

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2016**





Report on Review of Interim Financial Information To the shareholders 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, 2016, 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 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.

PRICEWATERHOUSECOOPERS

9 November 2016

DATE

COLOMBO

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DIALOG AXIATA PLC**Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
ASSETS				
Non-current assets				
Intangible assets	16,706,431	17,341,413	4,642,343	5,056,319
Property, plant and equipment	83,202,232	79,060,275	55,476,934	54,847,766
Investment in subsidiaries	-	-	19,220,729	19,220,729
Investment in associates	79,237	80,349	27,742	27,742
Amount due from related companies	-	-	25,667,678	19,541,635
Financial assets	40,000	40,000	270,000	195,000
	100,027,900	96,522,037	105,305,426	98,889,191
Current assets				
Inventories	536,433	556,146	211,941	166,371
Trade and other receivables	18,488,483	12,780,295	14,482,078	9,957,001
Cash and cash equivalents	6,151,588	6,992,782	5,233,717	5,779,594
	25,176,504	20,329,223	19,927,736	15,902,966
Total assets	125,204,404	116,851,260	125,233,162	114,792,157
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913
Reserves	24,388,261	19,213,739	36,508,173	30,737,111
Non-controlling interest	18,254	(697)	-	-
Total equity	52,510,428	47,316,955	64,612,086	58,841,024
LIABILITIES				
Non-current liabilities				
Borrowings	25,921,192	15,942,853	25,921,192	15,942,853
Derivative financial instrument	19,039	24,937	19,039	24,937
Deferred revenue	1,693,953	1,723,110	1,377,494	1,537,584
Deferred income tax liability	22,705	52,677	-	-
Employee benefit payables	1,624,444	1,509,350	1,400,235	1,300,685
Provision for other liabilities	1,263,969	1,147,298	1,047,287	929,656
	30,545,302	20,400,225	29,765,247	19,735,715
Current liabilities				
Trade and other payables	34,136,771	38,891,171	23,232,494	26,318,810
Borrowings	7,063,964	9,464,388	6,678,353	9,123,304
Derivative financial instrument	15,747	12,039	15,747	12,039
Current income tax liabilities	932,192	766,482	929,235	761,265
	42,148,674	49,134,080	30,855,829	36,215,418
Total liabilities	72,693,976	69,534,305	60,621,076	55,951,133
Total equity and liabilities	125,204,404	116,851,260	125,233,162	114,792,157
Net assets per share (Rs.)	6.45	5.81	7.93	7.23

The notes on pages 8 to 13 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 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: 9 November 2016

Signed

.....
Director

Date: 9 November 2016

DIALOG AXIATA PLC**Statements of comprehensive income****(all amounts in Sri Lanka Rupees thousands)**

	Group		Company	
	Nine months ended 30 Sep		Nine months ended 30 Sep	
	2016	2015	2016	2015
Revenue	63,970,070	53,891,047	53,944,199	45,935,991
Direct costs	(33,599,716)	(29,943,881)	(27,220,273)	(24,592,272)
Gross profit	30,370,354	23,947,166	26,723,926	21,343,719
Distribution costs	(9,807,518)	(7,497,809)	(8,395,464)	(6,678,706)
Administrative costs	(10,373,127)	(8,574,213)	(7,675,907)	(6,756,161)
Other income	71,166	25,667	76,588	15,983
Operating profit	10,260,875	7,900,811	10,729,143	7,924,835
Finance income	270,441	368,825	286,143	365,437
Finance costs	(1,615,843)	(2,555,862)	(1,459,308)	(2,442,372)
Finance costs - net	(1,345,402)	(2,187,037)	(1,173,165)	(2,076,935)
Share of loss from associates - net of tax	(1,112)	(44,097)	-	-
Profit before income tax	8,914,361	5,669,677	9,555,978	5,847,900
Income tax expense	(1,134,872)	(1,102,174)	(1,168,900)	(1,021,617)
Profit for the period	7,779,489	4,567,503	8,387,078	4,826,283
Other comprehensive expense for the period - net change in cash flow hedge	(10,007)	(56,590)	(10,007)	(56,590)
Total comprehensive income for the period	7,769,482	4,510,913	8,377,071	4,769,693
Profit/(loss) for the period is attributable to:				
- owners of the Company	7,790,538	4,567,503	8,387,078	4,826,283
- non-controlling interest	(11,049)	-	-	-
Total comprehensive income/(expense) for the period is attributable to:				
- owners of the Company	7,780,531	4,510,913	8,377,071	4,769,693
- non-controlling interest	(11,049)	-	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.96	0.56	1.03	0.59

The notes on pages 8 to 13 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 30 Sep		Three months ended 30 Sep	
	2016	2015	2016	2015
Revenue	21,748,337	18,815,990	18,305,236	16,088,549
Direct costs	(11,148,651)	(10,333,082)	(9,058,103)	(8,347,550)
Gross profit	10,599,686	8,482,908	9,247,133	7,740,999
Distribution costs	(3,297,287)	(2,694,482)	(2,772,932)	(2,358,974)
Administrative costs	(3,695,325)	(3,008,465)	(2,699,833)	(2,341,878)
Other income	6,944	13,014	17,243	3,283
Operating profit	3,614,018	2,792,975	3,791,611	3,043,430
Finance income	56,727	107,162	64,258	105,970
Finance costs	(481,310)	(1,809,222)	(434,605)	(1,745,823)
Finance costs - net	(424,583)	(1,702,060)	(370,347)	(1,639,853)
Share of loss from associates - net of tax	(61)	(19,832)	-	-
Profit before income tax	3,189,374	1,071,083	3,421,264	1,403,577
Income tax expense	(359,039)	(392,028)	(384,655)	(353,452)
Profit for the period	2,830,335	679,055	3,036,609	1,050,125
Other comprehensive income/(expense) for the period - net change in cash flow hedge	41,228	(37,248)	41,228	(37,248)
Total comprehensive income for the period	2,871,563	641,807	3,077,837	1,012,877
Profit/(loss) for the period is attributable to:				
- owners of the Company	2,832,948	679,055	3,036,609	1,050,125
- non-controlling interest	(2,613)	-	-	-
Total comprehensive income/(expense) for the period is attributable to:				
- owners of the Company	2,874,176	641,807	3,077,837	1,012,877
- non-controlling interest	(2,613)	-	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.35	0.08	0.37	0.13

The notes on pages 8 to 13 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 owners of the Company		Non-controlling interest	Total
	Stated capital	Reserves		
Balance at 1 January 2016	28,103,913	19,213,739	(697)	47,316,955
Share issue (Non-controlling interest)	-	-	30,000	30,000
Profit/(loss) for the period	-	7,790,538	(11,049)	7,779,489
Other comprehensive expense	-	(10,007)	-	(10,007)
Total comprehensive income/(expense) for the period	-	7,780,531	(11,049)	7,769,482
Dividends to equity shareholders	-	(2,606,009)	-	(2,606,009)
Balance at 30 September 2016	28,103,913	24,388,261	18,254	52,510,428
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 for the period	-	4,567,503	-	4,567,503
Other comprehensive expense	-	(56,590)	-	(56,590)
Total comprehensive income for the period	-	4,510,913	-	4,510,913
Balance at 30 September 2015	28,103,913	19,442,501	-	47,546,414
Balance at 1 October 2015	28,103,913	19,442,501	-	47,546,414
Profit /(loss) for the period	-	620,520	(697)	619,823
Other comprehensive income	-	209,409	-	209,409
Total comprehensive income/(expense) for the period	-	829,929	(697)	829,232
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

The notes on pages 8 to13 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 owners of the Company		
	Stated capital	Reserves	Total
Balance at 1 January 2016	28,103,913	30,737,111	58,841,024
Profit for the period	-	8,387,078	8,387,078
Other comprehensive expense	-	(10,007)	(10,007)
Total comprehensive income for the period	-	8,377,071	8,377,071
Dividends to equity shareholders	-	(2,606,009)	(2,606,009)
Balance at 30 September 2016	28,103,913	36,508,173	64,612,086
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 period	-	4,826,283	4,826,283
Other comprehensive expense	-	(56,590)	(56,590)
Total comprehensive income for the period	-	4,769,693	4,769,693
Balance at 30 September 2015	28,103,913	30,689,372	58,793,285
Balance at 1 October 2015	28,103,913	30,689,372	58,793,285
Profit for the period	-	921,110	921,110
Other comprehensive income	-	185,320	185,320
Total comprehensive income for the period	-	1,106,430	1,106,430
Dividends to equity shareholders	-	(1,058,691)	(1,058,691)
Balance at 31 December 2015	28,103,913	30,737,111	58,841,024

The notes on pages 8 to 13 form an integral part of these financial statements.

DIALOG AXIATA PLC**Statements of cash flows****(all amounts in Sri Lanka Rupees thousands)**

	Group		Company	
	Nine months ended 30 Sep		Nine months ended 30 Sep	
	2016	2015	2016	2015
Cash flows from operating activities				
Cash generated from operations	13,651,477	15,812,036	14,181,544	14,270,178
Interest received	283,985	343,639	280,867	340,251
Interest paid	(941,058)	(565,005)	(932,076)	(564,850)
Tax paid	(1,097,830)	(946,666)	(1,077,116)	(933,041)
Employee benefits paid - gratuity	(71,111)	(28,273)	(56,554)	(20,263)
Net cash generated from operating activities	11,825,463	14,615,731	12,396,665	13,092,275
Cash flows from investing activities				
Purchase of property, plant and equipment	(18,333,245)	(10,096,413)	(11,714,682)	(7,000,880)
Purchase of intangible assets	(654,986)	(307,154)	(636,111)	(298,469)
Advances to subsidiaries	-	(217,260)	(6,687,700)	(1,888,126)
Loans to subsidiary	-	(95,000)	(75,000)	(95,000)
Loans to associate	-	(20,000)	-	(20,000)
Proceed from sale of property, plant and equipment	211,983	261,210	207,462	259,671
Net cash used in investing activities	(18,776,248)	(10,474,617)	(18,906,031)	(9,042,804)
Cash flows from financing activities				
Repayment of borrowings	(7,106,184)	(6,659,450)	(6,892,373)	(6,659,450)
Proceed from borrowings	15,773,482	2,935,103	15,443,569	2,935,103
Dividend paid to ordinary shareholders	(2,606,009)	(1,058,691)	(2,606,009)	(1,058,691)
Proceeds from share issue - non controlling interest	30,000	-	-	-
Net cash generated from/(used in) financing activities	6,091,289	(4,783,038)	5,945,187	(4,783,038)
Net decrease in cash and cash equivalents	(859,496)	(641,924)	(564,179)	(733,567)
Movement in cash and cash equivalents				
At start of the year	6,992,782	10,774,042	5,779,594	9,805,322
Decrease	(859,496)	(641,924)	(564,179)	(733,567)
Effect of exchange rate changes	18,302	9,100	18,302	9,100
At end of the period	6,151,588	10,141,218	5,233,717	9,080,855

The notes on pages 8 to13 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 2016 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 2015.

With effect from the financial year 2016, 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 7, 'Financial Instruments: Disclosures'
- (ii) SLFRS 10, 'Consolidated Financial Statements'
- (iii) LKAS 1, 'Presentation of Financial Statements'
- (iv) LKAS 19, 'Employee Benefits'
- (v) LKAS 28, 'Investments in Associates and Joint Ventures'
- (vi) LKAS 34, 'Interim Financial Reporting'

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 2016 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	53,472,029	5,924,912	4,573,129	-	63,970,070
Inter-segment revenue	882,070	834,908	3,527	-	1,720,505
Total segmental revenue	54,354,099	6,759,820	4,576,656	-	65,690,575
Segment operating profit/(loss) for the period	10,558,940	32,476	(330,679)	138	10,260,875
Finance costs - net					(1,345,402)
Share of loss from associate - net of tax					(1,112)
Profit before income tax					8,914,361
Income tax					(1,134,872)
Profit for the period					7,779,489

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	8,204,590	2,756,023	640,932	-	11,601,545

The segment assets and liabilities at 30 September 2016 and capital expenditure for the period then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	126,008,929	30,083,014	6,348,198	(11,360,873)	151,079,268
Inter-segment assets	(25,553,030)	(4,205)	(317,629)	-	(25,874,864)
Total assets	100,455,899	30,078,809	6,030,569	(11,360,873)	125,204,404
Liabilities	61,706,362	31,010,620	6,284,845	-	99,001,827
Inter-segment liabilities	(848,293)	(21,722,907)	(3,736,651)	-	(26,307,851)
Total liabilities	60,858,069	9,287,713	2,548,194	-	72,693,976
Capital expenditure	12,373,089	5,555,054	1,060,088	-	18,988,231

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
Total segmental revenue	45,935,991	5,339,464	4,263,980	-	55,539,435
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)
Profit for the period					4,567,503

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

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

3 Segment information (Continued)

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	13,746,360	7,552,646	1,576,306	-	22,875,312

4 Reserves

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
Distributable				
Retained earnings	24,404,931	19,220,402	36,524,843	30,743,774
Non-controlling interest	18,254	(697)	-	-
Non-distributable				
Hedging reserve	(16,670)	(6,663)	(16,670)	(6,663)
	24,406,515	19,213,042	36,508,173	30,737,111

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 2016.

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 2015.

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 2016.

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

	2016 Rs.	2015 Rs.
- Highest	11.60	12.10
- Lowest	10.40	10.10
- Last traded	11.60	10.90

12 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 30 September 2016 are as follows:

	Number of shares
Dr. Hansa Wijayasuriya	43,010
Mr. Moksevi Prellis	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 Employees Provident Fund	180,787,158	2.22%
3 CITI Bank Newyork S/A Norges Bank Account 2	101,608,012	1.25%
4 HSBC International Nominees 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	1.20%
5 Deutsche Bank AG Singapore-Dss A/C Navis Yield Fund	74,159,916	0.91%
6 HSBC International Nominees Limited-BBH Genesis Smaller Companies	67,651,484	0.83%
7 CB NY S/A International Finance Corporation	64,086,800	0.79%
8 BNYM SA/NV-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	57,314,300	0.70%
9 HSBC International Nominees Limited-JPMCB-Scottish ORL SML TR GTI 6018	47,472,121	0.58%
10 HSBC International Nominees Limited -SSBT-First State Investments ICVC-Stewart Investors Asia Pacific Sustainability Fund	47,270,000	0.58%
11 HSBC International Nominees Limited -SSBT-First State Investments ICVC-Stewart Investors Asia Pacific Fund	37,613,700	0.46%
12 HSBC International Nominees Limited -JPMCB-Pacific Assets Trust PLC	33,865,700	0.42%
13 Rubber Investment Trust Limited A/C # 01	31,168,830	0.38%
14 HSBC International Nominees Limited – BBH - Matthews Asia Science and Technology Fund	21,764,314	0.27%
15 Northern Trust Company S/A Hosking Global Fund PLC	21,586,140	0.27%
16 HSBC International Nominees Limited - BBH-Genesis Emerging Markets Opportunities Fund Limited	21,492,593	0.26%
17 Mellon Bank N.A-Eaton Vance Trust Co. Collective Investment Trust For Employee Benefit Plans-Eaton Vance Trust Co./Parametric Structured Emerging Mkt. Equity Fund	19,392,086	0.24%
18 Mellon Bank N.A.-UPS Group Trust	18,880,000	0.23%
19 HSBC International Nominees Limited -SSBT-Parametric Emerging Markets Fund	18,848,970	0.23%
20 The Ceylon Investment PLC A/C # 02	18,797,647	0.23%

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

14 Public shareholding

Information pertaining to public shareholding as at 30 September 2016, calculated in accordance with the listing rules of the Colombo Stock Exchange are as follows:

	30 Sep 2016	31 Dec 2015
Public holding percentage	16.68%	16.68%
Market capitalization of the public shareholding (Rs.)	15,757,974,876	14,535,373,377
Number of public shareholders	20,729	21,066

15 Effect of change in composition of the Group

There has not been a change in the composition of the Group which was disclosed in the audited financial statements for the year ended 31 December 2015.

Digital Health (Private) Limited which is a 70% owned sub-subsidiary of Dialog Axiata PLC has issued and allotted 9,999,900 ordinary shares to the existing shareholders in current shareholding proportion in August 2016. This share issue has not changed the composition of the Group.

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. Arguments were concluded on 19 October 2016 and the parties were directed to file written submissions on 30 November 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.

17 Financial instruments measured at fair value

Note	Measurement criteria and the fair value					
	Level 2 Rs.000		Level 3 Rs.000		Total Rs.000	
	2016	2015	2016	2015	2016	2015
Financial assets						
Available-for-sale financial assets:						
- Investment in unquoted convertible redeemable bonds	(a)	-	-	40,000	40,000	40,000
Financial liabilities						
Financial liabilities at FVTPL:						
- Derivative designated as hedging instrument (Interest rate swap)	(b)	34,786	36,976	-	-	34,786

The Group measures 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 each 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.

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

17 Financial instruments measured at fair value (Continued)

- (b) The carrying amount of the derivative financial instrument represents the fair value of the interest rate swap with notional amount of USD 78,433,333 (31.12.2015 - USD 103,773,334) 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 2016 Rs.	31 Dec 2015 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.	285,000,000	215,000,000
	807,760,000	737,760,000

19 Valuation of property, plant and equipment

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

20 Contingent liabilities

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the audited financial statements for the year ended 31 December 2015.

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. 7,418,206,573 (31.12.2015 - Rs.8,123,789,607) and Rs. 11,611,392,209 (31.12.2015 - Rs.13,650,204,408) of the Company and the Group respectively.

22 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.