

DIALOG AXIATA PLC

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

PricewaterhouseCoopers

16 February 2016

Date

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DIALOG AXIATA PLC**Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
ASSETS				
Non-current assets				
Intangible assets	17,341,413	16,220,414	5,056,319	5,561,147
Property, plant and equipment	79,060,275	71,264,570	54,847,766	51,442,639
Investment in subsidiaries	-	-	19,220,729	18,826,010
Investment in associates	80,349	249,479	27,742	377,833
Amount due from related companies	-	48,806	19,541,635	16,885,475
Financial assets	40,000	115,000	195,000	115,000
	96,522,037	87,898,269	98,889,191	93,208,104
Current assets				
Inventories	556,146	262,624	166,371	131,810
Trade and other receivables	12,780,295	13,244,209	9,957,001	10,751,022
Cash and cash equivalents	6,992,782	10,774,042	5,779,594	9,805,322
	20,329,223	24,280,875	15,902,966	20,688,154
Total assets	116,851,260	112,179,144	114,792,157	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	19,213,739	16,728,377	30,737,111	27,713,534
Non-controlling interest	(697)	-	-	-
Total equity	47,316,955	44,832,290	58,841,024	55,817,447
LIABILITIES				
Non-current liabilities				
Borrowings	15,942,853	25,453,950	15,942,853	25,453,950
Derivative financial instrument	24,937	55,837	24,937	55,837
Deferred revenue	1,723,110	1,906,053	1,537,584	1,787,242
Deferred income tax liability	52,677	80	-	-
Employee benefit payables	1,509,350	1,442,038	1,300,685	1,245,365
Provision for other liabilities	1,147,298	1,135,438	929,656	921,130
	20,400,225	29,993,396	19,735,715	29,463,524
Current liabilities				
Trade and other payables	38,891,171	32,257,903	26,318,810	23,926,468
Borrowings	9,464,388	4,457,578	9,123,304	4,051,738
Derivative financial instrument	12,039	9,090	12,039	9,090
Current income tax liabilities	766,482	628,887	761,265	627,991
	49,134,080	37,353,458	36,215,418	28,615,287
Total liabilities	69,534,305	67,346,854	55,951,133	58,078,811
Total equity and liabilities	116,851,260	112,179,144	114,792,157	113,896,258
Net assets per share (Rs.)	5.81	5.50	7.23	6.85

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

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

Signed

.....
Group Chief Financial Officer

Date: 16 February 2016

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

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

Signed

.....
Director

Date: 16 February 2016

Signed

.....
Director

Date: 16 February 2016

DIALOG AXIATA PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2015	2014	2015	2014
Revenue	73,929,855	67,285,594	62,943,015	57,963,362
Direct costs	(40,828,034)	(38,797,061)	(33,412,404)	(32,048,946)
Gross profit	33,101,821	28,488,533	29,530,611	25,914,416
Distribution costs	(10,838,411)	(9,478,487)	(9,457,149)	(8,302,514)
Administrative costs	(12,799,404)	(11,101,636)	(10,336,314)	(8,965,743)
Other income	32,773	145,378	23,183	86,199
Operating profit	9,496,779	8,053,788	9,760,331	8,732,358
Finance income	485,307	203,427	485,864	199,170
Finance costs	(3,244,317)	(819,388)	(3,101,715)	(755,615)
Finance costs - net	(2,759,010)	(615,961)	(2,615,851)	(556,445)
Share of loss from associates - net of tax	(32,906)	(107,639)	-	-
Profit before income tax	6,704,863	7,330,188	7,144,480	8,175,913
Income tax expense	(1,517,537)	(1,232,438)	(1,397,087)	(1,221,989)
Profit for the year	5,187,326	6,097,750	5,747,393	6,953,924
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
- remeasurement gain/(loss) on defined benefit obligation, net of tax	120,145	(186,163)	96,056	(137,435)
Items that may be subsequently reclassified to profit or loss:				
- net change in cash flow hedge	32,674	(39,337)	32,674	(39,337)
Other comprehensive income/(expense) for the year, net of tax	152,819	(225,500)	128,730	(176,772)
Total comprehensive income for the year	5,340,145	5,872,250	5,876,123	6,777,152
Profit/(loss) for the year is attributable to:				
- owners of the Company	5,188,023	6,097,750	5,747,393	6,953,924
- non-controlling interest	(697)	-	-	-
Total comprehensive income/(expense) for the year is attributable to:				
- owners of the Company	5,340,842	5,872,250	5,876,123	6,777,152
- non-controlling interest	(697)	-	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.64	0.76	0.71	0.87

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

DIALOG AXIATA PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Three months ended 31 Dec		Three months ended 31 Dec	
	2015	2014	2015	2014
Revenue	20,038,808	17,278,339	17,007,024	14,704,434
Direct costs	(10,884,153)	(9,740,708)	(8,820,132)	(7,981,773)
Gross profit	9,154,655	7,537,631	8,186,892	6,722,661
Distribution costs	(3,340,602)	(2,421,591)	(2,778,443)	(2,144,529)
Administrative costs	(4,225,191)	(2,971,578)	(3,580,153)	(2,389,414)
Other income	7,106	44,594	7,200	32,008
Operating profit	1,595,968	2,189,056	1,835,496	2,220,726
Finance income	116,482	112,154	120,427	170,092
Finance costs	(688,455)	(483,098)	(659,343)	(536,712)
Finance costs - net	(571,973)	(370,944)	(538,916)	(366,620)
Share of profit/(loss) from associates - net of tax	11,191	(19,548)	-	-
Profit before income tax	1,035,186	1,798,564	1,296,580	1,854,106
Income tax expense	(415,363)	(320,301)	(375,470)	(317,881)
Profit for the period	619,823	1,478,263	921,110	1,536,225
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
- remeasurement gain/(loss) on defined benefit obligation, net of tax	120,145	(186,163)	96,056	(137,435)
Items that may be subsequently reclassified to profit or loss:				
- net change in cash flow hedge	89,264	(45,170)	89,264	(45,170)
Other comprehensive income/(expense) for the period, net of tax	209,409	(231,333)	185,320	(182,605)
Total comprehensive income for the period	829,232	1,246,930	1,106,430	1,353,620
Profit/(loss) for the period is attributable to:				
- equity holders of the Company	620,520	1,478,263	921,110	1,536,225
- non-controlling interest	(697)	-	-	-
Total comprehensive income/(expense) for the period is attributable to:				
- equity holders of the Company	829,929	1,246,930	1,106,430	1,353,620
- non-controlling interest	(697)	-	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.08	0.18	0.11	0.19

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			Non-controlling interest	Total
	Stated capital	Shares in ESOS Trust	Reserves		
Balance at 1 January 2015	28,103,913	-	16,728,377	-	44,832,290
Adjustment for super gain tax	-	-	(1,796,789)	-	(1,796,789)
Adjusted balance at 1 January 2015	28,103,913	-	14,931,588	-	43,035,501
Profit/(loss) for the year	-	-	5,188,023	(697)	5,187,326
Other comprehensive income	-	-	152,819	-	152,819
Total comprehensive income/(expense) for the year	-	-	5,340,842	(697)	5,340,145
Dividends to equity shareholders	-	-	(1,058,691)	-	(1,058,691)
Balance at 31 December 2015	28,103,913	-	19,213,739	(697)	47,316,955
Balance at 1 January 2014	28,103,913	(1,990,921)	13,622,578	-	39,735,570
Profit for the year	-	-	6,097,750	-	6,097,750
Other comprehensive expense	-	-	(225,500)	-	(225,500)
Total comprehensive income for the year	-	-	5,872,250	-	5,872,250
Dividends to equity shareholders	-	-	(2,361,696)	-	(2,361,696)
Dividends 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 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
Adjustment for super gain tax	-	-	(1,793,855)	(1,793,855)
Adjusted balance at 1 January 2015	28,103,913	-	25,919,679	54,023,592
Profit for the year	-	-	5,747,393	5,747,393
Other comprehensive income	-	-	128,730	128,730
Total comprehensive income for the year	-	-	5,876,123	5,876,123
Dividends to equity shareholders	-	-	(1,058,691)	(1,058,691)
Balance at 31 December 2015	28,103,913	-	30,737,111	58,841,024
Balance at 1 January 2014	28,103,913	(1,990,921)	23,702,833	49,815,825
Profit for the year	-	-	6,953,924	6,953,924
Other comprehensive expense	-	-	(176,772)	(176,772)
Total comprehensive income for the year	-	-	6,777,152	6,777,152
Dividends to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividends 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 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)

	Group		Company	
	31 December		31 December	
	2015	2014	2015	2014
Cash flows from operating activities				
Cash generated from operations	24,940,826	25,457,419	21,234,281	24,008,568
Interest received	467,798	183,903	463,306	179,645
Interest paid	(816,048)	(370,688)	(810,279)	(370,585)
Tax paid	(3,079,470)	(567,037)	(3,057,519)	(547,022)
Employee benefits paid	(34,732)	(89,132)	(26,326)	(69,953)
Net cash generated from operating activities	21,478,374	24,614,465	17,803,463	23,200,653
Cash flows from investing activities				
Purchase of property, plant and equipment	(14,421,231)	(16,190,586)	(9,887,089)	(10,020,832)
Purchase of intangible assets	(2,127,604)	(633,781)	(763,513)	(618,528)
Acquisition of subsidiary, net of cash acquired	(217,260)	-	-	-
Investment in associate	-	(99,139)	-	(99,139)
Advances to subsidiaries	-	-	(2,656,466)	(4,533,400)
Advances to associate	-	(48,806)	-	(48,806)
Loans to subsidiary	-	-	(25,000)	-
Loans to associate	(95,000)	(75,000)	(95,000)	(75,000)
Purchase of available-for-sale financial assets	(20,000)	(40,000)	(20,000)	(40,000)
Proceeds from disposal of available-for-sale financial assets	-	-	60,000	-
Proceeds from sale of property, plant and equipment	266,947	83,160	265,408	30,897
Net cash used in investing activities	(16,614,148)	(17,004,152)	(13,121,660)	(15,404,808)
Cash flows from financing activities				
Repayment of borrowings	(11,957,727)	-	(11,927,843)	-
Proceeds from borrowings	4,362,167	-	4,270,238	-
Dividends paid to ordinary shareholders	(1,058,691)	(2,361,696)	(1,058,691)	(2,361,696)
Dividends received - ESOS Trust	-	45,986	-	45,986
Proceeds from disposal of shares in ESOS Trust	-	1,969,920	-	1,969,920
Net cash used in financing activities	(8,654,251)	(345,790)	(8,716,296)	(345,790)
Net (decrease)/increase in cash and cash equivalents	(3,790,025)	7,264,523	(4,034,493)	7,450,055
Movement in cash and cash equivalents				
At start of the year	10,774,042	3,217,502	9,805,322	2,063,250
(Decrease)/increase	(3,790,025)	7,264,523	(4,034,493)	7,450,055
Effect of exchange rate changes	8,765	292,017	8,765	292,017
At end of the year	6,992,782	10,774,042	5,779,594	9,805,322

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

DIALOG AXIATA PLC

Notes to the condensed interim financial statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

1 General information

Dialog Axiata PLC ('the Company') and its subsidiaries (together 'the Group') provide communication services (mobile, fixed, broadband, international gateway services), telecommunication infrastructure services (tower infrastructure and transmission services), media (digital television services based on multiple media - satellite, cable, terrestrial) and digital services [including but not limited to digital commerce (mobile and eCommerce), electronic payments (including mobile payment), digital health, education, navigation and enterprise services].

Dialog Axiata PLC is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange since 28 July 2005. The registered office of the Company is located at 475, Union Place, Colombo 2.

2 Basis of preparation

The condensed interim financial statements for the year ended 31 December 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 year 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 year ended 31 December 2015 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	62,036,344	6,146,156	5,747,355	-	73,929,855
Inter-segment revenue	1,033,777	1,162,636	32,480	-	2,228,893
Total segmental revenue	63,070,121	7,308,792	5,779,835	-	76,158,748
Segment operating profit/(loss) for the year	9,720,567	(43,486)	(144,783)	(35,519)	9,496,779
Finance costs - net					(2,759,010)
Share of loss from associates - net of tax					(32,906)
Profit before income tax					6,704,863
Income tax					(1,517,537)
Profit for the year					5,187,326

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	10,607,492	2,956,182	754,038	41,905	14,359,617

- The segment assets and liabilities at 31 December 2015 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	115,299,533	27,321,441	6,262,597	(11,290,873)	137,592,698
Inter-segment assets	(19,760,606)	(651,472)	(329,360)	-	(20,741,438)
Total assets	95,538,927	26,669,969	5,933,237	(11,290,873)	116,851,260
Liabilities	56,676,984	28,187,276	5,853,125	-	90,717,385
Inter-segment liabilities	(685,891)	(17,133,745)	(3,363,444)	-	(21,183,080)
Total liabilities	55,991,093	11,053,531	2,489,681	-	69,534,305
Capital expenditure	10,652,740	4,319,789	1,576,306	-	16,548,835

- The segment results for the year ended 31 December 2014 are as follows:

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

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Depreciation, amortisation and impairment	9,807,849	2,486,873	641,776	50,286	12,986,784

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	10,637,345	4,996,824	1,190,198	-	16,824,367

4 Reserves

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Distributable				
Retained earnings	19,220,402	16,767,714	30,743,774	27,752,871
Non-controlling interest	(697)	-	-	-
Non-distributable				
Hedging reserve	(6,663)	(39,337)	(6,663)	(39,337)
	19,213,042	16,728,377	30,737,111	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 year ended 31 December 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 year 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 year ended 31 December 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 December

	2015 Rs.	2014 Rs.
- Highest	11.60	14.10
- Lowest	10.50	11.50
- Last traded	10.70	13.30

12 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 31 December 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	174,203,166	2.1%
3 Employees Provident Fund	146,232,203	1.8%
4 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	98,119,100	1.2%
5 CB NY S/A International Finance Corporation	64,086,800	0.8%
6 CITI Bank Newyork S/A Norgens Bank Account 2	63,720,806	0.8%
7 BNY-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	57,314,300	0.7%
8 HSBC International Nominees Limited - BBH-Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.7%
9 HSBC INTL Nom Limited-SSBT-Wasatch Frontier Emerging Small Countries Fund	53,229,209	0.6%
10 HSBC INTL Nominees Limited-JPMCB Scottish ORL SML TR GTI 6018	47,472,121	0.6%
11 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	47,270,000	0.6%
12 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	37,613,700	0.5%
13 HSBC INTL Nom Limited-JPMCB-Pacific Assets Trust PLC	33,865,700	0.4%
14 Rubber Investment Trust Limited A/C #01	28,376,990	0.3%
15 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	0.2%
16 Mellon Bank N.A.-UPS Group Trust	18,880,000	0.2%
17 HSBC INTL Nom Limited-SSBT-Parametric Emerging Markets Fund	18,848,970	0.2%
18 The Ceylon Investment PLC A/C No. 2	18,797,647	0.2%
19 The Ceylon Guardian Investment Trust PLC A/C # 02	16,470,454	0.2%
20 HSBC INTL Nom Limited-SSBT-Parametric Tax-Managed Emerging Markets Fund	15,786,381	0.2%

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

14 Public shareholding

Information pertaining to public shareholding as at 31 December 2015, calculated in accordance with the listing rules of the Colombo Stock Exchange are as follows:

	31 Dec 2015	31 Dec 2014
Public holding percentage	16.68%	16.68%
Market capitalization of the public shareholding (Rs.)	14,535,373,377	18,067,333,263
Number of public shareholders	21,066	20,328

15 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.

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)	36,976	64,927	-	-	36,976

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 ("Headstart"). 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 103,773,334 (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.

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

17 Available-for-sale financial assets

- (a) The Company transferred investment in redeemable convertible bonds in Headstart amounting to Rs.60Mn to Digital Holdings Lanka (Private) Limited ("DHL") by way of a deed of assignment signed between the Company, DHL, Headstart and existing shareholders of Headstart on 27 November 2015. Consequent to aforesaid transfer, investment in redeemable convertible bonds was derecognised in the Company financial statements and recognised as an investment in the DHL financial statements.
- (b) Subsequent to above transfer, the redeemable convertible bonds amounting to Rs.20,000,000 were converted to the equity shares on 31 December 2015, which resulted 26% stake of the issued share capital of Headstart by DHL. Accordingly, the investment was classified as investment in associate in the consolidated financial statements at the end of the reporting period

18 Impact to the financial statements from amendments to the Finance Act No.10 of 2015

The Finance Act No. 10 of 2015 certified 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.1,796,789,329 at the rate of twenty five per centum (25%) on the taxable income of the year of assessment 2013/2014. According to the Act, the super gain tax shall be deemed to be expenditure in the financial statements relating to the financial year ended 31 December 2014. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for super gain tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015. Accordingly, expense of super gain tax is recorded as an adjustment to the opening retained earnings reported in the statement of changes in equity as at 1 January 2015.
- (b) Mobile telephone operator levy, a one off levy of Rs.250,000,000 on every person who is engaged in the business of a licensed mobile telephone operator, as at 31 March 2015. The mobile telephone operator levy is accounted as expenditure incurred during the year.

19 Cash and cash equivalents

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

	31 Dec 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.	215,000,000	150,000,000
	737,760,000	672,760,000

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

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.

22 Capital commitments

Capital expenditure contracted for supply of telecommunication equipment at the statement of financial position date but not yet incurred consists of Rs.8,123,789,607 (31.12.2014 - Rs.6,568,205,049) and Rs.13,650,204,408 (31.12.2014 - Rs.9,188,421,215) of the Company and the Group respectively.

DIALOG AXIATA PLC**Notes to the condensed interim financial statements (Continued)****23 Events after the reporting period**

The Board of Directors has recommended a final dividend of Rs.0.32 per share amounting to Rs.2,606,009,090 for the financial year 2015, subject to the approval of the shareholders at the Annual General Meeting.

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.