

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SECOND QUARTER ENDED
30 JUNE 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 30 June 2012, 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.

3 August 2012
COLOMBO

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9838, 471 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan ACA, N.R. Gunasekera FCA,
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA

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DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Statements of financial position

(all amounts in Sri Lankan Rupees thousands)

	As at 30 June 2012		As at 31 December 2011	
	Group	Company	Group	Company
ASSETS				
Non-current assets				
Property, plant and equipment	54,300,339	40,923,607	51,131,257	41,212,795
Intangible assets	9,140,968	1,548,238	3,869,456	1,619,582
Investments in subsidiaries	Nil	17,826,010	Nil	10,326,010
Investment in associate	46,776	27,742	45,108	27,742
Available-for-sale financial asset	30,596	30,596	30,596	30,596
Amount due from related companies	8,738	7,965,079	11,545	14,007,435
	63,527,417	68,321,272	55,087,962	67,224,160
Current assets				
Inventories	452,504	415,533	405,439	395,515
Trade and other receivables	11,793,031	9,257,365	10,281,499	9,023,403
Cash and cash equivalents	4,296,745	3,222,285	10,452,379	6,900,163
	16,542,280	12,895,183	21,139,317	16,319,081
Total assets	80,069,697	81,216,455	76,227,279	83,543,241
EQUITY AND LIABILITIES				
Equity 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	331,425	331,425	291,781	291,781
Revaluation reserve	126,676	92,116	128,469	93,798
Retained earnings	4,897,005	14,076,874	6,619,841	15,660,087
Total equity	31,468,098	40,613,407	33,153,083	42,158,658
LIABILITIES				
Non - current liabilities				
Borrowings	17,141,371	17,141,371	17,017,956	17,017,956
Deferred income tax liabilities	2,317,586	2,317,586	2,013,771	2,013,771
Retirement benefit obligations	537,505	446,052	443,731	403,482
Provision for other liabilities	796,379	618,064	586,660	574,054
Deferred revenue	1,100,204	959,087	1,056,654	1,055,174
	21,893,045	21,482,160	21,118,772	21,064,437
Current liabilities				
Trade and other payables	22,000,042	14,639,187	15,836,925	14,280,082
Current income tax liabilities	87,294	76,749	63,825	60,667
Borrowings	4,621,218	4,404,952	6,054,674	5,979,397
	26,708,554	19,120,888	21,955,424	20,320,146
Total liabilities	48,601,599	40,603,048	43,074,196	41,384,583
Total equity and liabilities	80,069,697	81,216,455	76,227,279	83,543,241
Net asset per share (Rs.)	3.86	4.99	4.07	5.18

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 : 03 August 2012

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 : 03 August 2012

Signed

.....
Director
Date : 03 August 2012

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

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Statements of comprehensive income

(all amounts in Sri Lankan Rupees thousands)

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Group	Company	Group	Company
Revenue	27,015,693	24,036,972	21,972,511	20,145,625
Direct costs	(15,343,272)	(13,307,936)	(12,527,787)	(11,181,142)
Gross margin	11,672,421	10,729,036	9,444,724	8,964,483
Other operating income	38,490	30,147	61,326	51,119
Administrative costs	(4,388,959)	(3,660,451)	(3,951,714)	(3,230,864)
Distribution costs	(3,415,393)	(3,114,559)	(3,097,759)	(2,892,243)
Operating profit	3,906,559	3,984,173	2,456,577	2,892,495
Net finance costs	(3,249,406)	(3,229,308)	(29,172)	(29,487)
Share of profit from associate (net of tax)	1,668	Nil	2,309	Nil
Profit before tax	658,821	754,865	2,429,714	2,863,008
Tax	(310,274)	(304,084)	(149,102)	(146,656)
Profit for the period	348,547	450,781	2,280,612	2,716,352
Total comprehensive income for the period	348,547	450,781	2,280,612	2,716,352
Attributable to:				
Equity holders of the Company	348,547	450,781	2,280,612	2,716,352
Earnings per share attributable to the ordinary shareholders of the Company (expressed in Rs per share)				
- Basic	0.044	0.056	0.286	0.340
- Diluted	0.044	0.056	0.286	0.340

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

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Statements of comprehensive income

(all amounts in Sri Lankan Rupees thousands)

	Three months ended 30 June 2012		Three months ended 30 June 2011	
	Group	Company	Group	Company
Revenue	14,121,087	12,194,449	11,066,903	10,157,797
Direct costs	(8,136,182)	(6,867,874)	(6,196,206)	(5,548,510)
Gross margin	5,984,905	5,326,575	4,870,697	4,609,287
Other operating income	11,437	9,364	17,671	8,529
Administrative costs	(2,148,228)	(1,707,556)	(1,933,937)	(1,568,761)
Distribution costs	(1,781,604)	(1,598,483)	(1,622,870)	(1,493,480)
Operating profit	2,066,510	2,029,900	1,331,561	1,555,575
Net finance (costs) / income	(1,018,198)	(1,003,259)	21,036	20,884
Share of profit from associate (net of tax)	938	Nil	2,309	Nil
Profit before tax	1,049,250	1,026,641	1,354,906	1,576,459
Tax	(169,798)	(169,265)	(92,136)	(89,973)
Profit for the period	879,452	857,376	1,262,770	1,486,486
Total comprehensive income for the period	879,452	857,376	1,262,770	1,486,486
Attributable to:				
Equity holders of the Company	879,452	857,376	1,262,770	1,486,486
Earnings per share attributable to the ordinary shareholders of the Company (expressed in Rs per share)				
- Basic	0.110	0.107	0.158	0.186
- Diluted	0.110	0.107	0.158	0.186

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

Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Group

	Stated capital	Shares in ESOS trust	Dividend reserve - ESOS	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2011	28,103,913	(1,990,921)	260,067	131,713	3,356,042	29,860,814
Total comprehensive income for the period	Nil	Nil	Nil	Nil	2,280,612	2,280,612
Dividend received by ESOS	Nil	Nil	31,714	Nil	Nil	31,714
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	272	Nil	272
Depreciation transfer	Nil	Nil	Nil	(1,991)	1,991	Nil
Dividend to ordinary shareholders	Nil	Nil	Nil	Nil	(1,628,756)	(1,628,756)
Balance as at 30 June 2011	28,103,913	(1,990,921)	291,781	129,994	4,009,889	30,544,656
Balance at 1 July 2011	28,103,913	(1,990,921)	291,781	129,994	4,009,889	30,544,656
Total comprehensive income for the period	Nil	Nil	Nil	Nil	2,607,877	2,607,877
Depreciation transfer	Nil	Nil	Nil	(2,075)	2,075	Nil
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	550	Nil	550
Balance at 31 December 2011	28,103,913	(1,990,921)	291,781	128,469	6,619,841	33,153,083
Balance at 1 January 2012	28,103,913	(1,990,921)	291,781	128,469	6,619,841	33,153,083
Total comprehensive income for the period	Nil	Nil	Nil	Nil	348,547	348,547
Dividend received by ESOS	Nil	Nil	39,644	Nil	Nil	39,644
Direct cost on share issue	Nil	Nil	Nil	Nil	(37,500)	(37,500)
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	269	Nil	269
Dividend to ordinary shareholders	Nil	Nil	Nil	Nil	(2,035,945)	(2,035,945)
Depreciation transfer	Nil	Nil	Nil	(2,062)	2,062	Nil
Balance at 30 June 2012	28,103,913	(1,990,921)	331,425	126,676	4,897,005	31,468,098

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

Statement of changes in equity (Contd)

(all amounts in Sri Lanka Rupees Thousands)

Company

	Stated capital	Shares in ESOS trust	Dividend reserve - ESOS	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2011	28,103,913	(1,990,921)	260,067	96,820	11,444,193	37,914,072
Total comprehensive income for the period	Nil	Nil	Nil	Nil	2,716,352	2,716,352
Dividend received by ESOS	Nil	Nil	31,714	Nil	Nil	31,714
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	272	Nil	272
Depreciation transfer	Nil	Nil	Nil	(1,881)	1,881	Nil
Dividend to ordinary shareholders	Nil	Nil	Nil	Nil	(1,628,756)	(1,628,756)
Balance at 30 June 2011	28,103,913	(1,990,921)	291,781	95,211	12,533,670	39,033,654
Balance at 1 July 2011	28,103,913	(1,990,921)	291,781	95,211	12,533,670	39,033,654
Total comprehensive income for the period	Nil	Nil	Nil	Nil	3,124,454	3,124,454
Depreciation transfer	Nil	Nil	Nil	(1,963)	1,963	Nil
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	550	Nil	550
Balance at 31 December 2011	28,103,913	(1,990,921)	291,781	93,798	15,660,087	42,158,658
Balance at 1 January 2012	28,103,913	(1,990,921)	291,781	93,798	15,660,087	42,158,658
Total comprehensive income for the period	Nil	Nil	Nil	Nil	450,781	450,781
Dividend received by ESOS	Nil	Nil	39,644	Nil	Nil	39,644
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	269	Nil	269
Dividend to ordinary shareholders	Nil	Nil	Nil	Nil	(2,035,945)	(2,035,945)
Depreciation transfer	Nil	Nil	Nil	(1,951)	1,951	Nil
Balance at 30 June 2012	28,103,913	(1,990,921)	331,425	92,116	14,076,874	40,613,407

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

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Cash flow statements

(all amounts in Sri Lankan Rupees thousands)

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Group	Company	Group	Company
Cash flows from operating activities				
Cash generated from operations	7,999,120	8,039,446	10,894,501	9,976,878
Interest received	245,657	212,339	144,177	141,411
Interest paid	(146,714)	(145,909)	(101,327)	(102,738)
Tax paid	(65,893)	(58,512)	(58,467)	(56,685)
Retirement benefit obligations paid	(61,434)	(8,280)	(4,793)	(4,611)
Net cash generated from operating activities	7,970,736	8,039,084	10,874,091	9,954,255
Cash flows from investing activities				
Purchases of property, plant and equipment	(4,982,989)	(3,526,871)	(5,301,297)	(4,129,028)
Purchases of intangible assets	(4,210)	(4,210)	(204,082)	(204,082)
Investment in subsidiary (net of cash acquired)	(2,789,073)	Nil	Nil	Nil
Investment in associate	Nil	Nil	(11,440)	(11,440)
Proceeds from sale of investment	Nil	Nil	69,190	69,190
Amounts given to subsidiaries	Nil	(1,735,648)	Nil	(564,456)
Proceeds from sale of property, plant and equipment	29,824	18,750	1,130	1,094
Net cash used in investing activities	(7,746,448)	(5,247,979)	(5,446,499)	(4,838,722)
Cash flows from financing activities				
Repayment of borrowings	(2,598,317)	(2,598,317)	(1,370,000)	(1,370,000)
Repayment of finance leases	(4,316)	Nil	(5,755)	Nil
Proceeds from borrowings	Nil	Nil	1,096,000	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)	(82,637)	(124,023)	(124,023)
Dividend paid to ordinary shareholders	(2,035,945)	(2,035,945)	(1,628,756)	(1,628,756)
Dividend Received - ESOS	39,643	39,643	31,715	31,715
Expenses on share issue	(37,500)	Nil	Nil	Nil
Net cash used in financing activities	(5,969,072)	(5,927,256)	(3,250,819)	(3,245,064)
Net (decrease) / increase in cash and cash equivalents	(5,744,784)	(3,136,151)	2,176,773	1,870,469
Movement in cash and cash equivalents				
At the start of period	9,406,074	5,929,136	4,475,861	4,314,219
(Decrease) / increase	(5,744,784)	(3,136,151)	2,176,773	1,870,469
Exchange losses on cash and cash equivalents	(206,303)	(206,303)	(15,723)	(15,723)
At the end of period	3,454,987	2,586,682	6,636,911	6,168,965

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

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

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 (Mobile, Internet, International, Data and Backbone, Fixed wireless and Transmission infrastructure) and Media related services.

The Company is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at 475, Union Place, Colombo 2.

The issued ordinary shares of the Company have been listed on the Colombo Stock Exchange since 28 July 2005.

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.

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*.

Notes to the interim financial statements (Contd)

4 Reconciliations of SLAS to SLFRS

4.1 Reconciliation of shareholders equity

a) Group

	Note	Under SLAS 30 June 2011	Adjustments	Under SLFRS 30 June 2011
ASSETS				
Non-current assets				
Property, plant and equipment		53,158,079	Nil	53,158,079
Intangible assets		4,022,407	Nil	4,022,407
Investments in subsidiaries		Nil	Nil	Nil
Investment in associate	a	29,728	8,008	37,736
Available-for-sale financial asset	d	30,596	Nil	30,596
Amount due from related companies	c	16,067	(1,425)	14,642
		57,256,877	6,583	57,263,460
Current assets				
Inventories		456,966	Nil	456,966
Trade and other receivables	c	10,483,426	(619)	10,482,807
Cash and cash equivalents		8,392,287	Nil	8,392,287
		19,332,679	(619)	19,332,060
Total assets		76,589,556	5,964	76,595,520
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
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		291,782	Nil	291,782
Revaluation reserve		129,994	Nil	129,994
Retained earnings	e	3,467,912	541,977	4,009,889
		29,954,880	589,777	30,544,657
Total equity		29,954,880	589,777	30,544,657
LIABILITIES				
Non - current liabilities				
Borrowings	b	18,748,613	(562,001)	18,186,612
Deferred income tax liabilities		1,705,171	Nil	1,705,171
Retirement benefit obligations		429,965	Nil	429,965
Provision for other liabilities		623,591	Nil	623,591
Deferred revenue		253,403	Nil	253,403
		21,760,743	(562,001)	21,198,742
Current liabilities				
Trade and other payables		18,265,475	Nil	18,265,475
Current income tax liabilities		29,349	Nil	29,349
Borrowings	b	6,579,109	(21,812)	6,557,297
		24,873,933	(21,812)	24,852,121
Total liabilities		46,634,676	(583,813)	46,050,863
Total equity and liabilities		76,589,556	5,964	76,595,520

Notes to the interim financial statements (Contd)

4.1 Reconciliation of shareholders equity

b) Company

	Note	Under SLAS 30 June 2011	Adjustments	Under SLFRS 30 June 2011
ASSETS				
Non-current assets				
Property, plant and equipment		44,236,133	Nil	44,236,133
Intangible assets		1,721,170	Nil	1,721,170
Investments 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	9,133,974	(1,425)	9,132,549
		65,475,625	(1,425)	65,474,200
Current assets				
Inventories		449,153	Nil	449,153
Trade and other receivables	c	8,944,666	(619)	8,944,047
Cash and cash equivalents		7,727,050	Nil	7,727,050
		17,120,869	(619)	17,120,250
Total assets		82,596,494	(2,044)	82,594,450
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
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		291,782	Nil	291,782
Revaluation reserve		95,211	Nil	95,211
Retained earnings	e	11,999,701	533,969	12,533,670
		38,451,886	581,769	39,033,655
Total equity		38,451,886	581,769	39,033,655
LIABILITIES				
Non - current liabilities				
Borrowings	b	18,748,613	(562,001)	18,186,612
Deferred income tax liabilities		1,705,171	Nil	1,705,171
Retirement benefit obligations		393,368	Nil	393,368
Provision for other liabilities		611,024	Nil	611,024
Deferred revenue		253,403	Nil	253,403
		21,711,579	(562,001)	21,149,578
Current liabilities				
Trade and other payables		16,025,779	Nil	16,025,779
Current income tax liabilities		25,432	Nil	25,432
Borrowings	b	6,381,818	(21,812)	6,360,006
		22,433,029	(21,812)	22,411,217
Total liabilities		44,144,608	(583,813)	43,560,795
Total equity and liabilities		82,596,494	(2,044)	82,594,450

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Notes to the interim financial statements (Contd)

4.2 Reconciliation of comprehensive income

a) Group	Six months ended 30 June 2011			Three months ended 30 June 2011		
	Under SLAS	Adjustments	Under SLFRS	Under SLAS	Adjustments	Under SLFRS
Revenue	21,972,511	Nil	21,972,511	11,066,903	Nil	11,066,903
Direct costs	(12,527,787)	Nil	(12,527,787)	(6,196,206)	Nil	(6,196,206)
Gross margin	9,444,724	Nil	9,444,724	4,870,697	Nil	4,870,697
Other operating income	53,318	8,008	61,326	9,663	8,008	17,671
Administrative costs	(3,951,714)	Nil	(3,951,714)	(1,933,937)	Nil	(1,933,937)
Distribution costs	(3,097,759)	Nil	(3,097,759)	(1,622,870)	Nil	(1,622,870)
Operating profit	2,448,569	8,008	2,456,577	1,323,553	8,008	1,331,561
Net finance income / (costs)	136,583	(165,755)	(29,172)	96,730	(75,694)	21,036
Share of profit from associate (net of tax)	2,309	Nil	2,309	2,309	Nil	2,309
Profit before tax	2,587,461	(157,747)	2,429,714	1,422,592	(67,686)	1,354,906
Tax	(149,102)	Nil	(149,102)	(92,136)	Nil	(92,136)
Profit for the period	2,438,359	(157,747)	2,280,612	1,330,456	(67,686)	1,262,770
Total comprehensive income for the period	2,438,359	(157,747)	2,280,612	1,330,456	(67,686)	1,262,770

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Notes to the interim financial statements (Contd)

4.2 Reconciliation of comprehensive income

b) Company	Six months ended 30 June 2011			Three months ended 30 June 2011		
	Under SLAS	Adjustments	Under SLFRS	Under SLAS	Adjustments	Under SLFRS
Revenue	20,145,625	Nil	20,145,625	10,157,797	Nil	10,157,797
Direct costs	(11,181,142)	Nil	(11,181,142)	(5,548,510)	Nil	(5,548,510)
Gross margin	8,964,483	Nil	8,964,483	4,609,287	Nil	4,609,287
Other operating income	51,119	Nil	51,119	8,529	Nil	8,529
Administrative costs	(3,230,864)	Nil	(3,230,864)	(1,568,761)	Nil	(1,568,761)
Distribution costs	(2,892,243)	Nil	(2,892,243)	(1,493,480)	Nil	(1,493,480)
Operating profit	2,892,495	Nil	2,892,495	1,555,575	Nil	1,555,575
Net finance income / (costs)	136,268	(165,755)	(29,487)	96,578	(75,694)	20,884
Profit before tax	3,028,763	(165,755)	2,863,008	1,652,153	(75,694)	1,576,459
Tax	(146,656)	Nil	(146,656)	(89,973)	Nil	(89,973)
Profit for the period	2,882,107	(165,755)	2,716,352	1,562,180	(75,694)	1,486,486
Total comprehensive income for the period	2,882,107	(165,755)	2,716,352	1,562,180	(75,694)	1,486,486

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Notes to the interim financial statements (Contd)

4.3 Reconciliation of cash flow statement

There are no material differences between the Group statement of cash flows presented under SLFRSs and the Group 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 30 June 2011	
	Group	Company
Borrowings		
Carrying value - non current and current	24,077,722	23,880,431
Reclassification of rated cumulative redeemable preference shares	1,250,000	1,250,000
Impact from initial fair value recognition and subsequent recognition at amortised cost	(583,813)	(583,813)
	<u>24,743,909</u>	<u>24,546,618</u>

Net finance costs

	Six months ended 30 June 2011	
	Group	Company
Finance income	360,536	359,506
Finance costs	(119,340)	(118,625)
Reclassification of dividend paid on rated cumulative redeemable preference shares	(104,613)	(104,613)
Impact from subsequent recognition at amortised cost	(165,755)	(165,755)
	<u>(29,172)</u>	<u>(29,487)</u>

The fair values of non-current and current borrowings are based on cash flows discounted using interest rates ranging from 2.01% to 11.56% (2011: 2.22% to 12.58%).

(c) 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 30 June 2011	
	Group	Company
Trade and other receivables		
Carrying value	10,483,426	8,944,666
Impact from initial fair value recognition and subsequent recognition at amortised cost	(619)	(619)
	<u>10,482,807</u>	<u>8,944,047</u>
Amount due from related companies		
Carrying value	16,067	9,133,974
Impact from initial fair value recognition and subsequent recognition at amortised cost	(1,425)	(1,425)
	<u>14,642</u>	<u>9,132,549</u>

The fair value of the loan given to Axiata Lanka was discounted using a rate based on the 4.05% fixed rate prevailing in market as at 1 January 2011.

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Notes to the interim financial statements (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.

	As at 30 June 2011	
	Group	Company
Retained earnings as reported under SLASs	3,467,912	11,999,701
Investment in associate	8,008	Nil
Borrowings	583,813	583,813
Receivables	(2,044)	(2,044)
Transaction cost - preference share	(47,800)	(47,800)
Retained earnings as reported under SLFRSs	4,009,889	12,533,670

(f) Stated capital

	As at 30 June 2011	
	Group	Company
Stated capital as reported under SLASs	29,306,113	29,306,113
Reclassification of rated cumulative redeemable preference shares	(1,250,000)	(1,250,000)
	28,056,113	28,056,113
Transaction cost related to preference share transferred from share premium to retained earnings	47,800	47,800
	28,103,913	28,103,913

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 period ended 30 June 2012 are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Total segmental revenue	24,036,972	2,206,627	1,429,716	Nil	27,673,315
Inter-segment revenue	(315,700)	(333,744)	(8,178)	Nil	(657,622)
Revenue from external customers	<u>23,721,272</u>	<u>1,872,883</u>	<u>1,421,538</u>	<u>Nil</u>	<u>27,015,693</u>
Operating profit/(loss) segment results	3,984,173	(215,520)	164,648	(26,742)	3,906,559
Net finance costs					(3,249,406)
Share of profit from associate (net of tax)					<u>1,668</u>
Profit before income tax					<u>658,821</u>
Taxation					<u>(310,274)</u>
Profit for the period					<u><u>348,547</u></u>

- 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	3,946,733	833,082	225,991	25,143	5,030,949

- o The segment assets and liabilities at 30 June 2012 and capital expenditure for the period then ended are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Assets	81,216,455	15,015,920	3,449,186	(11,662,338)	88,019,223
Inter -segment assets	(7,938,169)	(11,680)	323	Nil	<u>(7,949,526)</u>
Total assets					<u><u>80,069,697</u></u>
Liabilities	40,603,048	13,811,754	2,563,574	Nil	56,978,376
Inter- segment liabilities	(287,167)	(6,473,721)	(1,615,889)	Nil	<u>(8,376,777)</u>
Total liability					<u><u>48,601,599</u></u>
Capital expenditure	3,531,081	1,087,871	368,247	Nil	4,987,199

Notes to the interim financial statements (Contd)

5 Segment information (Contd)

- o The segment results for the period ended 30 June 2011 are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Total segmental revenue	20,145,625	1,163,541	1,112,762	39,784	22,461,712
Inter-segment revenue	(223,592)	(218,421)	(7,802)	(39,386)	(489,201)
Revenue from external customers	19,922,033	945,120	1,104,960	398	21,972,511
Operating profit/(loss) segment results	2,892,495	(401,543)	(12,155)	(22,220)	2,456,577
Net finance costs					(29,172)
Share of profit from associate					2,309
Profit before tax					2,429,714
Taxation					(149,102)
Profit for the period					2,280,612

- 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	3,965,081	705,590	270,722	25,143	4,966,536

- 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	83,543,241	12,730,168	3,271,278	(9,314,880)	90,229,807
Inter -segment assets	(13,986,531)	(16,008)	11	Nil	(14,002,528)
Total assets					76,227,279
Liabilities	41,384,583	13,616,694	2,494,624	Nil	57,495,901
Inter- segment liabilities	(134,326)	(12,708,505)	(1,578,874)	Nil	(14,421,705)
Total liability					43,074,196
Capital expenditure	6,762,427	1,458,870	498,023	Nil	8,719,320

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

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 30 June 2011		Current presentation 30 June 2011	
		Group	Company	Group	Company
Revenue	b,f	22,015,886	20,176,810	21,972,511	20,145,625
Direct costs	c,d,f	(12,493,090)	(11,124,187)	(12,527,787)	(11,181,142)
Other operating income	a	44,186	41,987	53,318	51,119
Administrative costs	c,d	(3,998,851)	(3,287,819)	(3,951,714)	(3,230,864)
Distribution costs	a,b	(3,119,562)	(2,914,295)	(3,097,759)	(2,892,243)
Net finance costs	e	241,196	240,880	136,583	136,268

- (a) Bad debts written back previously classified under other income are reclassified under distribution costs for better presentation of the financial statements.
- (b) Star point expenses previously classified under distribution costs are reclassified under revenue, based on requirements of IFRIC 13 Customer loyalty programmes.
- (c) Call center service charge of the Group and maintenance expenses, equipment rent, telecom levy related to Dialog Television (Private) Limited, previously classified under administrative expenses are reclassified under direct cost for better presentation of the financial statements.
- (d) Staff cost related to Dialog Broadband Networks (Private) Limited previously classified under direct costs is reclassified under administrative costs for better presentation of the financial statements.
- (e) 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.
- (f) 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.

8 Market price per share

For the three months ended 30 June

	2012 Rs.	2011 Rs.
- Highest	7.20	9.10
- Lowest	5.10	8.90
- Last traded	6.20	8.90

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 Ltd-Life Fund	74,585,920	0.92%
6 CB NY S/A -International Finance Corporation	64,086,800	0.79%
7 HSBC-BBH-Genesis Emerging Markets Opportunities Fund	55,345,900	0.68%
8 Browns Investments (Pvt) Ltd	44,991,400	0.55%
9 BNY-CF Ruffer Investment Funds : Cf Ruffer Pacific Fund	44,314,300	0.54%
10 HSBC-SSBT-Morgan Stanley Asset Management	40,962,397	0.50%
11 HSBC-JPMCB-Scottish ORL SML TR GTI 6018	32,207,500	0.40%
12 Pemberton Asian Opportunities Fund	32,000,000	0.39%
13 HSBC-SSBT- National Westminster Bank AS DEP of FS India Sub Cont	26,370,100	0.32%
14 Associated Electrical Corporation Ltd	24,450,600	0.30%
15 Sri Lanka Insurance Corporation Ltd-General Fund	22,320,360	0.27%
16 JB Cocoshell (Pvt) Ltd.	22,212,746	0.27%
17 Seylan Bank PLC. - A/C No. 3	17,459,100	0.21%
18 Mellon Bank N.A.- Florida Retirement System	14,472,600	0.18%
19 HSBC-SSBT-Morgan Stanley Frontier Emerging Markets Fund Inc	13,703,738	0.17%
20 Mercantile Investments Limited	11,000,000	0.14%

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Notes to the interim financial statements (Contd)

10 Public shareholding

The percentage of public shareholding as at 30 June 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 4,057,918,107 of which Rs 2,959,470,988 was settled in cash in accordance with Share Purchase Agreement as at 30 June 2012. The resultant goodwill to the Group on the acquisition was Rs 5,185,693,608.

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 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, 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.

13 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 30 June 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.

14 Contingent liabilities

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.

15 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.

16 Events after the reporting period

Subsequent to 30 June 2012, no circumstances have arisen which would require adjustments to or disclosure in the financial statements.