

1 We have reviewed the accompanying statements of financial position of Dialog Axiata PLC and its subsidiaries at 31 December 2012, and the related statements of comprehensive income and cash flows for the year / period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

2 We conducted our review in accordance with the Sri Lanka Standard on Review Engagements 2400 applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects in accordance with Sri Lanka Accounting Standard LKAS 34, Interim Financial Reporting.

15 February 2013  
**COLOMBO**

*PricewaterhouseCoopers*  
**CHARTERED ACCOUNTANTS**

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# DIALOG AXIATA PLC

## Statements of financial position

(all amounts in Sri Lankan Rupees thousands)

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	59,063,675	51,127,539	44,744,236	41,212,795
Intangible assets	10,385,652	3,869,456	1,485,313	1,619,582
Investment in subsidiaries	Nil	Nil	17,826,010	10,326,010
Investment in associates	242,173	45,108	233,346	27,742
Available-for-sale financial asset	30,596	30,596	30,596	30,596
Amount due from related companies	5,091	11,545	9,559,729	14,007,435
	69,727,187	55,084,244	73,879,230	67,224,160
<b>Current assets</b>				
Inventories	284,048	409,157	213,178	395,515
Trade and other receivables	12,021,976	10,281,499	9,378,161	9,023,404
Cash and cash equivalents	8,647,069	10,452,379	7,767,439	6,900,163
	20,953,093	21,143,035	17,358,778	16,319,082
<b>Total assets</b>	<b>90,680,280</b>	<b>76,227,279</b>	<b>91,238,008</b>	<b>83,543,242</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
Shares in ESOS Trust	(1,990,921)	(1,990,921)	(1,990,921)	(1,990,921)
Dividend reserve - ESOS	331,425	291,781	331,425	291,781
Retained earnings	10,737,128	6,789,148	19,948,823	15,794,723
<b>Total equity</b>	<b>37,181,545</b>	<b>33,193,921</b>	<b>46,393,240</b>	<b>42,199,496</b>
<b>LIABILITIES</b>				
<b>Non - current liabilities</b>				
Borrowings	12,094,321	17,017,956	12,094,321	17,017,956
Deferred tax liabilities	Nil	1,972,933	Nil	1,972,933
Retirement benefit obligations	587,030	443,731	481,385	403,482
Provision for other liabilities	813,874	586,660	663,367	574,054
Deferred revenue	983,273	1,056,654	863,001	1,055,174
	14,478,498	21,077,934	14,102,074	21,023,599
<b>Current liabilities</b>				
Trade and other payables	26,163,610	15,836,926	18,187,872	14,280,082
Current income tax liabilities	24,052	63,824	15,535	60,668
Borrowings	12,832,575	6,054,674	12,539,287	5,979,397
	39,020,237	21,955,424	30,742,694	20,320,147
<b>Total liabilities</b>	<b>53,498,735</b>	<b>43,033,358</b>	<b>44,844,768</b>	<b>41,343,746</b>
<b>Total equity and liabilities</b>	<b>90,680,280</b>	<b>76,227,279</b>	<b>91,238,008</b>	<b>83,543,242</b>
<b>Net asset per share (Rs.)</b>	<b>4.57</b>	<b>4.08</b>	<b>5.70</b>	<b>5.18</b>

The notes on pages 8 to 18 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 : 15 February 2013

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

Approved and signed for and on behalf of the Board of Directors:

Signed

.....  
**Director**

Date : 15 February 2013

Signed

.....  
**Director**

Date : 15 February 2013

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

(all amounts in Sri Lankan Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenue	56,345,458	45,412,002	49,802,752	41,729,199
Direct costs	(32,216,108)	(24,949,185)	(27,757,545)	(22,494,294)
Gross margin	24,129,350	20,462,817	22,045,207	19,234,905
Other income	138,146	83,076	119,637	69,961
Administrative costs	(9,865,350)	(8,073,548)	(8,214,754)	(6,278,029)
Distribution costs	(7,600,969)	(6,265,252)	(7,020,384)	(5,858,998)
Operating profit	6,801,177	6,207,093	6,929,706	7,167,839
Net finance costs	(2,727,112)	(768,555)	(2,712,951)	(778,543)
Share of (loss)/profit from associates-net of tax	(8,539)	9,681	Nil	Nil
Profit before tax	4,065,526	5,448,219	4,216,755	6,389,296
Tax	1,964,661	(578,657)	1,973,509	(566,238)
<b>Profit for the year</b>	<b>6,030,187</b>	<b>4,869,562</b>	<b>6,190,264</b>	<b>5,823,058</b>
<b>Other comprehensive income</b>				
Actuarial (loss)/gain-net of tax	(8,762)	18,927	(219)	17,748
<b>Total comprehensive income for the year</b>	<b>6,021,425</b>	<b>4,888,489</b>	<b>6,190,045</b>	<b>5,840,806</b>
<b>Attributable to:</b>				
Equity holders of the Company	<b>6,021,425</b>	<b>4,888,489</b>	<b>6,190,045</b>	<b>5,840,806</b>
Earnings per share attributable to the ordinary shareholders of the Company (expressed in Rs per share)				
- Basic	0.75	0.61	0.78	0.73
- Diluted	0.75	0.61	0.78	0.73

The notes on pages 8 to 18 form an integral part of these financial statements.

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

(all amounts in Sri Lankan Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>Three months ended 31 December</b>		<b>Three months ended 31 December</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenue	14,978,247	11,948,862	13,146,561	10,946,647
Direct costs	(8,600,600)	(6,476,382)	(7,329,688)	(5,801,186)
Gross margin	6,377,647	5,472,480	5,816,873	5,145,461
Other income	86,480	19,093	82,151	16,547
Administrative costs	(3,363,441)	(1,986,250)	(2,811,254)	(1,466,225)
Distribution costs	(2,380,524)	(1,488,207)	(2,291,720)	(1,426,266)
Operating profit	720,162	2,017,116	796,050	2,269,517
Net finance income /(costs)	228,509	(530,366)	233,923	(539,077)
Share of (loss)/profit from associates - net of tax	(9,649)	3,043	Nil	Nil
Profit before tax	939,022	1,489,793	1,029,973	1,730,440
Tax	(1,579)	(169,854)	576	(162,904)
<b>Profit for the period</b>	<b>937,443</b>	<b>1,319,939</b>	<b>1,030,549</b>	<b>1,567,536</b>
<b>Other comprehensive income</b>				
Actuarial (loss)/gain-net of tax	(8,762)	18,927	(219)	17,748
<b>Total comprehensive income for the period</b>	<b>928,681</b>	<b>1,338,866</b>	<b>1,030,330</b>	<b>1,585,284</b>
<b>Attributable to:</b>				
Equity holders of the Company	<b>928,681</b>	<b>1,338,866</b>	<b>1,030,330</b>	<b>1,585,284</b>
Earnings per share attributable to the ordinary shareholders of the Company (expressed in Rs per share)				
- Basic	0.12	0.17	0.13	0.20
- Diluted	0.12	0.17	0.13	0.20

The notes on pages 8 to 18 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 equity holders of the Company				
	Stated capital	Shares in ESOS Trust	Dividend reserve ESOS	Retained earnings	Total
<b>Balance at 1 January 2011</b>	28,103,913	(1,990,921)	260,067	3,529,415	29,902,474
Profit for the year	Nil	Nil	Nil	4,869,562	4,869,562
Other comprehensive income	Nil	Nil	Nil	18,927	18,927
<b>Total comprehensive income for the year</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>4,888,489</b>	<b>4,888,489</b>
<b>Transactions with owners recognised directly in equity</b>					
Dividend received by ESOS	Nil	Nil	31,714	Nil	31,714
Dividend to equity shareholders	Nil	Nil	Nil	(1,628,756)	(1,628,756)
<b>Balance at 31 December 2011</b>	<b>28,103,913</b>	<b>(1,990,921)</b>	<b>291,781</b>	<b>6,789,148</b>	<b>33,193,921</b>
<b>Balance at 1 January 2012</b>	28,103,913	(1,990,921)	291,781	6,789,148	33,193,921
Profit for the year	Nil	Nil	Nil	6,030,187	6,030,187
Other comprehensive income	Nil	Nil	Nil	(8,762)	(8,762)
<b>Total comprehensive income for the year</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>6,021,425</b>	<b>6,021,425</b>
<b>Transactions with owners recognised directly in equity</b>					
Dividend received by ESOS	Nil	Nil	39,644	Nil	39,644
Direct cost on share issue	Nil	Nil	Nil	(37,500)	(37,500)
Dividend to equity shareholders	Nil	Nil	Nil	(2,035,945)	(2,035,945)
<b>Balance at 31 December 2012</b>	<b>28,103,913</b>	<b>(1,990,921)</b>	<b>331,425</b>	<b>10,737,128</b>	<b>37,181,545</b>

The notes on pages 8 to 18 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 equity holders of the Company				
	Stated capital	Shares in ESOS Trust	Dividend reserve ESOS	Retained earnings	Total
<b>Balance at 1 January 2011</b>	<b>28,103,913</b>	<b>(1,990,921)</b>	<b>260,067</b>	<b>11,582,673</b>	<b>37,955,732</b>
Profit for the year	Nil	Nil	Nil	5,823,058	5,823,058
Other comprehensive income	Nil	Nil	Nil	17,748	17,748
<b>Total comprehensive income for the year</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>5,840,806</b>	<b>5,840,806</b>
<b>Transactions with owners recognised directly in equity</b>					
Dividend received by ESOS	Nil	Nil	31,714	Nil	31,714
Dividend to equity shareholders	Nil	Nil	Nil	(1,628,756)	(1,628,756)
<b>Balance at 31 December 2011</b>	<b>28,103,913</b>	<b>(1,990,921)</b>	<b>291,781</b>	<b>15,794,723</b>	<b>42,199,496</b>
<b>Balance at 1 January 2012</b>	<b>28,103,913</b>	<b>(1,990,921)</b>	<b>291,781</b>	<b>15,794,723</b>	<b>42,199,496</b>
Profit for the year	Nil	Nil	Nil	6,190,264	6,190,264
Other comprehensive income	Nil	Nil	Nil	(219)	(219)
<b>Total comprehensive income for the year</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>6,190,045</b>	<b>6,190,045</b>
<b>Transactions with owners recognised directly in equity</b>					
Dividend received by ESOS	Nil	Nil	39,644	Nil	39,644
Dividend to equity shareholders	Nil	Nil	Nil	(2,035,945)	(2,035,945)
<b>Balance at 31 December 2012</b>	<b>28,103,913</b>	<b>(1,990,921)</b>	<b>331,425</b>	<b>19,948,823</b>	<b>46,393,240</b>

The notes on pages 8 to 18 form an integral part of these financial statements.

# DIALOG AXIATA PLC

## Cash flow statements

(all amounts in Sri Lankan Rupees thousands)

	Group 31 December		Company 31 December	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Cash generated from operations	21,727,077	17,086,969	20,054,932	16,030,860
Interest received	347,270	383,683	310,589	369,157
TDC refund received	Nil	1,650,244	Nil	1,646,941
Interest paid	(286,202)	(354,552)	(284,506)	(354,488)
Tax paid	(125,513)	(106,404)	(116,755)	(101,035)
Retirement benefit obligations paid	(79,731)	(20,064)	(23,799)	(19,471)
<b>Net cash generated from operating activities</b>	<b>21,582,901</b>	<b>18,639,876</b>	<b>19,940,461</b>	<b>17,571,964</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(17,248,108)	(8,334,706)	(12,349,095)	(6,377,813)
Purchases of intangible assets	(160,563)	(384,614)	(7,502)	(384,614)
Acquisition of subsidiary, net of cash acquired	(3,363,175)	Nil	Nil	Nil
Investment in associates	(156,000)	(11,440)	(156,000)	(11,440)
Proceeds from sale of subsidiary	Nil	69,190	Nil	69,190
Amounts advanced to subsidiaries	Nil	Nil	(3,919,583)	(4,208,813)
Proceeds from sale of property, plant and equipment	63,383	10,205	47,720	8,862
<b>Net cash used in investing activities</b>	<b>(20,864,463)</b>	<b>(8,651,365)</b>	<b>(16,384,460)</b>	<b>(10,904,628)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(3,916,732)	(3,160,950)	(3,916,732)	(3,160,950)
Repayment of finance leases	(10,668)	(5,755)	Nil	Nil
Proceeds from borrowings	4,884,750	1,096,000	4,884,750	1,096,000
Redemption of rated cumulative redeemable preference shares	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
Dividend paid to rated cumulative redeemable preference shareholders	(82,637)	(177,399)	(82,637)	(177,399)
Dividend paid to equity shareholders	(2,035,945)	(1,628,756)	(2,035,945)	(1,628,756)
Dividend received by ESOS	39,643	31,714	39,643	31,714
Direct cost on share issue	(37,500)	Nil	Nil	Nil
<b>Net cash used in financing activities</b>	<b>(2,409,089)</b>	<b>(5,095,146)</b>	<b>(2,360,921)</b>	<b>(5,089,391)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,690,651)</b>	<b>4,893,365</b>	<b>1,195,080</b>	<b>1,577,945</b>
<b>Movement in cash and cash equivalents</b>				
At start of year	9,406,074	4,475,738	5,929,135	4,314,219
(Decrease) / increase	(1,690,651)	4,893,365	1,195,080	1,577,945
Exchange (losses) / gains on cash and cash equivalents	(347,302)	36,971	(347,302)	36,971
<b>At end of year</b>	<b>7,368,121</b>	<b>9,406,074</b>	<b>6,776,913</b>	<b>5,929,135</b>



# DIALOG AXIATA PLC

## Notes to the interim financial statements

( all amounts in the notes are in Sri Lankan 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) and digital services (including but not limited to digital commerce (mobile and ecommerce), electronic payments (including mobile payment), digital health, education, navigation and enterprise 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 consolidated interim financial statements 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 annual financial statements for the year ended 31 December 2011 and the changes to accounting policies as a result of convergence to Sri Lanka Financial Reporting Standards (SLFRSs) are set out in the below section, 'Accounting policies'.

These condensed consolidated interim financial statements are prepared in accordance with Sri Lanka Accounting Standard - SLFRS 1 *First-time Adoption of Sri Lanka Accounting Standards*. The effect of the transition to SLFRSs on previously reported financial position, financial performance and cash flows of the Group is provided in note 4 to the financial statements.

### 3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below;

#### 3.1 Business combinations

Sri Lanka Accounting Standard - SLFRS 3 *Business Combinations*, requires the Group to apply the said standard to transactions and other events that meet the new definition of a business which is an integrated set of assets (inputs) and activities (processes) which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition.

In accordance with SLFRSs, the business acquisition related costs which previously were capitalised as a part of investment, are expensed to the statement of comprehensive income.

#### 3.2 Financial instruments

In accordance with the Sri Lanka Accounting Standard - LKAS 39 *Financial Instruments; Recognition and Measurements*, trade receivables, trade payables, bank borrowings, intercompany loans and redeemable preference shares are recognized as financial instruments. The initial and the subsequent measurement basis of the said financial instruments shall be the fair value and the amortized cost respectively. Provision for doubtful debtors is replaced with the impairment testing for trade receivables.

#### 3.3 Revenue Recognition

Sri Lanka Accounting Standard - LKAS 18 *Revenue*, requires the Group to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Group applies such recognition criteria to separately identifiable components of a single transaction in order to reflect the substance of the transaction.

If the Group acts as the Principal on transaction arrangements, revenue is recognised on the gross basis. If the Group acts as the Agent revenue is recognized on the net basis. The Group shall be treated as the Principal if it;

- a) establishes the price and other terms of the service transaction,
- b) determines the nature of the content and specifications of the service and
- c) bears credit risk of the transaction.

The Group operates a customer loyalty programme known as 'Star points', which is accounted in accordance with International Financial Reporting Interpretation Committee (IFRIC) - IFRIC 13 *Customer Loyalty Programmes*.

# DIALOG AXIATA PLC

## Notes to the interim financial statements (Contd)

### 4 Reconciliations of SLAS to SLFRS

#### 4.1 Reconciliation of shareholders equity

##### a) Group

	Note	Under SLAS 31 December 2011	Transitional Adjustments	Under SLFRS 31 December 2011
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		51,127,539	Nil	51,127,539
Intangible assets		3,869,456	Nil	3,869,456
Investment in subsidiaries		Nil	Nil	Nil
Investment in associate	a	37,100	8,008	45,108
Available-for-sale financial asset	d	30,596	Nil	30,596
Amount due from related companies	c	12,505	(960)	11,545
		55,077,196	7,048	55,084,244
<b>Current assets</b>				
Inventories		409,157	Nil	409,157
Trade and other receivables	c	10,282,047	(548)	10,281,499
Cash and cash equivalents		10,452,379	Nil	10,452,379
		21,143,583	(548)	21,143,035
<b>Total assets</b>		<b>76,220,779</b>	<b>6,500</b>	<b>76,227,279</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders</b>				
Stated capital	f	28,056,113	47,800	28,103,913
Shares in ESOS Trust		(1,990,921)	Nil	(1,990,921)
Dividend reserve - ESOS		291,781	Nil	291,781
Revaluation reserve	g	128,469	(128,469)	Nil
Retained earnings	e,g	6,233,535	555,613	6,789,148
		32,718,977	474,944	33,193,921
<b>Total equity</b>		<b>32,718,977</b>	<b>474,944</b>	<b>33,193,921</b>
<b>LIABILITIES</b>				
<b>Non - current liabilities</b>				
Borrowings	b	17,488,097	(470,141)	17,017,956
Deferred tax liabilities		2,013,771	(40,838)	1,972,933
Retirement benefit obligations		443,731	Nil	443,731
Provision for other liabilities		586,660	Nil	586,660
Deferred revenue		1,056,654	Nil	1,056,654
		21,588,913	(510,979)	21,077,934
<b>Current liabilities</b>				
Trade and other payables		15,836,926	Nil	15,836,926
Current income tax liabilities		63,824	Nil	63,824
Borrowings	b	6,012,139	42,535	6,054,674
		21,912,889	42,535	21,955,424
<b>Total liabilities</b>		<b>43,501,802</b>	<b>(468,444)</b>	<b>43,033,358</b>
<b>Total equity and liabilities</b>		<b>76,220,779</b>	<b>6,500</b>	<b>76,227,279</b>

## DIALOG AXIATA PLC

### Notes to the interim financial statements (Contd)

#### 4.1 Reconciliation of shareholders equity

##### b) Company

	Note	Under SLAS 31 December 2011	Transitional Adjustments	Under SLFRS 31 December 2011
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		41,212,795	Nil	41,212,795
Intangible assets		1,619,582	Nil	1,619,582
Investment in subsidiaries		10,326,010	Nil	10,326,010
Investment in associate		27,742	Nil	27,742
Available-for-sale financial asset	d	30,596	Nil	30,596
Amount due from related companies	c	14,008,395	(960)	14,007,435
		67,225,120	(960)	67,224,160
<b>Current assets</b>				
Inventories		395,515	Nil	395,515
Trade and other receivables	c	9,023,952	(548)	9,023,404
Cash and cash equivalents		6,900,163	Nil	6,900,163
		16,319,630	(548)	16,319,082
<b>Total assets</b>		<b>83,544,750</b>	<b>(1,508)</b>	<b>83,543,242</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders</b>				
Stated capital	f	28,056,113	47,800	28,103,913
Shares in ESOS Trust		(1,990,921)	Nil	(1,990,921)
Dividend reserve - ESOS		291,781	Nil	291,781
Revaluation reserve	g	93,798	(93,798)	Nil
Retained earnings	e,g	15,281,789	512,934	15,794,723
		41,732,560	466,936	42,199,496
<b>Total equity</b>		<b>41,732,560</b>	<b>466,936</b>	<b>42,199,496</b>
<b>LIABILITIES</b>				
<b>Non - current liabilities</b>				
Borrowings	b	17,488,097	(470,141)	17,017,956
Deferred tax liabilities		2,013,771	(40,838)	1,972,933
Retirement benefit obligations		403,482	Nil	403,482
Provision for other liabilities		574,054	Nil	574,054
Deferred revenue		1,055,174	Nil	1,055,174
		21,534,578	(510,979)	21,023,599
<b>Current liabilities</b>				
Trade and other payables		14,280,082	Nil	14,280,082
Current income tax liabilities		60,668	Nil	60,668
Borrowings	b	5,936,862	42,535	5,979,397
		20,277,612	42,535	20,320,147
<b>Total liabilities</b>		<b>41,812,190</b>	<b>(468,444)</b>	<b>41,343,746</b>
<b>Total equity and liabilities</b>		<b>83,544,750</b>	<b>(1,508)</b>	<b>83,543,242</b>

# DIALOG AXIATA PLC

## Notes to the interim financial statements (Contd)

### 4.2 Reconciliation of comprehensive income

a) Group	Note	Year ended 31 December 2011			Three months ended 31 December 2011		
		Under SLAS	Transitional Adjustments	Under SLFRS	Under SLAS	Transitional Adjustments	Under SLFRS
Revenue		45,412,002	Nil	45,412,002	11,948,862	Nil	11,948,862
Direct costs		(24,949,185)	Nil	(24,949,185)	(6,476,382)	Nil	(6,476,382)
Gross margin		20,462,817	Nil	20,462,817	5,472,480	Nil	5,472,480
Other income	a	75,068	8,008	83,076	19,093	Nil	19,093
Administrative costs	h	(8,054,621)	(18,927)	(8,073,548)	(1,967,323)	(18,927)	(1,986,250)
Distribution costs		(6,265,252)	Nil	(6,265,252)	(1,488,207)	Nil	(1,488,207)
Operating profit		6,218,012	(10,919)	6,207,093	2,036,043	(18,927)	2,017,116
Net finance costs	b	(447,129)	(321,426)	(768,555)	(471,408)	(58,958)	(530,366)
Share of profit from associate net of tax		9,681	Nil	9,681	3,043	Nil	3,043
Profit before tax		5,780,564	(332,345)	5,448,219	1,567,678	(77,885)	1,489,793
Tax		(578,657)	Nil	(578,657)	(169,854)	Nil	(169,854)
<b>Profit for the period</b>		<b>5,201,907</b>	<b>(332,345)</b>	<b>4,869,562</b>	<b>1,397,824</b>	<b>(77,885)</b>	<b>1,319,939</b>
<b>Other comprehensive income</b>							
Actuarial gain (Net of tax)	h	Nil	18,927	18,927	Nil	18,927	18,927
<b>Total comprehensive income for the period</b>		<b>5,201,907</b>	<b>(313,418)</b>	<b>4,888,489</b>	<b>1,397,824</b>	<b>(58,958)</b>	<b>1,338,866</b>

# DIALOG AXIATA PLC

## Notes to the interim financial statements (Contd)

### 4.2 Reconciliation of comprehensive income

b) Company	Note	Year ended 31 December 2011			Three months ended 31 December 2011		
		Under SLAS	Transitional Adjustments	Under SLFRS	Under SLAS	Transitional Adjustments	Under SLFRS
Revenue		41,729,199	Nil	41,729,199	10,946,647	Nil	10,946,647
Direct costs		(22,494,294)	Nil	(22,494,294)	(5,801,186)	Nil	(5,801,186)
Gross margin		19,234,905	Nil	19,234,905	5,145,461	Nil	5,145,461
Other income		69,961	Nil	69,961	16,547	Nil	16,547
Administrative costs	h	(6,260,281)	(17,748)	(6,278,029)	(1,448,477)	(17,748)	(1,466,225)
Distribution costs		(5,858,998)	Nil	(5,858,998)	(1,426,266)	Nil	(1,426,266)
Operating profit		7,185,587	(17,748)	7,167,839	2,287,265	(17,748)	2,269,517
Net finance costs	b	(457,117)	(321,426)	(778,543)	(480,119)	(58,958)	(539,077)
Profit before tax		6,728,470	(339,174)	6,389,296	1,807,146	(76,706)	1,730,440
Tax		(566,238)	Nil	(566,238)	(162,904)	Nil	(162,904)
<b>Profit for the period</b>		<b>6,162,232</b>	<b>(339,174)</b>	<b>5,823,058</b>	<b>1,644,242</b>	<b>(76,706)</b>	<b>1,567,536</b>
<b>Other comprehensive income</b>							
Actuarial gain (Net of tax)	h	Nil	17,748	17,748	Nil	17,748	17,748
<b>Total comprehensive income for the period</b>		<b>6,162,232</b>	<b>(321,426)</b>	<b>5,840,806</b>	<b>1,644,242</b>	<b>(58,958)</b>	<b>1,585,284</b>

## DIALOG AXIATA PLC

### Notes to the interim financial statements (Contd)

#### 4.3 Reconciliation of cash flow statement

There are no material differences between the statement of cash flows presented under SLFRSs and the statement of cash flows presented under SLASs.

#### 4.4 Notes to the reconciliation of SLAS to SLFRS

##### (a) Investment in associate

The adjustment to the investment in associate of Rs. 8,008,000 recognises the impact for accounting for fair value on the disposal of 74% interest in the subsidiary, Dialog Business Services (Private) Limited (DBS) as a deemed disposal. The gain on disposal of subsidiary is classified under other income in the financial statements.

##### (b) Borrowings

Under the requirements of LKAS 39, borrowings are initially recognised at fair value whereas under SLASs it was recognised at cost. The financial statements were adjusted to incorporate relevant changes. The impact on borrowings and finance costs is as follows.

	As at 31 December 2011	
	Group	Company
<b>Borrowings</b>		
Carrying value - non current and current	22,250,236	22,174,959
Reclassification of rated cumulative redeemable preference shares	1,250,000	1,250,000
Impact from initial fair value recognition and subsequent measurement at amortised cost	(427,606)	(427,606)
	<u>23,072,630</u>	<u>22,997,353</u>
	<b>Year ended 31 December 2011</b>	
	<b>Group</b>	<b>Company</b>
<b>Net finance costs</b>		
Finance income	423,855	408,860
Finance costs	(719,269)	(714,262)
Reclassification of rated cumulative redeemable preference shares	(151,715)	(151,715)
Impact from subsequent recognition at amortised cost	(321,426)	(321,426)
	<u>(768,555)</u>	<u>(778,543)</u>

The fair values of non-current and current borrowings are based on cash flows discounted using interest rates which ranges from 2.06 % to 11.56 % for floating and 4.05% to 15% for fixed rates of interest (2011: 2.22 % to 12.58 % for floating and 4.05 % to 15 % for fixed).

##### (c) Trade and other receivables

Under the requirements of LKAS 39 receivables classified as financial assets are initially recognised at fair value whereas under SLASs it was recognised at cost. The financial statements were adjusted to incorporate relevant changes with regard to loan given to Axiata Lanka (Private) Limited. The impact of initial fair valuation amounting to Rs 2,579,987 was debited to income statement under finance costs and credited to the respective loan on 1 January 2011. The impact on the receivable balances is as follows.

	As at 31 December 2011	
	Group	Company
<b>Trade and other receivables</b>		
Carrying value	10,282,047	9,023,952
Impact from initial fair value recognition and subsequent recognition at amortised cost	(548)	(548)
	<u>10,281,499</u>	<u>9,023,404</u>
<b>Amount due from related companies</b>		
Carrying value	12,505	14,008,395
Impact from initial fair value recognition and subsequent recognition at amortised cost	(960)	(960)
	<u>11,545</u>	<u>14,007,435</u>

The fair value of the loan given to Axiata Lanka (Private) Limited was discounted using a rate based on the 4.05% fixed rate as at 1 January 2011.

## DIALOG AXIATA PLC

### Notes to the interim financial statements (Contd)

#### 4.4 Notes to the reconciliation of SLAS to SLFRS (Contd)

**(d) Available-for-sale financial asset**

Investment in Sri Lanka Institute of Nanotechnology (Private) Limited [Formerly known as Nanco (Private) Limited], which was previously presented as other investment is now recognised as a financial asset and classified as available-for-sale financial asset.

**(e) Retained earnings**

The following is a summary of transition adjustments to the Group's retained earnings from SLASs to SLFRSs.

	<b>As at 31 December 2011</b>	
	<b>Group</b>	<b>Company</b>
Retained earnings as reported under SLASs	6,274,373	15,322,627
Investment in associate	8,008	Nil
Borrowings	427,606	427,606
Receivables	(1,508)	(1,508)
Transaction cost - preference shares	(47,800)	(47,800)
Revaluation reserve	128,469	93,798
Retained earnings as reported under SLFRSs	<u>6,789,148</u>	<u>15,794,723</u>

**(f) Stated capital**

	<b>As at 31 December 2011</b>	
	<b>Group</b>	<b>Company</b>
Stated capital as reported under SLASs	29,306,113	29,306,113
Reclassification of rated cumulative redeemable preference shares	<u>(1,250,000)</u>	<u>(1,250,000)</u>
	28,056,113	28,056,113
Transaction cost related to preference shares transferred from share premium to retained earnings	47,800	47,800
Stated capital as reported under SLFRSs	<u>28,103,913</u>	<u>28,103,913</u>

**(g) Revaluation reserve**

In accordance with provisions of SLFRS 1, the Company and the Group elected the exemption to measure land and buildings recognised previously at revalued amounts as deemed cost as at 1 January 2011. Accordingly, the total revaluation reserve amounting to Rs 96,819,753 and Rs 131,712,570 was transferred to retained earnings by the Company and the Group respectively.

	<b>As at 31 December 2011</b>	
	<b>Group</b>	<b>Company</b>
Revaluation reserve as reported under SLASs	128,469	93,798
Transferred to retained earnings	<u>(128,469)</u>	<u>(93,798)</u>
Revaluation reserve as reported under SLFRSs	<u>Nil</u>	<u>Nil</u>

**(h) Actuarial gain/ (loss) on defined benefit obligation previously included under administrative costs are now presented under other comprehensive income, based on the requirements of LKAS-19 Employee Benefits.**

## 5 Segment information

The segmental reporting presentation is revised to represent more appropriate business segments of the Group.

## Notes to the interim financial statements (Contd)

## 5 Segment information

- o The segment results for the year ended 31 December 2012 are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Total segmental revenue	49,802,752	5,044,171	2,992,654	Nil	57,839,577
Inter-segment revenue	(679,266)	(797,893)	(16,960)	Nil	(1,494,119)
Revenue from external customers	49,123,486	4,246,278	2,975,694	Nil	56,345,458
Operating profit/(loss) or segment results	6,929,706	(135,350)	58,208	(51,387)	6,801,177
Net finance costs					(2,727,112)
Share of loss from associates -net of tax					(8,539)
Profit before income tax					4,065,526
Taxation					1,964,661
Profit for the year					6,030,187

- o Other segment items included in the statement of comprehensive income are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Depreciation ,amortisation and impairment	9,004,359	1,913,640	587,945	50,287	11,556,231

- o The segment assets and liabilities at 31 December 2012 and capital expenditure for the year then ended are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Assets	91,238,008	16,165,163	3,580,638	(10,519,783)	100,464,026
Inter -segment assets	(9,545,524)	(238,222)	Nil	Nil	(9,783,746)
<b>Total assets</b>					90,680,280
Liabilities	44,844,768	16,062,391	2,792,863	Nil	63,700,022
Inter- segment liabilities	(356,817)	(7,934,481)	(1,909,989)	Nil	(10,201,287)
<b>Total liability</b>					53,498,735
Capital expenditure	12,356,597	4,115,481	936,593		17,408,671



## Notes to the interim financial statements (Contd)

## 5 Segment information (Contd)

- o The segment results for the year ended 31 December 2011 are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Total segmental revenue	41,729,199	2,238,478	2,361,439	39,784	46,368,900
Inter-segment revenue	(447,081)	(453,716)	(16,715)	(39,386)	(956,898)
Revenue from external customers	41,282,118	1,784,762	2,344,724	398	45,412,002
Operating profit/(loss) or segment results	7,167,839	(943,746)	26,165	(43,165)	6,207,093
Net finance costs					(768,555)
Share of profit from associate -net of tax					9,681
Profit before tax					5,448,219
Taxation					(578,657)
Profit for the year					4,869,562

- o Other segment items included in the statement of comprehensive income are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Depreciation ,amortisation and impairment	8,092,473	1,611,901	548,309	52,044	10,304,727

- o The segment assets and liabilities at 31 December 2011 and capital expenditure for the year then ended are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Assets	83,543,242	12,730,168	3,271,278	(9,314,880)	90,229,808
Inter -segment assets	(13,986,532)	(16,008)	11	Nil	(14,002,529)
<b>Total assets</b>					<b>76,227,279</b>
Liabilities	41,343,746	13,616,694	2,494,624	Nil	57,455,064
Inter- segment liabilities	(134,327)	(12,708,505)	(1,578,874)	Nil	(14,421,706)
<b>Total liability</b>					<b>43,033,358</b>
Capital expenditure	6,762,427	1,458,870	498,023	Nil	8,719,320

## DIALOG AXIATA PLC

### Notes to the interim financial statements (Contd)

#### 6 Stated capital

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

#### 7 Comparatives

The comparatives for the following items in the statement of comprehensive income are restated to ensure comparability with the current period.

Income statement		As reported previously 31 December 2011		Current presentation 31 December 2011	
		Group	Company	Group	Company
Revenue	a,c,d	45,637,211	41,776,308	45,412,002	41,729,199
Direct costs	c,d	(25,114,415)	(22,494,294)	(24,949,185)	(22,494,294)
Distribution costs	a	(6,325,231)	(5,906,107)	(6,265,252)	(5,858,998)
Net finance costs	b	(295,414)	(305,402)	(447,129)	(457,117)

- (a) Star point expenses previously classified under distribution costs are reclassified under revenue, based on requirements of IFRIC 13 Customer loyalty programmes.
- (b) Dividend on rated cumulative redeemable preference shares previously classified in the statement of changes in equity is now presented under finance costs, based on the requirements of LKAS 32 Financial instruments; Presentation.
- (c) Revenue share on agent fee related to Dialog Television (Private) Limited previously classified under direct costs is reclassified under revenue, based on requirements of LKAS 18 Revenue, on principal agent relationship.
- (d) Reimbursement of electricity from other operators in Dialog Broadband Networks (Private) Limited previously classified under revenue are reclassified under direct cost to be in line with Group classifications.

#### 8 Market price per share

For the three months ended 31 December		2012 Rs.	2011 Rs.
-	Highest	9.20	8.60
-	Lowest	7.80	7.50
-	Last traded	8.30	7.70

#### 9 20 largest shareholders of the Company

Name of Shareholder	No. of Shares	% Holding
1 Axiata Investments (Labuan) Limited	6,785,252,765	83.32%
2 HSBC-BBH Genesis Smaller Companies	191,221,640	2.35%
3 Employees Provident Fund	177,463,109	2.18%
4 Dialog Axiata Employees ESOS Trust	158,572,462	1.95%
5 Sri Lanka Insurance Corporation Limited -Life Fund	74,585,920	0.92%
6 HSBC-SSBT-Morgan Stanley and Co International	74,129,958	0.91%
7 CB NY S/A -International Finance Corporation	64,086,800	0.79%
8 HSBC-BBH-Genesis Emerging Markets Opportunities Fund	55,345,900	0.68%
9 Browns Investments (Private) Limited	44,991,400	0.55%
10 BNY-CF Ruffer Investment Funds : Cf Ruffer Pacific Fund	44,314,300	0.54%
11 Pemberton Asian Opportunities Fund	40,000,000	0.49%
12 HSBC-JPMCB-Scottish ORL SML TR GTI 6018	32,207,500	0.40%
13 JB Cocoshell (Private) Limited	28,524,520	0.35%
14 Associated Electrical Corporation Limited	24,450,600	0.30%
15 Sri Lanka Insurance Corporation Limited -General Fund	22,320,360	0.27%
16 Mellon Bank N.A.- UPS Group Trust	18,880,000	0.23%
17 Seylan Bank PLC. - A/C No. 3	17,459,100	0.21%
18 Mercantile Investments Limited	11,000,000	0.14%
19 MAS Capital (Private) Limited	8,450,977	0.10%
20 HSBC-SSBT- National Westminster Bank AS DEP of FS Asia Pacific Sustainability Fund	8,063,600	0.10%

## DIALOG AXIATA PLC

### Notes to the interim financial statements (Contd)

#### 10 Public shareholding

The percentage of public shareholding as at 31 December 2012 was 14.73% (14.73% as at 31 December 2011), calculated as per the listing rules of the Colombo Stock Exchange.

#### 11 Acquisition of Suntel Limited and legal amalgamation

The Company's wholly owned subsidiary, Dialog Broadband Networks (Private) Limited (DBN), entered into a Share Purchase Agreement on 14 December 2011 with the shareholders of Suntel Limited (Suntel) to purchase 100 percent equity shares of Suntel. Suntel became a wholly owned subsidiary of DBN with effect from 21 March 2012 and accordingly the assets and liabilities of Suntel Limited were consolidated into the Group. The total consideration for the acquisition of Suntel was Rs 4,057,918,108 which was fully settled in cash in accordance with Share Purchase Agreement as at 31 December 2012. The resultant goodwill to the Group on the acquisition was Rs 6,353,391,403.

Suntel was amalgamated with DBN, in accordance with provisions of the Companies Act, No. 07 of 2007 (Act) with effect from 15 May 2012. Accordingly, Suntel ceased to exist and was removed from the Register by the Registrar-General of Companies and all the assets, rights, liabilities and obligations of Suntel were succeeded by Dialog Broadband Networks (Private) Limited in accordance with the Act.

#### 12 Acquisition of Digital Commerce Lanka (Private) Limited

On 9 December 2012, the Company entered into an investment Agreement with Digital Commerce Lanka (Private) Limited (DCL) to acquire an equity stake of 26% at a valuation of USD 1,590,000. The resultant goodwill on this acquisition was Rs 205,267,400 and it is included in the carrying amount of the investment.

#### 13 Trade and other payables

This includes a provision, as a matter of prudence, for a possible claim amounting to a sum of Rs. 4,221,040,185 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, and is now awaiting the determination of its appeal.

#### 14 Taxation

The Company opted for 2% revenue based tax with effect from the year 2013 at the expiration of 15 year tax holiday period, which is an option given in the investment agreement entered into between the Company and the Board of Investment of Sri Lanka (BOI). Subsequent to the approval of the BOI on 20 March 2012, selection of revenue based tax option has been notified to and acknowledged by the Department of Inland Revenue on 7 August 2012. Accordingly, the deferred tax liability of Rs 2,277,016,844 has been reversed to the statement of comprehensive income.

#### 15 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 31 December 2012 are as follows:

	<u>Number of shares</u>
Dr. Hansa Wijayasuriya	42,570
Mr. Moksevi Prelis	18,480
Mr. Mohamed Muhsin	18,040

None of the Directors other than those disclosed above held any shares in the Company.

#### 16 Contingent liabilities

Value Added Tax (VAT) assessments issued by the Department of Inland Revenue (DIR) in respect of year of assessment 2006/2007 have been determined by the Commissioner General of Inland Revenue (CGIR) on 28 January 2011. Subsequent to the determination of CGIR, on 31 January 2011, it was concluded that VAT refund of Rs 928,127,301 is due to Dialog Axiata PLC, of which Rs 304,606,824 was refunded on 28 August 2012.

Further, DIR has started full VAT audit for the years of assessment 2008 – 2010, based on the outcome so far, total VAT exposure on disallowable input credits is amounting to Rs 104,000,000/- which is fully provided in the financial statements as at 31 December 2012.

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31 December 2011.

#### 17 Related party transactions

The shareholder advances of Rs 7,500,000,000, given by the Company to DBN, were converted to ordinary shares of Rs 10 each on 15 May 2012.

#### 18 Events after the reporting period

The Board of Directors has recommended a withholding tax-free final dividend of Rs 0.33 per share amounting to Rs 2,687,446,874 for the financial year 2012, subject to the approval of the shareholders at the Annual General Meeting.

Except as disclosed above, no other circumstances have arisen since the statement of financial position date which require adjustments to, or disclosure in the financial statements.