## 2. Summary of significant accounting policies continued

*Executive Incentive plan*

In 2011 the Group established an equity settled Executives Incentive Plan (EIP). As described above, the EIP replaces the LTIP. Under this plan, key executives and other key value drivers of the business are eligible to share in a percentage of the value created for Shareholders. Pay-outs are now in addition to share price growth also based on corporate performance targets.

Each participant in the EIP is awarded a number of units which convert into Company shares according to the level of the Company's share price, EBIT and revenue growth over a term of three years from the date of grant.

The fair value of the awards is recognised as a compensation expense with a corresponding increase in equity. The fair value is measured at grant date, using a Monte Carlo Model, taking into account the terms and conditions on which awards are granted and is spread over the service period during which the key executives become unconditionally entitled to the awards.

For further information please refer to note 21.C.

**Employee benefit trust – Treasury shares**

The Group has an employee benefit trust. The employee benefit trust is separately administrated and is funded by the Group, which consolidates the assets, liabilities, income and expenses in its own accounts. The shares held by the trust are recorded at cost and are shown under "Employee stock purchase plan shares" in the statement of changes in Shareholders' equity.

**Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit (loss) for the year attributable to ordinary equity holders of Dialog by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of Dialog by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if all the securities or other contracts to issue ordinary shares were exercised.

The weighted average number of shares outstanding is as follows:

| | **2012**<br>**000** | 2011<br>000 |
|---|---|---|
| Basic number of shares | **64,681** | 62,873 |
| Effect of dilutive options outstanding | **2,673** | 3,838 |
| **Dilutive number of shares** | **67,354** | 66,711 |

The number of anti-dilutive share options outstanding was 1,071,524 (2011: 615,744).

In 2012 the potential ordinary shares of the convertible bond were antidilutive as their conversion to ordinary shares would increase earnings per share.

**Significant accounting judgements, estimates and assumptions**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The significant accounting estimates and assumptions are outlined below:

*Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. In case of such an indicator, an impairment test is made. This requires the determination of the value in use and the fair value less costs to sell respectively of the assets. Estimating the value in use requires management to make an estimate of the expected future cash flows from the asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of such assets at 31 December 2012 was US$286,845,000 (2011: US$161,685,000), please refer to notes 4, 8, 11 and 12.