

**DIALOG AXIATA PLC**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED  
30 SEPTEMBER 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 September 30 2015, and the related condensed 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, primarily 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.

9/11/2015

Date

PricewaterhouseCoopers

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

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

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

**DIALOG AXIATA PLC****Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>	<b>30 Sep 2015</b>	<b>31 Dec 2014</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	15,968,060	16,220,414	4,906,412	5,561,147
Property, plant and equipment	71,228,157	71,264,570	50,755,557	51,442,639
Investment in subsidiaries	-	-	19,220,729	18,826,010
Investment in associates	49,158	249,479	27,742	377,833
Amount due from related companies	-	48,806	17,662,932	16,885,475
Financial assets	60,000	115,000	230,000	115,000
	<b>87,305,375</b>	<b>87,898,269</b>	<b>92,803,372</b>	<b>93,208,104</b>
<b>Current assets</b>				
Inventories	325,415	262,624	170,375	131,810
Trade and other receivables	14,466,348	13,244,209	11,844,616	10,751,022
Cash and cash equivalents	10,141,218	10,774,042	9,080,855	9,805,322
	<b>24,932,981</b>	<b>24,280,875</b>	<b>21,095,846</b>	<b>20,688,154</b>
<b>Total assets</b>	<b>112,238,356</b>	<b>112,179,144</b>	<b>113,899,218</b>	<b>113,896,258</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders</b>				
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913
Reserves	20,180,599	16,728,377	31,424,536	27,713,534
<b>Total equity</b>	<b>48,284,512</b>	<b>44,832,290</b>	<b>59,528,449</b>	<b>55,817,447</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	19,140,069	25,453,950	19,140,069	25,453,950
Derivative financial instrument	82,286	55,837	82,286	55,837
Deferred revenue	1,718,933	1,906,053	1,593,534	1,787,242
Deferred income tax liability	61,190	80	-	-
Employee benefit payables	1,579,014	1,442,038	1,359,029	1,245,365
Provision for other liabilities	988,525	1,135,438	783,784	921,130
	<b>23,570,017</b>	<b>29,993,396</b>	<b>22,958,702</b>	<b>29,463,524</b>
<b>Current liabilities</b>				
Trade and other payables	30,644,389	32,257,903	22,012,372	23,926,468
Borrowings	8,972,551	4,457,578	8,638,970	4,051,738
Derivative financial instrument	44,308	9,090	44,308	9,090
Current income tax liabilities	722,579	628,887	716,417	627,991
	<b>40,383,827</b>	<b>37,353,458</b>	<b>31,412,067</b>	<b>28,615,287</b>
<b>Total liabilities</b>	<b>63,953,844</b>	<b>67,346,854</b>	<b>54,370,769</b>	<b>58,078,811</b>
<b>Total equity and liabilities</b>	<b>112,238,356</b>	<b>112,179,144</b>	<b>113,899,218</b>	<b>113,896,258</b>
Net assets per share (Rs.)	5.93	5.50	7.31	6.85

The notes on pages 8 to14 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: 9 November 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: 9 November 2015

Signed

Director

Date: 9 November 2015

**DIALOG AXIATA PLC****Statements of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>Nine months ended 30 Sep</b>		<b>Nine months ended 30 Sep</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenue	53,891,047	50,007,255	45,935,991	43,258,928
Direct costs	(29,943,881)	(29,056,353)	(24,592,272)	(24,067,173)
Gross profit	23,947,166	20,950,902	21,343,719	19,191,755
Distribution costs	(7,497,809)	(7,056,896)	(6,678,706)	(6,157,985)
Administrative costs	(8,574,213)	(8,130,058)	(6,756,161)	(6,576,329)
Other income	25,667	100,784	15,983	54,191
Operating profit	7,900,811	5,864,732	7,924,835	6,511,632
Finance income	368,825	320,159	365,437	370,828
Finance costs	(2,555,862)	(565,176)	(2,442,372)	(560,653)
Finance costs - net	(2,187,037)	(245,017)	(2,076,935)	(189,825)
Share of loss from associates - net of tax	(44,097)	(88,091)	-	-
Profit before income tax	5,669,677	5,531,624	5,847,900	6,321,807
Income tax	(1,102,174)	(912,137)	(1,021,617)	(904,108)
<b>Profit for the period</b>	<b>4,567,503</b>	<b>4,619,487</b>	<b>4,826,283</b>	<b>5,417,699</b>
<b>Other comprehensive (expense) / Income for the period</b> - net change in cash flow hedge	(56,590)	5,833	(56,590)	5,833
<b>Total comprehensive income for the period</b>	<b>4,510,913</b>	<b>4,625,320</b>	<b>4,769,693</b>	<b>5,423,532</b>
Profit for the period attributable to:				
- equity holders of the Company	4,567,503	4,619,487	4,826,283	5,417,69
- non-controlling interest	-	-	-	-
Total comprehensive income for the period attributable to:				
- equity holders of the Company	4,510,913	4,625,320	4,769,693	5,423,532
- non-controlling interest	-	-	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.56	0.58	0.59	0.68

The notes on pages 8 to14 form an integral part of these financial statements.

**DIALOG AXIATA PLC****Statements of comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>Three months ended 30 Sep</b>		<b>Three months ended 30 Sep</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenue	18,815,990	17,022,380	16,088,549	14,705,037
Direct costs	(10,333,082)	(9,864,093)	(8,347,550)	(8,155,341)
Gross profit	8,482,908	7,158,287	7,740,999	6,549,696
Distribution costs	(2,694,482)	(2,199,290)	(2,358,974)	(1,927,937)
Administrative costs	(3,008,465)	(2,746,410)	(2,341,878)	(2,130,988)
Other income	13,014	54,245	3,283	10,374
Operating profit	2,792,975	2,266,832	3,043,430	2,501,145
Finance income	107,162	41,585	105,970	40,528
Finance costs	(1,809,222)	(273,509)	(1,745,823)	(256,229)
Finance costs - net	(1,702,060)	(231,924)	(1,639,853)	(215,701)
Share of loss from associates - net of tax	(19,832)	(15,240)	-	-
Profit before income tax	1,071,083	2,019,668	1,403,577	2,285,444
Income tax	(392,028)	(325,864)	(353,452)	(324,147)
<b>Profit for the period</b>	<b>679,055</b>	<b>1,693,804</b>	<b>1,050,125</b>	<b>1,961,297</b>
<b>Other comprehensive (expense) / income for the period</b> - net change in cash flow hedge	(37,248)	78,533	(37,248)	78,533
<b>Total comprehensive income for the period</b>	<b>641,807</b>	<b>1,772,337</b>	<b>1,012,877</b>	<b>2,039,830</b>
Profit for the period attributable to:				
- equity holders of the Company	679,055	1,693,804	1,050,125	1,961,297
- non-controlling interest	-	-	-	-
Total comprehensive income for the period attributable to:				
- equity holders of the Company	641,807	1,772,337	1,012,877	2,039,830
- non-controlling interest	-	-	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.10	0.21	0.13	0.22

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 2015	28,103,913	-	16,728,377	44,832,290
Profit for the period	-	-	4,567,503	4,567,503
Other comprehensive expense	-	-	(56,590)	(56,590)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>4,510,913</b>	<b>4,510,913</b>
Dividend to equity shareholders	-	-	(1,058,691)	(1,058,691)
<b>Balance at 30 September 2015</b>	<b>28,103,913</b>	<b>-</b>	<b>20,180,599</b>	<b>48,284,512</b>
Balance at 1 January 2014	28,103,913	(1,990,921)	13,622,578	39,735,570
Profit for the period	-	-	4,619,487	4,619,487
Other comprehensive income	-	-	5,833	5,833
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>4,625,320</b>	<b>4,625,320</b>
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	-	45,986	45,986
<b>Balance at 30 September 2014</b>	<b>28,103,913</b>	<b>(1,990,921)</b>	<b>15,932,188</b>	<b>42,045,180</b>
Balance at 1 October 2014	28,103,913	(1,990,921)	15,932,188	42,045,180
Profit for the period	-	-	1,478,263	1,478,263
Other comprehensive expense	-	-	(231,333)	(231,333)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1,246,930</b>	<b>1,246,930</b>
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)
<b>Balance at 31 December 2014</b>	<b>28,103,913</b>	<b>-</b>	<b>16,728,377</b>	<b>44,832,290</b>

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 2015	28,103,913	-	27,713,534	55,817,447
Profit for the period	-	-	4,826,283	4,826,283
Other comprehensive expense	-	-	(56,590)	(56,590)
<b>Total comprehensive income for the period</b>	-	-	<b>4,769,693</b>	<b>4,769,693</b>
Dividend to equity shareholders	-	-	(1,058,691)	(1,058,691)
<b>Balance at 30 September 2015</b>	<b>28,103,913</b>	<b>-</b>	<b>31,424,536</b>	<b>59,528,449</b>
Balance at 1 January 2014	28,103,913	(1,990,921)	23,702,833	49,815,825
Profit for the period	-	-	5,417,699	5,417,699
Other comprehensive income	-	-	5,833	5,833
<b>Total comprehensive income for the period</b>	-	-	<b>5,423,532</b>	<b>5,423,532</b>
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	-	45,986	45,986
<b>Balance at 30 September 2014</b>	<b>28,103,913</b>	<b>(1,990,921)</b>	<b>26,810,655</b>	<b>52,923,647</b>
Balance at 1 October 2014	28,103,913	(1,990,921)	26,810,655	52,923,647
Profit for the period	-	-	1,536,225	1,536,225
Other comprehensive expense	-	-	(182,605)	(182,605)
<b>Total comprehensive income for the period</b>	-	-	<b>1,353,620</b>	<b>1,353,620</b>
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)
<b>Balance at 31 December 2014</b>	<b>28,103,913</b>	<b>-</b>	<b>27,713,534</b>	<b>55,817,447</b>

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

**DIALOG AXIATA PLC****Statements of cash flows**

(all amounts in Sri Lanka Rupees thousands)

	<b>Group</b>		<b>Company</b>	
	<b>Nine months ended 30 Sep</b>		<b>Nine months ended 30 Sep</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>				
Cash generated from operations	15,154,036	16,366,000	13,612,178	17,085,006
Interest received	343,639	66,162	340,251	62,982
Interest paid	(565,005)	(269,004)	(564,850)	(268,902)
Tax paid	(946,666)	(271,909)	(933,041)	(256,671)
Employee benefits paid	(28,273)	(34,029)	(20,263)	(15,322)
<b>Net cash generated from operating activities</b>	<b>13,957,731</b>	<b>15,857,220</b>	<b>12,434,275</b>	<b>16,607,093</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(9,438,413)	(9,416,536)	(6,342,880)	(5,957,142)
Purchase of intangible assets	(307,154)	(249,979)	(298,469)	(234,726)
Acquisition of subsidiary, net of cash acquired	(217,260)	-	-	-
Investment in associate	-	(99,139)	-	(99,139)
Advances to subsidiaries	-	-	(1,888,126)	(4,158,200)
Advances to associate	-	(43,481)	-	(43,481)
Loans to subsidiary	(95,000)	-	(95,000)	-
Purchase of available-for-sale financial assets	(20,000)	(20,000)	(20,000)	(20,000)
Proceed from sale of property, plant and equipment	261,210	56,061	259,671	5,397
<b>Net cash used in investing activities</b>	<b>(9,816,617)</b>	<b>(9,773,074)</b>	<b>(8,384,804)</b>	<b>(10,507,291)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(6,659,450)	-	(6,659,450)	-
Proceed from borrowings	2,935,103	-	2,935,103	-
Dividend paid to ordinary shareholders	(1,058,691)	(2,361,696)	(1,058,691)	(2,361,696)
Dividend received by ESOS Trust	-	45,986	-	45,986
<b>Net cash used in financing activities</b>	<b>(4,783,038)</b>	<b>(2,315,710)</b>	<b>(4,783,038)</b>	<b>(2,315,710)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(641,924)</b>	<b>3,768,436</b>	<b>(733,567)</b>	<b>3,784,092</b>
<b>Movement in cash and cash equivalents</b>				
At start of the year	10,774,042	3,217,502	9,805,322	2,063,250
(Decrease) / increase	(641,924)	3,768,436	(733,567)	3,784,092
Effect of exchange rate changes	9,100	281,996	9,100	281,996
<b>At end of the period</b>	<b>10,141,218</b>	<b>7,267,934</b>	<b>9,080,855</b>	<b>6,129,338</b>

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 period ended 30 September 2015 of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standard LKAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

With effect from the financial year 2015, the Group has adopted the amendments to the following Sri Lanka Accounting Standards that are relevant for the preparation of the Group's condensed interim financial statements.

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

The adoption of the above amendments to the Sri Lanka Accounting Standards did not have any significant impact to the Group during the current quarter and for the financial period to date.

#### 3 Segment information

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

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	45,197,500	4,461,772	4,231,775	-	53,891,047
Inter-segment revenue	738,491	877,692	32,205	-	1,648,388
<b>Total segmental revenue</b>	<b>45,935,991</b>	<b>5,339,464</b>	<b>4,263,980</b>	<b>-</b>	<b>55,539,435</b>
Segment operating profit / (loss) for the period	7,924,835	(5,693)	13,706	(32,037)	7,900,811
Finance costs - net					(2,187,037)
Share of loss from associates - net of tax					(44,097)
Profit before income tax					5,669,677
Income tax					(1,102,174)
<b>Profit for the period</b>					<b>4,567,503</b>

## 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	7,630,705	2,094,350	572,951	37,715	10,335,721

- The segment assets and liabilities at 30 September 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	114,268,729	24,168,166	5,459,639	(11,286,683)	132,609,851
Inter-segment assets	(17,846,478)	(2,197,074)	(327,943)	-	(20,371,495)
<b>Total assets</b>	<b>96,422,251</b>	<b>21,971,092</b>	<b>5,131,696</b>	<b>(11,286,683)</b>	<b>112,238,356</b>
Liabilities	54,915,800	24,971,433	4,867,435	-	84,754,668
Inter-segment liabilities	(607,884)	(17,133,834)	(3,059,106)	-	(20,800,824)
<b>Total liabilities</b>	<b>54,307,916</b>	<b>7,837,599</b>	<b>1,808,329</b>	<b>-</b>	<b>63,953,844</b>
Capital expenditure	6,641,349	2,176,337	927,882		9,745,568

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	42,697,409	3,919,867	3,389,979	-	50,007,255
Inter-segment revenue	561,519	582,432	15,176	-	1,159,127
<b>Total segmental revenue</b>	<b>43,258,928</b>	<b>4,502,299</b>	<b>3,405,155</b>	<b>-</b>	<b>51,166,382</b>
Segment operating profit / (loss) for the period	6,511,632	(892,983)	283,929	(37,846)	5,864,732
Finance costs - net					(245,017)
Share of loss from associates - net of tax					(88,091)
Profit before income tax					5,531,624
Income tax					(912,137)
<b>Profit for the period</b>					<b>4,619,487</b>

- 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	7,308,034	1,839,432	452,206	37,715	9,637,387

## 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)
<b>Total assets</b>	<b>96,931,080</b>	<b>21,728,468</b>	<b>4,758,085</b>	<b>(11,238,489)</b>	<b>112,179,144</b>
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)
<b>Total liabilities</b>	<b>57,864,008</b>	<b>7,908,841</b>	<b>1,574,005</b>	<b>-</b>	<b>67,346,854</b>
Capital expenditure	10,179,200	3,772,061	1,253,136	-	15,204,397

#### 4 Reserves

	Group		Company	
	30 Sep 2015	31 Dec 2014	30 Sep 2015	31 Dec 2014
<b>Distributable</b>				
Retained earnings	20,276,526	16,767,714	31,520,463	27,752,871
<b>Non-distributable</b>				
Hedging reserve	(95,927)	(39,337)	(95,927)	(39,337)
	<b>20,180,599</b>	<b>16,728,377</b>	<b>31,424,536</b>	<b>27,713,534</b>

#### 5 Seasonal or cyclical factors

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

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

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

#### 7 Estimates

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

There were no changes in estimates and assumptions used in prior financial periods that may have a material effect in the current quarter and for the financial period to date.

In preparing the condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the sources of estimates uncertainty are consistent with the audited financial statements for the year ended 2014.

#### 8 Issues, repurchases and repayments of debt and equity securities

There were no significant and unusual issues, repurchases and repayments of debt and equity securities during the period ended 30 September 2015.

#### 9 Stated capital

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

**DIALOG AXIATA PLC****Notes to the condensed interim financial statements (Continued)****10 Earnings per share**

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

**11 Market price per share**

For the three months ended 30 September

	<b>2015 Rs.</b>	<b>2014 Rs.</b>
- Highest	12.10	11.60
- Lowest	10.10	10.40
- Last traded	10.90	11.50

**12 Directors' shareholdings**

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

	<b>Number of shares</b>
Dr. Hansa Wijayasuriya	43,010
Mr. Moksevi Preliis	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**

	<b>Name of Shareholders</b>	<b>No. of shares</b>	<b>% Holding</b>
1	Axiata Investments (Labuan) Limited	6,785,252,765	83.32%
2	Employees Provident Fund	177,494,055	2.18%
3	HSBC INTL Nom Limited-BBH Genesis Smaller Companies	174,203,166	2.14%
4	HSBC INTL Nom Limited-SSBT-Wasatch Frontier Emerging Small Countries Fund	103,918,426	1.28%
5	HSBC INTL Nom Limited-SSBT-National Westminster Bank PLC as depositary of first state Indian subcontinent fund a sub fund of first state investments ICVC	88,797,700	1.09%
6	CB NY S/A International Finance Corporation	64,086,800	0.79%
7	BNY-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	57,314,300	0.70%
8	HSBC International Nominees Limited - BBH-Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.68%
9	HSBC INTL Nominees Limited-JPMCB Scottish ORL SML TR GTI 6018	47,472,121	0.58%
10	HSBC INTL Nom Limited-SSBT-National Westminster Bank PLC as depositary of first state Asia Pacific Sustainability fund a sub fund of first state investments ICVC	38,059,200	0.47%
11	CITI Bank Newyork S/A Norgens Bank Account 2	28,720,806	0.35%
12	HSBC INTL Nom Limited-JPMCB-Pacific Assets Trust PLC	27,589,800	0.34%
13	HSBC INTL Nom Limited-SSBT-National Westminster Bank PLC as depositary of first state Asia Pacific Fund as sub fund of first state	22,164,733	0.27%
14	Northern Trust Co S/A Prince Street Opportunities Limited	22,000,000	0.27%
15	Rubber Investment Trust Limited A/C #01	20,000,000	0.25%
16	Mellon Bank N.A.-Eaton Vance Trust CO. Collective INV. Trust for Employee Benefit Plans-Eaton Vance Trust CO. Parametric Structured Emerging Market Equity Fund	19,392,086	0.24%
17	Mellon Bank N.A.-UPS Group Trust	18,880,000	0.23%
18	The Ceylon Investment PLC A/C No. 2	18,797,647	0.23%
19	HSBC INTL Nom Limited-SSBT-Parametric Emerging Markets Fund	17,749,754	0.22%
20	CB NY S/A Wasatch Frontier Emerging Small Countries CIT Fund	16,776,359	0.21%

## DIALOG AXIATA PLC

### Notes to the condensed interim financial statements (Continued)

#### 14 Public shareholding

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

	30 Sep 2015	31 Dec 2014
Public holding percentage	16.68%	16.68%
Market capitalization of the public shareholding (Rs.)	14,807,062,599	18,067,333,263
Number of public shareholders	20,985	20,328

#### 15 Effects of changes in the composition of the Group

##### (a) Incorporation of Digital Health (Private) Limited

Digital Holdings Lanka (Private) Limited ("DHL"), a wholly owned subsidiary of Dialog Axiata PLC and Asiri Hospital Holdings PLC ("Asiri Hospitals") entered in to a Memorandum of Understanding ("MoU") to incorporate Digital Health (Private) Limited ("Digital Health") with the objective of developing and operating a state-of-the-art electronic commerce infrastructure for the healthcare sector in Sri Lanka.

Digital Health was incorporated on 14 August 2015 under the Companies Act. No.07 of 2007 with a stated capital of Rs.1,000 which consist of one hundred (100) ordinary shares. DHL and Asiri Hospitals hold 70% and 30% stake of the initial shareholding of Digital Health respectively. Digital Health is consolidated as a subsidiary of the Group for the financial period ended 30 September 2015.

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

##### (b) Acquisition of Digital Commerce Lanka (Private) Limited

Digital Holdings Lanka (Private) Limited ("DHL"), a wholly owned subsidiary of Dialog Axiata PLC acquired 54.29% (per centum) of the shares in issue of Digital Commerce Lanka (Private) Limited ("DCL"). The acquisition was completed on 15 September 2015 by the transfer of 740,000 ordinary shares in issue to DHL for a total consideration of Rs.247,900,000.

Subsequent to the aforesaid acquisition, DHL and the Company hold 54.29% and 45.71% stake of the shareholding in DCL respectively. Thereby, DCL is consolidated as a fully owned subsidiary of the Group for the financial period ended 30 September 2015. The resultant goodwill on the acquisition was Rs.632,140,495.

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

#### 16 Trade and other payables

Other payables of the Group include a provision made as a matter of prudence, for a possible claim amounting to a sum of Rs.4,221,040,185 on account of a judgment delivered against Suntel Limited on 9 March 2012 in HC (Civil) 282/2001(1) in the Commercial High Court of the Western Province in favor of Electroteks Network Services (Private) Limited. Suntel Limited [now amalgamated with Dialog Broadband Networks (Private) Limited], on the basis of legal advice received, has appealed against this judgment to the Supreme Court of Sri Lanka. The matter is fixed for hearing on 19 February 2016.

Pending such appeal, Electroteks Network Services (Private) Limited filed a writ pending appeal application in the Commercial High Court of the Western Province seeking to execute the judgment given in their favour. On 3 March 2014 proceedings in relation to this application was terminated upon Dialog Broadband Networks (Private) Limited keeping a guarantee to cover the judgment in the appeal made to the Supreme Court of Sri Lanka, through its parent company Dialog Axiata PLC, in the form of a Bank Guarantee for the value of Rs.1Bn and a Corporate Guarantee for the value of Rs.3.2Bn.

**DIALOG AXIATA PLC****Notes to the condensed interim financial statements (Continued)****17 Financial instruments measured at fair value**

		Measurement criteria and the fair value					
	Note	Level 2 Rs.000		Level 3 Rs.000		Total Rs.000	
		2015	2014	2015	2014	2015	2014
<b>Financial assets</b>							
Available-for-sale financial assets:							
- Investment in unquoted convertible redeemable bonds	(a)	-	-	60,000	40,000	60,000	40,000
<b>Financial liabilities</b>							
Derivative designated as hedging instrument:							
- Interest rate swap	(b)	126,594	64,927	-	-	126,594	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. 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 112,220,000 (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.

**18 Cash and cash equivalents**

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

	30 Sep 2015 Rs.	31 Dec 2014 Rs.
Standard Chartered Bank, amount deposited in escrow account for the purpose of acquisition of Suntel Limited.	522,760,000	522,760,000
Hatton National Bank PLC, amount deposited in custodian accounts to facilitate Ez cash operation.	185,000,000	150,000,000
	<b>707,760,000</b>	<b>672,760,000</b>

**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.

**DIALOG AXIATA PLC****Notes to the condensed interim financial statements (Continued)****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.5,403,904,963 (31.12.2014 - Rs.6,568,205,049) and Rs.9,531,011,912(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 Finance Act No. 10 of 2015 certified by the speaker of the parliament of Sri Lanka on 30 October 2015, contains the following tax and levy applicable to the Dialog Group.

- a) Super gain tax, a one off tax of Rs.1,793,855,265 at the rate of twenty five per centum (25%) on the taxable income of the year of assessment 2013/2014.
- b) Mobile telephone operator levy, a one off levy of Rs.250 million.

The consolidated financial results for the period ended 30 September 2015 excludes any and all impacts since the related legislation was not enacted at the reporting date.

**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.