

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED
31 DECEMBER 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 December 31, 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 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 February 2017
Date


PricewaterhouseCoopers

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, 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

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DIALOG AXIATA PLC**Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
ASSETS				
Non-current assets				
Intangible assets	16,434,054	17,341,413	4,421,222	5,056,319
Property, plant and equipment	89,943,822	79,060,275	60,388,142	54,847,766
Investment in subsidiaries	-	-	19,220,729	19,220,729
Investment in associates	72,230	80,349	27,742	27,742
Amount due from related companies	-	-	27,323,923	19,541,635
Financial assets	40,000	40,000	310,000	195,000
	106,490,106	96,522,037	111,691,758	98,889,191
Current assets				
Inventories	676,916	556,146	295,384	166,371
Trade and other receivables	17,142,461	12,780,295	13,054,557	9,957,001
Cash and cash equivalents	8,044,848	6,992,782	6,796,503	5,779,594
	25,864,225	20,329,223	20,146,444	15,902,966
Total assets	132,354,331	116,851,260	131,838,202	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	25,902,547	19,213,739	38,652,221	30,737,111
Non-controlling interest	14,420	(697)	-	-
Total equity	54,020,880	47,316,955	66,756,134	58,841,024
LIABILITIES				
Non-current liabilities				
Borrowings	26,313,347	15,942,853	26,313,347	15,942,853
Derivative financial instrument	14,535	24,937	14,535	24,937
Deferred revenue	1,657,561	1,723,110	1,327,709	1,537,584
Deferred income tax liabilities	-	52,677	-	-
Employee benefit payables	1,372,654	1,509,350	1,202,212	1,300,685
Provision for other liabilities	1,309,731	1,147,298	1,090,532	929,656
	30,667,828	20,400,225	29,948,335	19,735,715
Current liabilities				
Trade and other payables	38,919,877	38,891,171	27,194,953	26,318,810
Borrowings	7,872,230	9,464,388	7,066,838	9,123,304
Derivative financial instrument	15,512	12,039	15,512	12,039
Current income tax liabilities	858,004	766,482	856,430	761,265
	47,665,623	49,134,080	35,133,733	36,215,418
Total liabilities	78,333,451	69,534,305	65,082,068	55,951,133
Total equity and liabilities	132,354,331	116,851,260	131,838,202	114,792,157
Net assets per share (Rs.)	6.63	5.81	8.20	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 February 2017

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 February 2017

Signed

.....
Director

Date: 9 February 2017

DIALOG AXIATA PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2016	2015	2016	2015
Revenue	86,745,233	73,929,855	72,951,077	62,943,015
Direct costs	(45,977,932)	(40,828,034)	(37,282,297)	(33,412,404)
Gross profit	40,767,301	33,101,821	35,668,780	29,530,611
Distribution costs	(13,533,901)	(10,838,411)	(11,408,326)	(9,457,149)
Administrative costs	(14,390,290)	(12,799,404)	(10,730,158)	(10,336,314)
Other income	72,096	32,773	77,504	23,183
Operating profit	12,915,206	9,496,779	13,607,800	9,760,331
Finance income	367,008	485,307	386,958	485,864
Finance costs	(2,730,348)	(3,244,317)	(2,092,758)	(3,101,715)
Finance costs - net	(2,363,340)	(2,759,010)	(1,705,800)	(2,615,851)
Share of loss from associates - net of tax	(8,119)	(32,906)	-	-
Profit before income tax	10,543,747	6,704,863	11,902,000	7,144,480
Income tax expense	(1,517,352)	(1,517,537)	(1,574,061)	(1,397,087)
Profit for the year	9,026,395	5,187,326	10,327,939	5,747,393
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
- remeasurement gain on defined benefit obligation, net of tax	262,138	120,145	201,779	96,056
Items that may be subsequently reclassified to profit or loss:				
- net change in cash flow hedge	(8,599)	32,674	(8,599)	32,674
Other comprehensive income for the year, net of tax	253,539	152,819	193,180	128,730
Total comprehensive income for the year	9,279,934	5,340,145	10,521,119	5,876,123
Profit/(loss) for the year is attributable to:				
- owners of the Company	9,041,278	5,188,023	10,327,939	5,747,393
- non-controlling interest	(14,883)	(697)	-	-
Total comprehensive income for the year is attributable to:				
- owners of the Company	9,294,817	5,340,842	10,521,119	5,876,123
- non-controlling interest	(14,883)	(697)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	1.11	0.64	1.27	0.71

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 31 Dec		Three months ended 31 Dec	
	2016	2015	2016	2015
Revenue	22,775,163	20,038,808	19,006,878	17,007,024
Direct costs	(12,378,216)	(10,884,153)	(10,062,024)	(8,820,132)
Gross profit	10,396,947	9,154,655	8,944,854	8,186,892
Distribution costs	(3,726,384)	(3,340,602)	(3,012,862)	(2,778,443)
Administrative costs	(4,017,163)	(4,225,191)	(3,054,251)	(3,580,153)
Other income	930	7,106	916	7,200
Operating profit	2,654,330	1,595,968	2,878,657	1,835,496
Finance income	96,567	116,482	100,815	120,427
Finance costs	(1,114,505)	(688,455)	(633,450)	(659,343)
Finance costs - net	(1,017,938)	(571,973)	(532,635)	(538,916)
Share of (loss)/profit from associates - net of tax	(7,007)	11,191	-	-
Profit before income tax	1,629,385	1,035,186	2,346,022	1,296,580
Income tax expense	(382,480)	(415,363)	(405,161)	(375,470)
Profit for the period	1,246,905	619,823	1,940,861	921,110
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
- remeasurement gain on defined benefit obligation, net of tax	262,138	120,145	201,779	96,056
Items that may be subsequently reclassified to profit or loss:				
- net change in cash flow hedge	1,408	89,264	1,408	89,264
Other comprehensive income for the period, net of tax	263,546	209,409	203,187	185,320
Total comprehensive income for the period	1,510,451	829,232	2,144,048	1,106,430
Profit/(loss) for the period is attributable to:				
- equity holders of the Company	1,250,739	620,520	1,940,861	921,110
- non-controlling interest	(3,834)	(697)	-	-
Total comprehensive income for the period is attributable to:				
- equity holders of the Company	1,514,285	829,929	2,144,048	1,106,430
- non-controlling interest	(3,834)	(697)	-	-
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	0.15	0.08	0.24	0.11

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 equity holders 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
Profit/(loss) for the year	-	9,041,278	(14,883)	9,026,395
Other comprehensive income	-	253,539	-	253,539
Total comprehensive income for the year	-	9,294,817	(14,883)	9,279,934
Dividends to equity shareholders	-	(2,606,009)	-	(2,606,009)
Issuance of new ordinary shares	-	-	30,000	30,000
Balance at 31 December 2016	28,103,913	25,902,547	14,420	54,020,880
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 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

The notes on pages 8 to 13 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	Reserves	Total
Balance at 1 January 2016	28,103,913	30,737,111	58,841,024
Profit for the year	-	10,327,939	10,327,939
Other comprehensive income	-	193,180	193,180
Total comprehensive income for the year	-	10,521,119	10,521,119
Dividends to equity shareholders	-	(2,606,009)	(2,606,009)
Balance at 31 December 2016	28,103,913	38,652,221	66,756,134
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

The notes on pages 8 to13 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	
	2016	2015	2016	2015
Cash flows from operating activities				
Cash generated from operations	25,878,823	24,940,826	23,264,395	21,234,281
Interest received	380,536	467,798	372,146	463,306
Interest paid	(1,688,014)	(816,048)	(1,283,396)	(810,279)
Tax paid	(1,498,605)	(3,079,470)	(1,466,580)	(3,057,519)
Employee benefits paid	(67,325)	(34,732)	(53,705)	(26,326)
Net cash generated from operating activities	23,005,415	21,478,374	20,832,860	17,803,463
Cash flows from investing activities				
Purchase of property, plant and equipment	(27,512,729)	(14,421,231)	(16,357,937)	(9,887,089)
Purchase of intangible assets	(811,007)	(2,127,604)	(780,636)	(763,513)
Acquisition of subsidiary, net of cash acquired	-	(217,260)	-	-
Advances to subsidiaries	-	-	(8,764,700)	(2,656,466)
Loans to subsidiary	-	-	(115,000)	(25,000)
Loans to associate	-	(95,000)	-	(95,000)
Purchase of available-for-sale financial assets	-	(20,000)	-	(20,000)
Proceeds from disposal of available-for-sale financial assets	-	-	-	60,000
Proceeds from sale of property, plant and equipment	213,586	266,947	209,065	265,408
Net cash used in investing activities	(28,110,150)	(16,614,148)	(25,809,208)	(13,121,660)
Cash flows from financing activities				
Repayment of borrowings	(8,686,031)	(11,957,727)	(8,279,075)	(11,927,843)
Proceeds from borrowings	17,370,771	4,362,167	16,830,271	4,270,238
Dividends 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	6,108,731	(8,654,251)	5,945,187	(8,716,296)
Net increase/(decrease) in cash and cash equivalents	1,003,996	(3,790,025)	968,839	(4,034,493)
Movement in cash and cash equivalents				
At start of the year	6,992,782	10,774,042	5,779,594	9,805,322
Increase/(decrease)	1,003,996	(3,790,025)	968,839	(4,034,493)
Effect of exchange rate changes	48,070	8,765	48,070	8,765
At end of the year	8,044,848	6,992,782	6,796,503	5,779,594

The notes on pages 8 to 13 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] and business process outsourcing services including call centre 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 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 16, 'Property, Plant and Equipment'
- (v) LKAS 19, 'Employee Benefits'
- (vi) LKAS 28, 'Investments in Associates and Joint Ventures'
- (vii) LKAS 34, 'Interim Financial Reporting'
- (viii) LKAS 38, 'Intangible Assets'

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 2016 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	72,454,862	8,210,170	6,080,201	-	86,745,233
Inter-segment revenue	1,151,210	1,113,070	4,573	-	2,268,853
Total segmental revenue	73,606,072	9,323,240	6,084,774	-	89,014,086
Segment operating profit/(loss) for the year	13,387,970	51,892	(525,613)	957	12,915,206
Finance costs - net					(2,363,340)
Share of loss from associates - net of tax					(8,119)
Profit before income tax					10,543,747
Income tax expense					(1,517,352)
Profit for the year					9,026,395

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	11,495,902	3,963,745	909,235	-	16,368,882

- The segment assets and liabilities at 31 December 2016 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	132,673,463	32,016,930	6,685,369	(11,360,873)	160,014,889
Inter-segment assets	(27,347,426)	(4,445)	(308,687)	-	(27,660,558)
Total assets	105,326,037	32,012,485	6,376,682	(11,360,873)	132,354,331
Liabilities	66,291,704	33,215,903	6,911,657	-	106,419,264
Inter-segment liabilities	(863,096)	(23,318,428)	(3,904,289)	-	(28,085,813)
Total liabilities	65,428,608	9,897,475	3,007,368	-	78,333,451
Capital expenditure	16,549,643	8,567,298	1,246,429	-	26,363,370

- 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 expense					(1,517,537)
Profit for the year					5,187,326

- 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

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	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Distributable				
Retained earnings	25,917,809	19,220,402	38,667,483	30,743,774
Non-controlling interest	14,420	(697)	-	-
Non-distributable				
Hedging reserve	(15,262)	(6,663)	(15,262)	(6,663)
	25,916,967	19,213,042	38,652,221	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 year ended 31 December 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 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 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 year ended 31 December 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 31 December

	2016 Rs.	2015 Rs.
- Highest	11.80	11.60
- Lowest	10.10	10.50
- Last traded	10.50	10.70

12 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 31 December 2016 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 Employees Provident Fund	180,787,158	2.2%
3 CITI Bank Newyork S/A Norgens Bank Account 2	101,608,012	1.2%
4 HSBC International Nom Limited - SSBT - First State Investments ICVC - Stewart Investors Indian Subcontinent Fund	98,119,100	1.2%
5 Deutsche Bank AG Singapore - DSS A/C Navis Yield Fund	74,159,916	0.9%
6 HSBC INTL Nominees Limited - JPMCB Scottish ORL SML TR GTI 6018	69,063,921	0.8%
7 CB NY S/A International Finance Corporation	64,086,800	0.8%
8 BNYMSANV RE - CF Ruffer Investment Funds: CF Ruffer Pacific Fund	57,314,300	0.7%
9 HSBC International Nom Limited - SSBT - First State Investments ICVC - Stewart Investors Asia Pacific Sustainability Fund	47,270,000	0.6%
10 HSBC International Nom Limited - MSIP - Saga Tree Asia Master fund	39,471,988	0.5%
11 HSBC International Nom Limited - SSBT - First State Investments ICVC - Stewart Investors Asia Pacific Fund	37,613,700	0.5%
12 HSBC International Nom Limited - MSIP - Vittoria Fund - ST, L.P.	35,257,160	0.4%
13 HSBC International Nom Limited - JPMCB - Pacific Assets Trust PLC	33,865,700	0.4%
14 Rubber Investment Trust Limited A/C #01	32,168,830	0.4%
15 Northern Trust Company S/A Hosking Global Fund PLC	20,489,569	0.3%
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	0.2%
17 Mellon Bank N.A.- UPS Group Trust	18,880,000	0.2%
18 HSBC INTL Nom Limited-SSBT-Parametric Emerging Markets Fund	18,848,970	0.2%
19 The Ceylon Investment PLC A/C No. 2	18,797,647	0.2%
20 The Ceylon Guardian Investment Trust PLC A/C # 02	16,470,454	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 2016, calculated in accordance with the listing rules of the Colombo Stock Exchange are as follows:

	31 Dec 2016	31 Dec 2015
Public holding percentage	16.68%	16.68%
Market capitalization of the public shareholding (Rs.)	14,263,684,155	14,535,373,377
Number of public shareholders	20,787	21,066

15 Effect of change in composition of the Group

(a) Share issue in Digital Health (Private) Limited

Digital Health (Private) Limited, a 70% owned subsidiary of Dialog Axiata PLC, issued and allotted 9,999,900 ordinary shares to its existing shareholders in proportion to their shareholding in August 2016.

(b) Incorporation of Dialog Business Service (Private) Limited (DBS)

Dialog Business Services (Private) Limited (DBS) was incorporated on 21 November 2016, under the Companies Act, No. 07 of 2007 with an issued share capital of Rs.10 consisting of one (01) ordinary share. Its principal activity consists of Business Process Outsourcing (BPO) services including call center services.

DBS is consolidated as a subsidiary of the Group for the financial year ended 31 December 2016.

Except for the disclosed above, 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.

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 Supreme Court will notify the parties as to the date on which the judgment will be delivered.

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	40,000
Financial liabilities							
Derivative designated as hedging instrument:							
- Interest rate swap	(b)	30,047	36,976	-	-	30,047	36,976

DIALOG AXIATA PLC

Notes to the condensed interim financial statements (Continued)

17 Financial instruments measured at fair value (Continued)

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 69,986,667 (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:

	31 Dec 2016	31 Dec 2015
	Rs.	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.	345,000,000	215,000,000
	867,760,000	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. 5,666,101,368 (31.12.2015 - Rs. 8,123,789,607) and Rs. 10,205,021,361 (31.12.2015 -Rs. 13,650,204,408) of the Company and the Group respectively.

22 Events after the reporting period

The Board of Directors has recommended a final dividend of Rs.0.39 per share amounting to Rs. 3,176,073,578 for the financial year 2016, 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.