

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2013**





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 2013 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.

17 February 2014
 COLOMBO

PricewaterhouseCoopers
 CHARTERED ACCOUNTANTS

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DIALOG AXIATA PLC**Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2013 | 31 Dec 2012 | 31 Dec 2013 | 31 Dec 2012 |
| ASSETS | | | | |
| Non - current assets | | | | |
| Property, plant and equipment | 68,468,112 | 59,063,675 | 50,768,641 | 44,744,236 |
| Intangible assets | 17,318,737 | 10,385,652 | 6,318,363 | 1,485,313 |
| Investment in subsidiaries | - | - | 18,826,010 | 17,826,010 |
| Investment in associates | 257,979 | 242,173 | 278,694 | 233,346 |
| Available - for - sale financial asset | - | 30,596 | - | 30,596 |
| Amount due from related companies | 1,273 | 5,091 | 13,864,601 | 9,559,729 |
| | 86,046,101 | 69,727,187 | 90,056,309 | 73,879,230 |
| Current assets | | | | |
| Inventories | 652,603 | 284,048 | 551,256 | 213,178 |
| Trade and other receivables | 13,924,290 | 11,753,145 | 11,317,192 | 9,303,756 |
| Cash and cash equivalents | 3,217,502 | 8,769,356 | 2,063,250 | 7,889,726 |
| | 17,794,395 | 20,806,549 | 13,931,698 | 17,406,660 |
| Total assets | 103,840,496 | 90,533,736 | 103,988,007 | 91,285,890 |
| EQUITY | | | | |
| Capital and reserves attributable to equity holders | | | | |
| Stated capital | 28,103,913 | 28,103,913 | 28,103,913 | 28,103,913 |
| Shares in ESOS Trust | (1,990,921) | (1,990,921) | (1,990,921) | (1,990,921) |
| Dividend reserve - ESOS Trust | 383,754 | 331,425 | 383,754 | 331,425 |
| Retained earnings | 13,238,824 | 10,737,128 | 23,319,079 | 19,948,823 |
| Total equity | 39,735,570 | 37,181,545 | 49,815,825 | 46,393,240 |
| LIABILITIES | | | | |
| Non - current liabilities | | | | |
| Borrowings | 17,451,422 | 12,094,321 | 17,451,422 | 12,094,321 |
| Defined benefit obligation | 717,869 | 587,030 | 588,035 | 481,385 |
| Provision for other liabilities | 1,564,353 | 813,874 | 1,310,468 | 663,367 |
| Deferred tax liability | 800 | - | - | - |
| Deferred revenue | 1,690,733 | 1,014,129 | 1,552,055 | 863,001 |
| | 21,425,177 | 14,509,354 | 20,901,980 | 14,102,074 |
| Current liabilities | | | | |
| Trade and other payables | 29,655,953 | 25,863,923 | 20,764,171 | 18,113,467 |
| Current income tax liabilities | 1,117,865 | 24,052 | 1,113,356 | 15,535 |
| Borrowings | 11,905,931 | 12,954,862 | 11,392,675 | 12,661,574 |
| | 42,679,749 | 38,842,837 | 33,270,202 | 30,790,576 |
| Total liabilities | 64,104,926 | 53,352,191 | 54,172,182 | 44,892,650 |
| Total equity and liabilities | 103,840,496 | 90,533,736 | 103,988,007 | 91,285,890 |
| Net assets per share (Rs.) | 4.88 | 4.57 | 6.12 | 5.70 |

The notes on pages 8 to12 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: 17 February 2014

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board of Directors.

Signed

.....
Director

Date: 17 February 2014

Signed

.....
Director

Date: 17 February 2014

DIALOG AXIATA PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

| | Group | | Company | |
|--|------------------------|------------------|------------------------|------------------|
| | Year ended 31 December | | Year ended 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| Revenue | 63,297,591 | 56,345,458 | 55,445,060 | 49,802,752 |
| Direct costs | (36,865,917) | (32,216,108) | (31,369,285) | (27,757,545) |
| Gross profit | 26,431,674 | 24,129,350 | 24,075,775 | 22,045,207 |
| Distribution costs | (8,605,198) | (7,600,969) | (7,700,619) | (7,020,384) |
| Administrative costs | (10,250,423) | (9,865,350) | (8,106,116) | (8,214,754) |
| Other income | 87,904 | 138,146 | 77,590 | 119,637 |
| Operating profit | 7,663,957 | 6,801,177 | 8,346,630 | 6,929,706 |
| Finance income | 113,116 | 307,022 | 107,068 | 270,214 |
| Finance costs | (1,419,605) | (3,034,134) | (1,278,276) | (2,983,165) |
| Finance costs - net | (1,306,489) | (2,727,112) | (1,171,208) | (2,712,951) |
| Share of loss from associates - net of tax | (29,542) | (8,539) | - | - |
| Profit before income tax | 6,327,926 | 4,065,526 | 7,175,422 | 4,216,755 |
| Taxation | (1,126,896) | 1,964,661 | (1,113,932) | 1,973,509 |
| Profit for the year | 5,201,030 | 6,030,187 | 6,061,490 | 6,190,264 |
| Other comprehensive expense, net of tax - Remeasurements of defined benefit obligation (Gratuity) | (6,888) | (8,762) | (3,788) | (219) |
| Total comprehensive income for the year | 5,194,142 | 6,021,425 | 6,057,702 | 6,190,045 |
| Attributable to: | | | | |
| Equity holders of the Company | 5,194,142 | 6,021,425 | 6,057,702 | 6,190,045 |
| Earnings per share attributable to the ordinary shareholders of the Company (expressed in Rs. per share) | | | | |
| - Basic | 0.651 | 0.755 | 0.759 | 0.775 |
| - Diluted | 0.651 | 0.755 | 0.759 | 0.775 |

The notes on pages 8 to 12 form an integral part of these financial statements.

DIALOG AXIATA PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

| | Group | | Company | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Three months ended 31 December | Three months ended 31 December | Three months ended 31 December | Three months ended 31 December |
| | 2013 | 2012 | 2013 | 2012 |
| Revenue | 16,300,980 | 14,978,247 | 14,245,129 | 13,146,561 |
| Direct costs | (9,818,145) | (8,600,600) | (8,350,886) | (7,329,688) |
| Gross profit | 6,482,835 | 6,377,647 | 5,894,243 | 5,816,873 |
| Distribution costs | (2,303,202) | (2,380,524) | (2,057,188) | (2,291,720) |
| Administrative costs | (2,900,757) | (3,363,441) | (2,116,071) | (2,811,254) |
| Other income | 9,564 | 86,480 | 9,008 | 82,151 |
| Operating profit | 1,288,440 | 720,162 | 1,729,992 | 796,050 |
| Finance income | 7,959 | 63,634 | 7,159 | 62,896 |
| Finance costs | 113,488 | 164,875 | 163,491 | 171,027 |
| Finance income - net | 121,447 | 228,509 | 170,650 | 233,923 |
| Share of loss from associates - net of tax | (4,524) | (9,649) | - | - |
| Profit before income tax | 1,405,363 | 939,022 | 1,900,642 | 1,029,973 |
| Taxation | (282,635) | (1,579) | (278,113) | 576 |
| Profit for the period | 1,122,728 | 937,443 | 1,622,529 | 1,030,549 |
| Other comprehensive expense, net of tax - Remeasurements of defined benefit obligation (Gratuity) | (6,888) | (8,762) | (3,788) | (219) |
| Total comprehensive income for the period | 1,115,840 | 928,681 | 1,618,741 | 1,030,330 |
| Attributable to: | | | | |
| Equity holders of the Company | 1,115,840 | 928,681 | 1,618,741 | 1,030,330 |
| Earnings per share attributable to the ordinary shareholders of the Company (expressed in Rs. per share) | | | | |
| - Basic | 0.141 | 0.117 | 0.203 | 0.129 |
| - Diluted | 0.141 | 0.117 | 0.203 | 0.129 |

The notes on pages 8 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 | Dividend reserve ESOS Trust | Retained earnings | Total |
|--|-----------------------|-----------------------------|------------------------------------|--------------------------|-------------------|
| Balance at 1 January 2013 | 28,103,913 | (1,990,921) | 331,425 | 10,737,128 | 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) | 383,754 | 13,238,824 | 39,735,570 |
| Balance at 1 January 2012 | 28,103,913 | (1,990,921) | 291,781 | 6,789,148 | 33,193,921 |
| Profit for the year | - | - | - | 6,030,187 | 6,030,187 |
| Other comprehensive expense | - | - | - | (8,762) | (8,762) |
| Total comprehensive income for the year | - | - | - | 6,021,425 | 6,021,425 |
| Direct cost on share issue | - | - | - | (37,500) | (37,500) |
| Dividend received by ESOS Trust | - | - | 39,644 | - | 39,644 |
| Dividend to equity shareholders | - | - | - | (2,035,945) | (2,035,945) |
| Balance at 31 December 2012 | 28,103,913 | (1,990,921) | 331,425 | 10,737,128 | 37,181,545 |

The notes on pages 8 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 | Dividend reserve ESOS Trust | Retained earnings | Total |
|--|-----------------------|-----------------------------|------------------------------------|--------------------------|-------------------|
| Balance at 1 January 2013 | 28,103,913 | (1,990,921) | 331,425 | 19,948,823 | 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) | 383,754 | 23,319,079 | 49,815,825 |
| Balance at 1 January 2012 | 28,103,913 | (1,990,921) | 291,781 | 15,794,723 | 42,199,496 |
| Profit for the year | - | - | - | 6,190,264 | 6,190,264 |
| Other comprehensive expense | - | - | - | (219) | (219) |
| Total comprehensive income for the year | - | - | - | 6,190,045 | 6,190,045 |
| Dividend received by ESOS Trust | - | - | 39,644 | - | 39,644 |
| Dividend to equity shareholders | - | - | - | (2,035,945) | (2,035,945) |
| Balance at 31 December 2012 | 28,103,913 | (1,990,921) | 331,425 | 19,948,823 | 46,393,240 |

The notes on pages 8 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 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 31 December | | 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| Cash flows from operating activities | | | | |
| Cash generated from operations | 18,541,046 | 21,727,448 | 17,188,503 | 20,054,932 |
| Interest received | 119,901 | 347,270 | 113,853 | 310,589 |
| Telecommunication development charge refund received | 1,248,397 | - | 1,223,734 | - |
| Interest paid | (287,971) | (286,202) | (287,095) | (284,506) |
| Tax paid | (134,806) | (125,513) | (120,000) | (116,755) |
| Defined benefit obligation paid | (29,000) | (79,731) | (25,085) | (23,799) |
| Net cash generated from operating activities | 19,457,567 | 21,583,272 | 18,093,910 | 19,940,461 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (19,638,196) | (17,248,108) | (13,319,103) | (12,349,095) |
| Purchase of intangible assets | (8,620,928) | (160,563) | (6,672,182) | (7,502) |
| Acquisition of subsidiary, net of cash acquired | - | (3,363,175) | - | - |
| Investment in associate | (45,348) | (156,000) | (45,348) | (156,000) |
| Advances to subsidiaries | - | - | (6,954,222) | (3,919,583) |
| Proceed from sale of property, plant and equipment | 57,855 | 63,383 | 48,350 | 47,720 |
| Net cash used in investing activities | (28,246,617) | (20,864,463) | (26,942,505) | (16,384,460) |
| Cash flows from financing activities | | | | |
| Repayment of borrowings | (15,816,364) | (3,916,732) | (15,816,364) | (3,916,732) |
| Repayment of finance leases | (5,129) | (10,668) | - | - |
| Proceed from borrowings | 19,097,232 | 4,884,750 | 19,097,232 | 4,884,750 |
| Redemption of rated cumulative redeemable preference shares | - | (1,250,000) | - | (1,250,000) |
| Dividend paid to rated cumulative redeemable preference shareholders | - | (82,637) | - | (82,637) |
| Dividend paid to ordinary shareholders | (448,313) | (2,035,945) | (448,313) | (2,035,945) |
| Dividend received – ESOS Trust | 52,329 | 39,643 | 52,329 | 39,643 |
| Expenses on share issue | (5,000) | (37,500) | - | - |
| Net cash generated from /(used) in financing activities | 2,874,755 | (2,409,089) | 2,884,884 | (2,360,921) |
| Net (decrease)/increase in cash and cash equivalents | (5,914,295) | (1,690,280) | (5,963,711) | 1,195,080 |
| Movement in cash and cash equivalents | | | | |
| At start of the year | 7,368,121 | 9,406,074 | 6,776,913 | 5,929,135 |
| (Decrease)/increase | (5,914,295) | (1,690,280) | (5,963,711) | 1,195,080 |
| Effect of exchange rate changes | (6,965) | (347,673) | (7,337) | (347,302) |
| At end of the year | 1,446,861 | 7,368,121 | 805,865 | 6,776,913 |

The notes on pages 8 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 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 annual financial statements for the year ended 31 December 2012.

3 Segment information

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

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

| | Mobile operations | Fixed broadband operations | Television operations | 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 | - | 1,584,701 |
| 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 |
| Taxation | | | | | (1,126,896) |
| Profit for the year | | | | | 5,201,030 |

- 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 | 9,377,609 | 2,000,055 | 911,854 | 50,286 | 12,339,804 |

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

| | Mobile operations | Fixed broadband operations | Television operations | Elimination /adjustment | Group |
|-----------------------------|-------------------|----------------------------|-----------------------|-------------------------|--------------------|
| Assets | 103,988,007 | 22,155,162 | 4,016,576 | (11,188,203) | 118,971,542 |
| Inter - segment assets | (13,884,042) | (1,249,854) | 2,850 | - | (15,131,046) |
| Total assets | 90,103,965 | 20,905,308 | 4,019,426 | (11,188,203) | 103,840,496 |
| Liabilities | 54,172,182 | 21,922,004 | 3,531,132 | - | 79,625,318 |
| Inter - segment liabilities | (175,772) | (12,911,277) | (2,433,343) | - | (15,520,392) |
| Total liabilities | 53,996,410 | 9,010,727 | 1,097,789 | - | 64,104,926 |
| Capital expenditure | 19,991,285 | 7,240,828 | 1,067,011 | - | 28,299,124 |

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

3 Segment information (Continued)

- The segment results for the year ended 31 December 2012 are as follows:

| | Mobile operations | Fixed broadband operations | Television operations | Elimination /adjustment | Group |
|--|----------------------|----------------------------------|--------------------------|----------------------------|------------------|
| Revenue from external customers | 49,123,486 | 4,246,278 | 2,975,694 | - | 56,345,458 |
| Inter - segment revenue | 679,266 | 797,893 | 16,960 | - | 1,494,119 |
| Total segmental revenue | 49,802,752 | 5,044,171 | 2,992,654 | - | 57,839,577 |
| Segment operating profit / (loss) for the year | 6,929,706 | (135,350) | 58,208 | (51,387) | 6,801,177 |
| Finance costs - net | | | | | (2,727,112) |
| Share of loss from associates - net of tax | | | | | (8,539) |
| Profit before income tax | | | | | 4,065,526 |
| Taxation | | | | | 1,964,661 |
| Profit for the year | | | | | 6,030,187 |

- 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 | 9,004,359 | 1,913,640 | 587,945 | 50,287 | 11,556,231 |

- The segment assets and liabilities at 31 December 2012 and capital expenditure for the year then ended are as follows:

| | Mobile operations | Fixed broadband operations | Television operations | Elimination /adjustment | Group |
|-----------------------------|----------------------|----------------------------------|--------------------------|----------------------------|-------------------|
| Assets | 91,285,890 | 15,972,197 | 3,579,178 | (10,519,783) | 100,317,482 |
| Inter - segment assets | (9,545,524) | (238,222) | - | - | (9,783,746) |
| Total assets | 81,740,366 | 15,733,975 | 3,579,178 | (10,519,783) | 90,533,736 |
| Liabilities | 44,892,650 | 15,869,425 | 2,791,403 | - | 63,553,478 |
| Inter - segment liabilities | (356,817) | (7,934,481) | (1,909,989) | - | (10,201,287) |
| Total liabilities | 44,535,833 | 7,934,944 | 881,414 | - | 53,352,191 |
| Capital expenditure | 12,356,597 | 4,115,481 | 936,593 | - | 17,408,671 |

4 Seasonal or cyclical factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial year ended 31 December 2013.

6 Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

There were no changes in estimates of amounts reported in prior financial years that may have a material effect in the current quarter and financial year to date.

In preparing the interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the sources of estimates uncertainty were consistent as those applied in the 2012 Audited Financial Statements.

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

7 Issues, repurchases and repayments of debt and equity securities

There were no significant and unusual issues, repurchases and repayments of debt and equity securities during the financial year ended 31 December 2013.

8 Stated capital

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

9 Market price per share

For the three months ended 31 December

| | 2013 Rs. | 2012 Rs. |
|---------------|-------------|-------------|
| - Highest | 9.20 | 9.20 |
| - Lowest | 8.50 | 7.80 |
| - Last traded | 9.00 | 8.30 |

10 Twenty largest shareholders of the Company

| Name of Shareholders | No. of shares | % Holding |
|---|---------------|-----------|
| 1 Axiata Investments (Labuan) Limited | 6,785,252,765 | 83.32% |
| 2 Employees Provident Fund | 213,735,588 | 2.62% |
| 3 HSBC INTL NOM LIMITED -BBH Genesis Smaller Companies | 181,660,558 | 2.23% |
| 4 Dialog Axiata Employees ESOS Trust | 158,572,462 | 1.95% |
| 5 HSBC International nominees Limited Morgan Stanley and INTL PLC own - A/C | 92,592,958 | 1.14% |
| 6 CB NY S/A International finance Corporation | 64,086,800 | 0.79% |
| 7 HSBC INTL Nominees Limited - JPMCB Scottish ORL SML TR GTI 6018 | 62,823,900 | 0.77% |
| 8 HSBC International nominees Limited - BBH - Genesis Emerging Markets Opportunities Fund Limited | 55,345,900 | 0.68% |
| 9 HSBC INTL Nom Limited - SSBT-National Westminster bank plc as depositary of first state Indian subcontinent fund a sub fund of first state investments ICVC | 51,154,800 | 0.63% |
| 10 BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund | 44,314,300 | 0.54% |
| 11 HSBC INTL Nom Limited - SSBT-National Westminster bank plc as depositary of first state Asia pacific fund a sub fund of first state investments ICVC | 43,473,700 | 0.53% |
| 12 Associated Electrical Corporation Limited | 24,950,600 | 0.31% |
| 13 Northern Trust Co S/A Prince street opportunities Limited | 22,000,000 | 0.27% |
| 14 Northern Trust Co S/A EDGBASTON Asian Equity Trust | 20,255,349 | 0.25% |
| 15 Mellon Bank N.A.- UPS Group Trust | 18,880,000 | 0.23% |
| 16 Deutsche bank AG-National Equity Fund | 15,012,327 | 0.18% |
| 17 Sri Lanka Insurance Corporation Limited -Life Fund | 12,572,823 | 0.15% |
| 18 Seylan Bank PLC. - A/C No. 3 | 12,459,100 | 0.15% |
| 19 Mercantile Investments and Finance PLC | 11,000,000 | 0.14% |
| 20 MAS Capital (Private) Limited | 8,450,977 | 0.10% |

11 Public shareholding

The percentage of public shareholding as at 31 December 2013 was 14.73% (14.73% as at 31 December 2012), calculated in accordance with the listing rules of the Colombo Stock Exchange.

12 Bank borrowing

- (a) On 16 July 2013 the Company entered into a Syndicated Term Loan Facility Agreement of USD 200Mn with a 5 year tenure. The facility will be used to finance the Group's capital expenditure, working capital requirements and refinance an existing debt. The term loan carries an interest rate of USD 3 Months LIBOR + 1.45%, which will mature on 29 July 2018 and has a repayment moratorium period of 24 months.
- (b) On 13 January 2014 the Company entered into a fixed Interest Rate Swap (IRS) contract for an amount of USD 120,666,667 with a foreign bank. The IRS contract between the two parties is effective for a period of four and half years expiring on 30 July 2018. The Company and the Group will pay a fixed interest rate of 2.6075% per annum in exchange for receiving USD 3 months LIBOR plus a spread on the amortising outstanding principal amount.

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

13 Trade and other payables

Other payables of the Group include a provision made as a matter of prudence, for a possible claim amounting to a sum of Rs. 4,221,040,185 on account of a judgment delivered against Suntel Limited on 9 March 2012 in HC (Civil) 282/2001(1) in the Commercial High Court of the Western Province in favor of Electroteks Network Services (Private) Limited. Suntel Limited [now amalgamated with Dialog Broadband Networks (Private) Limited], on the basis of legal advice received, has appealed against this judgment to the Supreme Court of Sri Lanka. The matter is now fixed for hearing on 6 March 2014.

Pending such appeal, Electroteks Network Services (Private) Limited filed a writ pending appeal application in the Commercial High Court of the Western Province seeking to execute the judgment given in their favor. On 4 December 2013 Electroteks Network Services (Private) Limited agreed not to pursue this writ pending appeal application upon Dialog Broadband Network (Private) Limited agreeing to keep 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. This matter will be called again on 19 February 2014.

14 Taxation

The Company opted for 2% revenue based tax with effect from the year 2013 with the expiration of the 15 year tax holiday period granted under the agreement entered into between the Company and the Board of investment of Sri Lanka (BOI).

Upon expiry of the tax exemption period granted under the agreement entered into between the Dialog Broadband Networks (Private) Limited (DBN) and the BOI, the business profit of DBN is subjected to a corporate tax of 15% with effect from the year 2011.

Upon expiry of the tax exemption period granted under the agreement entered into between the Dialog Television (Private) Limited (DTV) and the BOI, the business profit of DTV is subjected to a corporate tax of 10% for a period of two years with effect from the year 2012. After the expiration of the aforesaid concessionary period, the business profit of DTV is subjected to corporate tax of 20% for any year of assessment thereafter.

The business profit of Dialog Television Trading (Private) Limited (DTT) is subject to a corporate tax of 28%.

Further, the Company, DBN, DTV and DTT are liable to pay income tax at standard rate of 28% on interest income earned in Sri Lanka Rupees.

15 Effects of changes in the composition of the Group

Acquisition of Sky Television and Radio Network (Private) Limited

The Company's wholly owned subsidiary, Dialog Broadband Networks (Private) Limited, entered in to a Share Purchase Agreement on 23 April 2013 with the shareholders of Sky Television and Radio Network (Private) Limited (Sky TV) to purchase 100 percent equity shares of Sky TV. Sky TV became a wholly owned subsidiary of DBN with effect from 13 May 2013 and accordingly the assets and liabilities of Sky TV were consolidated into the Group. The total consideration for the acquisition of Sky TV was Rs. 800Mn.

Sky TV was amalgamated with DBN, in accordance with provisions of the Companies Act, No. 07 of 2007 (the Act) with effect from 3 July 2013. Accordingly, Sky TV ceased to exist and was removed from the Register by the Registrar-General of Companies and all the assets, rights, liabilities and obligations of Sky TV were succeeded by DBN in accordance with the Act.

16 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 31 December 2013 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 and their spouses other than those disclosed above held any shares in the Company.

17 Impairment of available for sale financial asset

The Company made a full provision for impairment in respect of 10% interest in Sri Lanka Nano Technology (Private) Limited, amounting to Rs. 30,595,773 based on the management judgment.

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

18 Cash and cash equivalents

Cash and cash equivalents of the Group as at 31 December 2013 include a restricted cash of Rs. 702,760,000 deposited in the following financial institutions.

| | 31 Dec 2013 Rs. | 31 Dec 2012 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. | 140,000,000 | 80,000,000 |
| | 702,760,000 | 602,760,000 |

19 Dividends paid

No dividends were declared or paid during the quarter ended 31 December 2013 by the Company.

20 Valuation of property, plant and equipment

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

21 Contingent liabilities

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from such legal claims, except for the guarantee kept by the Company on behalf of Dialog Broadband Networks (Private) Limited in the form of a Bank Guarantee for the value of Rs. 1Bn and a Corporate Guarantee for the value of Rs. 3.2Bn in the writ pending appeal application filed by Electroteks Network Services (Private) Limited.

22 Capital commitments

Capital expenditure contracted for at the statement of financial position date but not yet incurred by the Company and the Group are as follows:

| | Group | | Company | |
|---------------------------------------|-------------|-------------|-------------|-------------|
| | 31 Dec 2013 | 31 Dec 2012 | 31 Dec 2013 | 31 Dec 2012 |
| Supply of telecommunication equipment | 11,174,519 | 10,861,284 | 7,244,581 | 8,200,687 |

23 Events after the reporting period

No events have occurred since the statement of financial position date that would require adjustment to, or disclosure in the financial statements.