

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2014**





**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 30 September 2014 and the related statements of comprehensive income and cash flows for the 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.

5 November 2014

COLOMBO

R. Kanagasabai
CHARTERED ACCOUNTANTS

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DIALOG AXIATA PLC

Statements of financial position

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
ASSETS				
Non - current assets				
Property, plant and equipment	68,884,271	68,450,923	49,831,064	50,768,641
Intangible assets	16,567,223	17,318,737	5,818,844	6,318,363
Investment in subsidiaries	-	-	18,826,010	18,826,010
Investment in associates	269,026	257,979	377,833	278,694
Available - for - sale financial assets	20,000	-	20,000	-
Amount due from related companies	43,481	1,273	16,862,007	13,864,601
	85,784,001	86,028,912	91,735,758	90,056,309
Current assets				
Inventories	613,069	669,792	400,610	551,256
Trade and other receivables	12,323,648	13,747,223	9,986,488	11,317,192
Cash and cash equivalents	7,267,934	3,217,502	6,129,338	2,063,250
	20,204,651	17,634,517	16,516,436	13,931,698
Total assets	105,988,652	103,663,429	108,252,194	103,988,007
EQUITY				
Capital and reserves attributable to equity holders				
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 Trust	429,740	383,754	429,740	383,754
Hedging reserve	5,833	-	5,833	-
Retained earnings	15,496,615	13,238,824	26,375,082	23,319,079
Total equity	42,045,180	39,735,570	52,923,647	49,815,825
LIABILITIES				
Non - current liabilities				
Borrowings	26,426,346	17,451,422	26,426,346	17,451,422
Derivative financial instrument	18,936	-	18,936	-
Defined benefit obligation	818,437	717,869	683,648	588,035
Provision for other liabilities	1,269,544	1,564,353	1,042,782	1,310,468
Deferred tax liability	80	800	-	-
Deferred revenue	1,823,458	1,690,733	1,707,800	1,552,055
	30,356,801	21,425,177	29,879,512	20,901,980
Current liabilities				
Trade and other payables	30,353,773	29,478,886	22,473,700	20,764,171
Current income tax liabilities	1,266,763	1,117,865	1,264,080	1,113,356
Borrowings	1,966,135	11,905,931	1,711,255	11,392,675
	33,586,671	42,502,682	25,449,035	33,270,202
Total liabilities	63,943,472	63,927,859	55,328,547	54,172,182
Total equity and liabilities	105,988,652	103,663,429	108,252,194	103,988,007
Net assets per share (Rs.)	5.16	4.88	6.50	6.12

The notes on pages 8 to13 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: 5 November 2014

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: 5 November 2014

Signed

.....
Director

Date: 5 November 2014

DIALOG AXIATA PLC**Statements of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Nine months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
Revenue	50,007,255	46,996,611	43,258,928	41,199,931
Direct costs	(29,056,353)	(27,047,772)	(24,067,173)	(23,018,399)
Gross profit	20,950,902	19,948,839	19,191,755	18,181,532
Distribution costs	(7,056,896)	(6,301,996)	(6,157,985)	(5,643,431)
Administrative costs	(8,130,058)	(7,349,666)	(6,576,329)	(5,990,045)
Other income	100,784	78,340	54,191	68,582
Operating profit	5,864,732	6,375,517	6,511,632	6,616,638
Finance income	320,159	105,157	370,828	99,909
Finance costs	(565,176)	(1,533,093)	(560,653)	(1,441,767)
Finance costs - net	(245,017)	(1,427,936)	(189,825)	(1,341,858)
Share of loss from associates - net of tax	(88,091)	(25,018)	-	-
Profit before income tax	5,531,624	4,922,563	6,321,807	5,274,780
Taxation	(912,137)	(844,261)	(904,108)	(835,819)
Profit for the period	4,619,487	4,078,302	5,417,699	4,438,961
Other comprehensive income for the period - net change in cash flow hedge	5,833	-	5,833	-
Total comprehensive income for the period	4,625,320	4,078,302	5,423,532	4,438,961
Attributable to:				
Equity holders of the Company	4,625,320	4,078,302	5,423,532	4,438,961
Basic earnings per share for profit attributable to the ordinary shareholders of the Company (Rs.)	0.579	0.511	0.678	0.556

The notes on pages 8 to13 form an integral part of these financial statements.

DIALOG AXIATA PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Three months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Revenue	17,022,380	16,124,602	14,705,037	14,139,633
Direct costs	(9,864,093)	(9,314,998)	(8,155,341)	(7,855,100)
Gross profit	7,158,287	6,809,604	6,549,696	6,284,533
Distribution costs	(2,199,290)	(2,133,557)	(1,927,937)	(1,956,776)
Administrative costs	(2,746,410)	(2,460,409)	(2,130,988)	(1,924,275)
Other income	54,245	16,798	10,374	16,460
Operating profit	2,266,832	2,232,436	2,501,145	2,419,942
Finance income	41,585	6,377	40,528	5,293
Finance costs	(273,509)	(408,195)	(256,229)	(381,574)
Finance costs - net	(231,924)	(401,818)	(215,701)	(376,281)
Share of loss from associates - net of tax	(15,240)	(5,695)	-	-
Profit before income tax	2,019,668	1,824,923	2,285,444	2,043,661
Taxation	(325,864)	(291,476)	(324,147)	(283,784)
Profit for the period	1,693,804	1,533,447	1,961,297	1,759,877
Other comprehensive income for the period - net change in cash flow hedge	78,533	-	78,533	-
Total comprehensive income for the period	1,772,337	1,533,447	2,039,830	1,759,877
Attributable to:				
Equity holders of the Company	1,772,337	1,533,447	2,039,830	1,759,877
Basic earnings per share for profit attributable to the ordinary shareholders of the Company (Rs.)	0.212	0.192	0.246	0.220

The notes on pages 8 to 13 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 Trust	Hedging reserve	Retained earnings	Total
Balance at 1 January 2014	28,103,913	(1,990,921)	383,754	-	13,238,824	39,735,570
Profit for the period	-	-	-	-	4,619,487	4,619,487
Other comprehensive income	-	-	-	5,833	-	5,833
Total comprehensive income for the period	-	-	-	5,833	4,619,487	4,625,320
Dividend received by ESOS Trust	-	-	45,986	-	-	45,986
Dividend to equity shareholders	-	-	-	-	(2,361,696)	(2,361,696)
Balance at 30 September 2014	28,103,913	(1,990,921)	429,740	5,833	15,496,615	42,045,180
Balance at 1 January 2013	28,103,913	(1,990,921)	331,425	-	10,737,128	37,181,545
Profit for the period	-	-	-	-	4,078,302	4,078,302
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	4,078,302	4,078,302
Dividend received by ESOS Trust	-	-	52,329	-	-	52,329
Dividend to equity shareholders	-	-	-	-	(2,687,446)	(2,687,446)
Direct cost on share issue	-	-	-	-	(5,000)	(5,000)
Balance at 30 September 2013	28,103,913	(1,990,921)	383,754	-	12,122,984	38,619,730
Balance at 1 October 2013	28,103,913	(1,990,921)	383,754	-	12,122,984	38,619,730
Profit for the period	-	-	-	-	1,122,728	1,122,728
Other comprehensive income	-	-	-	-	(6,888)	(6,888)
Total comprehensive income for the period	-	-	-	-	1,122,728	1,122,728
Balance at 31 December 2013	28,103,913	(1,990,921)	383,754	-	13,238,824	39,735,570

The notes on pages 8 to 13 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 Trust	Hedging reserve	Retained earnings	Total
Balance at 1 January 2014	28,103,913	(1,990,921)	383,754	-	23,319,079	49,815,825
Profit for the period	-	-	-	-	5,417,699	5,417,699
Other comprehensive income	-	-	-	5,833	-	5,833
Total comprehensive income for the period	-	-	-	5,833	5,417,699	5,423,532
Dividend received by ESOS Trust	-	-	45,986	-	-	45,986
Dividend to equity shareholders	-	-	-	-	(2,361,696)	(2,361,696)
Balance at 30 September 2014	28,103,913	(1,990,921)	429,740	5,833	26,375,082	52,923,647
Balance at 1 January 2013	28,103,913	(1,990,921)	331,425	-	19,948,823	46,393,240
Profit for the period	-	-	-	-	4,438,961	4,438,961
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	4,438,961	4,438,961
Dividend received by ESOS Trust	-	-	52,329	-	-	52,329
Dividend to equity shareholders	-	-	-	-	(2,687,446)	(2,687,446)
Balance at 30 September 2013	28,103,913	(1,990,921)	383,754	-	21,700,338	48,197,084
Balance at 1 October 2013	28,103,913	(1,990,921)	383,754	-	21,700,338	48,197,084
Profit for the period	-	-	-	-	1,622,529	1,622,529
Other comprehensive income	-	-	-	-	(3,788)	(3,788)
Total comprehensive income for the period	-	-	-	-	1,622,529	1,622,529
Balance at 31 December 2013	28,103,913	(1,990,921)	383,754	-	23,319,079	49,815,825

The notes on pages 8 to13 form an integral part of these financial statements.

DIALOG AXIATA PLC**Cash flow statements**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Nine months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
Cash flows from operating activities				
Cash generated from operations	15,446,879	14,694,865	16,172,175	14,635,179
Interest received	66,162	112,335	62,982	107,134
Telecommunication development charge refunds received	919,121	1,248,397	912,831	1,223,734
Interest paid	(269,004)	(233,145)	(268,902)	(232,346)
Tax paid	(271,909)	(101,017)	(256,671)	(90,000)
Defined benefit obligation paid	(34,029)	(23,223)	(15,322)	(20,417)
Net cash generated from operating activities	15,857,220	15,698,212	16,607,093	15,623,284
Cash flows from investing activities				
Purchase of property, plant and equipment	(9,416,536)	(13,130,143)	(5,957,142)	(9,353,111)
Purchase of intangible assets	(249,979)	(7,229,681)	(234,726)	(5,284,430)
Investment in associate	(99,139)	(31,825)	(99,139)	(31,825)
Advances to subsidiaries	-	-	(4,158,200)	(5,767,422)
Advances to associate	(43,481)	-	(43,481)	-
Purchase of available - for - sale financial assets	(20,000)	-	(20,000)	-
Proceed from sale of property, plant and equipment	56,061	57,711	5,397	48,205
Net cash used in investing activities	(9,773,074)	(20,333,938)	(10,507,291)	(20,388,583)
Cash flows from financing activities				
Repayment of borrowings	-	(5,062,847)	-	(5,062,847)
Repayment of finance leases	-	(5,129)	-	-
Proceed from borrowings	-	5,781,445	-	5,781,445
Dividend paid to ordinary shareholders	(2,361,696)	(2,687,446)	(2,361,696)	(2,687,446)
Dividend received - ESOS Trust	45,986	52,329	45,986	52,329
Expenses on share issue	-	(5,000)	-	-
Net cash used in financing activities	(2,315,710)	(1,926,648)	(2,315,710)	(1,916,519)
Net increase / (decrease) cash and cash equivalents	3,768,436	(6,562,374)	3,784,092	(6,681,818)
Movement in cash and cash equivalents				
At start of the year	3,217,502	8,647,069	2,063,250	7,767,439
Increase / (decrease)	3,768,436	(6,562,374)	3,784,092	(6,681,818)
Effect of exchange rate changes	281,996	(146,877)	281,996	(146,775)
At end of the period	7,267,934	1,937,818	6,129,338	938,846

The notes on pages 8 to 13 form an integral part of these financial statements.

DIALOG AXIATA PLC

Notes to the condensed 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) 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 interim financial statements for the nine months ended 30 September 2014 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 2013.

With effect from the financial year 2014, the Group has applied the following new Sri Lanka Accounting Standards for the first time, that are relevant for the preparation of the Group's condensed consolidation interim financial statements.

- (i) SLFRS 10, 'Consolidated Financial Statements'.
- (ii) SLFRS 11, 'Joint Arrangements'.
- (iii) SLFRS 12, 'Disclosures of Interests in Other Entities'.
- (iv) SLFRS 13, 'Fair Value Measurement'.
- (v) IFRIC 21, 'Levies'.

The adoption of the new Sri Lanka Accounting Standards did not have any significant impact to the Group during the current quarter and for the nine months ended 30 September 2014.

3 Segment information

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

- The segment results for the period ended 30 September 2014 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	42,697,409	3,919,867	3,389,979	-	50,007,255
Inter - segment revenue	561,519	582,432	15,176	-	1,159,127
Total segmental revenue	43,258,928	4,502,299	3,405,155	-	51,166,382
Segment operating profit / (loss) for the period	6,511,632	(892,983)	283,929	(37,846)	5,864,732
Finance costs - net					(245,017)
Share of loss from associates - net of tax					(88,091)
Profit before income tax					5,531,624
Taxation					(912,137)
Profit for the period					4,619,487

DIALOG AXIATA PLC

Notes to the condensed 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	7,308,034	1,839,432	452,206	37,715	9,637,387

- The segment assets and liabilities at 30 September 2014 and capital expenditure for the period then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	108,252,194	23,075,475	4,933,584	(11,255,918)	125,035,335
Inter - segment assets	(16,927,644)	(1,901,940)	(217,099)	-	(19,046,683)
Total assets	91,324,550	21,173,535	4,716,485	(11,255,918)	105,988,652
Liabilities	55,328,547	23,766,702	4,196,030	-	83,291,279
Inter - segment liabilities	(187,349)	(16,384,158)	(2,776,300)	-	(19,347,807)
Total liabilities	55,141,198	7,382,544	1,419,730	-	63,943,472
Capital expenditure	6,191,868	2,491,019	983,628	-	9,666,515

- The segment results for the period ended 30 September 2013 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	40,684,153	3,699,765	2,612,693	-	46,996,611
Inter - segment revenue	515,778	659,474	24,452	-	1,199,704
Total segmental revenue	41,199,931	4,359,239	2,637,145	-	48,196,315
Segment operating profit /(loss) for the period	6,616,638	(233,493)	29,246	(36,874)	6,375,517
Finance costs - net					(1,427,936)
Share of loss from associates - net of tax					(25,018)
Profit before income tax					4,922,563
Taxation					(844,261)
Profit for the period					4,078,302

- 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	7,006,375	1,513,509	417,850	37,715	8,975,449

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

3 Segment information (Continued)

- The segment assets and liabilities at 31 December 2013 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	103,988,007	22,155,162	3,839,509	(11,188,203)	118,794,475
Inter - segment assets	(13,884,042)	(1,249,854)	2,850	-	(15,131,046)
Total assets	90,103,965	20,905,308	3,842,359	(11,188,203)	103,663,429
Liabilities	54,172,182	21,922,004	3,354,065	-	79,448,251
Inter - segment liabilities	(175,772)	(12,911,277)	(2,433,343)	-	(15,520,392)
Total liabilities	53,996,410	9,010,727	920,722	-	63,927,859
Capital expenditure	19,812,918	7,137,781	964,591	-	27,915,290

4 Seasonal or cyclical factors

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

5 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 2014.

6 Estimates

The preparation of 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 nine months ended 30 September 2014.

In preparing the 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 2013.

7 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 2014.

8 Stated capital

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

9 Earnings per share

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

10 Market price per share

For the three months ended 30 September

	2014 Rs.	2013 Rs.
- Highest	11.60	8.80
- Lowest	10.40	7.90
- Last traded	11.50	8.50

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

11 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	276,486,558	3.40%
3 HSBC INTL NOM LIMITED - BBH Genesis Smaller Companies	178,669,912	2.19%
4 Dialog Axiata Employees ESOS Trust	158,572,462	1.95%
5 CB NY S/A International Finance Corporation	64,086,800	0.79%
6 HSBC INTL Nominees Limited - JPMCB Scottish ORL SML TR GTI 6018	62,823,900	0.77%
7 HSBC International Nominees Limited - BBH - Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.68%
8 HSBC INTL Nom Limited - SSBT- National Westminster Bank PLC as depositary of first state Indian subcontinent fund a sub fund of first state investments ICVC	51,154,800	0.63%
9 BNY - CF Ruffer Investment Funds : CF Ruffer Pacific Fund	44,314,300	0.54%
10 HSBC INTL Nom Limited - SSBT- National Westminster Bank PLC as depositary of first state Asia Pacific fund a sub fund of first state investments ICVC	43,473,700	0.53%
11 The Ceylon Guardian Investment Trust PLC A/C No.2	31,733,585	0.39%
12 The Ceylon Investment PLC A/C No. 2	31,473,413	0.39%
13 Northern Trust Co S/A EDGBASTON Asian Equity Trust	23,371,619	0.29%
14 Northern Trust Co S/A Prince Street Opportunities Limited	22,000,000	0.27%
15 Mellon Bank N.A.- UPS Group Trust	18,880,000	0.23%
16 Mercantile Investments and Finance PLC	11,000,000	0.14%
17 HSBC INTL NOM LTD- SSBT - Parametric Emerging Markets Fund	9,254,631	0.11%
18 Seylan Bank PLC - A/C No. 3	8,959,100	0.11%
19 BNYM SA / NV - Railways pension trustee Company Limited	7,973,670	0.10%
20 National Savings Bank	6,790,960	0.08%

12 Public shareholding

The percentage of public shareholding as at 30 September 2014 was 14.73% (20,544 shareholders), calculated in accordance with the listing rules of the Colombo Stock Exchange (14.73% as at 31 December 2013).

13 Hedging reserve

The hedging reserve represents the fair value relating to derivative financial instrument used to hedge the exposure of variability in cash flow attributable to interest rate risk associated with future interest payments of the floating rated syndicated term loan

The movement of hedging reserve is as follow:

	Company / Group (Rs.000)
Fair value movement of hedging instrument during the period	(19,189)
Difference of fixed and floating interest rates charged to finance costs during the period	105,929
Cash settlement during the period	(80,907)
Balance at 30 September 2014	5,833

Movements of the hedging reserve are recorded through other comprehensive income throughout the period of the hedging contract. The balance of the hedging reserve at each statement of financial position date is recorded under equity and it will be zero at the maturity of the hedging contract.

Further, no tax is applicable for the movement of the hedging reserve recorded in other comprehensive income.

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

14 Investment in redeemable convertible bonds

The Company entered into an investment agreement with Headstart (Private) Limited on 04 September 2014 to purchase convertible redeemable bonds, to be matured on 31 December 2021, at a nominal value of Rs. 85,000,000. Four (04) zero rated convertible redeemable bonds at a nominal value of Rs. 20,000,000 have been issued on 24 September 2014. Remaining value of convertible redeemable bonds amounting to Rs. 65,000,000 will be issued in the future at an interest rate of ten percent (10%) in accordance with the investment agreement.

Investment in convertible redeemable bonds are classified as available - for - sale financial instrument and are measured at fair value by the Company.

15 Financial instruments measured at fair value

		Measurement criteria and the fair value		
	Note	Level 2 Rs.000	Level 3 Rs.000	Total Rs.000
Financial assets				
Available - for - sale financial assets:				
- Investment in unquoted convertible redeemable bonds	(a)	-	20,000	20,000
Financial liabilities				
Derivative designated as hedging instrument:				
- Interest rate swap	(b)	18,936	-	18,936

The Group measure 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 reporting period.

- (a) The carrying value of available - for - sale financial assets represent the fair value of the investment in convertible redeemable bonds in Headstart (Private) Limited as at 30 September 2014. The fair value of the available - for - sale financial assets are determined based on discounted cash flows using interest rate of a similar nature financial instrument at the end of each financial reporting period.
- (b) The carrying amount of the derivative financial instrument represents the fair value of the interest rate swap with notional amount of USD 120,666,667 (31.12.2013 - Rs. Nil) 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.

16 Trade and other payables

Other payables of the Group include a provision made 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 favor 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 matter is now fixed for hearing on 11 December 2014.

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 the this application was terminated upon Dialog Broadband Network (Private) Limited keeping 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 interim financial statements (Continued)

17 Effects of changes in the composition of the Group

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 2013.

18 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 30 September 2014 are as follows:

	Number of shares
Dr. Hans Wijayasuriya	43,010
Mr. Moksevi Prelis	18,480
Mr. Mohamed Muhsin	18,040

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

19 Cash and cash equivalents

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

	30 Sep 2014 Rs.	31 Dec 2013 Rs.
Standard Chartered Bank, amount deposited in escrow account for the purpose of acquisition of Suntel Limited.	522,760,000	522,760,000
Deutsche Bank AG, amount deposited in escrow account for the purpose of acquisition of Sky Television and Radio Network (Private) Limited.	-	40,000,000
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation.	150,000,000	140,000,000
	672,760,000	702,760,000

20 Valuation of property, plant and equipment

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

21 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 2013.

22 Capital commitments

Capital expenditure contracted for supply of telecommunication equipment at the statement of financial position date but not yet incurred consists of Rs. 6,988,349,087 (31.12.2013 - Rs. 7,244,581,330) and Rs. 9,282,651,734 (31.12.2013 - Rs.11,174,519,125) of the Company and the Group respectively.

23 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.