

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED
31 MARCH 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 March 31, 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.

12/5/2015

Date

Pramila Kumar Coopers

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DIALOG AXIATA PLC**Statement of financial position**

(all amounts in Sri Lanka Rupees thousands)

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 31 Mar 2015 | 31 Dec 2014 | 31 Mar 2015 | 31 Dec 2014 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | 15,931,870 | 16,220,414 | 5,357,226 | 5,561,147 |
| Property, plant and equipment | 70,454,740 | 71,264,570 | 50,520,050 | 51,442,639 |
| Investment in subsidiaries | - | - | 18,826,010 | 18,826,010 |
| Investment in associates | 238,355 | 249,479 | 377,833 | 377,833 |
| Amount due from related companies | 44,608 | 48,806 | 17,276,275 | 16,885,475 |
| Financial assets | 190,000 | 115,000 | 190,000 | 115,000 |
| | 86,859,573 | 87,898,269 | 92,547,394 | 93,208,104 |
| Current assets | | | | |
| Inventories | 392,540 | 262,624 | 186,100 | 131,810 |
| Trade and other receivables | 13,457,005 | 13,244,209 | 10,822,550 | 10,751,022 |
| Cash and cash equivalents | 12,127,765 | 10,774,042 | 11,026,784 | 9,805,322 |
| | 25,977,310 | 24,280,875 | 22,035,434 | 20,688,154 |
| Total assets | 112,836,883 | 112,179,144 | 114,582,828 | 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 | 18,668,780 | 16,728,377 | 29,617,760 | 27,713,534 |
| Total equity | 46,772,693 | 44,832,290 | 57,721,673 | 55,817,447 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 24,456,348 | 25,453,950 | 24,456,348 | 25,453,950 |
| Derivative financial instrument | 83,558 | 55,837 | 83,558 | 55,837 |
| Deferred revenue | 1,823,167 | 1,906,053 | 1,712,193 | 1,787,242 |
| Deferred income tax liability | - | 80 | - | - |
| Employee benefit payables | 1,478,751 | 1,442,038 | 1,277,021 | 1,245,365 |
| Provision for other liabilities | 1,040,097 | 1,135,438 | 827,745 | 921,130 |
| | 28,881,921 | 29,993,396 | 28,356,865 | 29,463,524 |
| Current liabilities | | | | |
| Trade and other payables | 32,147,987 | 32,257,903 | 23,625,432 | 23,926,468 |
| Borrowings | 4,358,422 | 4,457,578 | 4,204,076 | 4,051,738 |
| Derivative financial instrument | 22,211 | 9,090 | 22,211 | 9,090 |
| Current income tax liabilities | 653,649 | 628,887 | 652,571 | 627,991 |
| | 37,182,269 | 37,353,458 | 28,504,290 | 28,615,287 |
| Total liabilities | 66,064,190 | 67,346,854 | 56,861,155 | 58,078,811 |
| Total equity and liabilities | 112,836,883 | 112,179,144 | 114,582,828 | 113,896,258 |
| Net assets per share (Rs.) | 5.74 | 5.50 | 7.09 | 6.85 |

The notes on pages 7 to 12 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: 12 May 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: 12 May 2015

Signed

.....
Director

Date: 12 May 2015

DIALOG AXIATA PLC**Statement of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

| | Group | | Company | |
|---|------------------------------------|------------------|------------------------------------|------------------|
| | Three months ended 31 March | | Three months ended 31 March | |
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | 17,330,519 | 16,331,216 | 14,690,790 | 14,188,254 |
| Direct costs | (9,592,812) | (9,820,890) | (7,898,388) | (8,254,078) |
| Gross profit | 7,737,707 | 6,510,326 | 6,792,402 | 5,934,176 |
| Distribution costs | (2,282,412) | (2,259,343) | (1,988,465) | (1,976,789) |
| Administrative costs | (2,772,928) | (2,803,312) | (2,208,185) | (2,344,889) |
| Other income | 1,935 | 41,803 | 2,212 | 39,924 |
| Operating profit | 2,684,302 | 1,489,474 | 2,597,964 | 1,652,422 |
| Finance income | 112,884 | 297,037 | 111,894 | 296,042 |
| Finance costs | (471,961) | (218,040) | (436,666) | (190,272) |
| Finance (costs) / Income - net | (359,077) | 78,997 | (324,772) | 105,770 |
| Share of loss from associates - net of tax | (11,123) | (9,157) | - | - |
| Profit before income tax | 2,314,102 | 1,559,314 | 2,273,192 | 1,758,192 |
| Income tax | (332,497) | (290,232) | (327,764) | (288,036) |
| Profit for the period | 1,981,605 | 1,269,082 | 1,945,428 | 1,470,156 |
| Other comprehensive expense for the period – net | | | | |
| Change in cash flow hedge | (41,202) | (18,144) | (41,202) | (18,144) |
| Total comprehensive income for the period | 1,940,403 | 1,250,938 | 1,904,226 | 1,452,012 |
| Profit for the period attributable to equity holders of the Company | 1,981,605 | 1,269,082 | 1,945,428 | 1,470,156 |
| Total comprehensive income for the period attributable to equity holders of the Company | 1,940,403 | 1,250,938 | 1,904,226 | 1,452,012 |
| Basic earnings per share for profit attributable to the equity holders of the Company (Rs.) | 0.24 | 0.16 | 0.24 | 0.18 |

The notes on pages 7 to 12 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 | - | - | 1,981,605 | 1,981,605 |
| Other comprehensive expense | - | - | (41,202) | (41,202) |
| Total comprehensive income for the period | - | - | 1,940,403 | 1,940,403 |
| Balance at 31 March 2015 | 28,103,913 | - | 18,668,780 | 46,772,693 |
| Balance at 1 January 2014 | 28,103,913 | (1,990,921) | 13,622,578 | 39,735,570 |
| Profit for the period | - | - | 1,269,082 | 1,269,082 |
| Other comprehensive expense | - | - | (18,144) | (18,144) |
| Total comprehensive income for the period | - | - | 1,250,938 | 1,250,938 |
| Balance at 31 March 2014 | 28,103,913 | (1,990,921) | 14,873,516 | 40,986,508 |
| Balance at 1 April 2014 | 28,103,913 | (1,990,921) | 14,873,516 | 40,986,508 |
| Profit for the period | - | - | 4,828,668 | 4,828,668 |
| Other comprehensive expense | - | - | (207,356) | (207,356) |
| Total comprehensive income for the period | - | - | 4,621,312 | 4,621,312 |
| 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 |

The notes on pages 7 to 12 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 | - | - | 1,945,428 | 1,945,428 |
| Other comprehensive expense | - | - | (41,202) | (41,202) |
| Total comprehensive income for the period | - | - | 1,904,226 | 1,904,226 |
| Balance at 31 March 2015 | 28,103,913 | - | 29,617,760 | 57,721,673 |
| Balance at 1 January 2014 | 28,103,913 | (1,990,921) | 23,702,833 | 49,815,825 |
| Profit for the period | - | - | 1,470,156 | 1,470,156 |
| Other comprehensive expense | - | - | (18,144) | (18,144) |
| Total comprehensive income for the period | - | - | 1,452,012 | 1,452,012 |
| Balance at 31 March 2014 | 28,103,913 | (1,990,921) | 25,154,845 | 51,267,837 |
| Balance at 1 April 2014 | 28,103,913 | (1,990,921) | 25,154,845 | 51,267,837 |
| Profit for the period | - | - | 5,483,768 | 5,483,768 |
| Other comprehensive expense | - | - | (158,628) | (158,628) |
| Total comprehensive income for the period | - | - | 5,325,140 | 5,325,140 |
| 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 |

The notes on pages 7 to 12 form an integral part of these financial statements.

DIALOG AXIATA PLC**Cash flow statements**

(all amounts in Sri Lanka Rupees thousands)

| | Group | | Company | |
|---|------------------------------------|--------------------|------------------------------------|--------------------|
| | Three months ended 31 March | | Three months ended 31 March | |
| | 2015 | 2014 | 2015 | 2014 |
| Cash flows from operating activities | | | | |
| Cash generated from operations | 3,989,501 | 3,321,130 | 3,688,219 | 3,759,453 |
| Interest received | 96,397 | 7,827 | 95,465 | 6,839 |
| Interest paid | (102,252) | (77,830) | (102,097) | (77,830) |
| Tax paid | (307,238) | (33,847) | (303,035) | (30,000) |
| Employee benefits paid | (16,425) | (6,929) | (12,986) | (5,801) |
| Net cash generated from operating activities | 3,659,983 | 3,210,351 | 3,365,566 | 3,652,661 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (2,130,176) | (3,132,563) | (1,252,794) | (1,644,904) |
| Purchase of intangible assets | (119,040) | (27,854) | (119,040) | (17,422) |
| Advances to subsidiaries | - | - | (715,226) | (2,068,500) |
| Loans to associate | (75,000) | - | (75,000) | - |
| Proceed from sale of property, plant and equipment | 2,086 | 1,710 | 2,086 | - |
| Net cash used in investing activities | (2,322,130) | (3,158,707) | (2,159,974) | (3,730,826) |
| Cash flows from financing activities | | | | |
| Net cash generated from financing activities | - | - | - | - |
| Net increase / (decrease) in cash and cash equivalents | 1,337,853 | 51,644 | 1,205,592 | (78,165) |
| Movement in cash and cash equivalents | | | | |
| At start of the year | 10,774,042 | 3,217,502 | 9,805,322 | 2,063,250 |
| Increase / (decrease) | 1,337,853 | 51,644 | 1,205,592 | (78,165) |
| Effect of exchange rate changes | 15,870 | 247,574 | 15,870 | 247,574 |
| At end of the period | 12,127,765 | 3,516,720 | 11,026,784 | 2,232,659 |

The notes on pages 7 to 12 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 31 March 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 consolidation 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 Disclosure'.
- (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.

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 31 March 2015 are as follows:

| | Mobile operation | Fixed telephony and broadband operation | Television operation | Elimination /adjustment | Group |
|--|---------------------|---|-------------------------|----------------------------|-------------------|
| Revenue from external customers | 14,438,997 | 1,438,625 | 1,452,897 | - | 17,330,519 |
| Inter-segment revenue | 251,793 | 293,927 | 3,269 | - | 548,989 |
| Total segmental revenue | 14,690,790 | 1,732,552 | 1,456,166 | - | 17,879,508 |
| Segment operating profit / (loss) for the period | 2,597,964 | (56,668) | 155,564 | (12,558) | 2,684,302 |
| Finance costs - net | | | | | (359,077) |
| Share of loss from associates - net of tax | | | | | (11,123) |
| Profit before income tax | | | | | 2,314,102 |
| Income tax | | | | | (332,497) |
| Profit for the period | | | | | 1,981,605 |

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 | 2,457,454 | 666,514 | 158,988 | 12,572 | 3,295,528 |

- The segment assets and liabilities at 31 March 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 | 114,582,828 | 23,854,527 | 5,491,670 | (11,251,061) | 132,677,964 |
| Inter-segment assets | (17,371,297) | (2,155,077) | (314,707) | - | (19,841,081) |
| Total assets | 97,211,531 | 21,699,450 | 5,176,963 | (11,251,061) | 112,836,883 |
| Liabilities | 56,861,155 | 24,684,352 | 4,630,407 | - | 86,175,914 |
| Inter-segment liabilities | (225,883) | (17,119,000) | (2,766,841) | - | (20,111,724) |
| Total liabilities | 56,635,272 | 7,565,352 | 1,863,566 | - | 66,064,190 |
| Capital expenditure | 1,371,834 | 556,737 | 320,646 | - | 2,249,217 |

- The segment results for the period ended 31 March 2014 are as follows:

| | Mobile operation | Fixed telephony and broadband operation | Television operation | Elimination /adjustment | Group |
|--|---------------------|---|-------------------------|----------------------------|-------------------|
| Revenue from external customers | 14,005,546 | 1,266,581 | 1,059,089 | - | 16,331,216 |
| Inter-segment revenue | 182,708 | 201,296 | 13,917 | - | 397,921 |
| Total segmental revenue | 14,188,254 | 1,467,877 | 1,073,006 | - | 16,729,137 |
| Segment operating profit /(loss) for the period | 1,652,422 | (293,433) | 143,202 | (12,717) | 1,489,474 |
| Finance costs - net | | | | | 78,997 |
| Share of loss from associates - net of tax | | | | | (9,157) |
| Profit before income tax | | | | | 1,559,314 |
| Income tax | | | | | (290,232) |
| Profit for the period | | | | | 1,269,082 |

- 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 | 2,567,796 | 551,905 | 118,988 | 12,572 | 3,251,261 |

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 | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31 Mar 2015 | 31 Dec 2014 | 31 Mar 2015 | 31 Dec 2014 |
| Distributable | | | | |
| Retained earnings | 18,749,319 | 16,767,714 | 29,698,299 | 27,752,871 |
| Non-distributable | | | | |
| Hedging reserve | (80,539) | (39,337) | (80,539) | (39,337) |
| | 18,668,780 | 16,728,377 | 29,617,760 | 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 31 March 2015.

7 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.

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 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 31 March 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 31 March

| | 2015 Rs. | 2014 Rs. |
|---------------|---------------------|---------------------|
| - Highest | 14.30 | 9.60 |
| - Lowest | 10.30 | 8.90 |
| - Last traded | 10.40 | 9.00 |

12 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 31 March 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 | 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 | 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 Northern Trust Co S/A Edgbaston Asian Equity Trust | 30,159,258 | 0.37% |
| 11 The Ceylon Investment PLC A/C No. 2 | 25,063,413 | 0.31% |
| 12 The Ceylon Guardian Investment Trust PLC A/C No.2 | 24,804,659 | 0.30% |
| 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 Northern Trust Co S/A Prince Street Opportunities Limited | 22,000,000 | 0.27% |
| 15 HSBC INTL Nom Limited - SSBT - Parametric Emerging Markets Fund | 20,004,936 | 0.25% |
| 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 - SSBT - Global Macro Portfolio | 18,689,800 | 0.23% |
| 20 HSBC INTL Nom Limited - JPMCB - Pacific Assets Trust PLC | 17,847,200 | 0.22% |

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

14 Public shareholding

The percentage of public shareholding as at 31 March 2015 was 16.68% (20,571 shareholders), calculated in accordance with the listing rules of the Colombo Stock Exchange (16.68% as at 31 December 2014).

15 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 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) | 105,769 | 64,927 | - | - | 105,769 |

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.

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 now fixed for argument on 15 June 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)

18 Cash and cash equivalents

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

| | 31 March 2015 Rs. | 31 December 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. | 150,000,000 | 150,000,000 |
| | 672,760,000 | 672,760,000 |

19 Valuation of property, plant and equipment

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

20 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.

21 Capital commitments

Capital expenditure contracted for supply of telecommunication equipment at the statement of financial position date but not yet incurred consists of Rs. 6,302,043,421 (31.12.2014 - Rs. 6,568,205,049) and Rs. 9,850,503,627 (31.12.2014 - Rs. 9,188,421,215) of the Company and the Group respectively.

22 Impact to the financial statements from interim budget proposals

The Minister of Finance presented the interim budget 2015 to the Parliament on 29 January 2015. The interim budget as presented alluded to new taxes and levies potentially applicable to the operations of the Dialog Group. Pursuant to the interim budget proposals, a draft Finance Bill and Telecommunication Levy (Amendment) Bill were published by way of a gazette notification on 30 March 2015. The estimated one-off impact arising from new taxes to be legislated through the (Draft) Finance Bill is Rs. 3 Billion. Further, the Draft Telecommunication Levy (Amendment) Bill imposes a levy from every operator providing telecommunication services as a prepaid service, at the rate of twenty five per centum (25%) on the value of supply. The said levy does not apply to internet services provided on a prepaid basis. The consolidated financial results for the period ended 31 March 2015 excludes any and all impacts from the afore referenced bills since they remain in draft form, and corresponding legislation has not been enacted as at the reporting date.

23 Events after the reporting period

With respect to the one-off taxes proposed for legislation through the (draft) Finance Bill, the impact of the said taxes is estimated at Rs. 3.0 Billion. In line with the going forward imperative of investing in the future growth of the Company, and the dilution of profit available for distribution because of these one-off taxes, the Board of Directors of the Company has intimated to the Colombo Stock Exchange its decision to recommend for the approval of shareholders, a total dividend of Rs. 1,058,691,193 for the financial year ended 31 December 2014 which translates to a dividend to shareholders of thirteen cents (Rs. 0.13) per share.

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.