

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 JUNE 2015**



Report on Review of Interim Financial Information To the Directors of Dialog Axiata PLC

Introduction

We have reviewed the accompanying condensed statements of financial position of Dialog Axiata PLC and its subsidiaries as at June 30, 2015, 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, preliminarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Sri Lanka Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

6 August 2015

Date



PricewaterhouseCoopers

DIALOG AXIATA PLC**Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014
ASSETS				
Non-current assets				
Intangible assets	15,629,790	16,220,414	5,141,133	5,561,147
Property, plant and equipment	70,516,369	71,264,570	50,395,046	51,442,639
Investment in subsidiaries	-	-	18,826,010	18,826,010
Investment in associates	269,842	249,479	422,461	377,833
Amount due from related companies	-	48,806	17,131,699	16,885,475
Financial assets	190,000	115,000	190,000	115,000
	86,606,001	87,898,269	92,106,349	93,208,104
Current assets				
Inventories	514,611	262,624	215,280	131,810
Trade and other receivables	14,036,445	13,244,209	11,395,561	10,751,022
Cash and cash equivalents	8,744,270	10,774,042	7,611,618	9,805,322
	23,295,326	24,280,875	19,222,459	20,688,154
Total assets	109,901,327	112,179,144	111,328,808	113,896,258
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913
Reserves	19,538,792	16,728,377	30,411,659	27,713,534
Total equity	47,642,705	44,832,290	58,515,572	55,817,447
LIABILITIES				
Non-current liabilities				
Borrowings	19,547,790	25,453,950	19,547,790	25,453,950
Derivative financial instrument	60,936	55,837	60,936	55,837
Deferred revenue	1,757,218	1,906,053	1,650,433	1,787,242
Deferred income tax liability	27,335	80	-	-
Employee benefit payables	1,526,032	1,442,038	1,317,404	1,245,365
Provision for other liabilities	1,010,838	1,135,438	803,812	921,130
	23,930,149	29,993,396	23,380,375	29,463,524
Current liabilities				
Trade and other payables	31,419,765	32,257,903	22,952,694	23,926,468
Borrowings	6,197,834	4,457,578	5,775,735	4,051,738
Derivative financial instrument	23,697	9,090	23,697	9,090
Current income tax liabilities	687,177	628,887	680,735	627,991
	38,328,473	37,353,458	29,432,861	28,615,287
Total liabilities	62,258,622	67,346,854	52,813,236	58,078,811
Total equity and liabilities	109,901,327	112,179,144	111,328,808	113,896,258
Net assets per share (Rs.)	5.85	5.50	7.19	6.85

The notes on pages 8 to 13 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 August 2015

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: 6 August 2015

Signed.....
Director

Date: 6 August 2015

DIALOG AXIATA PLC**Statements of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Six months ended 30 June	2014	Six months ended 30 June	2014
	2015	2014	2015	2014
Revenue	35,075,057	32,984,875	29,847,442	28,553,891
Direct costs	(19,610,799)	(19,192,260)	(16,244,722)	(15,911,832)
Gross profit	15,464,258	13,792,615	13,602,720	12,642,059
Distribution costs	(4,803,327)	(4,857,606)	(4,319,732)	(4,230,048)
Administrative costs	(5,565,748)	(5,383,648)	(4,414,283)	(4,445,341)
Other income	12,653	46,539	12,700	43,817
Operating profit	5,107,836	3,597,900	4,881,405	4,010,487
Finance income	261,663	326,480	259,467	364,507
Finance costs	(746,640)	(339,573)	(696,549)	(338,631)
Finance (costs) / income - net	(484,977)	(13,093)	(437,082)	25,876
Share of loss from associates - net of tax	(24,265)	(72,851)	-	-
Profit before income tax	4,598,594	3,511,956	4,444,323	4,036,363
Income tax	(710,146)	(586,273)	(668,165)	(579,961)
Profit for the period	3,888,448	2,925,683	3,776,158	3,456,402
Other comprehensive expense for the period - net change in cash flow hedge	(19,342)	(72,700)	(19,342)	(72,700)
Total comprehensive income for the period	3,869,106	2,852,983	3,756,816	3,383,702
Profit for the period attributable to equity holders of the Company	3,888,448	2,925,683	3,776,158	3,456,402
Total comprehensive income for the period attributable to equity holders of the Company	3,869,106	2,852,983	3,756,816	3,383,702
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.48	0.37	0.46	0.43

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

DIALOG AXIATA PLC**Statements of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Three months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
Revenue	17,744,538	16,653,659	15,156,652	14,365,637
Direct costs	(10,017,987)	(9,371,370)	(8,346,334)	(7,657,754)
Gross profit	7,726,551	7,282,289	6,810,318	6,707,883
Distribution costs	(2,520,915)	(2,598,263)	(2,331,267)	(2,253,259)
Administrative costs	(2,792,820)	(2,580,336)	(2,206,098)	(2,100,452)
Other income	10,718	4,736	10,488	3,893
Operating profit	2,423,534	2,108,426	2,283,441	2,358,065
Finance income	148,779	29,443	147,573	68,465
Finance costs	(274,679)	(121,533)	(259,883)	(148,359)
Finance costs - net	(125,900)	(92,090)	(112,310)	(79,894)
Share of loss from associates - net of tax	(13,142)	(63,694)	-	-
Profit before income tax	2,284,492	1,952,642	2,171,131	2,278,171
Income tax	(377,649)	(296,041)	(340,401)	(291,925)
Profit for the period	1,906,843	1,656,601	1,830,730	1,986,246
Other comprehensive income / (expense) for the period - net change in cash flow hedge	21,860	(54,556)	21,860	(54,556)
Total comprehensive income for the period	1,928,703	1,602,045	1,852,590	1,931,690
Profit for the period attributable to equity holders of the Company	1,906,843	1,656,601	1,830,730	1,986,246
Total comprehensive income for the period attributable to equity holders of the Company	1,928,703	1,602,045	1,852,590	1,931,690
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.23	0.20	0.22	0.25

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	Reserves	Total
Balance at 1 January 2015	28,103,913	-	16,728,377	44,832,290
Profit for the period	-	-	3,888,448	3,888,448
Other comprehensive expense	-	-	(19,342)	(19,342)
Total comprehensive income for the period	-	-	3,869,106	3,869,106
Dividend to equity shareholders	-	-	(1,058,691)	(1,058,691)
Balance at 30 June 2015	28,103,913	-	19,538,792	47,642,705
Balance at 1 January 2014	28,103,913	(1,990,921)	13,622,578	39,735,570
Profit for the period	-	-	2,925,683	2,925,683
Other comprehensive expense	-	-	(72,700)	(72,700)
Total comprehensive income for the period	-	-	2,852,983	2,852,983
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	-	45,986	45,986
Balance at 30 June 2014	28,103,913	(1,990,921)	14,159,851	40,272,843
Balance at 1 July 2014	28,103,913	(1,990,921)	14,159,851	40,272,843
Profit for the period	-	-	3,172,067	3,172,067
Other comprehensive expense	-	-	(152,800)	(152,800)
Total comprehensive income for the period	-	-	3,019,267	3,019,267
Effect of disposal of shares in ESOS Trust	-	1,990,921	(21,001)	1,969,920
Transfer of dividend reserve - ESOS Trust	-	-	(429,740)	(429,740)
Balance at 31 December 2014	28,103,913	-	16,728,377	44,832,290

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	Reserves	Total
Balance at 1 January 2015	28,103,913	-	27,713,534	55,817,447
Profit for the period	-	-	3,776,158	3,776,158
Other comprehensive expense	-	-	(19,342)	(19,342)
Total comprehensive income for the period	-	-	3,756,816	3,756,816
Dividend to equity shareholders	-	-	(1,058,691)	(1,058,691)
Balance at 30 June 2015	28,103,913	-	30,411,659	58,515,572
Balance at 1 January 2014	28,103,913	(1,990,921)	23,702,833	49,815,825
Profit for the period	-	-	3,456,402	3,456,402
Other comprehensive expense	-	-	(72,700)	(72,700)
Total comprehensive income for the period	-	-	3,383,702	3,383,702
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	-	45,986	45,986
Balance at 30 June 2014	28,103,913	(1,990,921)	24,770,825	50,883,817
Balance at 1 July 2014	28,103,913	(1,990,921)	24,770,825	50,883,817
Profit for the period	-	-	3,497,522	3,497,522
Other comprehensive expense	-	-	(104,072)	(104,072)
Total comprehensive income for the period	-	-	3,393,450	3,393,450
Effect of disposal of shares in ESOS Trust	-	1,990,921	(21,001)	1,969,920
Transfer of dividend reserve - ESOS Trust	-	-	(429,740)	(429,740)
Balance at 31 December 2014	28,103,913	-	27,713,534	55,817,447

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

DIALOG AXIATA PLC**Statements of cash flows**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Cash flows from operating activities				
Cash generated from operations	9,200,269	9,691,959	8,411,231	10,675,061
Interest received	257,487	24,927	255,291	22,804
Interest paid	(460,363)	(159,077)	(460,208)	(158,985)
Tax paid	(623,874)	(37,675)	(615,272)	(30,000)
Employee benefits paid	(22,282)	(24,659)	(17,245)	(10,880)
Net cash generated from operating activities	8,351,237	9,495,475	7,573,797	10,498,000
Cash flows from investing activities				
Purchase of property, plant and equipment	(5,574,865)	(5,455,497)	(3,728,714)	(3,193,892)
Purchase of intangible assets	(223,918)	(189,960)	(220,335)	(174,707)
Advances to subsidiaries	-	-	(1,236,226)	(3,297,200)
Advances to associate	-	(93,142)	-	(93,142)
Loans to associate	(75,000)	-	(75,000)	-
Proceed from sale of property, plant and equipment	259,671	3,660	259,671	1,223
Net cash used in investing activities	(5,614,112)	(5,734,939)	(5,000,604)	(6,757,718)
Cash flows from financing activities				
Repayment of borrowings	(3,724,347)	-	(3,724,347)	-
Dividend paid to ordinary shareholders	(1,058,691)	(2,361,696)	(1,058,691)	(2,361,696)
Dividend received by ESOS Trust	-	45,986	-	45,986
Net cash used in financing activities	(4,783,038)	(2,315,710)	(4,783,038)	(2,315,710)
Net (decrease) / increase in cash and cash equivalents	(2,045,913)	1,444,826	(2,209,845)	1,424,572
Movement in cash and cash equivalents				
At start of the year	10,774,042	3,217,502	9,805,322	2,063,250
(Decrease) / increase	(2,045,913)	1,444,826	(2,209,845)	1,424,572
Effect of exchange rate changes	16,141	273,484	16,141	273,484
At end of the period	8,744,270	4,935,812	7,611,618	3,761,306

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 period ended 30 June 2015 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 2014.

With effect from the financial year 2015, 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) SLFRS 3, 'Business Combinations'.
- (ii) SLFRS 13, 'Fair Value Measurement'.
- (iii) SLFRS 8, 'Operating Segments'.
- (iv) LKAS 16, 'Property, Plant and Equipment'.
- (v) LKAS 24 'Related Party Disclosures'.
- (vi) LKAS 38, 'Intangible Assets'.
- (vii) LKAS 19, 'Employee Benefits'.

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 and for the financial period to date.

3 Segment information

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

- The segment results for the period ended 30 June 2015 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	29,367,079	2,937,826	2,770,152	-	35,075,057
Inter-segment revenue	480,363	586,206	31,126	-	1,097,695
Total segmental revenue	29,847,442	3,524,032	2,801,278	-	36,172,752
Segment operating profit / (loss) for the period	4,881,405	73,938	177,943	(25,450)	5,107,836
Finance costs - net					(484,977)
Share of loss from associates - net of tax					(24,265)
Profit before income tax					4,598,594
Income tax					(710,146)
Profit for the period					3,888,448

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	5,089,835	1,347,736	338,687	25,143	6,801,401

- The segment assets and liabilities at 30 June 2015 and capital expenditure for the period then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	111,328,808	24,184,502	5,640,150	(11,263,632)	129,889,828
Inter-segment assets	(17,284,459)	(2,372,906)	(331,136)	-	(19,988,501)
Total assets	94,044,349	21,811,596	5,309,014	(11,263,632)	109,901,327
Liabilities	52,813,236	24,886,559	4,804,510	-	82,504,305
Inter-segment liabilities	(100,420)	(17,135,102)	(3,010,161)	-	(20,245,683)
Total liabilities	52,712,816	7,751,457	1,794,349	-	62,258,622
Capital expenditure	3,949,049	1,192,400	657,334	-	5,798,783

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	28,182,512	2,566,184	2,236,179	-	32,984,875
Inter-segment revenue	371,379	392,549	11,258	-	775,186
Total segmental revenue	28,553,891	2,958,733	2,247,437	-	33,760,061
Segment operating profit /(loss) for the period	4,010,487	(632,431)	244,568	(24,724)	3,597,900
Finance costs - net					(13,093)
Share of loss from associates - net of tax					(72,851)
Profit before income tax					3,511,956
Income tax					(586,273)
Profit for the period					2,925,683

- 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	4,942,954	1,166,092	264,213	25,143	6,398,402

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

3 Segment information (Continued)

- The segment assets and liabilities at 31 December 2014 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	113,896,258	23,815,950	4,991,230	(11,238,489)	131,464,949
Inter-segment assets	(16,965,178)	(2,087,482)	(233,145)	-	(19,285,805)
Total assets	96,931,080	21,728,468	4,758,085	(11,238,489)	112,179,144
Liabilities	58,078,811	24,566,241	4,269,360	-	86,914,412
Inter-segment liabilities	(214,803)	(16,657,400)	(2,695,355)	-	(19,567,558)
Total liabilities	57,864,008	7,908,841	1,574,005	-	67,346,854
Capital expenditure	10,179,200	3,772,061	1,253,136	-	15,204,397

4 Reserves

	Group		Company	
	30 June 2015	31 Dec 2014	30 June 2015	31 Dec 2014
Distributable				
Retained earnings	19,597,471	16,767,714	30,470,338	27,752,871
Non-distributable				
Hedging reserve	(58,679)	(39,337)	(58,679)	(39,337)
	19,538,792	16,728,377	30,411,659	27,713,534

5 Seasonal or cyclical factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 30 June 2015.

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 2014.

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 June 2015.

9 Stated capital

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

DIALOG AXIATA PLC**Notes to the condensed interim financial statements (Continued)****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 June

	2015 Rs.	2014 Rs.
- Highest	11.90	10.60
- Lowest	10.30	9.00
- Last traded	10.50	10.50

12 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 30 June 2015 are as follows:

	Number of shares
Dr. Hansa 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.

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 HSBC INTL Nom Limited-BBH Genesis Smaller Companies	178,669,912	2.19%
3 Employees Provident Fund	177,494,055	2.18%
4 HSBC INTL Nom Limited-SSBT-Wasatch Frontier Emerging Small Countries Fund	134,056,238	1.65%
5 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	88,797,700	1.09%
6 HSBC INTL Nominees Limited-JPMCB Scottish ORL SML TR GTI 6018	65,553,521	0.80%
7 CB NY S/A International Finance Corporation	64,086,800	0.79%
8 BNY-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	57,314,300	0.70%
9 HSBC International Nominees Limited - BBH-Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.68%
10 HSBC INTL Nom Limited-SSBT-National Westminster Bank PLC as depositary of first state Asia Pacific Sustainability fund a sub fund of first state investments ICVC	38,059,200	0.47%
11 Northern Trust Co S/A Edgbaston Asian Equity Trust	30,890,494	0.38%
12 HSBC INTL Nom Limited-JPMCB-Pacific Assets Trust PLC	27,589,800	0.34%
13 Northern Trust Co S/A Prince Street Opportunities Limited	22,000,000	0.27%
14 HSBC INTL Nom Limited-SSBT-Parametric Emerging Markets Fund	21,214,477	0.26%
15 CB NY S/A Wasatch Frontier Emerging Small Countries CIT Fund	19,438,961	0.24%
16 Mellon Bank N.A.-Eaton Vance Trust CO. Collective INV. Trust for Employee Benefit Plans-Eaton Vance Trust CO. Parametric Structured Emerging Market Equity Fund	19,392,086	0.24%
17 Mellon Bank N.A.-UPS Group Trust	18,880,000	0.23%
18 HSBC INTL Nom Limited-SSBT-Global Macro Portfolio	16,292,428	0.20%
19 HSBC INTL Nom Limited-SSBT-Parametric Tax-Managed Emerging Market Fund	15,786,381	0.19%
20 The Ceylon Investment PLC A/C No. 2	13,797,647	0.17%

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

14 Public shareholding

Information pertaining to public shareholding as at 30 June 2015, calculated in accordance with the listing rules of the Colombo Stock Exchange are as follows:

	30 Jun 2015	31 Dec 2014
Public holding percentage	16.68%	16.68%
Market capitalization of the public shareholding (Rs.)	14,263,684,155	18,067,333,263
Number of public shareholders	20,706	20,328

15 Effects of changes in the composition of the Group

Incorporation of Digital Holdings Lanka (Private) Limited ("DHL")

Company incorporated a wholly owned subsidiary under the name Digital Holdings Lanka (Private) Limited ("DHL") on 24 November 2014, under the Companies Act, No.07 of 2007 with an issued share capital of Rs.10, which consist of one (01) ordinary share. The nature of DHL's business is to act as an investment holding company for new business areas of Dialog Group.

The incorporation of DHL has no significant impact to the Group during the financial period to date.

Except disclosed above, there were no other changes in the composition of the Group which was disclosed in the audited financial statements for the year ended 31 December 2014.

16 Financial instruments measured at fair value

Note	Measurement criteria and the fair value					
	Level 2 Rs.000		Level 3 Rs.000		Total Rs.000	
	2015	2014	2015	2014	2015	2014
Financial assets						
Available-for-sale financial assets:						
- Investment in unquoted convertible redeemable bonds	(a)	-	-	40,000	40,000	40,000
Financial liabilities						
Derivative designated as hedging instrument:						
- Interest rate swap	(b)	84,633	64,927	-	-	84,633

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 financial reporting period.

- (a) The carrying value of available-for-sale financial assets represent the fair value of the investment in redeemable convertible bonds in Headstart (Private) Limited. 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 (31.12.2014 - USD 120,666,667) 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.

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

17 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 fixed for hearing on 1 September 2015.

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 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.

18 Cash and cash equivalents

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

	30 Jun 2015 Rs.	31 Dec 2014 Rs.
Standard Chartered Bank, amount deposited in escrow account for the purpose of acquisition of Suntel Limited.	522,760,000	522,760,000
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation.	175,000,000	150,000,000
	697,760,000	672,760,000

19 Dividend paid

A first and final dividend of Rs.0.13 per share amounting to Rs.1,058,691,193 was approved at the Annual General Meeting held on 16 June 2015 for the financial year ended 31 December 2014 and was paid during the quarter ended 30 June 2015.

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 2014.

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.5,772,059,767 (31.12.2014 - Rs.6,568,205,049) and Rs.9,508,962,017 (31.12.2014 - Rs.9,188,421,215) 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.