

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED
31 DECEMBER 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 31 December 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.

16 February 2015

COLOMBO

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

CHARTERED ACCOUNTANTS

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DIALOG AXIATA PLC**Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
ASSETS				
Non-current assets				
Intangible assets	16,220,414	17,318,737	5,561,147	6,318,363
Property, plant and equipment	71,264,570	68,450,923	51,442,639	50,768,641
Investment in subsidiaries	-	-	18,826,010	18,826,010
Investment in associates	249,479	257,979	377,833	278,694
Amount due from related companies	48,806	1,273	16,885,475	13,864,601
Financial assets	115,000	-	115,000	-
	87,898,269	86,028,912	93,208,104	90,056,309
Current assets				
Inventories	262,624	669,792	131,810	551,256
Trade and other receivables	13,244,209	14,487,943	10,751,022	12,057,912
Cash and cash equivalents	10,774,042	3,217,502	9,805,322	2,063,250
	24,280,875	18,375,237	20,688,154	14,672,418
Total assets	112,179,144	104,404,149	113,896,258	104,728,727
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	28,103,913	26,112,992	28,103,913	26,112,992
Reserves	16,728,377	13,622,578	27,713,534	23,702,833
Total equity	44,832,290	39,735,570	55,817,447	49,815,825
LIABILITIES				
Non-current liabilities				
Borrowings	25,453,950	17,451,422	25,453,950	17,451,422
Derivative financial instrument	55,837	-	55,837	-
Deferred revenue	1,906,053	1,690,733	1,787,242	1,552,055
Deferred income tax liability	80	800	-	-
Employee benefit payables	1,442,038	717,869	1,245,365	588,035
Provision for other liabilities	1,135,438	1,564,353	921,130	1,310,468
	29,993,396	21,425,177	29,463,524	20,901,980
Current liabilities				
Trade and other payables	32,257,903	30,219,606	23,926,468	21,504,891
Borrowings	4,457,578	11,905,931	4,051,738	11,392,675
Derivative financial instrument	9,090	-	9,090	-
Current income tax liabilities	628,887	1,117,865	627,991	1,113,356
	37,353,458	43,243,402	28,615,287	34,010,922
Total liabilities	67,346,854	64,668,579	58,078,811	54,912,902
Total equity and liabilities	112,179,144	104,404,149	113,896,258	104,728,727
Net assets per share (Rs.)	5.50	4.88	6.85	6.12

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

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

Signed

.....
Group Chief Financial Officer

Date: 16 February 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: 16 February 2015

Signed

.....
Director

Date: 16 February 2015

DIALOG AXIATA PLC**Statements of comprehensive income****(all amounts in Sri Lanka Rupees thousands)**

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2014	2013	2014	2013
Revenue	67,285,594	63,297,591	57,963,362	55,445,060
Direct costs	(38,797,061)	(36,865,917)	(32,048,946)	(31,369,285)
Gross profit	28,488,533	26,431,674	25,914,416	24,075,775
Distribution costs	(9,478,487)	(8,605,198)	(8,302,514)	(7,700,619)
Administrative costs	(11,101,636)	(10,250,423)	(8,965,743)	(8,106,116)
Other income	145,378	87,904	86,199	77,590
Operating profit	8,053,788	7,663,957	8,732,358	8,346,630
Finance income	203,427	113,116	199,170	107,068
Finance costs	(819,388)	(1,419,605)	(755,615)	(1,278,276)
Finance costs - net	(615,961)	(1,306,489)	(556,445)	(1,171,208)
Share of loss from associates - net of tax	(107,639)	(29,542)	-	-
Profit before income tax	7,330,188	6,327,926	8,175,913	7,175,422
Income tax	(1,232,438)	(1,126,896)	(1,221,989)	(1,113,932)
Profit for the year	6,097,750	5,201,030	6,953,924	6,061,490
Other comprehensive expense:				
Items that will not be reclassified to profit or loss				
- Actuarial loss on defined benefit obligation - net of tax	(186,163)	(6,888)	(137,435)	(3,788)
Items that may be subsequently reclassified to profit or loss				
- Net change in cash flow hedge	(39,337)	-	(39,337)	-
Other comprehensive expense for the year, net of tax	(225,500)	(6,888)	(176,772)	(3,788)
Total comprehensive income for the year	5,872,250	5,194,142	6,777,152	6,057,702
Attributable to:				
Equity holders of the Company	5,872,250	5,194,142	6,777,152	6,057,702
Basic earnings per share for profit attributable to the ordinary shareholders of the Company (Rs.)	0.76	0.65	0.87	0.76

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

DIALOG AXIATA PLC**Statements of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	Group Three months ended 31 December		Company Three months ended 31 December	
	2014	2013	2014	2013
Revenue	17,278,339	16,300,980	14,704,434	14,245,129
Direct costs	(9,740,708)	(9,818,145)	(7,981,773)	(8,350,886)
Gross profit	7,537,631	6,482,835	6,722,661	5,894,243
Distribution costs	(2,421,591)	(2,303,202)	(2,144,529)	(2,057,188)
Administrative costs	(2,971,578)	(2,900,757)	(2,389,414)	(2,116,071)
Other income	44,594	9,564	32,008	9,008
Operating profit	2,189,056	1,288,440	2,220,726	1,729,992
Finance income	112,154	348,727	170,092	340,001
Finance costs	(483,098)	(227,280)	(536,712)	(169,351)
Finance (costs) / Income - net	(370,944)	121,447	(366,620)	170,650
Share of loss from associates - net of tax	(19,548)	(4,524)	-	-
Profit before income tax	1,798,564	1,405,363	1,854,106	1,900,642
Income tax	(320,301)	(282,635)	(317,881)	(278,113)
Profit for the period	1,478,263	1,122,728	1,536,225	1,622,529
Other comprehensive expense:				
Items that will not be reclassified to profit or loss				
- Actuarial loss on defined benefit obligation - net of tax	(186,163)	(6,888)	(137,435)	(3,788)
Items that may be subsequently reclassified to profit or loss				
- Net change in cash flow hedge	(45,170)	-	(45,170)	-
Other comprehensive expense for the period, net of tax	(231,333)	(6,888)	(182,605)	(3,788)
Total comprehensive income for the period	1,246,930	1,115,840	1,353,620	1,618,741
Attributable to:				
Equity holders of the Company	1,246,930	1,115,840	1,353,620	1,618,741
Basic earnings per share for profit attributable to the ordinary shareholders of the Company (Rs.)	0.18	0.14	0.19	0.20

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

DIALOG AXIATA PLC**Consolidated statement of changes in equity****(all amounts in Sri Lanka Rupees thousands)**

	Attributable to equity holders of the Company			
	Stated capital	Shares in ESOS Trust	Reserves	Total
Balance at 1 January 2014	28,103,913	(1,990,921)	13,622,578	39,735,570
Profit for the year	-	-	6,097,750	6,097,750
Other comprehensive expense	-	-	(225,500)	(225,500)
Total comprehensive income for the year	-	-	5,872,250	5,872,250
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	-	45,986	45,986
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
Balance at 1 January 2013	28,103,913	(1,990,921)	11,068,553	37,181,545
Profit for the year	-	-	5,201,030	5,201,030
Other comprehensive expense	-	-	(6,888)	(6,888)
Total comprehensive income for the year	-	-	5,194,142	5,194,142
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 31 December 2013	28,103,913	(1,990,921)	13,622,578	39,735,570

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

DIALOG AXIATA PLC**Company statement of changes in equity****(all amounts in Sri Lanka Rupees thousands)**

	Attributable to equity holders of the Company			
	Stated capital	Shares in ESOS Trust	Reserves	Total
Balance at 1 January 2014	28,103,913	(1,990,921)	23,702,833	49,815,825
Profit for the year	-	-	6,953,924	6,953,924
Other comprehensive expense	-	-	(176,772)	(176,772)
Total comprehensive income for the year	-	-	6,777,152	6,777,152
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	-	45,986	45,986
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
Balance at 1 January 2013	28,103,913	(1,990,921)	20,280,248	46,393,240
Profit for the year	-	-	6,061,490	6,061,490
Other comprehensive expense	-	-	(3,788)	(3,788)
Total comprehensive income for the year	-	-	6,057,702	6,057,702
Dividend received by ESOS Trust	-	-	52,329	52,329
Dividend to equity shareholders	-	-	(2,687,446)	(2,687,446)
Balance at 31 December 2013	28,103,913	(1,990,921)	23,702,833	49,815,825

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

DIALOG AXIATA PLC**Cash flow statements**

(all amounts in Sri Lanka Rupees thousands)

	Group 31 December		Company 31 December	
	2014	2013	2014	2013
Cash flows from operating activities				
Cash generated from operations	23,837,447	22,218,572	23,548,408	20,781,999
Interest received	183,903	119,901	179,645	113,853
Interest paid	(370,688)	(287,971)	(370,585)	(287,095)
Tax paid	(567,037)	(134,806)	(547,022)	(120,000)
Employee benefits paid	(89,132)	(29,000)	(69,953)	(25,085)
Net cash generated from operating activities	22,994,493	21,886,696	22,740,493	20,463,672
Cash flows from investing activities				
Purchase of property, plant and equipment	(14,570,614)	(19,294,362)	(9,560,672)	(13,140,736)
Purchase of intangible assets	(633,781)	(8,620,928)	(618,528)	(6,672,182)
Investment in associate	(99,139)	(45,348)	(99,139)	(45,348)
Advances to subsidiaries	-	-	(4,533,400)	(6,954,222)
Advances to associate	(48,806)	-	(48,806)	-
Loans to associate	(75,000)	-	(75,000)	-
Purchase of available-for-sale financial assets	(40,000)	-	(40,000)	-
Proceed from sale of property, plant and equipment	83,160	57,855	30,897	48,350
Net cash used in investing activities	(15,384,180)	(27,902,783)	(14,944,648)	(26,764,138)
Cash flows from financing activities				
Repayment of borrowings	-	(15,816,364)	-	(15,816,364)
Repayment of finance leases	-	(5,129)	-	-
Proceed from borrowings	-	19,097,232	-	19,097,232
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
Proceeds from disposal of shares in ESOS Trust	1,969,920	-	1,969,920	-
Expenses on share issue	-	(5,000)	-	-
Net cash (used in) / generated from financing activities	(345,790)	635,622	(345,790)	645,751
Net increase / (decrease) in cash and cash equivalents	7,264,523	(5,380,465)	7,450,055	(5,654,715)
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)	7,264,523	(5,380,465)	7,450,055	(5,654,715)
Effect of exchange rate changes	292,017	(49,102)	292,017	(49,474)
At end of the year	10,774,042	3,217,502	9,805,322	2,063,250

The notes on pages 8 to 14 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 year ended 31 December 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 consolidated 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 year ended 31 December 2014.

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 year ended 31 December 2014 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	57,194,665	5,401,174	4,689,755	-	67,285,594
Inter-segment revenue	768,697	760,763	17,749	-	1,547,209
Total segmental revenue	57,963,362	6,161,937	4,707,504	-	68,832,803
Segment operating profit / (loss) for the year	8,732,358	(906,397)	278,070	(50,243)	8,053,788
Finance costs - net					(615,961)
Share of loss from associates - net of tax					(107,639)
Profit before income tax					7,330,188
Income tax					(1,232,438)
Profit for the year					6,097,750

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	9,807,849	2,486,873	641,776	50,286	12,986,784

- 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

- The segment results for the year ended 31 December 2013 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	54,755,457	4,950,272	3,591,862	-	63,297,591
Inter-segment revenue	689,603	866,476	28,622	-	1,548,701
Total segmental revenue	55,445,060	5,816,748	3,620,484	-	64,882,292
Segment operating profit / (loss) for the year	8,346,630	(385,544)	(248,192)	(48,937)	7,663,957
Finance costs - net					(1,306,489)
Share of loss from associates - net of tax					(29,542)
Profit before income tax					6,327,926
Income tax					(1,126,896)
Profit for the year					5,201,030

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Depreciation, amortisation and impairment	9,377,609	2,000,055	911,854	50,286	12,339,804

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	104,728,727	22,155,162	3,839,509	(11,188,203)	119,535,195
Inter-segment assets	(13,884,042)	(1,249,854)	2,850	-	(15,131,046)
Total assets	90,844,685	20,905,308	3,842,359	(11,188,203)	104,404,149
Liabilities	54,912,902	21,922,004	3,354,065	-	80,188,971
Inter-segment liabilities	(175,772)	(12,911,277)	(2,433,343)	-	(15,520,392)
Total liabilities	54,737,130	9,010,727	920,722	-	64,668,579
Capital expenditure	19,812,918	7,137,781	964,591	-	27,915,290

4 Reserves

	Group		Company	
	2014	2013	2014	2013
Distributable				
Retained earnings	16,767,714	13,238,824	27,752,871	23,319,079
Dividend reserve ESOS Trust	-	383,754	-	383,754
Non-distributable				
Hedging reserve	(39,337)	-	(39,337)	-
At 31 December	16,728,377	13,622,578	27,713,534	23,702,833

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. 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.

5 Employee Share Option Scheme (ESOS)

An alternative employee share scheme which was approved by the shareholders has been introduced by the Company and further, taking into consideration the provisions introduced by the Colombo Stock Exchange in the rules applicable to established employee shares schemes, the ESOS Trust Committee resolved that no further tranches will be granted to employees under the existing ESOS Trust and further resolved to dispose the remaining shares in ESOS Trust with the view of concluding the scheme.

Accordingly, 158,345,662 shares including unallocated shares and the unexercised share options which were surrendered by the eligible employees to the ESOS Trust were disposed in the open market during the month of October 2014, at a price of Rs.12.50 per share.

The proceeds from the sale of shares were directed towards full settlement of the loan outstanding to the Company which was originally put in place to fund the ESOS. The excess funds post settlement of the loan were utilised to fund the disbursement of a sum of Rs.62Mn to eligible employees who surrendered their share options, and to effect a transfer of Rs.368Mn towards the aforementioned alternative employee share scheme introduced by the Company.

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

6 Seasonal or cyclical factors

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

7 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 year ended 31 December 2014.

8 Estimates

The preparation of condensed 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 year to date.

In preparing the condensed 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.

9 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 year ended 31 December 2014.

10 Stated capital

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

11 Earnings per share

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

12 Market price per share

For the three months ended 31 December

	2014 Rs.	2013 Rs.
- Highest	14.10	9.20
- Lowest	11.50	8.50
- Last traded	13.30	9.00

13 Public shareholding

The percentage of public shareholding as at 31 December 2014 was 16.68% (20,344 shareholders), calculated in accordance with the listing rules of the Colombo Stock Exchange (14.73% as at 31 December 2013).

14 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 31 December 2014 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.

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

15 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	137,412,700	1.69%
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	76,876,900	0.94%
6 HSBC INTL Nominees Limited - JPMCB Scottish ORL SML TR GTI 6018	68,851,821	0.85%
7 CB NY S/A International Finance Corporation	64,086,800	0.79%
8 HSBC International Nominees Limited - BBH - Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.68%
9 BNY - CF Ruffer Investment Funds : CF Ruffer Pacific Fund	44,314,300	0.54%
10 The Ceylon Guardian Investment Trust PLC A/C No.2	31,733,585	0.39%
11 The Ceylon Investment PLC A/C No. 2	31,473,413	0.39%
12 Northern Trust Co S/A EDGBASTON Asian Equity Trust	25,847,325	0.32%
13 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	24,130,400	0.30%
14 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	23,993,425	0.29%
15 Northern Trust Co S/A Prince Street Opportunities Limited	22,000,000	0.27%
16 CB NY S/A Wasatch Frontier Emerging Small Countries CIT Fund	19,733,200	0.24%
17 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%
18 Mellon Bank N.A.- UPS Group Trust	18,880,000	0.23%
19 HSBC INTL Nom Limited -JPMCB-Pacific Assets Trust PLC	17,847,200	0.22%
20 HSBC INTL Nom Limited - SSBT - Parametric Emerging Markets Fund	13,671,999	0.17%

16 Financial assets

Financial assets consist of available-for-sale financial assets and loans and receivables;

(a) Available-for-sale financial assets

The Company entered into an investment agreement with Headstart (Private) Limited on 04 September 2014 to purchase redeemable convertible bonds, to be matured on 31 December 2021, at a nominal value of Rs.85,000,000. Four (04) zero rated redeemable convertible bonds at a nominal value of Rs.20,000,000 and another four (04) ten percent (10%) redeemable convertible bonds at a nominal value of Rs.20,000,000 have been issued as at the reporting date. Remaining value of redeemable convertible bonds amounting to Rs.45,000,000 will be issued in the future at an interest rate of ten percent (10%) in accordance with the investment agreement.

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

(b) Loans and receivables

The carrying value represent the loan receivable from Digital Commerce Lanka (Private) Limited measured at amortised cost. The loan carries an interest rate of SLIBOR + 3.25%, which will mature from five (5) years from the grant date and has a repayment moratorium period of 24 months.

The fair value of the loan receivable are based on cash flows discounted using a rate based on the effective interest rates of between 9.89%-9.93% floating (2013 - Nil).

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 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)	-	40,000	40,000
Financial liabilities				
Derivative designated as hedging instrument:				
- Interest rate swap	(b)	64,927	-	64,927

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 as at 31 December 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.

19 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 further hearing on 16 March 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 the 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

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

20 Cash and cash equivalents

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

	31 Dec 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

21 Valuation of property, plant and equipment

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

22 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.

23 Capital commitments

Capital expenditure contracted for supply of telecommunication equipment at the statement of financial position date but not yet incurred consists of Rs.6,568,205,049 (31.12.2013 - Rs.7,244,581,330) and Rs.9,188,421,215 (31.12.2013 Rs.11,174,519,125) of the Company and the Group respectively.

24 Events after the reporting period

The 2015 interim budget was presented by the Government of Sri Lanka (GoSL) on 29 January 2015 and passed by the Parliament of Sri Lanka on 07 February 2015. The GoSL is in the process of enacting legislation corresponding to the budget proposals which would bring the said proposals in to force and also provide definitive clarity with respect to applicability and implementation parameters. Accordingly, and pending legislation and clarity at this time, the consolidated financial results for the year ended 31 December 2014 excludes any and all impacts from the interim budget.

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