Dialog Axiata PLC | Annual Report 2010

Our Vision

To be the undisputed leader in the provision of multi-sensory connectivity resulting always, in the empowerment and enrichment of Sri Lankan lives and enterprises.

Contents

Introduction to the Company

Dialog Axiata PLC (formerly known as Dialog Telekom PLC) (The Company/Dialog Axiata/Dialog) operates Sri Lanka's largest and fastest growing mobile telecommunications network - Dialog Mobile. The Company is also one of the largest listed companies on the Colombo Stock Exchange in terms of market capitalisation.

Dialog Axiata is a subsidiary of Axiata Group Berhad (Axiata). Dialog has spearheaded the mobile industry in Sri Lanka since the late 90's, propelling it to a level of technology on par with the developed world. The Company operates 2.5G, 3G and 3.5G mobile services, supporting the very latest in multimedia and mobile internet services as well as international roaming across over 200 countries.

In addition to its core business of mobile telephony, the Company operates a wide portfolio of international telecommunication services, including but not limited to retail and wholesale international voice and data services, based on cutting edge International Gateway infrastructure. Dialog Global, the international arm of Dialog Axiata, provides state-of-the-art gateway facilities through partnerships with 'Tier-I' international carriers. Dialog Broadband Networks (Private) Ltd. (Dialog Broadband/DBN) is a fully-owned subsidiary of the Company and is a key player in Sri Lanka's ICT infrastructure sector, providing backbone and transmission infrastructure facilities and data communication services. DBN also operates a fixed wireless telephony service based on CDMA technology. DBN was also the first service provider in Sri Lanka to introduce high-speed broadband internet services based on WiMAX technology.

Dialog Television (Private) Ltd. (Dialog Television/DTV), a subsidiary of Dialog Axiata PLC, operates a Direct-to-Home (DTH) Digital Satellite TV service. DTV supports a broad array of international and local content including CNN, BBC, HBO, Cinemax, AXN, ESPN, Ten Sports, Discovery Channel, MTV (Music Television) and Cartoon Network alongside a wide portfolio of Sri Lankan television channels.

Message from the Chairman

The Turnaround Story

Dialog's 2010 chapter was everything we promised it would be. In my message to you last year, I affirmed Dialog's quest to return to a state of singular profitability in what was a year of structural re-engineering of the organisation and its business. It gives me immense pleasure to present you the audited financials of the Dialog turnaround on the back of your committed support and a courageous and committed effort led by the management and staff of your Company.

In the year under review, the Group recorded a profit after tax of Rs. 5.05 Bn., an increase of 141% over the previous year, with EBITDA (Operating Profit before Depreciation, Amortisation and Impairment) growth ending at Rs. 15.08 Bn.

On behalf of the Board of Directors, I wish to extend to you our shareholders, our sincere appreciation for your patient understanding, support and encouragement which was invaluable in our quest for a rapid financial turnaround of the Company. The turnaround was the outcome of several strategic initiatives, principal amongst which were strategic cost rescaling and balance sheet restructuring initiatives. Looking back at the two years of negative financial performance, we can derive a great sense of satisfaction that with your support, the Company has returned to profitability in a short span of time. As alluded to previously, this transformation is the result of great commitment and sacrifices made by the management and staff of your Company, and it is imperative we acknowledge this most unique of efforts. These unique people stood behind your Company and themselves, and made this turnaround story the immense success it is today.

Relentless Commitment to Excellence

Dialog not only achieved a turnaround in its profitability, even during its difficult period your Company remained committed to deliver the empowerment and value addition it delivers to the hearts and lives of millions of Sri Lankans. We never compromised on our standards or service; we grew our customer base and introduced a host of advanced new subscriber features. Dialog has maintained a best-in-class status in every sphere and held its position as the market leader in the mobile sphere with over 55% revenue share. Our subsidiaries Dialog Television and Dialog Broadband recorded significant gains YoY, being EBITDA (positive) and NPAT (negative) by 243% and 80% for DTV and 169% and 50% for DBN, respectively.

Dialog has grown its network and extended its reach further into the country's North and East, complementing the rapid progress made in the region in terms of infrastructure. Our accelerated coverage expansion is derived from our vision to connect every Sri Lankan and inspiration from the Government's commitment to return normalcy to citizens of the region. Your Company also extended its presence in these areas with the establishment of service centres in Trincomalee, Batticaloa and Ampara.

In addition, we continued to contribute aggressively towards the socio-economic development of Sri Lanka centred on the empowerment of the country's citizens through inclusive technology applications. We rolled out the third phase of the Nenasa digital distance learning bridge connecting up to 500 schools in rural Sri Lanka, bringing parity education and access to our children. Further demonstrating our commitment to inclusive and sustainable business, your Company launched 'Tradenet' - a trade information exchange designed to reach multiple socio-economic segments, which was recognised with a World Summit Award for Dialog and Sri Lanka. Our constant commitment to global best practice and governance manifested in Dialog topping the country's corporate accountability rating for the second year running.

Our Future

We are closing the year under review with a record performance, but we will not rest at these levels. We will continue to lead the country's ICT industry through our leading presence in the multiple sectors of mobile, fixed and global telecommunications, broadband and media. We will also continue to maintain a close scrutiny of our cost structure and operating modalities and take strategic measures to improve our business efficiency. The difficult times are behind us, and at the same time it provides a roadmap for our future. As envisaged in my message last year, we will remain committed to deliver the future in connectivity to our customers and all Sri Lankans through the relentless pursuit of deploying, enabling ICTs towards the socio-economic development of the nation.

The Sri Lankan economy has begun to deliver on its promise of growth and opportunity in the post-conflict environment, and we appreciate the Government's policies with respect to catalysing an era of Information and Communication Technology-led development. We are also singularly appreciative of the Government's efforts to create a healthy climate and framework for Foreign Direct Investments. Dialog and Axiata are proud to be a development partner of the country and we will continue to be a committed investor in Sri Lanka well into the future.

Shareholder Value

The Board is desirous of resuming dividend payments, following our return to being a profitable entity, and I together with my colleagues on the Board, am pleased to recommend a cash dividend to ordinary shareholders of twenty cents (Rs. 0.20) per share, amounting to Rs. 1.6 Bn. The decision to reinstate the dividend payments is in keeping with our pledge, and reflects the strength of the Company's improved financial performance.

Changes to the Board

I extend my sincere thanks to Dato' Yusof Annuar Yaacob and Mr. Roni Lihawa Abdul Wahab who resigned from the Board, for their valued contributions which placed Dialog at the forefront of the telecommunications sector in South Asia. Their combined management expertise was invaluable in our pursuit of excellence.

On behalf of the Company, I also warmly welcome Dato' Sri Jamaludin Ibrahim to the Board.

Our Gratitude

I wish to express my sincere appreciation to you, the shareholders of the Company, our customers and business partners for the relentless support and commitment towards the growth and success of Dialog. I especially wish to record my appreciation of the management and staff of Dialog led by Dr. Hans Wijayasuriya, for their contribution to the Dialog turnaround. I wish to thank every member on the Board for their unstinted encouragement and advice, and the Government of Sri Lanka and the regulatory authorities for their continued support.

Datuk Azzat Kamaludin
Chairman

31st March 2011

Group Chief Executive's Review of Operations

Source: LBR

In my Review of Operations last year, I alluded to three dimensions of strategic focus, to which the management team was keenly aligned. Our task was, to deliver through structural transformation a rescaled and reinvigorated platform for future growth and sustainability, to regain in the short term a position of profitability through multi-faceted performance improvements, and in concert with the latter two dimensions, consolidate the Company's leadership position at the helm of Sri Lanka's ICT sector as the country's premier connectivity provider.

We entered 2010 strongly committed to remain focused on these paradigms. While our business had been significantly reshaped – to be leaner and stronger in terms of cost leadership, we remained astutely committed to excellence in service to our customers and to making a quantum and empowering contribution to the nation's economy, and society at large.

I concluded my review last year, by expressing our collective confidence that your company was indeed rejuvenated and would in the Year 2010 and beyond, build on its industry leadership to achieve a position of robust profitability. I am happy to report that your company concluded the Financial Year 2010 having recorded a consolidated Profit After Tax (PAT) of Rs. 5.05 Bn. Furthermore, in addition to perfecting and consolidating the multifaceted transformation undertaken by the Company in the previous years, Dialog continued to lead Sri Lanka's mobile communications sector driving robust outcomes with respect to subscriber acquisition, network development and service excellence.

Our focus on transformation and excellence extended beyond our core business. In concert, our portfolio of ICT businesses have forged a formula of sustainable profitability, in tandem with setting the pace and standard for the proliferation of the very best in converged ICT services. In 2010, our market leading Pay TV operation enjoyed four quarters of positive EBITDA (Operating Profit before Depreciation, Amortisation and Impairment) while our Fixed Telecommunication business crossed the milestone of EBITDA positive operations, in the second quarter of the year.

The reversal of a negative trend in profitability is often referred to as a 'Turnaround'. Seeded in the year 2008, we branded our determined focus on transformation, as the 'Dialog Rebound'. It was our belief that 'Rebound' better embodied the power and strength behind the transformation objectives, and the momentum and buoyancy with which we aimed to return to profitability through the leverage of our position as a market leader, power brand and national ICT champion. In 2008 and in prospective terms, the Dialog Rebound was a transformation agenda. Today, in retrospect it joins the annals of the Dialog Story as a chapter of a different kind – bearing indelible testimony to the courage, determination and capability of the Dialog team to fight and succeed in the face of challenging times.

The Dialog Rebound

As alluded to in my review last year, Dialog's transformation agenda applied parallel focus to the right-sizing and corresponding rescaling of technology platforms, operating cost structures and organisational capacity. In 2010, we continued with similar focus and momentum to rescale multiple dimensions of our business against aggressive time scales. Accordingly, we continued to be challenged to implement simultaneously and on a timely basis a multiplicity of impactful structural corrections encompassing process, technology, automation and the optimum deployment of human and other resources, across our multi-faceted business. While performance outcomes endorsed our transformation strategies, we remained committed to uphold uncompromised, the standards of service excellence, technology leadership and contribution to the nation and economy, as required of an industry leader.

The outcome of Dialog's Rebound Programme vindicated the Company's strategy of compressing the major and impactful part of its Structural and Operational transformation programme. The strategy to 'accelerate' change was based on the rationale that the enhanced operating model envisioned, if approached expeditiously, would in turn deliver on the strategic objective of achieving 'operational profitability through performance improvements' in the near term.

The buoyancy embodied in the Dialog Rebound is best articulated through a cursory review of operational performance relative to preceding years. In 2010, Company EBITDA grew 69% relative to 2009. Growth in absolute EBITDA was shadowed by sustainable margin expansion. In 2010, the Company's EBITDA margin grew by 12 percentage points relative to 2009. As alluded to previously, our transformation focus encompassed in no lesser terms our subsidiary business, leading to both DBN and DTV achieving positive EBITDA in the year 2010. On consolidated basis, Group EBITDA grew by 82% relative to 2009 with a corresponding expansion in EBITDA margin by 13 percentage points, YoY.

We are singularly confident that the financial outcome of the Dialog Rebound indeed signifies the re-establishment of a platform for sustainable profitability and growth.

The Economy and Industry

Last year, on the backdrop of Sri Lanka entering an era of peace and limitless opportunity, my report alluded to our confidence that an accelerated rebound was within immediate reach of multiple tiers of the country's economy and socioeconomic stratum. We looked forward to the invigoration of consumer spending power and resultant demand for products and services which in turn, we were confident of supplying with sustainable profitability, based on our aggressive growth aspirations and transformed business formulation.

Our country's economy has indeed rebounded and today multiple sectors and segments of the nation's economy and people have been energised with the momentum of upward mobility. On the backdrop of judiciously designed fiscal and monetary policy, the Government of Sri Lanka has through the application of strategic as well as tactical interventions on a sectoral as well as overarching basis, succeeded in triggering a wave of economic resurgence. We believe that this resurgence is fundamentally sustainable, while having the momentum to drive catalytic growth well into the future. Sri Lanka's economy grew by 8.0% in 2010. The Industrial sector recorded growth of 8.4%, while the service sector grew by 8.0%.

The positive dynamics of the Sri Lankan economy in 2010 unfurled on the backdrop of a progressive development roadmap laid out by the Government and its development agencies. A cohesive policy framework has made way for large-scale infrastructure and rebuilding projects across the island, strengthening the case for enhanced and manifold expansion of local and foreign direct investments.

The Government has espoused with clarity, its vision to drive sustainable growth through the facilitation and encouragement of investments across multiple sectors, with a specific emphasis on underserved communities and regions. A well-founded fiscal management policy has maintained inflation at sustainable levels resulting in the expansion of disposable income available for consumption across the telecommunications and infotainment sectors.

In the mobile sector, subscriber growth continued to be aggressive, with the number of mobile subscriptions increasing by 23% to 17.4 Mn. In contrast, the number of fixed telephone lines increased by 4% to 3.58 Mn. leading to an overall telecommunications sector subscriber growth of 19% to reach a total subscriber base of 20.94 Mn. Mobile penetration (mobile connections per capita) reached 82% at year end, leading fixed-line penetration which is estimated at 17% by a significant multiple. In line with subscriber growth, estimated data for the mobile industry indicates a growth of 16% in sector revenue YoY albeit on the backdrop of price reductions which continued to drive affordability and inclusive service provision. With respect to sector profitability, published data indicates that mobile sector EBITDA grew by 48% in stark contrast with the negative trends experienced in the previous year.

The re-establishment of sector profitability and sustainability was bolstered in significant measure by an agenda of intuitive structural transformation initiated by the regulator. The telecommunications sector saw the introduction of a domestic interconnect regime in June 2010 which served to assert a fundamental techno-economic construct for inter-network traffic flows and cost recovery. The regulator also moved to curb the wave of industry value destruction created through unabated price war behaviours described more-fully in my report last year, through the introduction of a floor price regime.

While the floor price prompted affordability enhancement as a primary outcome, pricing certainty and the curbing of value destruction contributed in no small measure to the reconstitution of a profitable industry and the motivation of a new wave of Foreign Direct Investment. The regulator also commenced measuring and reporting quality of service indicators pertaining to broadband services, moved to enhance consumer protection mechanisms and adjusted levies pertaining to international telecommunications services with a view to achieving the dual objectives of growing traffic flows and industry revenues.

Changes in the taxation structure implemented during the latter part of 2010 signaled further benefits to consumers of telecommunications services, through the reduction of cumulative indirect taxes on telecommunications services from 31.31% to 22.45%. We believe that in concert, the portfolio of strategies and policies adopted by the regulator will serve to enhance affordability and inclusion in tandem with quality of service and technology advancement. We also believe that the enabling environment will establish a platform for holistic sector growth while providing enhanced motivation for forward looking investments.

Operational Performance

Moving beyond the Rebound outcomes in terms of performance improvement relative to the challenging periods in the immediate past, the performance of Dialog and its subsidiaries during FY 2010 demonstrate the achievement of a robust level of profitability and business growth across multiple sectors.

Group PAT of Rs. 5.05 Bn. was founded on strong performance at Company (Dialog Axiata PLC) level. The Company continued to leverage its market leading position within Sri Lanka's mobile market to deliver strong growth in revenue and profitability. The Company recorded revenue of Rs. 37.95 Bn. for FY 2010 and a profit of Rs. 6.55 Bn., an increase of 14% and 171% relative to 2009 respectively. Core business profitability was driven by the growth in Mobile Voice, VAS, Mobile Broadband, International and Tele-Infrastructure businesses. Growth in company profitability was underpinned by a healthy momentum in EBITDA growth (69% YoY and 2010 margin of 38%), founded on the positive outcomes, of strategic cost rescaling and judicious balance sheet restructuring initiatives.

Dialog subsidiaries DTV and DBN registered gains YoY at both EBITDA and PAT levels, demonstrating traction in terms of the Group's Fixed Telecommunication and Television businesses. Dialog Group revenues were recorded at Rs. 41.42 Bn. for the year 2010, up 14% YoY. Group EBITDA was recorded at Rs. 15.08 Bn., up 82% YoY. The Group EBITDA margin improved by 13 percentage points YoY to reach 36%. Underpinned by the positive EBITDA growth trajectory, Group PAT recorded a strong growth of 141% YoY.

Notably, our Pay Television operation – DTV, demonstrated significant improvement in performance improvement, recording an EBITDA of Rs. 343 Mn. for 2010, an improvement of 243% YoY. EBITDA growth YoY was underpinned by a robust increase in usage revenues on the backdrop of reductions in operating and direct costs. Accordingly, DTV reported a PAT of negative Rs. 154 Mn. in FY 2010, an 80% improvement in profitability relative to 2009.

Our Fixed Telephony and Data Transmission businesses continued to consolidate positive performance trends resulting in DBN recording its third successive quarter of positive EBITDA. DBN EBITDA was recorded at Rs. 285 Mn. in FY 2010, a significant 169% improvement relative to 2009. On the backdrop of the ongoing acceleration of depreciation pertaining to DBN's CDMA and Wimax networks, PAT was recorded at negative Rs. 1.30 Bn. in FY 2010 relative to negative Rs. 2.59 Bn. in 2009.

As exemplified in the case of DBN, but equally applicable to DAP (the Company) and DTV, the Group continued to exercise a stringent level of prudence with respect to the treatment of its fixed assets. The Company has consistently enforced close adherence to international best practice with respect to the adoption of depreciation policies which are closely aligned with technology life cycles.

In the Year 2010, Dialog supplemented positive gains in profitability, with a diligent focus on working capital management to yield Group operating cash flows of Rs. 14.28 Bn., up 32% YoY. Company cash flows grew by a similar margin, with operating cash flows for 2010 being recorded at Rs. 13.66 Bn., up 11% relative to 2009. The expansion of free cash flows was further supported by a prudent and judicious approach to capital investments. The Group recorded a positive free cash flow of Rs. 8.21 Bn. in 2010, in contrast to the normalised negative free cash flow of Rs. 133 Mn. in 2009. Significantly positive free cash flows enabled the Group to implement a comprehensive debt restructuring programme leading to a reduction in financing costs and the enhancement of the Group's Gross Debt/EBITDA ratio to 1.8x relative to 2.6x in 2009.

In tandem with the strengthening of Group cash flows and the restructuring of the Group Balance Sheet, the 'National Long-Term Rating' of Dialog was upgraded from 'AA(lka)' to 'AAA(lka)', and the Group 'Outlook' modified from 'Negative' to 'Stable' by Fitch Ratings, Sri Lanka's primary credit rating body.

Commitment to Excellence

In line with our strategic objectives of establishing a platform for sustainable growth and consolidating our leadership position as Sri Lanka's premier connectivity provider, we remained singularly committed to ensuring that the Dialog Rebound was holistic in its outcomes. Accordingly, quantum improvement in terms of Cost Leadership and Operating profitability were supplemented by the achievement of several milestones in terms of product and service leadership.

In 2010, the Company continued to lead the industry in extending services to the newly liberated areas in the Northern and Eastern Provinces, expanded its 2G and 3G network by 18%, drove market adoption of high-speed Mobile Broadband services and secured the accolade of becoming the country's first COPC 2010® certified Customer Contact Centre.

Our commitment to innovation in inclusively serving multiple segments of Sri Lankan citizens was manifested in the multi-faceted and thematically diverse development initiatives spanning advancements in high-speed Mobile Broadband services, data and voice-based International Roaming services, through to advanced tools for social empowerment such as TradeNet - a mobile-based trilingual trading portal and *Nenasa* TV, Sri Lanka's satellite-based distance education channel reaching over 500 schools across rural districts of the country. Dialog's TradeNet was one of 8 World Summit Award (WSA) winners at the WSA Mobile Global Awards. TradeNet also won the regional mBillionth award for mobile inclusion asserting its position as a truly nascent technology platform that enriches livelihoods at the base of the pyramid.

In 2010, Dialog topped the country's first-ever Corporate Accountability Rating and was also voted the Most Popular Mobile Telecom Brand at the SLIM-Nielsen People's Choice Awards.

Contribution to the Nation

The Dialog Axiata Group is proud to serve over 7 Mn. Sri Lankans from across all provinces of the country, with a cutting edge portfolio of Mobile and Fixed Telecommunications, Broadband and Digital Television services. Dialog's service portfolio has been designed on the paradigm of maximising Affordability, Availability, Applicability (utility) and Affinity in line with the founding (4A) tenets of Dialog's approach to inclusive business. We believe that through the provision of affordable and multi-modal connectivity to millions of Sri Lankan citizens, households and businesses, we have helped digitally empower multiple strata of Sri Lanka's society and economy.

Over the past years, the Dialog group has supplemented its indirect contribution to socioeconomic development with a consistent stream of direct investment. As at the end of FY 2010, Dialog Axiata reached the cumulative investment milestone of USD 1 Bn. and was recognised by the Board of Investment of Sri Lanka as the largest investor operating under its aegis. The Dialog Group has pledged a further investment of USD 150 Mn. towards ICT infrastructure expansion over the next two years, bearing testimony to the confidence placed by the Company and its principle shareholder Axiata Group, in the potential of the nation and its economy, and in the efficacy of the enabling environment created by the Government of Sri Lanka.

Dialog's direct contribution to the national economy also encompasses inputs in terms of levies, taxes and the collection of Government revenues. In FY 2010, the Dialog Group contributed Rs. 6.16 Bn. in taxes, fees and levies to the GoSL. The Group collected a further Rs. 8.23 Bn. in VAT, MSL and other taxes on behalf of the GoSL remitting a total of Rs. 10.44 Bn. to the exchequer during the course of 2010.

The Dialog Group prides itself with respect to the contribution made towards the development of the country's human capital. The Group is by far, the mobile sector's largest employer – accounting for approximately 55% of mobile sector employment. Dialog also continues to grow the Dialog Scholarship Programme which has over the years, supported in excess of 450 students from across all districts and provinces of the country, through Advanced Level and University education.

Furthermore, *Nenasa* TV – Dialog's flagship contribution to Sri Lanka's education sector, opens a new vista in access to education through the deployment of satellite broadcast technology as a distance learning bridge for students from across the island. *Nenasa* bridges teacher arbitrage through the broadcast of high-quality curriculum-based education content supplemented with a state-of-the-art web-based learning management system.

As espoused in our Sustainability Report for 2010, Dialog consistently reiterates its commitment towards ensuring its business operations are aligned to support the ideals of sustainability and accountability. Dialog is also mindful of the delicate balance that it needs to strike between delivering strong financial growth with development that is ultimately equitable and sustainable. Dialog sees this challenge as an opportunity to draw on our innate forward-looking organisational culture, to deliver socially innovative and inclusive ICT services.

Acknowledgements

In concluding my review of operations, I would like to thank our customers for their valued patronage and loyalty, and our shareholders for their support and encouragement which was invaluable in emboldening management with the impetus to steer operations through and against challenging environments. I would also like to express my sincere appreciation for the support and encouragement extended to us by the Government of Sri Lanka and its agencies – in particular, the Telecommunications Regulatory Commission of Sri Lanka, the Board of Investment, the Ministry of Finance, the Ministry of Mass Media and Information, the Ministry of Defence and the Ministry of Posts and Telecommunications.

I also extend herein my gratitude to our Chairman Datuk Azzat Kamaludin and my fellow Board members for their strategic input, direction and invaluable counsel made available to me and my management team at all times.

The outcome of the Dialog Rebound stands testimony to the courage, determination and excellence of the Dialog team. It has been a privilege to work alongside them, through the transformation of our Company and I wish to extend to them my sincere gratitude.

In closing, my management team and I are acutely cognizant that a successful and determined rebound is by no means the end of a journey. In addition to a host of learnings for the future, we draw from our success in 2010, the confidence that our Company is powerful but agile – rich with knowledge and experience, but welcoming of change and transformation. We stand together committed, to continuously transform our business ahead of dynamics in the economic and competitive order, and to strive for a level of performance and competence well-beyond that which we have achieved.

Dr. Hans Wijayasuriya
Group Chief Executive

31st March 2011

Board of Directors

Datuk Azzat Kamaludin

Chairman/
Non-Executive, Non-Independent Director

Datuk Azzat Kamaludin was appointed to the Board of Dialog Axiata as Chairman and Director on 21st July 2008.

He is an independent non-executive Director of Axiata Group Berhad. Datuk Azzat Kamaludin is a lawyer by profession and is a partner of the law firm of Azzat & Izzat, Malaysia.

Datuk Azzat Kamaludin graduated from the University of Cambridge, United Kingdom, with degrees in Law and in International Law, and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an administrative and diplomatic officer with the Ministry of Foreign Affairs, Malaysia from 1970 to 1979.

Datuk Azzat Kamaludin is presently a Director of several public listed and private limited companies in Malaysia. He has also served as a member of the Securities Commission, Malaysia from 1993 to 1999.

Dr. Hans Wijayasuriya

Group Chief Executive/
Non-Independent, Executive Director

Dr. Hans Wijayasuriya was appointed to the Board of Dialog Axiata on 19th January 2001.

Dr. Wijayasuriya joined the Company in 1994 as a member of the founding management team of the Company, and has functioned in the capacity of the Chief Executive of Dialog Axiata, since 1997. He counts over 17 years experience in technology-related business management. He also serves on the boards of a number of international subsidiaries of the Axiata Group.

A Fellow of the Institute of Engineering Technology of the UK (IET), Dr. Wijayasuriya is a Chartered Professional Engineer and also a member of the Institution of Electrical and Electronic Engineers (IEEE), USA. Dr. Wijayasuriya graduated with a degree in Electrical and Electronic Engineering from the University of Cambridge, UK in 1989. He subsequently read for and was awarded a PhD in Digital Mobile Communications at the University of Bristol, UK. Dr. Wijayasuriya also holds a Master's in Business Administration from the University of Warwick, UK.

Dr. Wijayasuriya is a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association representing 49 Asia Pacific member countries, and has earned the distinction of being included in the GSM 100 Role of Honour for his contribution to GSM in the Asia Pacific Region.

Dr. Wijayasuriya was a recipient of the CIMA-Janashakthi Business Leader of the Year award in its inaugural year of presentation in 2003, and of the coveted 'Sri Lankan of the Year' award in 2008 presented by Sri Lanka's premier business journal, the LMD.

Board of Directors (Contd.)

Mr. Moksevi Prelis

Independent, Non-Executive Director

Mr. Prelis was appointed to the Board of Dialog Axiata on 15th September 2004.

He has 27 years experience in the banking sector out of which 21 years was in the capacity of CEO/Director of the DFCC Bank and the Nations Trust Bank. Prior to this he has worked for 16 years as an engineer and a manager in the automobile manufacturing and steel industries. He has held the posts of Chairman – Ceylon Electricity Board, Chairman – National Institute of Business Management, Chairman – Association of Development Finance Institutions of Asia & Pacific, headquartered in Manila and Chairman – St. John's National Association of Sri Lanka. He has served as a Director on the boards of 20 companies and five state institutions. He is currently the Chairman of the Capital Trust Securities Group and a Director of Sinwa Holdings Ltd. and the Colombo Stock Exchange Ltd.

He holds a Bachelor's degree with Honours in Mechanical Engineering from the University of Ceylon, and a Master's degree in Industrial Engineering and Management from Purdue University, USA, a Postgraduate Certificate in Industrial Administration from Aston University, Birmingham and has completed the International Senior Management Programme of the Harvard Business School, USA. He is a Chartered Engineer of UK, a Fellow of the Institution of Engineers Sri Lanka, a (Hon) Member of the Institute of Personnel Management and a (Hon) Fellow of the Institute of Bankers, Sri Lanka.

Mr. Mohamed Muhsin

Independent, Non-Executive Director

Mr. Muhsin was appointed to the Board of Dialog Axiata on 14th June 2006.

Mr. Muhsin's experience includes working as a Strategic Management Consultant and Director on international corporate and foundation boards. Prior to his retirement as the Vice President and Chief Information Officer at the World Bank, Mr. Muhsin was responsible for aligning information technology with the organisation's business strategy. He successfully implemented major reforms in global telecommunications, video conferencing, information management and enterprise business systems.

A Chartered Accountant and a Fellow of The Institute of Chartered Accountants of Sri Lanka, Mr. Muhsin also worked in senior positions in the private sector in Sri Lanka and served for several years as an advisor to the then President of Zambia, Dr. Kenneth Kaunda on state enterprise reform and as the Group Financial Director of Zambia's mining and industrial conglomerate.

Board of Directors (Contd.)

Mr. Jayantha Dhanapala

Independent, Non-Executive Director

Mr. Dhanapala was appointed to the Board of Dialog Axiata on 3rd August 2007.

He was a career diplomat in the Sri Lanka Foreign Service and the United Nations (UN). He was the Ambassador of Sri Lanka and the Permanent Representative to the UN in Geneva (1984-87), the Ambassador of Sri Lanka to the USA (1995-97) and UN Under-Secretary-General (1998-2003). He is the current President of the 1995 Nobel Peace Prize-winning Pugwash Conferences on Science and World Affairs, and sits on advisory boards of other international institutes.

Mr. Dhanapala served as a member of the UN University Council, the Governing Board of the Stockholm International Peace Research Institute for a period of seven years. Mr. Dhanapala was named 'Sri Lankan of the Year 2006' by Sri Lanka's premier business magazine, the Lanka Monthly Digest (LMD). He has also received many international awards.

Mr. Dhanapala was awarded a Bachelor of Arts (Honours) degree majoring in English Literature with French from the University of Peradeniya, Sri Lanka and a Master of Arts degree in International Studies from the American University in Washington DC. He was awarded honorary doctorates by the Universities of Peradeniya and Sabaragamuwa, Sri Lanka, the Monetary Institute of International Studies in the USA, the University of Southampton, UK and the Dubna International University in the Russian Federation. He has published several books and written articles for international journals.

Mr. Azwan Khan Osman Khan

Non-Executive, Non-Independent Director

Mr. Azwan Khan was appointed to the Board of Dialog Axiata on 21st July 2008.

He is the Group Chief Strategy Officer of Axiata Group Berhad. His current responsibilities include Group Corporate Strategy, Group Marketing and Product Development, Group Synergies, Strategic Initiatives, Branding and Corporate Communications. He was formerly the Senior Vice President, Corporate Strategy and Development in Celcom (Malaysia) Bhd ('Celcom'), a position he held since mid-2005.

Mr. Azwan Khan is an engineering graduate (First-Class Honours) from the Imperial College, University of London, with a broad mix of telecommunications and non-telecommunications experience across a range of companies. His professional experience also included an extensive period with The Boston Consulting Group and Shell Malaysia.

Mr. Azwan Khan is also an active board member in Sacofa Sdn Bhd and Samart I-Mobile Public Limited Company. He is also a member of the GSMA Chief Strategy Officer Group.

Board of Directors (Contd.)

Dato' Sri Jamaludin Ibrahim

Non-Executive, Non-Independent Director

Dato' Sri Jamaludin was appointed to the Board of Dialog Axiata PLC on 23rd March 2011.

Dato' Sri Jamaludin has worked for about 30 years in the ICT industry - 16 years in IT and 14 years in telecommunications. He is currently the President and Group Chief Executive Officer of Axiata Group Berhad, which he joined in March 2008. He is also a Board Member of Axiata Group.

Prior to that, Dato' Sri Jamaludin was with Maxis Communications Berhad (Malaysia), which he joined in 1997 and was appointed Chief Executive Officer in 1998. In 2006, he was redesignated the Group Chief Executive Officer to reflect Maxis' international footprint. He retired from Maxis in July 2007 and continued to be a non-executive Director until February 2008.

Before joining Maxis, he spent 16 years in the IT Industry. He was Managing Director/Chief Executive Officer of Digital Equipment Malaysia (the Malaysian branch of Digital Equipment, then the second largest IT company worldwide) from 1993 to 1997. Dato' Sri Jamaludin also spent 12 years in IBM (1981-1993), the first five years as a Systems Engineer and then in various positions in Sales, Marketing and Management. Prior to IBM, he was a lecturer in Quantitative Methods at California State University, United States.

Dato' Sri Jamaludin graduated from California State University in 1978 with a B.Sc. in Business Administration and minor in Mathematics. He obtained his MBA from Portland State University, Oregon in 1980.

Dato' Sri Jamaludin is also the Chairman of Celcom Axiata Berhad (Malaysia), and sits on the Boards of PT XL Axiata Tbk.(Indonesia), M1 Limited (Singapore) and Multimedia Development Corporation Sdn Bhd (MDeC). Dato' Sri Jamaludin is also a Board Member of the GSMA (the global World GSM Association).

Dato' Sri Jamaludin earned the accolade of Malaysia's 'CEO of the Year' 2000 by American Express & Business Times and was inducted into the Hall of Fame for 'Services to the Mobile Telecommunications Industry' by Asian Mobile News in 2004. He was also named 'Asian Mobile Operator CEO of the Year' by Asian Mobile News Awards 2007 and 'Telecom CEO of the Year' by Telecom Asia Awards 2010 and Frost & Sullivan 2010 Asia Pacific ICT Award.

Group Senior Management

Pradeep De Almeida
Group Chief Technology Officer

Sandra De Zoysa
Group Chief Customer Officer

Upali Gajanaike
Chief Executive Officer -
Dialog Tele-Infrastructures

Shayam Majeed
Group Chief Officer -
Commericial & Programme Management

Nushad Perera
Group Chief Marketing Officer

Kavan Ratnayaka
Group Chief Corporate Officer

Group Senior Management (Contd.)

Anthony Rodrigo
Group Chief Information Officer

Suresh Sidhu
Group Chief Officer -
Enterprise & Global Business

Lucy Tan
Group Chief Financial Officer

Supun Weerasinghe
Group Chief Operating Officer

Lalith Fernando
Group Financial Controller

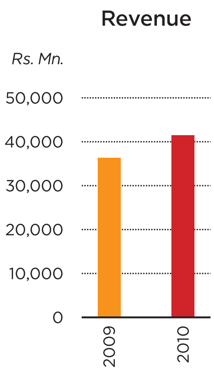
Suren Goonewardene
Chief Operating Officer -
Fixed Telecommunication &
Television Services

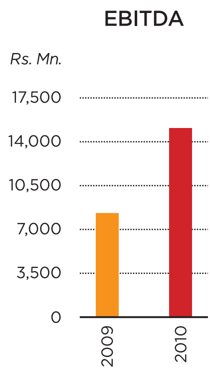
Mohan Villavarayan
Chief Operating Officer -
Dialog Tele-Infrastructures

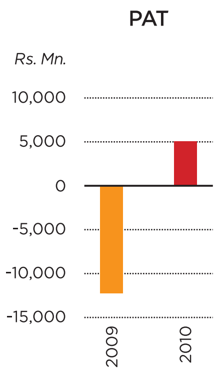
Business & Financial Review

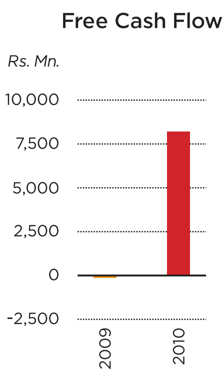
2010 - A Year of Resilient Rebound

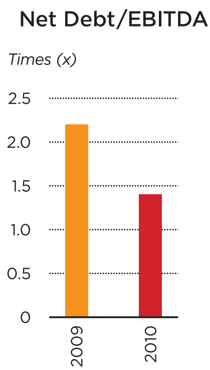
2010 witnessed an unprecedented turnaround in Dialog Group's performance in terms of revenue, EBITDA and profitability across all business units. Turnaround performance was underpinned by a healthy momentum in revenue growth, positive outcomes of strategic cost rescaling, balance sheet restructuring initiatives and consistent financial discipline across all aspects of the business.











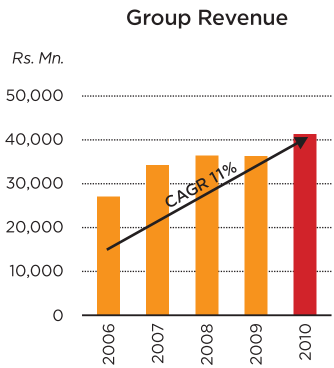
Group Financial Review

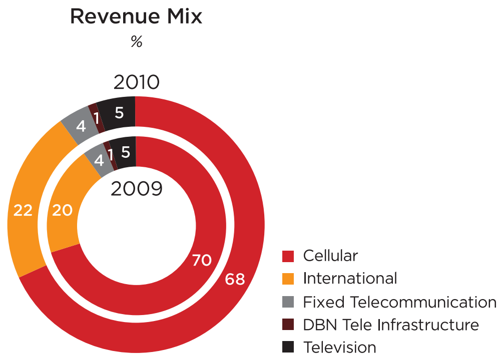
The Financial performance of the Dialog Group is derived from the consolidation of the performance of Dialog Axiata PLC (Company) and its subsidiaries Dialog Broadband Networks (DBN) and Dialog Television (DTV).

	2010 Rs. Mn.	2009 Rs. Mn.	Change %
Revenue	**41,423**	36,246	14
Direct costs	**(23,600)**	(22,301)	6
Gross profit	**17,823**	13,945	28
Gross margin %	**43**	38	5pp
Operating costs	**(12,543)**	(24,225)	(48)
EBITDA	**15,084**	8,309	82
EBITDA margin %	**36**	23	13pp
PBT	**5,538**	(11,780)	147
PAT	**5,047**	(12,208)	141
PAT margin %	**12**	(34)	46pp

Note: Comparatives have been restated to conform to changes in the current year's presentation.
Revenue has been restated to include site sharing income.

The Dialog Group recorded a consolidated revenue of Rs. 41.42 Bn. for the year 2010, up 14% YoY underpinned by strong growth in the Mobile, International, Tele-Infrastructure and the Television Businesses.





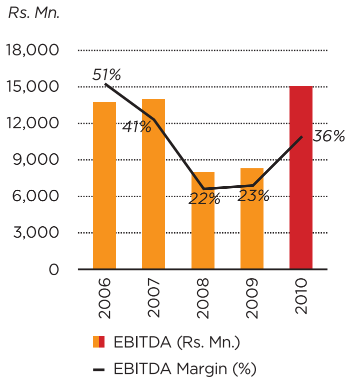
Cellular include revenues of mobile business and tele-infrastructure business of the Company

The Group direct costs grew by 6% while operating costs declined by 48% resulting in a Group PAT of Rs. 5.05 Bn. for the year 2010.

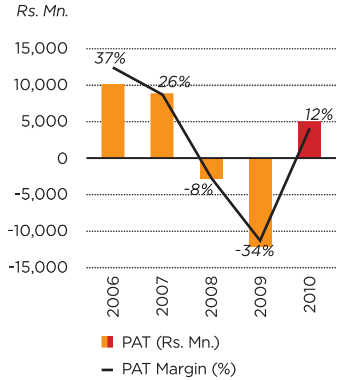
The Group EBITDA (Operating Profit before Depreciation, Amortisation and Impairment) for the year was recorded at Rs. 15.08 Bn., up by a significant 82% YoY. The Group EBITDA margin improved by 13 percentage points YoY, to reach 36%.

The Group delivered strong performance in terms of profitability, recording PAT of Rs. 5.05 Bn. for 2010 a 141% increase YoY.

Group EBITDA



Group PAT

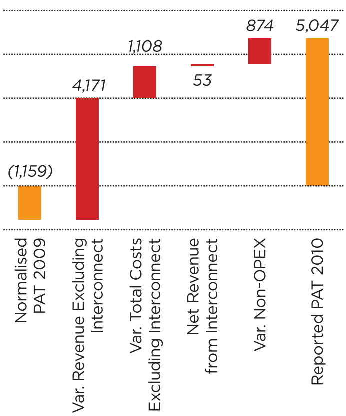


Both subsidiaries remained dilutive to the Group at profit level, but registered significant improvements in operational performance in the wake of strategic cost rescaling initiatives implemented across the Fixed Telecommunication and Television businesses of the Group.

Negative contributions from DBN (Rs. 1.30 Bn.) and DTV (Rs. 154 Mn.) resulted in the dilution of Group earnings by a total of Rs. 1.51 Bn. (inclusive of consolidated adjustments), resulting in a Group profit of Rs. 5.05 Bn. for 2010 compared to a loss of Rs. 12.21 Bn. in 2009.

The following graph depicts the contribution made by the growth in revenues and operational improvements towards the turnaround in Group profitability in 2010, relative to 2009.

Group PAT Improvement in 2010



2009 PAT has been adjusted for non-recurring charges resulting in a normalised PAT of negative Rs. 1.16 Bn.

Group Cash Flows

The Group operating cash flows totalled Rs. 14.28 Bn. for the year 2010, an increase of 32% compared to 2009. The healthy operating cash flow recorded in 2010, has been augmented by a 30% YoY reduction in capital expenditure to Rs. 6.87 Bn. Drop in capital expenditure was driven by focused capital investments and the completion of an extensive network modernisation exercise carried out in 2009. Accordingly, the Group recorded a positive free cash flow of Rs. 8.21 Bn. for the year 2010, relative to the normalised negative free cash flow of Rs. 133 Mn. in 2009.

Group Balance Sheet

Free cash flows generated were directed towards the repayment of high interest bearing local borrowings amounting to Rs. 4.64 Bn. and repayment of USD 10 Mn. against the advances due to the principle shareholder, Axiata Group.

Dialog's borrowings as at 31st December 2010 comprised Rs. 6.22 Bn. of local currency and USD 172.5 Mn. of foreign currency debt. Of the local currency borrowings, Rs. 2.5 Bn. is in the form of Redeemable Cumulative Preference Shares, whilst Rs. 3.72 Bn. is due to

Parent Axiata Group. Dialog has a USD 135 Mn. outstanding term loan from OCBC, which will be repaid starting from 2011 through to 2015, whilst the balance of USD 37.5 Mn. is due to Axiata Group.

Strong recovery in EBITDA, focused capital expenditure and repayment of debt, has enabled Dialog to strengthen the Group balance sheet with the Gross Debt to EBITDA ratio improving from 2.6x in 2009 to 1.8x in 2010.

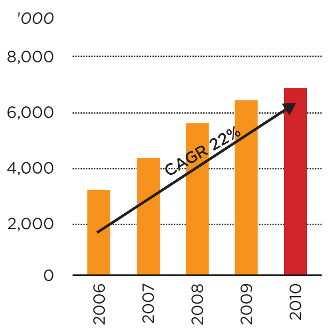
Fitch Ratings Lanka Ltd. upgraded Dialog's 'National Long-Term Rating' to 'AAA(lka)' from 'AA(lka)' and revised the 'Outlook' for the Group to 'Stable' from 'Negative' in October 2010.

Dialog Axiata PLC - Business Overview and Financial Review

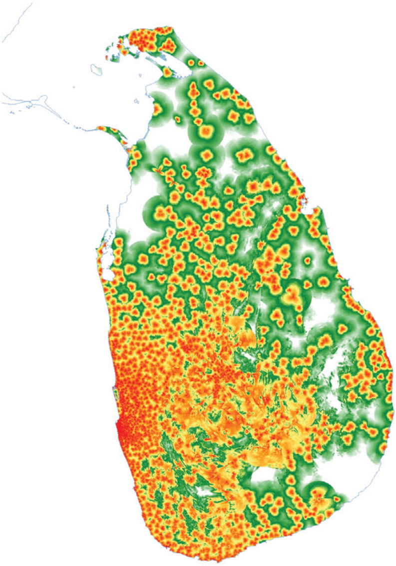
The operations of Dialog Axiata PLC encompass in the main, the mobile, international and tele-infrastructure businesses of the Group.

In 2010, notwithstanding aggressive competition, Dialog retained its position as the undisputed leader in the mobile telecommunications sector, maintaining its revenue share above 55%. Dialog's customer base has stretched its limit further connecting more than 6.8 Mn. customers in 2010. Postpaid and Prepaid subscriber bases grew by 10% and 7% respectively compared to the previous year.

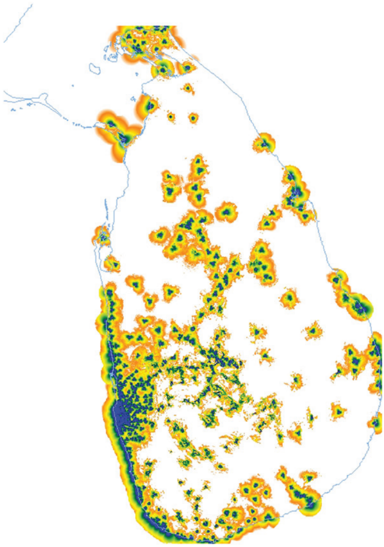
Dialog Subscriber Growth



Nationwide mobile coverage, high speed Mobile Broadband services, value added product innovations, customer service excellence and an unparallel distribution network were key drivers which continued to differentiate Dialog's product offering in Sri Lanka's mobile sector. Supported by aggressive investment in network development and technology advancement, Dialog strengthened its market leading coverage, increasing its network of 2G and 3G base stations by 18% during the course of 2010.



2G Coverage*



3G Coverage*

*As at 31st December 2010

In addition to enhancing the core attributes of its mobile service portfolio, the company continued to drive inclusive adoption of its services via the enhancement of affordability. During the course of 2010, the average revenue per minute was reduced by 15% which in turn drove increases in consumption in terms of Minutes of Usage (MoUs) by 10% and 19% respectively for Postpaid and Prepaid services.

Dialog's Roaming services continued to chart impressive growth, offering the most extensive roaming coverage over 211 destinations. Dialog also expanded its 3G Roaming network to encompass 64 countries empowering travellers with access to Mobile Broadband and video calling services.

The international telecommunications services of Dialog have delivered significant outcomes in 2010. The services offered by the international business delivered 27% growth, contributing significantly to the top line, whilst accounting for 22% of Group revenue. In 2010, Dialog achieved the milestone of 100% Global IPVPN coverage, further strengthening inextricable partnerships with a host of international carriers.

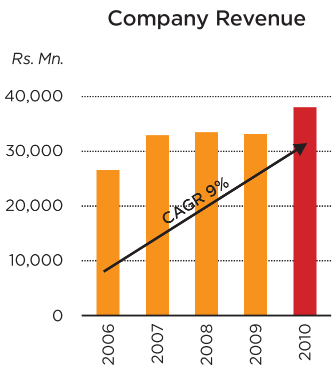
Company Financial Review

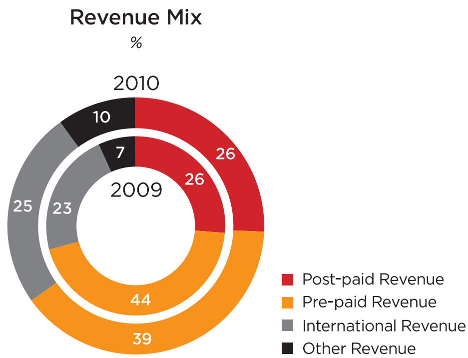
	2010 Rs. Mn.	2009 Rs. Mn.	Change %
Revenue	**37,954**	33,189	14
Direct costs	**(20,972)**	(19,360)	8
Gross profit	**16,982**	13,829	23
Gross margin %	**45**	42	3pp
Operating costs	**(10,303)**	(21,596)	(52)
EBITDA	**14,455**	8,553	69
EBITDA margin %	**38**	26	12pp
PBT	**7,043**	(8,785)	180
PAT	**6,552**	(9,210)	171
PAT margin %	**17**	(28)	45pp

Note: Comparatives have been restated to conform to changes in the current year's presentation.
Revenue has been restated to include site sharing income.

Revenue

The Company recorded a revenue of Rs. 37.95 Bn. for the year 2010, a strong increase of 14% YoY. Total revenues were bolstered by increased consumption of mobile voice and Mobile Broadband services, as well, by interconnection income accruing from the introduction of the interconnection regime in June 2010. Revenue from Tele-Infrastructure business increased by 48% YoY as a result of Company's aggressive approach aimed at monetising its vast infrastructure footprint. International revenue was boosted by the 18% YoY growth in termination revenue due to increased international traffic underpinned by improvements in the economic activities following the peace dividend. International revenue accounts for around 25% of Company revenue in 2010, compared to 23% in 2009.

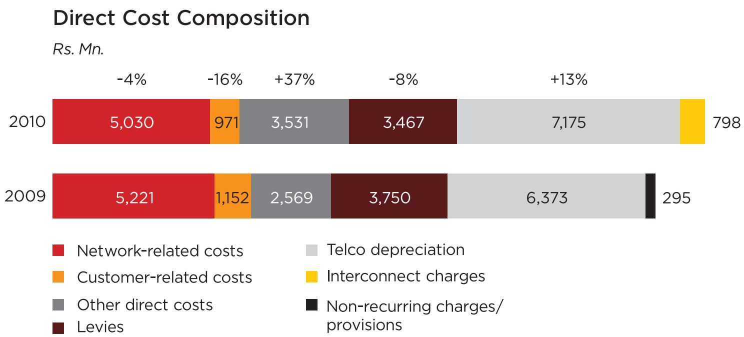




Other revenue include revenue from local interconnection, inbound roaming, site sharing and phone & accessories sales

Direct Costs

Total Direct costs increased by 8% to Rs. 20.97 Bn. in 2010, at a much lower pace than the 14% revenue growth recorded which resulted in enhanced margins.



- Levies refers to International Telecommunication Levy and frequency fees.
- Customer-related cost includes costs of phone & accessories and customer servicing cost such as sim cards, scratch cards, etc.

The rise in YoY direct cost was primarily driven by the increase in international origination costs in tandem with increased international traffic. Telco depreciation recorded a 13% YoY increase due to aggressive network rollout in 2010. Both network-related costs and customer-related costs declined by 4% and 16% YoY respectively. Drop in the said direct cost lines was driven by renegotiation of annual maintenance contracts, insurance charges and favourable terms with suppliers/vendors.

Year 2010 also features the impact of several changes in the sector cost structure including, but not limited to those accruing from the introduction of the domestic interconnection regime in June 2010 and the reduction in the international telecommunications levy from USD 0.038 per minute to USD 0.015 per minute in July 2010. Accordingly, levies dropped by 8% YoY.

Interconnection charge for 2010 amounted to Rs. 798 Mn. On exclusion of the interconnection charge, direct costs grew by 4% YoY.

Operating Costs

	2010 Rs. Mn.	2009 Rs. Mn.	Change %
Selling expenses	**4,989**	5,365	(7)
Manpower	**2,393**	2,799	(15)
Non-Telco depreciation/impairment	**602**	1,083	(44)
Energy-related expenses	**738**	885	(17)
Facilities and incidentals	**1,581**	1,475	7
Non-recurring charges/provisions	**–**	9,989	–
Total operating costs	**10,303**	21,596	(52)

Note: Comparatives have been restated to conform to changes in the current year's presentation.

During 2010, the Company continued to extract positive outcomes from strategic cost rescaling initiatives as principle operating cost lines decreased significantly compared to 2009, with the total operating costs decreasing by 52% YoY to record at Rs. 10.30 Bn.

Savings stemming from rightsizing continued to accrue in 2010 as manpower cost reduced by 15% YoY. Energy-related expenses and selling expenses dropped by 17% and 7% YoY, respectively. However, facilities and incidental costs increased by 7% in 2010 largely due to increase in consultancy fees. In 2010, the Company saved approximately Rs. 805 Mn. in cost relative to the previous year.

In 2009, the Company expensed a one-off provision of Rs. 6.0 Bn. for impairment arising on account of network modernisation. A further Rs. 2.07 Bn. was written-off as a non-recurring charge to align Capital Inventory/Capital Work-in-Progress provisioning policies with international best practices. The Company also implemented a two phase VRS with a total provisioning of Rs. 881 Mn.

Finance Costs

In early 2010, Dialog performed a strategic review of its borrowings portfolio on the backdrop of elevated finance costs and the requirement to adjust Debt: Equity composition within the debt portfolio. Further, the assessment was in order to capitalise on preferential terms/rates arising from local/international debt and foreign exchange market dynamics.

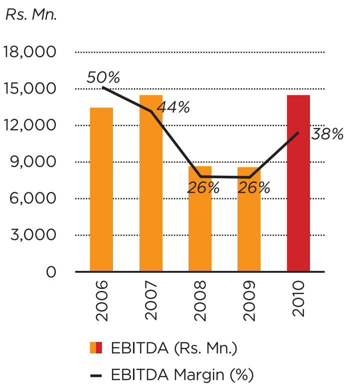
The finance costs decreased by 65% YoY compared to 2009 on the twin impact of reduced debt levels and lower interest rates resulting from the decline in reference rates.

The net finance cost for the year was recorded at positive Rs. 243 Mn. The composition of the net finance cost includes interest on borrowings during the period of Rs. 538 Mn., interest income of Rs. 95 Mn. and a foreign exchange gain of Rs. 686 Mn.

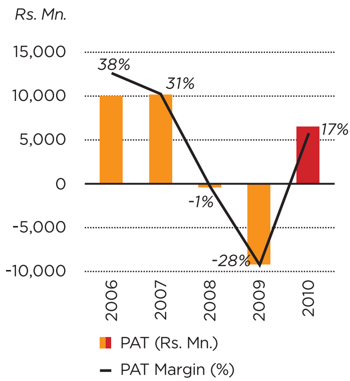
EBITDA and PAT

The Company EBITDA for 2010 grew by 69% YoY to reach Rs. 14.46 Bn. Underpinned by strong revenue growth and cost improvements, EBITDA margin expanded from 26% in 2009 to 38% in 2010 - an increase of 12 percentage points compared to 2009. The Company recorded a PAT of Rs. 6.55 Bn. for 2010, a significant 171% improvement relative to Rs. 9.21 Bn. loss recorded in 2009.

Company EBITDA

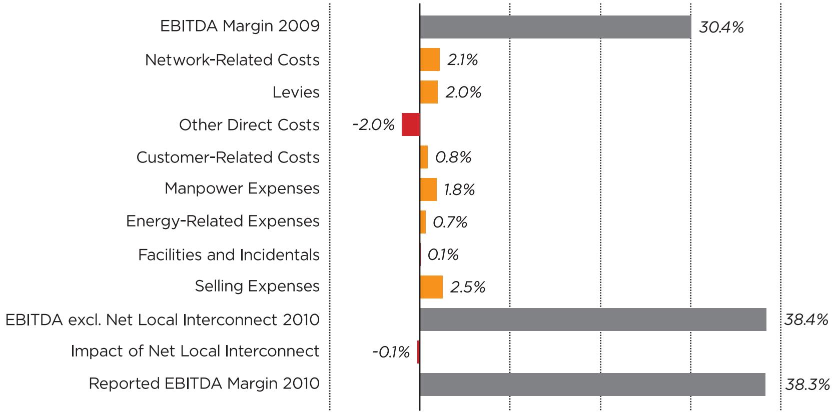


Company PAT



The ensuing graph reconciles EBITDA margin for 2010 compared to EBITDA margin of 2009 adjusted for non-recurring charges. Non-recurring charges/provisions relating to 2009 EBITDA amounted to Rs. 1.58 Bn.

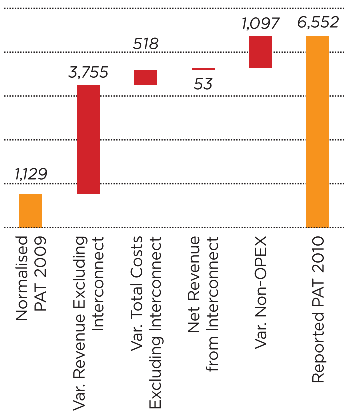
Company EBITDA Margin Movement 2009 to 2010



The following graph depicts the contribution made by growth in revenues and operational improvements towards the positive PAT performance in 2010, relative to 2009.

Company PAT Improvement in 2010

Rs. Mn.



2009 PAT has been adjusted for non-recurring charges resulting in a normalised PAT of negative Rs. 1.13 Bn.

Taxation

Dialog has been granted flagship investor status by the Board of Investment (BOI) of Sri Lanka, by virtue of the quantum of inward infrastructure investments made by Axiata Group. The terms of the Flagship Investor Agreement bestow a 15-year tax exemption period on the Company, which terminates in 2012. Upon the expiry of the tax holiday, for 15 years to follow, the Company would be liable to pay corporate tax, either at a concessionary rate of 2% on revenue, or at the prevailing corporate tax rate. The Company will be required to select its preferred option at the end of the tax holiday in 2012. Dialog however, is liable to pay taxes on interest earnings on Rupee deposits and is also subject to the Economic Service Charge (ESC) of 0.25% since January 2005.

The increase in taxation in 2010 is mainly due to the lower income tax provision in 2009.

Dialog Broadband Networks – Business Overview & Financial Review

DBN is a key player in the Fixed Telecommunication space with a product portfolio spanning Broadband internet, fixed telephony, data networks and converged ICT solutions including IPVPN, VoIP and Hosted PABX offerings. DBNs transmission and data communication network spans across all provinces of Sri Lanka enabling the Company to be a forerunner in fixed data and voice connectivity.

During the course of 2010, Fixed Broadband internet, powered by WiMAX technology was extended to all 25 districts of the country. DBN also provides fixed wireless telephony services through CDMA technology. Broadband and converged product sales continued to grow in 2010. DBN's CDMA subscriber base grew by 7% to reach 189,000. Data solutions recorded growth in excess of 16% during the year.

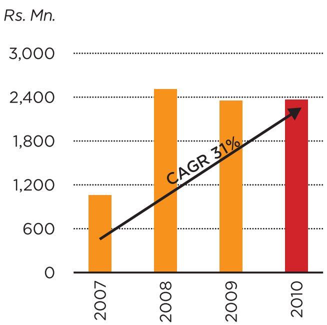
DBN Financial Review

Revenue

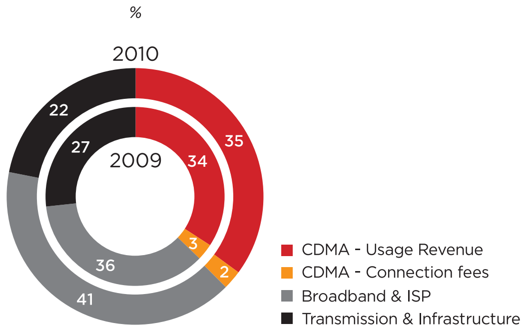
DBN recorded a revenue of Rs. 2.36 Bn. in 2010, up 1% relative to 2009. Increase in revenue was marginal mainly due to the reduction in transmission revenue and connection fees. YoY drop in connection fees on acquisition of new CDMA subscribers was due to

DBN's sales strategy that focused on SME and Enterprise sectors. However, Broadband and ISP revenues grew by a significant 14% YoY, fuelled by the increase in usage of the corresponding services.

DBN Revenue



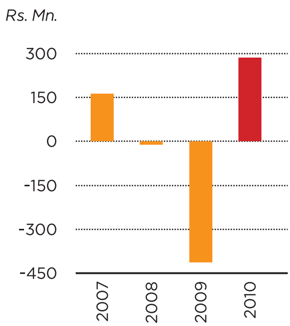
Revenue Mix



EBITDA and PAT

DBN recorded a positive EBITDA in Q2 2010, ending seven consecutive quarters of negative EBITDA performance and continued to consolidate the performance trend to record its third successive quarter of positive EBITDA in Q4 2010. Accordingly, DBN EBITDA for the year 2010 was recorded at Rs. 285 Mn., a significant 169% improvement compared to 2009. EBITDA turnaround at DBN was underpinned by substantial reductions in operating and direct costs accruing from cost rescaling programmes implemented over the past quarters.

DBN EBITDA



However, DBN remained PAT negative in 2010, following the ongoing accelerated depreciation of CDMA and WiMAX networks. DBN recorded PAT of negative Rs. 1.30 Bn. in 2010, an improvement of 50% compared to 2009. DBN's performance also includes a one-off provision of Rs. 100 Mn. on account of VAT recovery in light of the emergent VAT exempt environment in the Telecommunications Sector.

Taxation

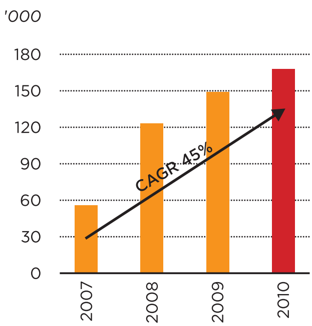
During 2007, DBN entered into an investment agreement with the BOI, encapsulating a USD 75 Mn. investment in telecommunications infrastructure, including but not limited to the development of a fibre optic network and the expansion of its WiMAX and CDMA networks.

Within the framework of the terms of the said agreement, DBN was awarded an extension to its incumbent tax holiday. Accordingly, the Company is deemed exempt from income tax up to five years (ending March 2011) from the expiry of the incumbent tax holiday. Upon expiry of the exemption period, the Company will be subject to a corporate tax as per the Inland Revenue Act.

Dialog Television – Business Overview & Financial Review

DTV is the single largest Direct-To-Home (DTH) digital television service provider in Sri Lanka. DTV delivered an unprecedented turnaround in the year 2010, recording a positive EBITDA supported by a significant number of acquisitions of new subscribers. With consistent innovative sales and marketing programmes carried out throughout the year, the total active subscriber base grew by 13% YoY, connecting 168,000 Sri Lankan homes by year end.

DTV Subscribers

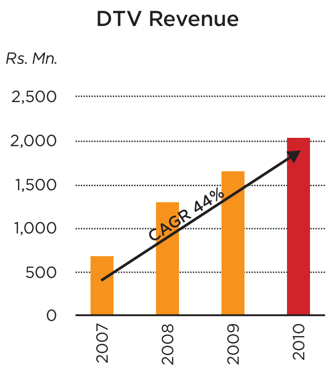


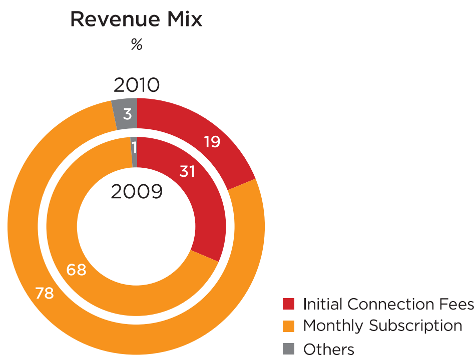
DTV's product offering encompasses an extensive assortment of international channels including CNN, BBC, Star, HBO, Cinemax, AXN, ESPN, Ten Sports, Discovery, MTV (Music Television) and Cartoon Network alongside a wide variety of local content.

DTV Financial Review

Revenue

Healthy momentum in revenue growth was further consolidated at the Group's Television business as DTV recorded a revenue of Rs. 2.02 Bn. for the year 2010, a significant increase of 23% relative to 2009. Revenue growth in 2010 was fuelled by a strong 41% increase in subscription revenue driven by 13% growth in subscribers compared to 2009.



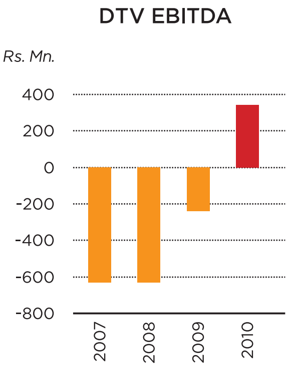


Revenue comprises initial connection fees, subscription rentals and other revenue including revenues from advertising and miscellaneous services. The revenue generated from monthly subscriptions accounted for 78% of the total revenue in 2010 (compared with 68% in 2009).

EBITDA and PAT

DTV demonstrated a similar turnaround in performance with a positive EBITDA in Q1 2010 for the first time since acquisition and consolidation within the Dialog Group and continued to record four consecutive quarters of EBITDA growth to stand at Rs. 343 Mn. at the end of 2010, a significant improvement of 243% compared to 2009. EBITDA growth YoY was underpinned by a strong increase in usage revenues, renegotiation of content bouquet and other cost rescaling initiatives.

On the backdrop of revenue and cost performance as described above, DTV reported a PAT of negative Rs. 154 Mn. in 2010, a strong improvement in profitability by 80% relative to 2009.



Taxation

By virtue of DTV's USD 5 Mn. investment with the BOI towards the development of a Digital Television Broadcasting Platform, DTV was granted a three-year tax exemption period commencing October 2009. Upon expiry of the exemption period (ending September 2012), the Company's profits will be subject to a corporate tax of 10% p.a. for the succeeding two years and a 20% corporate tax p.a. thereafter.

Corporate Governance

The Board of the Company recognises its overriding responsibility to act honestly, fairly and diligently, in accordance with relevant laws and in building sustainable value for shareholders. Whilst boards must be given the liberty to take business decisions without undue interference, it is equally important to ensure that boards exercise that freedom within a framework of effective accountability and transparency. Therefore, the Board recognises that good corporate governance is essential to business integrity and for maintaining investor confidence in the Company.

In furtherance of this commitment, the Company has adopted its own Code of Corporate Governance (‘Code’), which is applicable to the Group that encourages the creation of value through entrepreneurship, innovation and development, while providing for accountability and the internalisation of control systems, commensurate with the risks involved in the Group’s business operations.

The Code has been structured in the form of ‘Principles’ and ‘Best Practices’ and spells out a governance framework underpinned by 8 core principles within which the business is conducted. The Code is reviewed regularly in the light of local and international laws, regulations and best practices. Due emphasis has been given to comply with the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange, the requirements stipulated in the Companies Act, No. 07 of 2007 and other recognised best practices.

The Company is fully compliant with the above requirements, and in line with the above this Report sets out the corporate governance framework, application and practice within the Group for the year 2010.

The Board Of Directors

The Company’s business and Group operations are managed under the supervision of the Board. The matters reserved for the Board include:

- providing entrepreneurial leadership to the Group;
- providing strategic guidance and evaluating, reviewing and approving corporate strategy and the performance objectives for the Company;
- approving and monitoring financial and other reporting practices adopted by the Group;
- effectively reviewing and constructively challenging management performance in meeting the agreed goals, monitoring the reporting of performance and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives.

Board Composition and Independence

The Board comprises 07 Directors, of which 06 are Non-Executive Directors and 01 is an Executive Director, who is also the Group Chief Executive. During the year, 02 Directors, namely, Dato' Yusof Annuar Yaacob and Mr. Roni Lihawa Abdul Wahab, who were nominees of Axiata Group Berhad, resigned from the Board. Dato' Sri Jamaludin Ibrahim was appointed to the Board in March 2011. The Board considers that the present composition and expertise is sufficient to meet the needs of the Group.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences, whilst serving in a variety of public and private companies. Based on the declarations made annually by each of the Non-Executive Directors in accordance with the requirements set out in the Listing Rules of the Colombo Stock Exchange, 03 out of the 06 Non-Executive Directors, namely, Mr. Moksevi Prelis, Mr. Mohamed Muhsin and Mr. Jayantha Dhanapala are considered independent. They are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their judgment.

The Board considers the other 03 Non-Executive Directors, namely Datuk Azzat Kamaludin, Mr. Azwan Khan Osman Khan and Dato' Sri Jamaludin Ibrahim as non-independent, as they are nominees of Axiata Group Berhad, the ultimate Parent Company.

Profiles of each Director are found on pages 14 to 17 of this Report.

Division of Responsibilities

The roles of the Chairman and the Group Chief Executive Officer are separate with a clear distinction of responsibilities between them, which ensures the balance of power and authority between the running of the Board, and the executive responsibility for the running of the Group's businesses.

The Chairman, Datuk Azzat Kamaludin, is a Non-Executive Director and is responsible for providing leadership to the Board, for the efficient organisation and conduct of the Board's function, and in ensuring the integrity and effectiveness of the relationship between the Non-Executive and Executive Director(s).

The Group Chief Executive Officer, Dr. Hans Wijayasuriya, who is also an Executive Director, is responsible for the implementation of broad policies and strategies approved by the Board, and is responsible for developing and recommending to the Board the business plans and budgets that support the Group's long-term strategy and vision that lead to the creation of shareholder value.

Board Meetings

The Board meets regularly to discharge its duties effectively. In addition, special Board meetings are also held whenever necessary to deal with specific matters.

A total of 07 meetings were held during the financial year ended 31st December 2010, which included 03 special meetings. The attendance of the Directors at these meetings is set out in the table below:

Name of Director	Attendance
Datuk Azzat Kamaludin	7/7
Dr. Hans Wijayasuriya	7/7
Mr. Moksevi Prelis	7/7
Dato' Yusof Annuar Yaacob (until 31st October 2010)	6/6
Mr. Mohamed Muhsin	7/7
Mr. Jayantha Dhanapala	6/7
Mr. Azwan Khan Osman Khan	6/7
Mr. Roni Lihawa Abdul Wahab (until 31st July 2010)	3/5

Table 1- Attendance at Board Meetings

Access to Information

The Board is supplied with complete, adequate information, which includes an agenda, minutes, background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements in advance of each meeting to enable them to make informed decisions.

The Board has separate and independent access to the Group's Senior Management. All Directors have access to the advice and services of the Company Secretary. Directors, especially Non-Executive Directors, have access to independent professional advice in the course of fulfilling their responsibilities at the Company's expense.

Board Committees

The Board is supported by the following Board Committees which have been delegated with certain specific responsibilities:

1. Board Audit Committee
2. Nominating and Remuneration Committee
3. Dialog Group Executive Committee

All committees have written Terms of Reference approved by the Board and the Board receives reports of their proceedings and deliberations. In instances where committees have no authority to make decisions on matters reserved for the Board, recommendations are highlighted for approval by the Board. The Chairmen of each of the Committees report the outcome of the committee meetings to the Board and the relevant decisions are incorporated in the minutes of the Board meetings. The Company Secretary acts as Secretary to all Board Committees.

(a) Board Audit Committee

The Board Audit Committee (BAC) comprises of 04 Non-Executive Directors. The members are Mr. Moksevi Prelis (Chairman), Mr. Mohamed Muhsin, Mr. Jayantha Dhanapala and Mr. Azwan Khan Osman Khan.

The BAC ensures that the Group complies with applicable financial standards and laws. In addition, it ensures high standards of transparency and corporate disclosure and endeavours to maintain appropriate standards of corporate responsibility, integrity and accountability to the shareholders. The appointed members of the BAC are required to exercise independent judgment in carrying out their functions.

The BAC held 06 meetings during the financial year ended 31st December 2010. Details of the attendance of the Members are as follows:

Name of Director	Attendance
Mr. Moksevi Prelis (Chairman)	6/6
Dato' Yusof Annuar Yaacob (until 31st October 2010)	5/5
Mr. Mohamed Muhsin	6/6
Mr. Jayantha Dhanapala	5/6
Mr. Azwan Khan Osman Khan	5/6

Table 2 - BAC Meeting Attendance

The activities conducted by the BAC are set out in the BAC Report on pages from 46 to 49.

(b) Nominating and Remuneration Committee

The Nominating and Remuneration Committee (NRC) comprises 03 Non-Executive Directors, namely Datuk Azzat Kamaludin (Chairman), Mr. Moksevi Prelis and Mr. Mohamed Muhsin. Dato' Yusof Annuar Yaacob, served as the Chairman of the NRC until his resignation effective 31st October 2010.

The role of the NRC is to identify, consider and propose suitable candidates for appointment as new Directors and to formulate, review, approve and make recommendations to the Board with regard to the remuneration of the Executive, Non-Executive Directors and key positions within the Senior Management.

The NRC ensures that the Directors appointed to the Board possess the background, experience and knowledge in business, technology, finance and/or management, so as to maintain an appropriate balance of skills and experience on the Board, and also to ensure that each Director brings to the Board an independent and objective perspective to ensure that balanced and well-considered decisions are made.

The NRC held 03 meetings during the financial year ended 31st December 2010 and the attendance at these meetings is set out below:

Name of Director	Attendance
Dato' Yusof Annuar Yaacob (Chairman until 31st October 2010)	2/2
Datuk Azzat Kamaludin (Chairman - appointed with effect from 16th December 2010)	1/1
Mr. Moksevi Prelis	3/3
Mr. Mohamed Muhsin	2/3

Table 3 – NRC Meeting Attendance

(c) Group Executive Committee

During the year under review, the Group Executive Committee (EXCOM) was established replacing the existing 05 Business Unit Specific Executive Committees. The purpose of the EXCOM is to support the Board in the performance of its duties in achieving the business objectives of the Group, with the interests of its shareholders, customers, employees and other stakeholders in mind.

Dialog Group Executive Committee comprises 03 representatives of the Board, namely Mr. Azwan Khan Osman Khan (Chairman), Mr. Mohamed Muhsin and Dr. Hans Wijayasuriya and ex-officio members who are members of the Group Senior Management and Axiata.

The above Board Committees are supported by a comprehensive and effective internal governance structure, consisting of the Group Senior Management Committee (GSMC), headed by the Group Chief Executive Officer, to oversee the overall operations of the Group. Reporting to the GSMC are 08 Group Leadership Committees that oversee, on a day-to-day basis, the business management aspects of the following core functional areas:

(a) Service Delivery
(b) Sales and Marketing
(c) Technology
(d) Information Technology
(e) Human Resources
(f) Legal and Compliance
(g) Management Audit
(h) Enterprise Risk Management

Re-election

The Company's Articles of Association require that one-third of the Directors, excluding the Executive Director, retire and submit themselves for re-election at every Annual General Meeting (AGM). The Directors who retire are those who have been longest in office since their appointment/reappointment. In addition, a newly appointed Director is required to submit himself for retirement and re-election at the AGM immediately following his appointment.

The re-election of Directors ensures that shareholders have a regular opportunity to re-assess the composition of the Board. The names of the Directors submitted for re-election are provided to the shareholders to enable them to make an informed decision on their election.

The Director retiring by rotation and eligible for re-election this year is named in the Notice of the AGM on page 124.

Remuneration

The Company endeavours to attract, retain and motivate Directors of the quality required to run the Group successfully. The remuneration policy for Directors is proposed, evaluated and reviewed by the NRC, in keeping with the criteria of moderation. The Company furnishes information each year regarding the remuneration paid to the Board of Directors in the Annual Report.

Further, the performance-related elements of remuneration have been designed to align the interests of the Executive Director with those of shareholders and link rewards to corporate and individual performance. The remuneration of the Executive Director, in his capacity of an employee, comprises a salary, bonuses and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Company.

The remuneration of Non-Executive Directors comprises a monthly stipend and allowances paid in accordance with the number of meetings attended during the year 2010.

A total of Rs. 14.77 Mn. was paid to the Directors as emoluments for the financial year 2010.

Accountability and Audit

Financial Reporting

The Board believes that independent verification is necessary to safeguard the integrity of the Company's financial reporting.

The Board aims to provide and present a balanced and understandable assessment of the Company's position and prospects. Therefore, the Board has established a formal and transparent process for conducting financial reporting and internal control principles. Further, the Company has in place a structure of review and authorisation designed to ensure a factual presentation of the Company's financial position and to independently verify and safeguard the integrity of the Company's financial reporting. The structure includes:

- review and consideration of the accounts by the Audit Committee;
- a process to ensure the independence and competence of the Company's external auditors.

The Group Chief Executive and the Group Chief Financial Officer declare in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Responsible Decision-Making

The Group's Code of Business Ethics was adopted to actively promote ethical and responsible decision-making and endeavours to influence and guide the Directors, employees and other stakeholders of the practices necessary to maintain confidence in the Group's integrity and to demonstrate the commitment of the Group to ethical practices.

The Group has in place an Insider Trading Policy which deals with the trading practices of Directors, Officers and Employees of the Group in the Company's securities. The Insider Trading Policy raises awareness of the prohibitions under the law and specifies the restrictions relating to trading by designated officers in specific circumstances, details of such circumstances, and the basis upon which discretion is applied.

Recognise and Manage Risk

Internal Control

The Board acknowledges its overall responsibility in ensuring that a sound system of internal control is maintained to safeguard shareholders' investment and the Group's assets.

The BAC conducts a review of the effectiveness of the Group's system of internal controls and reports its findings to the Board. The review covers all material controls, including financial, operational and compliance controls and risk management systems.

Risk Management, Compliance and Control

The Board has established policies on risk oversight and management that examines the roles and respective accountabilities of the Board, BAC, management and any internal audit function.

The Group has established and implemented an Enterprise Risk Management system for identifying, assessing, monitoring and managing material risk throughout the organisation, which includes:

- oversight of the risk management system;
- risk profile - a description of the material risks facing the Company including financial and non-financial matters;
- risk management;
- compliance and control;
- assessment of effectiveness - mechanism to review, at least annually, the effectiveness of the Company's implementation of that system and update the risk profile of the Company.

Internal Audit

Internal audits are conducted by the Group Internal Audit Division which is independent of management. The Internal Auditor has access to management and the authority to seek information, records, properties and personnel relevant to the subject of audit/review. Once an audit/review is completed, a report is submitted to the BAC.

The BAC oversees the scope of the internal audit and has access to the internal audit without the presence of management.

In order to ensure independence, objectivity and enhance performance of the internal audit function, a direct reporting line has been created from the internal audit function to the BAC. The BAC recommends to the Board the appointment and dismissal of the Group Chief Internal Auditor. The activities of the Group's internal audit are detailed in the BAC Report on pages 48 and 49.

Respect the Rights of Shareholders

The Company is committed to having regular and proactive communication with the investors and shareholders. The communications strategy promotes effective communication with the shareholders. The Company respects the rights of the shareholders and seeks to empower them by communicating effectively and providing ready access to balanced information about the Company.

The forthcoming AGM will be used to effectively communicate with shareholders and allow reasonable opportunity for informed shareholders to communicate their views on various matters affecting the Company.

Information on the Company's performance, financial information, press releases, annual reports all relevant announcements made to the Colombo Stock Exchange and related information and other corporate information is made available on the Company's website at http://www.dialog.lk/about/investors/

Investor Relations

The Company's fully-established Investor Relations (IR) unit proactively disseminates relevant information about the Company to the investment community, specifically the institutional fund managers and analysts.

The Company is one of the most actively covered companies in the All Share Price Index (ASPI) with regular tracking by the stock brokering firms of the Colombo Stock Exchange, the Fitch Ratings Agency and domestic and foreign institutional investors, both in the equity and debt markets. The IR unit maintains close contact to ensure that the Group's strategies, operational activities and financial performance are well understood and that such information is made available to them in a timely manner. Some of the methods used to provide accurate and timely information are road shows, one-on-one meetings, teleconferences, emails, etc.

The Company actively participated in 05 overseas investor conferences in Hong Kong, Malaysia, Singapore and USA in the year 2010. In addition, the Company has also conducted one-on-one meetings with key local and foreign investors on a regular basis.

The Company has established the best practice of conducting investor forums every quarter to brief local analysts followed by an earnings call via teleconference for foreign analysts and investors on the results achieved in the last quarter. These sessions not only provide analysts with a comprehensive review of the Group's financial performance, but also give them the opportunity to clarify related queries. The contents of these briefings are posted on the Company's website at http://www.dialog.lk/about/investors/

Information which is disseminated to the investment community conforms to the Colombo Stock Exchange disclosure rules and regulations. Care is taken to ensure that no market sensitive information, such as corporate proposals, financial results and other material information is disseminated to any party prior to making an official announcement to the Colombo Stock Exchange for public release.

Recognise the Legitimate Interests of Stakeholders

The Group's Code of Business Ethics encompasses the following areas in recognition of the Company's legal and other obligations to all legitimate stakeholders including obligations to non-shareholder stakeholders such as employees, clients/customers and the community as a whole:

- clear commitment by Board and Management to the Code;
- responsibilities to shareholders and the financial community;
- obligations relative to fair-trading and dealing;
- responsibilities to the community;
- compliance with legislation affecting its operations;
- environment and pollution controls.

The Future

The Company is steadfast in its commitment to imbibe a governance culture that is in line with international best practices. To this end, the Code will be continuously reviewed and updated to enhance and further strengthen the Company's commitment to conduct its affairs with integrity, efficiency and with utmost transparency. The governance policies and procedure established within the Company will ensure that these objectives are achieved, practised and consistently enhanced during 2011 and beyond.

Report of the Board Audit Committee

The Board Audit Committee (BAC) is a formally constituted sub-committee of the Board of Directors (Board), to which it is accountable, and comprises 04 Non-Executive Directors of the Board, of whom 03 are Independent Directors. The BAC is chaired by Mr. Moksevi Prelis, an Independent Non-Executive Director. The Board Secretary functions as the Secretary to the BAC.

Dato' Yusof Annuar Yaacob, who was a member of the BAC, resigned from the BAC with effect from 31st October 2010. The BAC wishes to place on record its appreciation to Dato' Yusof Annuar Yaacob for his invaluable contribution to the BAC and wish him success in his future endeavours.

The members of the BAC as at 31st December 2010 were -

1. Mr. Moksevi Prelis - Independent Non-Executive Director (Chairman)
2. Mr. Mohamed Muhsin - Independent Non-Executive Director
3. Mr. Jayantha Dhanapala - Independent Non-Executive Director
4. Mr. Azwan Khan Osman Khan - Non-Independent Non-Executive Director

Meetings

The BAC had 06 meetings during the year 2010, which include 03 special meetings. The meeting attendance of the members is given on page 39 of the Annual Report.

The Group Chief Executive Officer, Group Chief Financial Officer and the Internal Auditors, attended these meetings, upon invitation. The External Auditors also attended these meetings, upon invitation, to brief the BAC on specific issues.

The Board is apprised of the significant issues deliberated and approved by the BAC at its meetings.

The Terms of Reference of the BAC

The primary function of the BAC is to implement and support the oversight function of the Board of Directors in relation to risk assessment, financial reporting and internal controls. The Terms of Reference (ToR) clearly defines the roles and responsibilities and the powers of the BAC, and it ensures that the composition and the activities of the BAC are in line with international best practices and the requirements of the corporate governance rules applicable to listed companies.

The ToR is reviewed regularly by the BAC and was revised during the year with the approval of the Board in order to keep pace with the changing risk profiles of the organisation and in terms of international best practices. The important changes made during the year involved giving more emphasis than hitherto, to strategic and business risks in terms of the changing risk profile.

Summary of principal activities of the BAC during the year

During the year, the BAC discharged its functions and carried out its duties as set out in the ToR. The BAC reviewed significant business risks and control issues and recommended appropriate remedial measures. Matters that are of high risk were deliberated at its meetings and the BAC had private sessions with External Auditors, the Group Chief Internal Auditor and the Management. The following include the key activities carried out by the BAC during 2010:

Financial Reporting

In terms of the BAC's primary function to provide assurance on the reliability of financial statements through an independent review of risks, controls and the governance process, it reviewed the quarterly and annual financial statements prior to recommending the same to the Board for approval. Particular consideration was given to -

a) changes in or implementation of accounting policies and practices;

b) significant or material adjustments with financial impact arising from the audit;

c) significant unusual events or exceptional activities;

d) compliance with relevant accounting standards and other statutory and regulatory requirements.

Risk Management and Internal Control

During the year, the BAC reviewed and monitored the adequacy and the effectiveness of the Group's internal control systems and management information systems, through reports furnished by the Internal Auditors, the External Auditors and the management, including:

- quarterly enterprise risk management reports on significant risk exposures and risk mitigation plans;
- quarterly Management Audit Group Leadership Committee reports on the progress of the management actions to resolve significant internal control issues as highlighted by the Internal and External Auditors;
- quarterly certificate of compliance confirming compliance with all applicable statutory and regulatory requirements.

The BAC further reviewed new policy updates, revisions or enhancements of the internal policies and procedures as recommended by the management to ascertain that the improvements made are aligned to best business practices and effective internal control processes.

The BAC was also entrusted with the responsibility of overseeing the implementation of programmes relating to the enhancement of the Group's information systems. In addition, it reviewed the effectiveness of the Group's procurement process and made recommendations for improvement.

External Audit

The BAC reviewed the External Audit Plan, including the scope and the fee for the annual audit and also had discussions with the External Auditors prior to the year-end audit to discuss their audit approach and procedures, including matters relating to the scope of the audit.

The BAC reviewed the results of the external audit and reported issues arising from their audits of the quarterly and annual financial statements, the management letter and interim reports issued by the External Auditors and the management responses thereto.

As reported in last year's Report, during the first quarter of 2010 in terms of the policy adopted by the Board to review the appointment of External Auditors every five years, the BAC called for request for proposals from the leading auditing firms in Sri Lanka for selection as the External Auditors. Three of the proposals were selected for detailed analysis. Using internationally-recommended procedures and direct interviews, Messrs PricewaterhouseCoopers was selected.

The independence and objectivity of the External Auditors were reviewed by the BAC, which held the view that the services outside the scope of the statutory audit provided by the External Auditors have not impaired their independence.

The BAC recommended to the Board that Messrs PricewaterhouseCoopers be reappointed as the External Auditors for the financial year 2011.

Internal Audit

The BAC is strongly supported by the Group Internal Audit Division, which is headed by the Group Chief Internal Auditor who reports directly to the BAC.

Pursuant to the appointment of Mr. Lalith Fernando, the Group Chief Internal Auditor, as the Group Financial Controller in 2009, Mr. Arjuna Bamberadeniya, was appointed as the Acting Group Chief Internal Auditor from 1st December 2009 until 1st September 2010 when Mr. Izrin Hashim was appointed as the Group Chief Internal Auditor.

The Group Internal Audit Division has a dotted line relationship to the Axiata Group Internal Audit in order to leverage global best practices and lessons learnt through the Group's operations.

The Group Chief Internal Auditor periodically reports on the activities and key strategic and control issues noted by internal audit to the BAC. The BAC reviewed and deliberated on reports and updates, including follow-up actions on previous reports, as provided by the Group Chief Internal Auditor.

The Group Internal Audit Division performed 24 audit assignments and highlighted key risk issues with recommendations for action. In addition, the division co-ordinated and updated the follow-up action review on external audit issues.

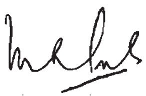
The Group Internal Audit Division has a mix of expertise in the disciplines of Finance, Information Technology and Network Engineering that comprise 10 qualified audit personnel in those disciplines. Further, Axiata Group Internal Audit provides guidance and resources in terms of training new Auditors, updating latest developments in the profession, allocating audit expertise on loan as and when required.

During the year, the BAC approved the internal audit plan and also reviewed the performance of the internal audit function, the findings of the audits completed and the Group Internal Audit Division's resource requirements. The BAC also approved the amendments to the Internal Audit Charter to formalise the scope and the functions of the Group Internal Audit Division.

Conclusion

The BAC is satisfied that the Group's accounting policies, internal controls and risk management processes are adequate to provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that the assets are properly accounted for and adequately safeguarded.

On behalf of the Board Audit Committee,



Moksevi Prelis
Chairman, Board Audit Committee

31st March 2011

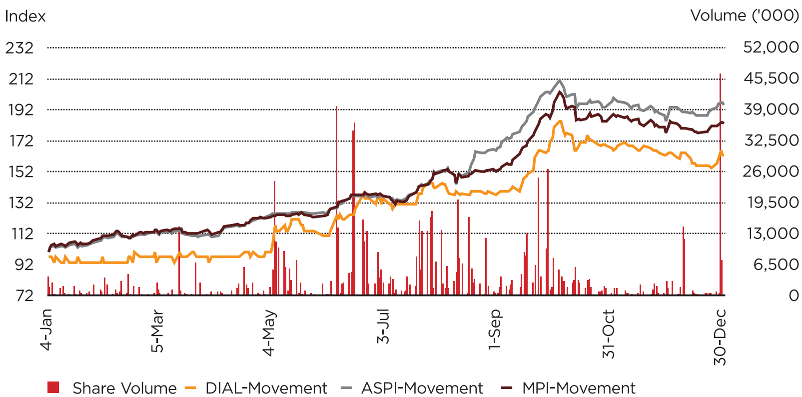
Shareholder Information

Market Information on DIAL Share

	2010	Q4	Q3	Q2	Q1	2009
Share Information						
Highest Price (Rs.)	**13.80**	13.80	12.70	10.25	7.75	9.50
Lowest Price (Rs.)	**6.50**	11.00	9.25	6.75	6.50	4.50
Closing Price (Rs.)	**11.80**	11.80	12.60	9.75	6.75	7.25
Trading Statistics						
Number of Trades '000	**36.0**	8.0	12.7	10.3	5.0	21.6
% of Total Market Trades	**1.1**	1.1	0.6	1.4	0.8	1.7
Number of Shares Traded (Mn.)	**934**	170	372	316	76	578
% of Total Share Traded	**5.7**	3.2	2.5	8.8	3.3	11.9
% of Public Float[(a)]	**77.8**	14.1	31.0	26.4	6.4	48.2
Turnover (Rs. Mn.)	**9,304**	2,070	3,917	2,786	531	3,335
Average Daily Turnover (Rs. Mn.)	**39**	34	62	50	9	14
% of Total Market Turnover	**1.6**	1.3	1.1	2.4	0.6	2.3
Market Capitalisation (Rs. Mn.)	**96,097**	96,097	102,612	79,402	54,971	59,042
% of Total Market Capitalisation	**4.3**	4.3	4.4	5.3	4.5	5.4

(a) excluding the holding of Axiata Investments (Labuan) Ltd. [Formerly known as TM International (L) Ltd.] and the unexercised ESOS Shares

Share Volumes and Relative Performance vs. Market



DIAL Share

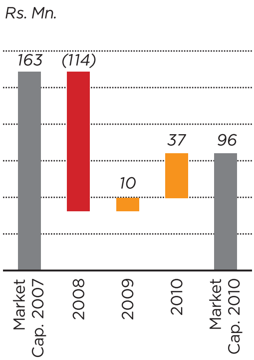
The DIAL share started the year at a low of Rs. 7.00 and traded between a high of Rs. 13.80 and a low of Rs. 6.50 to close the year at Rs. 11.80. During the year, the share price increased significantly by 62.8% on the backdrop of strong financial performance, improved liquidity and economic rebound as well as positive market sentiments.

Market Capitalisation

The total Market Capitalisation of the Company increased by 62.8% to Rs. 96.10 Bn. during the year compared to Rs. 59.04 Bn. in 2009, representing approximately 4.3% of the total market capitalisation of the Colombo Stock Exchange (CSE). DIAL is one of the largest companies on the CSE in terms of Market Capitalisation.

Market value creation in 2010 is Rs. 37 Bn. compared to Rs. 10 Bn. in 2009.

Market Capitalisation & Market Value Added



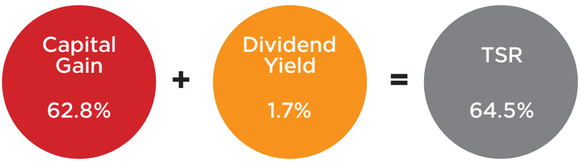
Dividends

Dialog's dividend policy seeks to ensure a dividend payout which is derived, based on deleveraging requirements and free cash flows generated for the year, thus assisting in the creation of sustainable shareholder value in the medium and long term.

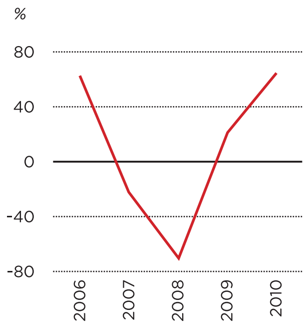
The Board has resolved to propose for consideration by the Shareholders of the Company, a cash dividend to ordinary shareholders of twenty cents (Rs. 0.20) for the FY 2010 totalling to Rs. 1.63 Bn. This translates to a dividend payout amounting to 34% of Group PAT post-preference dividend.

Total Shareholder Returns

The Total Shareholder Returns (TSR) of the share increased to 64.5% compared to 20.8% in 2009 as a result of 62.8% appreciation in the share price during the year and a 1.7% dividend yield, based on a dividend per share of Rs. 0.20 and closing share price of Rs. 11.80 as at 31st December 2010.



Total Shareholder Returns



Earnings Per Share

The diluted Earnings Per Share (EPS) for the year was Rs. 0.59 compared to the EPS of negative Rs. 1.65 recorded in 2009. The significant improvement in the EPS was due to 141% increase in the net profit attributable to the ordinary shareholders.

EPS is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year after adjusting for the effects of the rights issue in 2007 and excluding ordinary shares held by the Employee Share Options Scheme (ESOS) Trust.

Price Earnings Ratio

DIAL share was trading at 20.0 times earnings as at 31st December 2010 mainly due to the sharp increase in the share price during the year. However, DIAL share was trading at a lower earnings multiple to the market, which was recorded at 25.2 times as at 31st December 2010.

Trading Multiples

	2010	2009	2008
Market Cap (Rs. Bn.)	**96**	59	49
Market Value Added (Rs. Bn.)	**37**	10	(114)
Enterprise Value (Rs. Bn.)	**118**	87	79
EV/EBITDA (x)	**7.8**	9.1	8.7
Diluted EPS (Rs.)	**0.6**	(1.7)	(0.5)
PER (x)	**20.0**	n.a.	n.a.
Price to book (x)	**3.3**	2.4	1.3

Price to Book Ratio

The price to book ratio of the Group as at 31st December 2010 was 3.3 times, compared to 2.4 times in the previous year as a result of 20% increase in net assets (adjusted to exclude preference share capital).

Liquidity

During the year, 934 Mn. shares were traded, a significant increase of 1.7 times from the previous year's 578 Mn. shares transacted. The DIAL share remained liquid throughout the year and the number of shares traded as a percentage of the public float increased to 77.8% in 2010 compared to 48.2% in 2009.

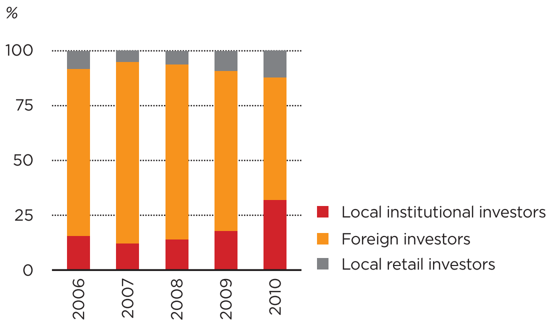
The average daily turnover of the DIAL share was Rs. 39 Mn. which amounted to 1.6% of the average daily total market turnover.

The total number of shareholders of DIAL decreased to 22,931 as at 31st December 2010 compared to the 23,112 during the previous year.

The public float of DIAL remained at 14.73% as at 31st December 2010. In terms of the composition of the public float, foreign investors held 56% of the float, 32% was held by local institutional investors and 12% by local retail investors.

Significant transition was seen in the shareholder composition since 2008. Foreign investor composition of the public float dropped in 2010 while local institutional and retail investor composition increased to 32% and 12%, respectively compared to 18% and 9%, in 2009.

Composition of Shareholders



Shareholders' Profile

Distribution of Shareholders

	31st December 2010				31st December 2009			
	No. of Shareholders	%	No. of Shares Held	%	No. of Shareholders	%	No. of Shares Held	%
1 1,000	**10,607**	**46.26**	**6,094,405**	**0.07**	10,340	44.74	6,115,256	0.08
1,001 - 10,000	**10,801**	**47.10**	**27,216,564**	**0.33**	11,281	48.81	27,437,088	0.34
10,001 - 100,000	**1,212**	**5.29**	**37,239,219**	**0.46**	1,230	5.32	36,239,302	0.44
100,001 - 1,000,000	**220**	**0.96**	**65,624,270**	**0.81**	197	0.85	57,804,635	0.71
Over 1,000,000	**91**	**0.40**	**8,007,603,947**	**98.33**	64	0.28	8,016,182,124	98.43
Total	**22,931**	**100.00**	**8,143,778,405**	**100.00**	23,112	100.00	8,143,778,405	100.00

- The issued Ordinary Shares of Dialog Axiata PLC are listed on the Colombo Stock Exchange.
- Stock exchange ticker symbol for Dialog Axiata shares: DIAL
- Newswire codes

Bloomberg: DIAL.SL	Dow Jones: DIAL.SL	Reuters: DIAL.CM

Twenty Largest Shareholders of the Company

	Name of Shareholders	No. of Shares as at 31st December 2010	% of Holding	No. of Shares as at 31st December 2009	% of Holding
1.	Axiata Investments (Labuan) Ltd. [Formerly known as TM International (L) Ltd.]	**6,785,252,765**	**83.32**	6,785,252,765	83.32
2.	HSBC-BBH Genesis Smaller Companies	**191,221,640**	**2.35**	191,221,640	2.35
3.	Dialog Telekom Employees' ESOS Trust	**158,572,462**	**1.95**	158,572,462	1.95
4.	Employees' Provident Fund	**95,316,289**	**1.17**	36,141,189	0.44
5.	Sri Lanka Insurance Corporation Ltd. - Life Fund	**74,585,920**	**0.92**	68,242,720	0.84
6.	HSBC-SSBT-South Asia Portfolio	**71,161,980**	**0.87**	30,080,680	0.37
7.	HSBC-SSBT-International Finance Corporation	**64,086,800**	**0.79**	64,086,800	0.79
8.	HSBC-BBH-Genesis Emerging Markets Opportunities Fund	**55,345,900**	**0.68**	55,345,900	0.68
9.	Northern Trust Fiduciary Services (Ireland) as Trustee to Baring Asean Frontiers Fund	**44,620,900**	**0.55**	–	0.00
10.	HSBC-JPMLU-Morgan Stanley Asset Management	**38,330,452**	**0.47**	–	0.00
11.	BNY-CF Ruffer Investment Funds: Cf Ruffer Pacific Fund	**28,214,300**	**0.35**	16,214,300	0.20
12.	Sri Lanka Insurance Corporation Ltd. - General Fund	**22,320,360**	**0.27**	21,120,360	0.26
13.	HSBC-JPMCB-Scottish ORL SML TR GTI 6018	**22,207,500**	**0.27**	42,207,500	0.52
14.	HSBC-FS-LG India Fund Ltd.	**21,900,510**	**0.27**	5,890,710	0.07
15.	Associated Electrical Corporation Ltd.	**17,500,000**	**0.21**	–	0.00
16.	CB London s/a The RBS AS DEP of FS India Sub Cont.	**17,240,000**	**0.21**	9,839,500	0.12
17.	Taprobane Holdings Ltd.	**16,200,000**	**0.20**	–	0.00
18.	Commercial Bank of Ceylon PLC/ A.L. Devasurendra	**15,940,100**	**0.20**	–	0.00
19.	HSBC-SSBT-Morgan Stanley Frontier Emerging Markets Fund Inc.	**15,083,907**	**0.19**	–	0.00
20.	Seylan Bank PLC - A/C No. 3	**14,703,100**	**0.18**	–	0.00

Financial Reports

Dialog Axiata PLC and its subsidiaries

Annual Report of the Board of Directors

The Board of Directors of Dialog Axiata PLC ('DAP' or 'the Company') is pleased to present herewith their Annual Report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as 'the Group') for the financial year ended 31st December 2010 as set out on pages 66 to 119.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange and are guided by recommended best practices.

Formation

The Company is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. The Registered Office of the Company is located at No. 475, Union Place, Colombo 2.

The Company was incorporated in Sri Lanka on 27th August 1993, under the Companies Act No. 17 of 1982, as a private limited liability company bearing the name of MTN Networks (Private) Ltd.

MTN Networks (Private) Ltd. changed its name to Dialog Telekom Ltd. on 26th May 2005 and was listed on the Colombo Stock Exchange on 28th July 2005. Pursuant to the requirements of the Companies Act No. 07 of 2007, the Company was re-registered on 19th July 2007 and was accordingly renamed as Dialog Telekom PLC and bears registration number PQ38. The Company and its subsidiaries had entered into a number of agreements with the Board of Investment (BOI) of Sri Lanka. The Company and the Group enjoy concession under Section 17 of the BOI Act.

Dialog Telekom PLC changed its name to Dialog Axiata PLC on 7th July 2010 in accordance with the provisions of the section 8 of the Companies Act No. 07 of 2007.

Principal Activities

The main activities of Dialog Axiata PLC and its subsidiaries, which remain unchanged since the last year, are to provide communication (mobile, internet, international, data and backbone, fixed wireless and transmission infrastructure) and media-related services (television broadcasting services and direct to home satellite pay television service).

Financial Statements

The financial statements which include the balance sheet, income statement, cash flow statement, statement of changes in equity, and notes to the financial statements of the Company and the Group for the year ended 31st December 2010 are set out on pages 66 to 119.

Independent Auditor's report

The Independent Auditor's Report is set out on page 65.

Accounting Policies

There were no changes in the accounting policies adopted by the Company and the Group compared to the previous year. The significant accounting policies adopted in the preparation of financial statements are given on pages 71 to 81.

Statement of Directors' Responsibility

The Directors are responsible for preparing and presenting the financial statements of the Company and the Group to reflect a true and fair view of the state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Review of Business

The state of affairs of the Company and the Group as at 31st December 2010 is set out in the balance sheet on page 66. An assessment of the financial performance of the Company and the Group is set out in the income statement on page 67.

Property, plant and equipment

The movements in property, plant and equipment during the year are set out in Note 6 to the financial statements.

Market value of properties

The Directors are of the opinion that the carrying values of properties stated in Note 6 to the financial statements reflect their fair value.

Reserves

The aggregate values of reserves and their composition are set out in the statements of changes in equity on pages 68 and 69 to the financial statements.

Dividends

The Directors have recommended a withholding tax-free final dividend of 0.20 cents per share amounting to Rs. 1.6 Bn. for the financial year 2010 subject to the approval of the shareholders at the Annual General Meeting. Dividends were not declared or paid for the financial year ended 31st December 2009.

Substantial Shareholdings

The parent company, Axiata Investments (Labuan) Ltd. (formerly TM International (L) Ltd.), holds 83.32% of the ordinary shares in issue of the Company. The main shareholders of the Company and the corresponding percentages held are set out below:

	2010		2009	
	No. of Shares	**Holding %**	No. of Shares	Holding %
Axiata Investments (Labuan) Ltd. (Formerly TM International (L) Ltd.)	**6,785,252,765**	**83.32%**	6,785,252,765	83.32%
HSBC - BBH - Genesis Smaller Companies	**191,221,640**	**2.35%**	191,221,640	2.35%
Dialog Telekom Employees' ESOS Trust	**158,572,462**	**1.95%**	158,572,462	1.95%
Employees' Provident Fund	**95,316,289**	**1.17%**	36,141,189	0.44%
Sri Lanka Insurance Corporation Ltd. - Life Fund	**74,585,920**	**0.92%**	68,242,720	0.84%
HSBC-SSBT - South Asia Portfolio	**71,161,980**	**0.87%**	30,080,680	0.37%
HSBC - International Finance Corporation	**64,086,800**	**0.79%**	64,086,800	0.79%
HSBC - BBH-Genesis Emerging Markets Opportunities Fund	**55,345,900**	**0.68%**	55,345,900	0.68%
Northern Trust Fiduciary Services (Ireland) as Trustee to Baring Asean Frontiers Fund	**44,620,900**	**0.55%**	Nil	Nil
HSBC - JPMLU-Morgan Stanley Asset Management	**38,330,452**	**0.47%**	Nil	Nil

At 31st December 2010, the public held 14.73% (2009 - 14.73%) of the ordinary shares in issue of the Company.

Directors

The Directors of the Company at 31st December 2010 were:

Datuk Azzat Kamaludin *(Chairman)*
Dr. Shridhir Sariputta Hansa Wijayasuriya *(Group Chief Executive Officer)*
Mr. Moksevi Rasingh Prelis
Mr. Mohamed Vazir Muhsin
Mr. Jayantha Cudah Bandara Dhanapala
Mr. Azwan Khan bin Osman Khan

The following Directors resigned from the Board during the year:

Mr. Roni Lihawa bin Abdul Wahab - Resigned on 31st July 2010

Dato' Yusof Annuar bin Yaacob - Resigned on 31st October 2010

In accordance with the Articles of Association of the Company, Datuk Azzat Kamaludin retires by rotation and is eligible for re-election at the forthcoming Annual General Meeting.

Dato' Sri Jamaludin Ibrahim was appointed to the Board since the last Annual General Meeting and in terms of the Articles of Association of the Company will submit himself for re-election at the forthcoming Annual General Meeting.

Mr. Moksevi Rasingh Prelis, who has attained the age of 74 years on 2nd July 2010 and Mr. Jayantha Cudah Bandara Dhanapala, who has attained the age of 72 years on 30th December 2010, retire pursuant to Section 210 of the Companies Act No. 07 of 2007, and resolutions that the age limit of 70 years referred to in Section 210 of the Companies Act shall not be applicable to Mr. Moksevi Rasingh Prelis and Mr. Jayantha Cudah Bandara Dhanapala will be proposed at the forthcoming Annual General Meeting.

Interests register

The Company has maintained an Interests Register as required by the Companies Act No. 07 of 2007. The names of the Directors who were directly or indirectly interested in a contract or a proposed transaction with the Company or the Group during the year are given in Note 31 to the financial statements.

Remuneration and Other Benefits of Directors

The remuneration and other benefits of the Directors are given in Note 21 to the financial statements on page 102.

Employee Share Option Scheme

The total number of shares granted under Tranche 0 was 88,841,218. As at 31st December 2010, 51,103,699 share options had been exercised and 35,007,419 share options remain unexercised and are exercisable before 25th October 2012.

No options under the employee share option scheme was exercised during the financial year 2010.

Directors' Interests in Shares of the Company

The details of shares held by the Directors and their spouses as at the end of the year are as follows:

As at December	**2010 Rs. '000**	2009 Rs. '000
Dr. Shridhir Sariputta Hansa Wijayasuriya	**42,570**	42,570
Mr. Moksevi Rasingh Prelis	**18,480**	18,480
Mr. Mohamed Vazir Muhsin	**18,040**	18,040

None of the Directors other than those disclosed above held any shares of the Company.

Amounts Payable to the Firm holding Office as Auditor

The remuneration payable by the Company to the Auditors is given in Note 21 to the financial statements on page 102.

Stated Capital

The stated capital of the Company as at 31st December 2010 was Rs. 30,556,113,435/- comprising 8,143,778,405 ordinary shares and 2,500,000,000 rated cumulative redeemable preference shares.

Corporate Governance

The Directors place great emphasis on instituting and maintaining internationally accepted corporate governance practices and principles with respect to the management and operations of the Company and the Group, in order to develop and nurture long-term relationships with key stakeholders. The Directors confirm that the Company is in compliance with Section 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

Statutory Payments

The Directors confirm that to the best of their knowledge having made adequate inquiries from management, all taxes, duties, levies and statutory payments payable by the Company and its subsidiaries and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group as at the balance sheet date have been duly paid, or where relevant provided for, except as disclosed in Note 29.

Risk Management and Internal Control

The Directors are responsible for the Group's system of internal controls covering financial operations and risk management activities and review its effectiveness, in accordance with the provisions of the Corporate Governance framework. The Directors consider that the system is appropriately designed to manage the risk environment facing the Company and to provide reasonable assurance against material misstatement or loss. The Directors further confirm that there is an ongoing process allowing for the identification, evaluation and management of significant business risks.

Environmental Protection

The Group is sensitive to the needs of the environment and makes every endeavour to comply with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from management, the Directors are satisfied that the Company and the Group operate in a manner that minimises the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Company and the Group operate.

Donations

The total donations made by the Company during the year for charitable purposes amounted to Rs. 51,705,846/- (2009 – Rs. 69,967,656/-).

Going Concern

The Directors have reviewed the business plans and are satisfied that the Company and the Group have adequate resources to continue as a going concern in the foreseeable future. As such, the financial statements have been prepared on the basis that the Company and the Group being a going concern.

Future Developments

In line with its corporate vision to be a leader in multi-sensory connectivity as manifested in a quadruple play business and technology formulation, the Group will continue to be aggressive in establishing customer facing technology and service delivery infrastructures spanning mobile, fixed line, broadband and digital television sectors. The Company and the Group will employ an up to date portfolio of access and core network technologies in keeping with a dynamic and regularly reviewed, technology and service delivery roadmap architected in keeping with global best practices and technology evolution. The Company will also continue to develop and consolidate its service delivery capability footprint across Sri Lanka in terms of the establishment of basic physical infrastructures such as fibre optic transmission backbone, transmission towers and Internet Protocol (IP) transport networks capable of supporting the delivery of the multiple and converged connectivity services provided by the Group.

The Group will continue to focus on delivering enhanced levels of empowerment to Sri Lankan citizens and businesses, and will in particular seek to leverage its strengths in technology and research, to deliver parity access to financial services, education, information and entertainment.

Independent Auditors

Messrs PricewaterhouseCoopers, Chartered Accountants, served as the Independent Auditors during the year. The Directors are satisfied that, based on representations made by the Independent Auditors to the Board, they did not have any relationship or interest with the Company and its subsidiaries that would impair their independence and objectivity, other than as Independent Auditors and tax consultants for income tax compilation.

Messrs PricewaterhouseCoopers, Chartered Accountants have expressed their willingness to continue as Independent Auditors of the Company and a resolution to reappoint Messrs PricewaterhouseCoopers as Independent Auditors will be proposed at the forthcoming Annual General Meeting.

Events after the Balance Sheet date

No other material events have occurred since the balance sheet date which require adjustments to or disclosures in the financial statements other than those disclosed in Note 33 to the financial statements.

By Order of the Board,

Dr. Hans Wijayasuriya
Director

Mr. Moksevi Prelis
Director

Ms. Viranthi Attygalle
Secretary

Colombo
10th February 2011

The Statement of Directors' Responsibility

The responsibility of the Directors in relation to the financial statements of the Company and the Group, is set out in the following statement. The responsibility of the Independent Auditors, in relation to the financial statements, prepared in accordance with the provisions of the Companies Act No. 07 of 2007 ['Act'], is set out in the Independent Auditor's Report on page 65.

The financial statements comprise of:

- an income statement, which presents a true and fair view of the profit and loss of the Company and the Group for the financial year; and
- a balance sheet, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year,

The Directors are required to ensure that, in preparing these financial statements:

- appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- all applicable Accounting Standards, as relevant, have been followed;
- reasonable and prudent judgments and estimates have been made; and
- information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange have been complied with.

The Directors are also required to ensure that the Company and its subsidiaries have adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the Group, and to ensure that the financial statements presented comply with the requirements of the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the Independent Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give the Independent Auditor's opinion.

Further, as required by Section 56 (2) of the Act, the Board of Directors have authorised a final dividend of twenty cents (Rs. 0.20) per share, being satisfied, based on the information available, that the Company would satisfy the solvency test immediately after the such distribution, in accordance with Section 57 of the Act, and have obtained a certificate of solvency from the Auditors.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the balance sheet date have been paid, or where relevant provided for, except as specified in Note 29 to the financial statements covering contingent liabilities.

By Order of the Board,

Ms. Viranthi Attygalle
Company Secretary

Colombo, 10th February 2011

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Independent Auditor's Report

To the shareholders of Dialog Axiata PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Dialog Axiata PLC ("the Company"), the consolidated financial statements of the Company and its subsidiaries, which comprise the balance sheets as at 31 December 2010, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in pages 66 to 119.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2010 and of its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2010 and of the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on other legal and regulatory requirements

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

PricewaterhouseCoopers

Chartered Accountants
Colombo

2nd April 2011

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
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Partners **Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan ACA, N.R. Gunasekera FCA, S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA**

Consolidated Balance Sheet

As at 31st December	Note	Group 2010 Rs. '000	Group 2009 Rs. '000	Company 2010 Rs. '000	Company 2009 Rs. '000
ASSETS					
Non-Current Assets					
Property, plant and equipment	6	**53,014,351**	55,979,991	**44,348,523**	48,200,679
Intangible assets	7	**3,757,193**	3,847,177	**1,397,140**	1,387,335
Investments in subsidiaries	8	**Nil**	Nil	**10,326,010**	10,326,010
Other investment	9	**30,596**	29,000	**30,596**	29,000
Amount due from subsidiaries	10	**Nil**	Nil	**8,771,992**	5,823,958
		56,802,140	59,856,168	**64,874,261**	65,766,982
Current Assets					
Inventories	11	**271,184**	211,360	**266,159**	207,588
Trade and other receivables	10	**9,628,718**	9,629,275	**8,071,307**	7,084,355
Current income tax assets		**Nil**	70	**Nil**	70
Cash and cash equivalents	12	**5,433,770**	5,295,363	**5,079,135**	5,114,826
		15,333,672	15,136,068	**13,416,601**	12,406,839
Total assets		**72,135,812**	74,992,236	**78,290,862**	78,173,821
EQUITY					
Capital and Reserves Attributable to Equity Holders					
Stated capital	13	**30,556,113**	31,806,113	**30,556,113**	31,806,113
ESOS Trust shares	13	**(1,990,921)**	(1,990,921)	**(1,990,921)**	(1,990,921)
Dividend reserve - ESOS		**260,067**	260,067	**260,067**	260,067
Revaluation reserve	14	**131,713**	136,471	**96,820**	101,358
Retained earnings/(accumulated losses)		**2,656,318**	(2,102,401)	**10,744,469**	4,481,458
		31,613,290	28,109,329	**39,666,548**	34,658,075
Total equity		**31,613,290**	28,109,329	**39,666,548**	34,658,075
LIABILITIES					
Non-Current Liabilities					
Borrowings	17	**20,122,753**	24,728,797	**20,122,753**	23,989,375
Deferred income tax liabilities	18	**1,612,510**	1,133,676	**1,612,510**	1,131,288
Retirement benefit obligations	19	**390,635**	394,540	**358,854**	362,324
Provision for other liabilities	20	**619,876**	534,859	**607,794**	520,555
Deferred revenue	16	**285,766**	215,145	**285,766**	215,145
		23,031,540	27,007,017	**22,987,677**	26,218,687
Current liabilities					
Trade and other payables	15	**12,094,208**	12,636,629	**10,443,631**	11,140,123
Current income tax liabilities		**14,151**	2,658	**10,898**	Nil
Borrowings	17	**5,382,623**	7,236,603	**5,182,108**	6,156,936
		17,490,982	19,875,890	**15,636,637**	17,297,059
Total liabilities		**40,522,522**	46,882,907	**38,624,314**	43,515,746
Total equity and liabilities		**72,135,812**	74,992,236	**78,290,862**	78,173,821
Net Asset per Share Rs.		**3.57**	2.99	**4.56**	3.80

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

Lucy Tan
Group Chief Financial Officer
10th February 2011

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.

Dr. Hans Wijayasuriya
Director
10th February 2011

Mr. Moksevi Prelis
Director
10th February 2011

The notes on pages 71 to 119 form an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31st December	Note	Group **2010** **Rs. '000**	 2009 Rs. '000	Company **2010** **Rs. '000**	 2009 Rs. '000
Revenue	5	**41,422,783**	36,246,014	**37,954,236**	33,189,175
Direct costs		**(23,600,325)**	(22,301,461)	**(20,972,057)**	(19,360,548)
Gross margin		**17,822,458**	13,944,553	**16,982,179**	13,828,627
Other operating income		**134,160**	248,127	**121,235**	228,431
Administrative costs		**(7,111,741)**	(18,071,407)	**(5,313,952)**	(16,109,822)
Distribution costs		**(5,431,575)**	(6,153,831)	**(4,988,854)**	(5,486,267)
Operating profit/(loss)	21	**5,413,302**	(10,032,558)	**6,800,608**	(7,539,031)
Net finance income/(costs)	23	**124,512**	(1,747,583)	**242,667**	(1,246,078)
Profit/(loss) before tax		**5,537,814**	(11,780,141)	**7,043,275**	(8,785,109)
Taxation	24	**(490,373)**	(428,082)	**(491,322)**	(425,053)
Profit/(loss) for the year		**5,047,441**	(12,208,223)	**6,551,953**	(9,210,162)
Attributable to:					
Equity holders of the Company		**5,047,441**	(12,208,223)	**6,551,953**	(9,210,162)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year (expressed in Rupees per share)					
- Basic	25	**0.60**	(1.64)	**0.78**	(1.26)
- Diluted	25	**0.59**	(1.65)	**0.78**	(1.27)

The notes on pages 71 to 119 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Group	Note	Stated capital Rs. '000	Shares in ESOS trust Rs. '000	Dividend reserve Rs. '000	Revaluation reserve Rs. '000	Retained earnings/ (Accumulated losses) Rs. '000	Total Rs. '000
		Attributable to equity holders of the Group					
Balance as at 1st January 2009		32,556,113	(1,990,921)	260,067	19,913	10,964,118	41,809,290
Net loss		Nil	Nil	Nil	Nil	(12,208,223)	(12,208,223)
Revaluation of land and building	14	Nil	Nil	Nil	157,975	Nil	157,975
Deferred tax attributable to revaluation surplus	18	Nil	Nil	Nil	(40,954)	Nil	(40,954)
Depreciation attributable to revaluation surplus	14	Nil	Nil	Nil	(463)	463	Nil
Redemption of rated cumulative redeemable preference shares	13	(750,000)	Nil	Nil	Nil	Nil	(750,000)
Dividend to rated cumulative redeemable preference shareholders		Nil	Nil	Nil	Nil	(858,759)	(858,759)
Balance as at 31st December 2009		31,806,113	(1,990,921)	260,067	136,471	(2,102,401)	28,109,329
Balance as at 1st January 2010		**31,806,113**	**(1,990,921)**	**260,067**	**136,471**	**(2,102,401)**	**28,109,329**
Net Profit		Nil	Nil	Nil	Nil	5,047,441	5,047,441
Deferred tax attributable to revaluation surplus	18	Nil	Nil	Nil	(706)	Nil	(706)
Depreciation attributable to revaluation surplus	14	Nil	Nil	Nil	(4,052)	4,052	Nil
Redemption of rated cumulative redeemable preference shares	13	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Dividend to rated cumulative redeemable preference shareholders		Nil	Nil	Nil	Nil	(292,774)	(292,774)
Balance as at 31st December 2010		**30,556,113**	**(1,990,921)**	**260,067**	**131,713**	**2,656,318**	**31,613,290**

The notes on pages 71 to 119 form an integral part of these financial statements.

Company	Note	Stated capital Rs. '000	Shares in ESOS trust Rs. '000	Dividend reserve Rs. '000	Revaluation reserve Rs. '000	Retained earnings Rs. '000	Total Rs. '000
		Attributable to equity holders of the Company					
Balance as at 1st January 2009		32,556,113	(1,990,921)	260,067	19,913	14,549,916	45,395,088
Net loss		Nil	Nil	Nil	Nil	(9,210,162)	(9,210,162)
Revaluation of land and building	14	Nil	Nil	Nil	122,862	Nil	122,862
Deferred tax attributable to revaluation surplus	18	Nil	Nil	Nil	(40,954)	Nil	(40,954)
Depreciation attributable to revaluation surplus	14	Nil	Nil	Nil	(463)	463	Nil
Redemption of rated cumulative redeemable preference shares	13	(750,000)	Nil	Nil	Nil	Nil	(750,000)
Dividend to rated cumulative redeemable preference shareholders		Nil	Nil	Nil	Nil	(858,759)	(858,759)
Balance as at 31st December 2009		31,806,113	(1,990,921)	260,067	101,358	4,481,458	34,658,075
Balance as at 1st January 2010		**31,806,113**	**(1,990,921)**	**260,067**	**101,358**	**4,481,458**	**34,658,075**
Net Profit		Nil	Nil	Nil	Nil	6,551,953	6,551,953
Deferred tax attributable to revaluation surplus	18	Nil	Nil	Nil	(706)	Nil	(706)
Depreciation attributable to revaluation surplus	14	Nil	Nil	Nil	(3,832)	3,832	Nil
Redemption of rated cumulative redeemable preference shares	13	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Dividend to rated cumulative redeemable preference shareholders		Nil	Nil	Nil	Nil	(292,774)	(292,774)
Balance as at 31st December 2010		**30,556,113**	**(1,990,921)**	**260,067**	**96,820**	**10,744,469**	**39,666,548**

The notes on pages 71 to 119 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December	Note	Group 2010 Rs. '000	Group 2009 Rs. '000	Company 2010 Rs. '000	Company 2009 Rs. '000
Cash flows from operating activities					
Cash generated from operations	27	**14,788,709**	11,936,655	**14,017,349**	12,933,939
Interest received		**86,470**	99,357	**83,425**	97,059
Interest paid		**(664,914)**	(1,667,539)	**(523,829)**	(1,196,577)
Tax/ESC paid		**(94,935)**	(75,848)	**(94,090)**	(75,504)
TDC Refund	16	**210,260**	566,455	**210,260**	566,455
Retirement benefit obligations paid	19	**(43,012)**	(44,028)	**(38,014)**	(40,591)
Net cash generated from operating activities		**14,282,578**	10,815,052	**13,655,101**	12,284,781
Cash Flows from Investing Activities					
Purchases of property, plant and equipment		**(78,489)**	(106,826)	**(73,186)**	(101,962)
Purchases of intangible assets		**(23,301)**	(14,864)	**(13,547)**	(14,865)
Amount advanced to subsidiaries	31 (c)	**Nil**	Nil	**(2,998,624)**	(4,347,175)
Investment instalment to SLINTEC	9	**(13,000)**	(13,000)	**(13,000)**	(13,000)
Expenditure incurred on capital work-in-progress		**(6,688,695)**	(9,609,992)	**(4,861,553)**	(7,445,131)
Proceeds from sale of property, plant and equipment		**55,268**	41,052	**44,857**	28,336
Net cash used in investing activities		**(6,748,217)**	(9,703,630)	**(7,915,053)**	(11,893,797)
Cash Flows from Financing Activities					
Repayment of finance leases		**(25,701)**	(47,141)	**(6,495)**	(19,015)
Repayment of borrowings		**(7,898,567)**	(20,638,239)	**(6,409,972)**	(19,567,850)
Proceeds from borrowings		**3,492,233**	25,038,875	**3,461,553**	24,620,260
Redemption of rated cumulative redeemable preference shares	13	**(1,250,000)**	(750,000)	**(1,250,000)**	(750,000)
Dividend paid to rated cumulative redeemable preference shareholders		**(342,746)**	(754,948)	**(342,746)**	(754,948)
Net cash (used in)/generated from financing activities		**(6,024,781)**	2,848,547	**(4,547,660)**	3,528,447
Net increase in cash and cash equivalents		**1,509,580**	3,959,969	**1,192,388**	3,919,431
Movement in cash and cash equivalents					
At start of the year		**3,019,403**	(1,048,285)	**3,175,077**	(852,073)
Increase		**1,509,580**	3,959,969	**1,192,388**	3,919,431
Exchange (losses)/gains on cash and bank overdrafts		**(53,245)**	107,719	**(53,246)**	107,719
At end of the year	12	**4,475,738**	3,019,403	**4,314,219**	3,175,077

The notes on pages 71 to 119 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. Corporate information

Dialog Axiata PLC (the 'Company') and its subsidiaries (together 'the Group') provide communication (mobile, internet, international gateway, data and backbone, fixed wireless and transmission infrastructure) and media-related services (television broadcasting generated services and direct to home satellite pay television service).

Dialog Axiata PLC is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange since 28th July 2005. The Registered Office of the Company is located at No. 475, Union Place, Colombo 2.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 10th February 2011.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of Dialog Axiata PLC have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) and the Companies Act No. 07 of 2007. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The preparation of financial statements in conformity with SLASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in preparing Group accounts. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial periods of the subsidiary undertakings are same as that of the Parent Company.

A listing of the Group's principal subsidiaries is set out in Note 8.

2.3 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign Currencies

(a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The consolidated financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the year end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'.

2.5 Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under intangible assets. Goodwill acquired in a business combination is tested annually for impairment, or more frequently if events or changes in circumstance indicate that it might be impaired and carried at costs less accumulated impairment losses. Separately recognised goodwill is tested annually for impairment and carried at cost, less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Licences

Separately acquired licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost, less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives which is between 10 to 15 years.

(c) Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 2 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 2 years.

Costs relating to development of software is carried in capital work-in-progress until the software is available for use.

Other development expenditures that do not meet the above criteria are recognised as an expense as incurred.

(d) Customer Acquisition Cost

Costs incurred to acquire customers are recognised in the income statement as incurred.

(e) Other Intangibles

Costs incurred to acquire the indefeasible right of use of SEA-ME-WE, is amortised over its useful life of 15 years.

2.6 Property, Plant and Equipment

(a) Cost and Valuation

Buildings that comprise of office premises are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Cost of telecom equipment comprises expenditure up to and including the last distribution point before customers' premises and includes contractors' charges, materials, direct labour and related directly attributable overheads. Cost of fixed line CDMA network includes customer premises equipments, including handsets. The cost of other property, plant and equipment comprises expenditure directly attributable to the acquisition of the item. These costs include the costs of dismantling, removal and restoration, and the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to revaluation reserve under shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve. All other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings/accumulated losses.

Depreciation of assets begins when they are available for use. Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	% per annum
Buildings	2.5
Building - Electrical Installation	12.5
Building - Leasehold Property	Over lease period
Computer Equipment	20
Telecom Equipment	5 to 20
Office Equipment	20
Office Equipment- Test Phones	50
Furniture and Fittings	20
Toolkits	10
Motor Vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings/accumulated losses.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

(b) Impairment of Property, Plant and Equipment

The carrying value of property, plant and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the income statement, unless it reverses a previous revaluation surplus for the same asset.

2.7 Impairment of Non-Financial Assets

Assets that have indefinite useful lives, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Investments

Investments are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade Receivables

Trade receivables are recognised at the amounts that they are estimated to realise, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated realisable value. The amount of the provision is recognised in the income statement within distribution costs.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement, in the year in which those monies are collected. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2.11 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three month or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Stated Capital

Ordinary shares and rated cumulative redeemable preference shares are classified as stated capital.

Incremental costs directly attributable to the issue of new shares are shown in stated capital, as a deduction, net of tax, from the proceeds.

2.13 Trade and Other Payables

Liabilities classified as trade and other payables in the balance sheet are those which fall due for payment on demand or within one year from the balance sheet date. Items classified as non-current liabilities are those which fall due for payment beyond a period of one year from the balance sheet date.

2.14 Borrowings

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and Deferred Income Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it related to items recognised directly in equity. In this case, the tax is also recognised in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee Benefits

(a) Defined Benefit Plan - Gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The define benefit plan comprises the gratuity provided under the Act No. 12 of 1983.

The liability recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates by the actuarial valuer.

Past-service costs are recognised immediately in income statement, unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the income statement.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 19 to the financial statements.

(b) Defined Contribution Plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company contributes 12% or 15% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company has no further payment obligations once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

(c) Short-term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(d) Termination Benefits

Termination benefits are payable whenever an employee's service is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(e) Bonus Plans

The Group recognises a liability and an expense for bonuses on profit-sharing, based on profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.18 Government Grants

The Company is entitled to claim certain qualifying expenses in relation to Telecommunication Development Charge (TDC) from the Telecommunications Regulatory Commission of Sri Lanka (TRC). The TDC is recognised as Government grant and is accounted for where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants in respect of TDC are recognised in the income statements over the period necessary to match them with the costs they are intended to compensate. TDC received is deferred and credited to the income statement on a straight-line basis over the expected useful lives of the related assets.

2.19 Accounting for Leases where Group and Company is the Lessee

Leases in which a significant portion of the risks and rewards of ownership, are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. However, If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

2.20 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of all applicable taxes and levies, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The revenue is recognised as follows:

(a) Domestic and International Call Revenue and Rental Income

Revenue from telecommunications comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, the provision of other telecommunications services, including data services and information provision, fees for connecting users of other fixed lines and mobile networks to the Group's network.

Access charges and airtime used by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period, with unbilled revenue resulting from services already provided from the billing cycle date to the end of each period accrued. The customers are charged Government taxes at the applicable rates and the revenue is recognised net of such taxes.

(b) Revenue from Other Network Operators and International Settlements

The revenue received from other network operators, local and international, for the use of the Group's telecommunication network for completing call connections is recognised, net of taxes, based on traffic minutes/per second rates stipulated in the relevant agreements and regulations.

(c) Connection Fees

Connection fees relating to Pay TV connections are recognised as revenue over the subscriber churn period. All other connection fees are recognised as revenue in the period in which the connection is activated.

(d) Equipment Revenue

Revenue from equipment sales is recognised when the equipment is delivered to the end customer and the sale is considered complete. For equipment sales made to intermediaries, revenue is recognised if the significant risks associated with the device are transferred to the intermediary and the intermediary has no legal right to return.

(e) Prepaid Card Revenue

Revenue from the sale of prepaid credit is deferred and is recognised in the income statement in the event the customer utilises the airtime or the credit expiry.

(f) Interest income

As it accrues (taking into account the effective yield on the asset), unless collectibility is in doubt.

2.22 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

The adjustments made to comparative figures are given in Note 28 to the financial statements on page 108.

3. Financial Risk Management

3.1 Financial Risk Factors

The Group's activities exposed to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse affects on the Group's financial performance.

3.1.1 Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the UK Pound.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

3.1.2 Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. The borrowings at variable rates expose the Group to cash flow interest rate risk whilst borrowings at fixed rates exposes the Group to interest rate risk. The Group analyses its interest rate exposure on a dynamic basis.

3.1.3 Credit Risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Individual risk limits are set, based on internal or external ratings. The utilisation of credit limits is regularly monitored. Revenue from customers are settled in cash or using major credit cards.

3.1.4 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

4. Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Estimated Impairment of Non-Current Assets

The Group tests annually the indicators to ascertain whether non-current assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in Note 2.7.
The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Defined Benefit Plan - Gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Group considers the interest rates of long-term Government bonds and high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions.

(c) Estimation of Useful Life of Telecommunication Equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives of Group assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their lives, such as changes in technology. Furthermore, network infrastructure is only depreciated over a period that extends beyond the expiry of the associated licence and maintenance under which the operator provides telecommunication services, if there is a reasonable expectation of renewal or an alternative future use for the asset.

(d) Recognition of Deferred Tax Assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgment regarding the future financial performance of the particular legal entity.

(e) Asset Retirement Obligations (ARO)

ARO applies when there is a legal obligation associated with the retirement of a tangible long-lived asset and the liability can be reasonably estimated. Obligations associated with the retirement of these assets require recognition in certain circumstances: (1) the present value of a liability and offsetting asset for an ARO, (2) the subsequent accretion of that liability and depreciation of the asset, and (3) the periodic review of the ARO liability estimates and discount rates.

(f) Provisions

The Group recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each balance sheet date and adjusted to reflect the Group's current best estimate.

(g) Contingent Liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Group consults with legal counsel on matters related to litigation and other experts both within and outside the Group with respect to matters in the ordinary course of business.

(h) Allowance for Doubtful Debts

The Group assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated, based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

5. Segment Information

(a) Primary Reporting Format - Business Segments

At 31st December 2010, the Group is organised into five main business segments:

- Cellular Operation
- International Operation
- Fixed Telecommunication Services
- DBN Tele Infrastructure Operation
- Television Operation

The segment results for the year ended 31st December 2010 are as follows:

	Note	Cellular Operations Rs. '000	International Operations Rs. '000	Fixed Telecom- munication Services Rs. '000	DBN Tele Infrastructure Operations Rs. '000	Television Operation Rs. '000	Group Rs. '000
Total segmental revenue		36,495,454	13,510,713	1,844,312	516,122	2,022,759	54,389,360
Inter-segment revenue		(8,315,590)	(4,270,965)	(167,096)	(192,209)	(20,717)	(12,966,577)
Revenue from external customers		28,179,864	9,239,748	1,677,216	323,913	2,002,042	41,422,783
Operating profit/(loss) segment results		3,604,096	3,196,583	(925,532)	(317,404)	(144,441)	5,413,302
Finance income	23						100,115
Finance costs	23						24,397
Finance costs - net	23						124,512
Profit before income tax							5,537,814
Income tax expense	24						(490,373)
Profit for the year							5,047,441

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

	Note	Cellular Operations Rs. '000	International Operations Rs. '000	Fixed Telecom- munication Services Rs. '000	DBN Tele Infrastructure Operations Rs. '000	Television Operation Rs. '000	Group Rs. '000
Depreciation	6	7,448,799	125,756	960,144	261,879	487,220	9,283,798
Impairment (reversal)/charge		(331,240)	18,880	133,940	48,359	(41,494)	(171,555)
Impairment of investment		11,404	Nil	Nil	Nil	Nil	11,404
Provision for trading inventory	21	39,259	54	Nil	Nil	4	39,317
Amortisation	7	393,595	112,078	111,182	Nil	14,826	631,681
Voluntary retirement scheme - (Reversal)/charge	22	(332,467)	3,710	28,065	4,100	Nil	(296,592)

The segment assets and liabilities at 31st December 2010 and capital expenditure for the year then ended are as follows:

	Cellular Operations	International Operations	Fixed Telecom-munication Services	DBN Tele Infrastructure Operations	Television Operation	Unallocated	Group
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets	44,708,060	14,486,800	2,573,903	4,769,768	3,408,150	2,189,131	72,135,812
Liabilities	7,402,392	4,270,506	236,809	336,596	1,013,125	27,263,094	40,522,522
Capital expenditure	4,734,436	295,381	126,096	967,670	701,490	1,107,349	7,932,422

The segment results for the period ended 31st December 2009 are as follows:

	Note	Cellular Operations	International Operations	Fixed Telecom-munication Services	DBN Tele Infrastructure Operations	Television Operation	Group
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total segmental revenue		32,713,589	11,148,012	1,720,748	627,464	1,641,286	47,851,099
Inter-segment revenue		(7,294,029)	(3,954,491)	(148,651)	(195,252)	(12,662)	(11,605,085)
Revenue from external customers		25,419,560	7,193,521	1,572,097	432,212	1,628,624	36,246,014
Operating (loss)/profit segment results		(9,371,532)	2,242,775	(1,496,354)	(708,395)	(699,052)	(10,032,558)
Finance income	23						101,941
Finance costs	23						(1,849,524)
Finance costs - net	23						(1,747,583)
Loss before income tax							(11,780,141)
Income tax expense	24						(428,082)
Loss for the year							(12,208,223)

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

	Note	Cellular Operations Rs. '000	International Operations Rs. '000	Fixed Telecom-munication Services Rs. '000	DBN Tele Infrastructure Operations Rs. '000	Television Operation Rs. '000	Group Rs. '000
Depreciation	6	7,230,206	135,875	925,143	271,120	419,465	8,981,809
Impairment charge/provision for slow moving and obsolete items and abandoned projects	6	8,394,105	5,677	278,768	226,101	33,983	8,938,634
Provision for slow moving trading inventory	21	81,318	Nil	Nil	Nil	2,054	83,372
Amortisation	7	449,609	75,207	116,479	5,183	8,586	655,064
Voluntary Retirement Scheme	22	873,562	7,175	17,802	3,330	3,075	904,944

The segment assets and liabilities at 31st December 2009 and capital expenditure for the year then ended are as follows:

	Cellular Operations Rs. '000	International Operations Rs. '000	Fixed Telecom-munication Services Rs. '000	DBN Tele Infrastructure Operations Rs. '000	Television Operation Rs. '000	Unallocated Rs. '000	Group Rs. '000
Assets	51,557,464	10,472,966	3,152,877	4,229,064	2,946,537	2,633,328	74,992,236
Liabilities	7,072,807	5,071,075	284,703	342,279	810,848	33,301,195	46,882,907
Capital expenditure	7,237,699	480,452	715,146	1,004,955	433,691	13,392	9,885,335

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, intangible assets, capital work-in-progress, inventories, trade and other receivables and cash and cash equivalents.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 6) and intangible assets (Note 7),

(b) Secondary Reporting Format - Geographical Segments

All the Group's business segments operate in one main geographical area, hence they do not qualify for secondary reporting.

6. Property, Plant and Equipment

(a) Group

	Land & buildings Rs. '000	Computer systems & telecom equipment Rs. '000	Furniture, fittings & other equipment Rs. '000	Motor vehicles Rs. '000	Asset in the course of construction (CWIP) Rs. '000	Total Rs. '000
At 1st January 2009						
Cost/valuation	1,130,641	62,137,704	2,332,030	550,864	19,870,421	86,021,660
Accumulated depreciation	(215,566)	(19,455,245)	(801,414)	(334,259)	(516,592)	(21,323,076)
Net book amount	**915,075**	**42,682,459**	**1,530,616**	**216,605**	**19,353,829**	**64,698,584**
Year ended 31st December 2009						
Opening net book amount	915,075	42,682,459	1,530,616	216,605	19,353,829	64,698,584
Revaluation	157,975	Nil	Nil	Nil	Nil	157,975
Additions	820	244,877	14,150	632	9,609,992	9,870,471
Transferred from - CWIP	76,811	14,183,120	537,773	363	(14,798,067)	Nil
Transferred to intangible assets (Note 7)	Nil	Nil	Nil	Nil	(589,221)	(589,221)
Assets transfers	Nil	10	88	(98)	Nil	Nil
Disposals	(1,361)	(9,515)	(2,174)	(1,558)	(7,212)	(21,820)
Depreciation	(140,119)	(8,175,889)	(585,820)	(79,981)	Nil	(8,981,809)
Adjustment to the CWIP	Nil	Nil	Nil	Nil	(215,555)	(215,555)
Impairment	Nil	(6,565,798)	(5,781)	(70)	(52,390)	(6,624,039)
Provision for slow moving and obsolete items	Nil	Nil	Nil	Nil	(1,424,255)	(1,424,255)
Provision for abandoned projects	Nil	Nil	Nil	Nil	(890,340)	(890,340)
Closing net book amount	**1,009,201**	**42,359,264**	**1,488,852**	**135,893**	**10,986,781**	**55,979,991**
At 31st December 2009						
Cost/valuation	1,280,030	75,697,867	2,868,340	528,658	13,817,968	94,192,863
Accumulated depreciation	(270,829)	(33,338,603)	(1,379,488)	(392,765)	(2,831,187)	(38,212,872)
Net book amount	**1,009,201**	**42,359,264**	**1,488,852**	**135,893**	**10,986,781**	**55,979,991**
Year ended 31st December 2010						
Opening net book amount	1,009,201	42,359,264	1,488,852	135,893	10,986,781	55,979,991
Additions	1,091	155,628	3,297	4	7,749,102	7,909,122
Transferred from CWIP	109,051	10,216,696	484,613	423	(10,810,783)	Nil
Transferred to intangible assets (Note 7)	Nil	Nil	Nil	Nil	(523,933)	(523,933)
Disposals	(4,508)	(10,825)	(5,138)	(2,000)	(8,280)	(30,751)
Write off	Nil	(5,277,527)	Nil	Nil	Nil	(5,277,527)
Depreciation	(153,007)	(8,429,230)	(637,134)	(64,427)	Nil	(9,283,798)
Impairment	Nil	3,860,862	Nil	Nil	Nil	3,860,862
Adjustment - CWIP	Nil	Nil	Nil	Nil	(88,152)	(88,152)
Reversal of provision for slow moving and obsolete items	Nil	Nil	Nil	Nil	169,865	169,865
Reversal of provision for abandoned projects	Nil	Nil	Nil	Nil	298,672	298,672
Closing net book amount	**961,828**	**42,874,868**	**1,334,490**	**69,893**	**7,773,272**	**53,014,351**
At 31st December 2010						
Cost/valuation	1,385,284	74,948,278	3,346,598	482,827	10,115,972	90,278,959
Accumulated depreciation	(423,456)	(32,073,410)	(2,012,108)	(412,934)	(2,342,700)	(37,264,608)
Net book amount	**961,828**	**42,874,868**	**1,334,490**	**69,893**	**7,773,272**	**53,014,351**

(b) Company

	Land & buildings Rs. '000	Computer systems & telecom equipment Rs. '000	Furniture, fittings & other equipment Rs. '000	Motor vehicles Rs. '000	Asset in the course of construction (CWIP) Rs. '000	Total Rs. '000
At 1st January 2009						
Cost/valuation	948,380	56,425,704	1,025,844	425,383	16,842,330	75,667,641
Accumulated depreciation	(202,581)	(17,538,808)	(459,577)	(261,512)	(487,142)	(18,949,620)
Net book amount	**745,799**	**38,886,896**	**566,267**	**163,871**	**16,355,188**	**56,718,021**
Year ended 31st December 2009						
Opening net book amount	745,799	38,886,896	566,267	163,871	16,355,188	56,718,021
Revaluation	122,862	Nil	Nil	Nil	Nil	122,862
Additions	820	244,080	13,251	4	7,445,131	7,703,286
Transferred from CWIP	76,811	12,865,685	132,091	363	(13,074,950)	Nil
Transferred to intangible assets (Note 7)	Nil	Nil	Nil	Nil	(559,539)	(559,539)
Disposals	(1,362)	(7,354)	(2,155)	(5)	(7,212)	(18,088)
Depreciation	(138,296)	(6,965,192)	(201,599)	(60,994)	Nil	(7,366,081)
Impairment	Nil	(6,278,578)	Nil	Nil	(52,390)	(6,330,968)
Provision for slow moving and obsolete items	Nil	Nil	Nil	Nil	(1,216,027)	(1,216,027)
Provision for abandoned projects	Nil	Nil	Nil	Nil	(852,787)	(852,787)
Closing net book amount	**806,634**	**38,745,537**	**507,855**	**103,239**	**8,037,414**	**48,200,679**
Year ended 31st December 2009						
Cost/valuation	1,077,463	68,453,073	1,167,545	423,209	10,593,370	81,714,660
Accumulated depreciation	(270,829)	(29,707,536)	(659,690)	(319,970)	(2,555,956)	(33,513,981)
Net book amount	**806,634**	**38,745,537**	**507,855**	**103,239**	**8,037,414**	**48,200,679**
Year ended 31st December 2010						
Opening net book amount	806,634	38,745,537	507,855	103,239	8,037,414	48,200,679
Additions	1,091	152,907	715	4	4,861,553	5,016,270
Transferred from CWIP	109,051	8,615,146	71,497	423	(8,796,117)	Nil
Transferred to intangible assets	Nil	Nil	Nil	Nil	(502,278)	(502,278)
Reversal of provision for slow moving and obsolete items	Nil	Nil	Nil	Nil	346,538	346,538
Reversal of provision for abandoned projects	Nil	Nil	Nil	Nil	276,380	276,380
Impairment	Nil	3,892,768	Nil	Nil	Nil	3,892,768
Disposals	(4,508)	(10,674)	(5,138)	(1,152)	(8,280)	(29,752)
Asset Write off	Nil	(5,277,527)	Nil	Nil	Nil	(5,277,527)
Depreciation	(150,962)	(7,190,385)	(184,300)	(48,908)	Nil	(7,574,555)
Closing net book amount	**761,306**	**38,927,772**	**390,629**	**53,606**	**4,215,210**	**44,348,523**
At 31st December 2010						
Cost/valuation	1,182,717	66,736,969	1,230,105	386,504	6,069,428	75,605,723
Accumulated depreciation	(421,411)	(27,809,197)	(839,476)	(332,898)	(1,854,218)	(31,257,200)
Net book amount	**761,306**	**38,927,772**	**390,629**	**53,606**	**4,215,210**	**44,348,523**

(c) Provision for Capital Inventory and Capital Work-in-Progress

The Company and the Group have a provisioning policy for capital inventory and capital work-in-progress. During the year of 2010, a provision reversal of Rs. 346,537,852/- and Rs. 169,865,173/- was made on account of capital inventory previously provided for that were deployed by the Company and the Group, respectively. Further, a reversal of Rs. 276,380,183/- and Rs. 298,672,429/- was made on account of capital work-in-progress for the Company and the Group, respectively, that was previously provided for but was activated during 2010.

(d) If the buildings were stated on the historical cost basis, the Impact on this financial statements would be as follows:

	Group		Company	
For the year ended 31st December	**2010 Rs. '000**	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Cost	**1,075,691**	970,437	**1,038,595**	933,341
Accumulated depreciation	**(432,471)**	(283,667)	**(415,838)**	(268,858)
Net book amount	**643,220**	686,770	**622,757**	664,483

(e) Land and buildings were last revalued on 6th December 2009 by independent valuers. The surplus arising on revaluation was credited to 'Revaluation reserve' under shareholders' equity (Note 14).

(f) The Group leases various vehicles under non-cancellable finance lease agreements with repayment terms of four to five years.

(g) Property, plant and equipment includes motor vehicles acquired under finance leases, the net book value of which is made up as follows:

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Cost	190,567	213,946	109,491	128,110
Accumulated depreciation	(171,426)	(167,428)	(106,254)	(112,243)
Net book value	19,141	46,518	3,237	15,867

(h) At 31st December 2010, property, plant and equipment include fully-depreciated assets still in use, the cost of which amounted to Rs. 5,326,364,705 (2009 - Rs. 3,610,050,000/-) and Rs. 6,879,755,516/- (2009 - Rs. 4,942,584,000/-), for the Company and the Group, respectively.

(i) No borrowing costs were capitalised during the years 2010 and 2009.

7. Intangible Assets

(a) Group

	Goodwill Rs. '000	Licences Rs. '000	Computer software Rs. '000	Others Rs. '000	Total Rs. '000
At 1st January 2009					
Cost	1,894,312	1,556,416	1,685,375	642,599	5,778,702
Accumulated amortisation	Nil	(464,395)	(1,346,988)	(65,432)	(1,876,815)
Net book amount	**1,894,312**	**1,092,021**	**338,387**	**577,167**	**3,901,887**
Year ended 31st December 2009					
Opening net book amount	1,894,312	1,092,021	338,387	577,167	3,901,887
Additions	Nil	Nil	3,235	11,629	14,864
Transferred from CWIP (Note 6)	Nil	Nil	353,159	236,062	589,221
Retirement of intangible assets	Nil	Nil	(3,731)	Nil	(3,731)
Amortisation charge	Nil	(162,971)	(429,064)	(63,029)	(655,064)
Closing net book amount	**1,894,312**	**929,050**	**261,986**	**761,829**	**3,847,177**
At 31st December 2009					
Cost	1,894,312	1,556,416	2,049,739	890,290	6,390,757
Accumulated amortisation	Nil	(627,366)	(1,787,753)	(128,461)	(2,543,580)
Net book amount	**1,894,312**	**929,050**	**261,986**	**761,829**	**3,847,177**
Year ended 31st December 2010					
Opening net book amount	1,894,312	929,050	261,986	761,829	3,847,177
Additions	Nil	5,255	18,046	Nil	23,301
Transferred from CWIP (Note 6)	Nil	Nil	285,723	238,210	523,933
Amortisation charge	Nil	(154,341)	(373,821)	(103,519)	(631,681)
Retirement of intangible assets	Nil	Nil	(5,537)	Nil	(5,537)
Closing net book amount	**1,894,312**	**779,964**	**186,397**	**896,520**	**3,757,193**
At 31st December 2010					
Cost	1,894,312	1,561,671	2,334,865	1,128,500	6,919,348
Accumulated amortisation	Nil	(781,707)	(2,148,468)	(231,980)	(3,162,155)
Net book amount	**1,894,312**	**779,964**	**186,397**	**896,520**	**3,757,193**

(b) Company

	Licences Rs. '000	Computer software Rs. '000	Others Rs. '000	Total Rs. '000
At 1st January 2009				
Cost	621,892	1,589,744	642,599	2,854,235
Accumulated amortisation	(172,066)	(1,278,990)	(65,432)	(1,516,488)
Net book amount	**449,826**	**310,754**	**577,167**	**1,337,747**
Year ended 31st December 2009				
Opening net book amount	449,826	310,754	577,167	1,337,747
Additions	Nil	3,235	11,630	14,865
Transferred from CWIP (Note 6)	Nil	323,478	236,061	559,539
Amortisation charge	(61,514)	(400,274)	(63,028)	(524,816)
Closing net book amount	**388,312**	**237,193**	**761,830**	**1,387,335**
At 31st December 2009				
Cost	621,892	1,916,457	890,290	3,428,639
Accumulated amortisation	(233,580)	(1,679,264)	(128,460)	(2,041,304)
Net book amount	**388,312**	**237,193**	**761,830**	**1,387,335**
Year ended 31st December 2010				
Opening net book amount	388,312	237,193	761,830	1,387,335
Additions	5,255	8,291	Nil	13,546
Transferred from CWIP (Note 6)	Nil	264,068	238,210	502,278
Amortisation charge	(61,644)	(340,510)	(103,519)	(505,673)
Retirement of intangible assets	Nil	(346)	Nil	(346)
Closing net book amount	**331,923**	**168,696**	**896,521**	**1,397,140**
At 31st December 2010				
Cost	627,147	2,188,005	1,128,500	3,943,652
Accumulated amortisation	(295,224)	(2,019,309)	(231,979)	(2,546,512)
Net book amount	**331,923**	**168,696**	**896,521**	**1,397,140**

Other intangible assets include costs incurred to acquire the indefeasible right of use of SEA-ME-WE.

Impairment Tests for Goodwill

The Group undertakes an annual test for impairment of its Cash-Generating Units ('CGUs').

The following CGUs, being the lowest level of assets for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered for the impairment test.

For the year ended 31st December	**2010 Rs. '000**	2009 Rs. '000
Entertainment and media [Dialog Television (Private) Ltd.]	**1,504,455**	1,504,455
Transmission and Infrastructure/Fixed Telephony and Data [Dialog Broadband Networks (Private) Ltd.]	**389,857**	389,857
	1,894,312	1,894,312

The amount of goodwill initially recognised is dependent upon the allocation of purchase price for the fair value of identifiable assets acquired and liabilities assumed. The determination of the fair value of the assets and the liabilities is based, to a considerable extent, on management's judgment.

The recoverable amount of the CGUs is determined, based on the Value In Use (VIU) calculations.

The VIU calculations apply Discounted Cash Flow Model using cash flow projections based on the forecasts and projections approved by the management covering a 10-year period. Cash flows beyond the 10-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceeds the long-term average growth rate for the business in which the CGU operates. The VIU calculation was based on a 10-year period to reflect low Direct To Home (DTH) penetration in the early years which is expected to improve in subsequent years with regard to DTV. In the case of DBN, the calculation was based on a 10-year period where the initial 5-year period was based on a higher growth rate with the aggressive targets and the next 5-year period was based on relatively lower growth rates due to market maturity.

In the Discounted Cash Flow (DCF) model, the free cash flows (EBITDA, less capital expenditure) have been discounted by the Weighted Average Cost of Capital (WACC).

These forecasts and projections reflect management expectations of revenue growth, operating costs and margins for each CGU-based on past experience and future plan and strategies.

The following assumptions were applied in the value in use computation:

	DBN		DTV	
	2010	2009	**2010**	2009
EBITDA Margin (1)	**18%**	7%	**11%**	-3%
Free Cash Flow Growth Rate (2)	**84%**	N/A	**11%**	47%
Pre-tax Discount Rate (3)	**17%**	17%	**17%**	17%
Terminal Growth Rate (4)	**2%**	2%	**4%**	4%

1. EBITDA Margin

Projected EBITDA margin is determined, based on expectation of market development.

2. Free Cash Flow (FCF) Growth Rate

FCF growth for the period is determined, based on expectation of market development and cost structure.

3. Pre-tax Discount Rate

Weighted average cost of capital of the Group is used as pre-tax discount rate for cash flow projections.

4. Terminal Growth Rate

Weighted average growth rate of FCF used to extrapolate cash flows beyond the projection period.

Based on the impairment test performed, the recoverable amounts exceed the carrying value, hence no provision for impairment of goodwill as of 31st December 2010.

Impact of Possible Change in Key Assumptions

The Group's review includes an impact assessment of change in key assumptions. Sensitivity analysis shows that no impairment loss is required for the carrying value of the goodwill, including where realistic variances are applied to key assumptions.

8. Investments in Subsidiaries

	Holding %	Company market value/ Directors' valuation	
		2010 Rs. '000	2009 Rs. '000
Dialog Television (Private) Ltd.	100	**3,864,746**	3,864,746
Dialog Broadband Network (Private) Ltd.	100	**6,461,264**	6,461,264
		10,326,010	10,326,010
At 1st January		**10,326,010**	8,826,010
Shares issued in lieu of the amounts advanced		**Nil**	1,500,000
At 31st December		**10,326,010**	10,326,010

The Directors estimate that the above value fairly reflects the carrying value of the investments.

During 2009, Dialog Television (Private) Ltd. issued shares worth Rs. 1,500,000,000 (1,500,000,000 shares) in lieu of the amounts advanced.

9. Other Investment

	Holding %	Group/Company market value/ Directors valuation	
		2010 Rs. '000	2009 Rs. '000
At 1st January	10%	**29,000**	16,000
Investment made during the year		**13,000**	13,000
		42,000	29,000
Provision for impairment		**(11,404)**	Nil
At 31st December		**30,596**	29,000

10. Trade and Other Receivables

	Group		Company	
	2010	2009	**2010**	2009
	Rs. '000	Rs. '000	**Rs. '000**	Rs. '000
Trade receivables	**5,783,215**	5,392,061	**4,840,642**	4,145,143
Less: Provision for bad and doubtful receivables	**(310,041)**	(863,066)	**(125,977)**	(517,794)
Trade receivables - net	**5,473,174**	4,528,995	**4,714,665**	3,627,349
Amounts due from related companies [Note 31 (f)]	**41,637**	137,316	**41,637**	137,316
Prepayments	**712,252**	526,435	**406,567**	261,004
Other receivables	**3,401,655**	4,436,529	**2,908,438**	3,058,686
	9,628,718	9,629,275	**8,071,307**	7,084,355
The amounts due from related companies are classified as follows [Note 31 (f)]				
- Non-Current	**Nil**	Nil	**8,771,992**	5,823,958
- Current	**41,637**	137,316	**41,637**	137,316
	41,637	137,316	**8,813,629**	5,961,274

Other receivables of the Group and the Company mainly consist of Value Added Tax refunds due from the Department of Inland Revenue amounting to Rs. 1,066,022,733/- (2009 - Rs. 2,502,997,623/-) and Rs. 1,062,290,937/- (2009 - Rs. 1,435,842,335/-), respectively.

11. Inventories

	Group		Company	
	2010	2009	**2010**	2009
	Rs. '000	Rs. '000	**Rs. '000**	Rs. '000
Phone stock	**117,978**	104,315	**117,978**	104,315
Accessories and consumables	**256,926**	232,030	**248,421**	226,203
Goods in transit	**19,703**	18,882	**19,703**	18,882
Provision for slow moving trading inventory	**(123,423)**	(143,867)	**(119,943)**	(141,812)
	271,184	211,360	**266,159**	207,588

12. Cash and Cash Equivalents

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Cash at bank and in hand	**2,890,681**	1,813,694	**2,536,439**	1,633,517
Short-term bank deposits	**2,543,089**	3,481,669	**2,542,696**	3,481,309
	5,433,770	5,295,363	**5,079,135**	5,114,826

Cash and cash equivalents and bank overdrafts include the following for the purposes at the cash flow statement:

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Cash and bank balances	**5,433,770**	5,295,363	**5,079,135**	5,114,826
Bank overdrafts (Note 17)	**(958,032)**	(2,275,960)	**(764,916)**	(1,939,749)
	4,475,738	3,019,403	**4,314,219**	3,175,077

13. Stated Capital

	Number of shares (thousands)	Ordinary shares	Preference shares	Stated capital	Shares in trust	Total
At 1st January 2009	**12,494,988**	**28,056,113**	**4,500,000**	**32,556,113**	**(1,990,921)**	**30,565,192**
Redemption of preference shares	(750,000)	Nil	(750,000)	(750,000)	Nil	(750,000)
At 31st December 2009	**11,744,988**	**28,056,113**	**3,750,000**	**31,806,113**	**(1,990,921)**	**29,815,192**
At 1st January 2010	**11,744,988**	**28,056,113**	**3,750,000**	**31,806,113**	**(1,990,921)**	**29,815,192**
Redemption of preference shares	(1,250,000)	Nil	(1,250,000)	(1,250,000)	Nil	(1,250,000)
At 31st December 2010	**10,494,988**	**28,056,113**	**2,500,000**	**30,556,113**	**(1,990,921)**	**28,565,192**

The parent company, Axiata Investments (Labuan) Ltd. (formerly known as TM International (L) Ltd.) held 83.32% (2009 - 83.32%) of the ordinary shares in issue as at the balance sheet date.

The rated cumulative redeemable preference shares of Rs. 1 each issued by the Company during 2007 are mandatorily redeemable prior to 31st May 2012 at Rs. 1 per share. The rated cumulative preference share dividend is payable bi-annually, at Average Weighted Prime Lending Rate (AWPLR) minus 0.9%, on 31st March and 30th September each year.

The preference shares are redeemable on 31st May each year as follows:

2007 - 10%

2008 - 15%

2010 - 25%

2011 - 25%

2012 - 25%

Employee Share Option Scheme (ESOS)

The Board of Directors of the Company at the meeting held on 8th June 2005 resolved and created an Employee Share Option Scheme (ESOS) Trust in order to align the interest of the employees of the Company with those of the shareholders. On 11th July 2005, the Board resolved and issued 199,892,741 ordinary shares of the Company at the IPO price to the ESOS, being 2.7% of the ordinary share capital of the Company.

Of the total ESOS shares that was transferred to the ESOS Trust, 88,841,218 shares (44.44%) were allocated to 'Tranche 0', at the point of the IPO. The balance 111,051,523 shares (56.6%) shall be allocated to employees as an ongoing performance incentive. The ESOS Trust entitlement via the rights issue was 15,452,020 shares. From the total entitlement, 5,668,600 shares were sold in the stock market. On Trustees' approval, the remaining rights entitlement amounting to 9,783,420 shares was exercised by the ESOS Trust.

The Trustees of the ESOS Trust as at 31st December 2010 were as follows:

Mr. Moksevi Rasingh Prelis

Mr. Arittha Rahula Wikramanayake

ESOS shares are granted to eligible employees. The exercise price of the granted ESOS shares will be based on the five (5) days weighted average market price of the Company's shares immediately preceding the offer date for options, with the ESOS committee having the discretion to set an exercise price up to 10% lower than that of the derived weighted average market price. Options are conditional on an employee satisfying the following:

- Attainment of the age of eighteen (18) years;
- Be in the employment full-time by and on the payroll of a company within the Group; and
- Be in the employment of the Group for a period of at least one (1) year of continuous service prior to and up to the offer date, including service during the probation period.

Out of the total number of share options granted under Tranche 0, 51,103,699 share options have been exercised and 28,335,318 share options remain unexercised and are exercisable before 2012. No share options have been exercised by the employees during the 2010 financial year.

The movement in the number of ESOS shares and their related weighted average exercised price is as follows:

	2010		2009	
	Average exercise price in Rs. per share	**Options (thousands)**	Average exercise price in Rs. per share	Options (thousands)
At 1st January	**12**	**29,124**	12	35,008
Forfeited	**12**	**(789)**	12	(5,884)
Exercised	**12**	**Nil**	12	Nil
At 31st December		**28,335**		29,124
Forfeited shares to be reallocated to subsequent Tranches		**9,402**		8,614
Available for subsequent Tranches		**111,052**		111,052
At 31st December		**148,789**		148,790

14. Revaluation Reserve on Land and Buildings

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
At 1st January	**136,471**	19,913	**101,358**	19,913
Surplus on revaluation of land and buildings (Note 6)	**Nil**	157,975	**Nil**	122,862
Deferred tax on revaluation	**(706)**	(40,954)	**(706)**	(40,954)
Depreciation transfer to retained earnings	**(4,052)**	(463)	**(3,832)**	(463)
At 31st December	**131,713**	136,471	**96,820**	101,358

The revaluation reserve is a non-distributable reserve.

15. Trade and Other Payables

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Trade payables	**2,849,359**	3,524,379	**2,433,688**	1,904,174
Amount due to ultimate Parent Company [Note 31 (g)]	**362,244**	210,954	**362,244**	210,954
Amount due to related parties [Note 31 (g)]	**677,378**	811,496	**677,377**	811,496
Deferred revenue (Note 16)	**1,479,391**	1,291,807	**1,329,409**	1,038,845
Accrued expenses	**2,534,320**	3,070,354	**3,115,140**	3,704,359
Customer deposits	**1,235,588**	1,268,368	**1,155,630**	1,200,389
Other payables	**2,955,928**	2,459,271	**1,370,143**	2,269,906
	12,094,208	12,636,629	**10,443,631**	11,140,123

16. Deferred revenue

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
TDC disbursement				
At 1st January	**265,738**	Nil	**265,738**	Nil
TDC disbursement received	**210,260**	566,455	**210,260**	566,455
Released to the income statement (Note 21)	**(125,622)**	(300,717)	**(125,622)**	(300,717)
At 31st December	**350,376**	265,738	**350,376**	265,738
Others	**1,414,781**	1,241,214	**1,264,799**	988,252
At 31st December	**1,765,157**	1,506,952	**1,615,175**	1,253,990
Current (Note 15)	**1,479,391**	1,291,807	**1,329,409**	1,038,845
Non-current	**285,766**	215,145	**285,766**	215,145
	1,765,157	1,506,952	**1,615,175**	1,253,990

Deferred revenue comprises prepaid credit and the amounts disbursed by Telecommunication Regulatory Commission of Sri Lanka (TRC) on account of the disbursement of 2/3rd of Telecommunication Development Charge (TDC) relating to periods 2003, 2004 and 2005.

TDC refunds relating to capital expenditure are released to income statement over the remaining useful lives of related assets.

17. Borrowings

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Current				
Bank overdrafts (Note 12)	**958,032**	2,275,960	**764,916**	1,939,749
Bank borrowings	**4,417,178**	4,935,564	**4,417,178**	4,211,315
Finance lease liabilities	**7,413**	25,079	**14**	5,872
	5,382,623	7,236,603	**5,182,108**	6,156,936
Non-current				
Bank borrowings	**12,142,406**	15,664,517	**12,142,406**	14,930,850
Loan from Axiata Investment (Labuan) Ltd. [Note 31 (e)]	**7,980,347**	9,058,347	**7,980,347**	9,058,347
Finance lease liabilities	**Nil**	5,933	**Nil**	178
	20,122,753	24,728,797	**20,122,753**	23,989,375
Maturity of non-current Bank Borrowings				
Between 1 and 2 years	**7,305,736**	3,312,115	**7,305,736**	3,113,115
Between 2 and 5 years	**4,836,670**	11,402,063	**4,836,670**	10,924,063
More than 5 years	**Nil**	950,339	**Nil**	893,672
	12,142,406	15,664,517	**12,142,406**	14,930,850

Total borrowings include secured liabilities (bank and collateralised borrowings) of USD 135 Mn. (Term loan) and LKR 5,152 Mn. (Term and Trade facilities) (2009: USD 200 Mn. Term loan and LKR 3,800 Mn. Term and Trade facilities). Bank/Term borrowings are secured by a Corporate Guarantee by Axiata Group Berhad.

The Group has the following undrawn borrowing facilities:

	2010	2009
Expiring within one year	**USD 65 Mn.**	USD 75 Mn.

The Company obtained a term loan facility of USD 100 Mn. from Overseas - Chinese Banking Corporation Ltd., Labuan Branch Malaysia (OCBC), for the purposes of capital expenditure and general working capital requirements of the Group. The loan was drawn in full in March 2009. An additional term loan facility amounting to USD 100 Mn. was offered by OCBC, of which the Company drew USD 25 Mn. in December 2009 and USD 10 Mn. in May 2010.

Axiata Investments (Labuan) Ltd. (formerly known as TM International (L) Ltd.) has provided advances amounting to USD 47.5 Mn., within the years of 2008 and 2009, to meet expenditure relating to telecommunication expansion, launch of CDMA and Pay TV services. The Company repaid USD 10 Mn. in December 2010.

The Company paid the International Finance Corporation (IFC) term loan of USD 50 Mn. in full in April 2009.

Letter of Credit facilities with deferred payment terms were also used for financing long-term capital projects.

As at 31st December 2009, a total of Rs. 2,471,516,926.11 was drawn down from the revolving credit facility offered by Standard Chartered Bank to fund working capital requirements of the Company. This amount was repaid in full during 2010.

Gross finance lease liabilities - minimum lease payment:

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Not later than 1 year	**7,644**	27,981	**14**	6,298
Later than 1 year and not later than 5 years	**Nil**	6,244	**Nil**	257
	7,644	34,225	**14**	6,555
Future finance charges on finance leases	**(231)**	(3,213)	**Nil**	(506)
Present value of finance lease liabilities	**7,413**	31,012	**14**	6,049
The present value of finance lease liabilities is as follows:				
Not later than 1 year	**7,413**	25,079	**14**	5,871
Later than 1 year and not later than 5 years	**Nil**	5,933	**Nil**	178
	7,413	31,012	**14**	6,049

18. Deferred Income Tax Liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rates as at the balance sheet date.

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
At 1 January	**1,133,676**	607,437	**1,131,288**	605,992
Deferred tax attributable to revaluation surplus	**706**	40,954	**706**	40,954
Income statement charge (Note 24)	**478,128**	485,285	**480,516**	484,342
At 31 December	**1,612,510**	1,133,676	**1,612,510**	1,131,288

Deferred income tax liability and the deferred income tax charge in the income statement are attributable to accelerated tax depreciation and provision for defined benefit obligations, to the extent that they are likely to result in an actual liability or an asset in the foreseeable future.

19. Retirement Benefit Obligations

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Balance Sheet Obligations for:				
Retirement benefits - Gratuity	**390,635**	394,540	**358,854**	362,324
Income Statement Charge for (Note 22):				
Retirement benefits - Gratuity	**39,107**	233,499	**34,544**	215,537
The movement in the defined benefit obligation over the year is as follows:				
At 1st January	**394,540**	205,069	**362,324**	187,378
Current service cost	**57,817**	67,534	**51,509**	61,255
Interest cost	**43,399**	24,549	**39,856**	22,549
Actuarial (gains)/losses	**(62,109)**	141,416	**(56,821)**	131,733
Income statement charge	**39,107**	233,499	**34,544**	215,537
Benefits paid	**(43,012)**	(44,028)	**(38,014)**	(40,591)
At 31 December	**390,635**	394,540	**358,854**	362,324

This obligation is not externally funded.

The gratuity liability of the Company is based on the actuarial valuation performed on 30th November 2010 by Actuaries, Messrs Actuarial & Management Consultants (Private) Ltd. The principal actuarial valuation assumptions used were as follows:

	Group		Company	
	2010	2009	**2010**	2009
Discount rate	**10.50%**	11%	**10.5%**	11%
Future salary increase	**12% - 17%**	12% - 17%	**12% - 17%**	12% - 17%

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 67/70 mortality table) had also been used in the valuation.

20. Provision for Other Liabilities

Provision for other liabilities comprises the amounts provided for asset retirement obligations.

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
At 1st January	**534,858**	205,237	**520,554**	194,924
Amounts capitalised	**69,416**	159,944	**69,415**	155,952
Income statement charge (Note 23)	**15,602**	169,678	**17,825**	169,678
At 31st December	**619,876**	534,859	**607,794**	520,554

21. Operating Profit/(Loss)

The following items have been charged/(credited) in arriving at operating profit/(loss):

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Directors' fees	**14,777**	14,338	**14,777**	14,339
Independent Auditors' fees				
– Audit	**7,015**	7,458	**4,735**	4,769
– Non-audit	**395**	331	**363**	331
Fees for other professional services	**236,272**	106,408	**231,624**	101,832
Amortisation of intangible assets (Note 7)	**631,681**	655,064	**505,673**	524,816
Depreciation on property, plant and equipment (Note 6)				
– Owned assets	**9,254,504**	8,950,671	**7,563,075**	7,352,972
– Leased assets under finance leases	**29,294**	31,138	**11,480**	13,109
	9,283,798	8,981,809	**7,574,555**	7,366,081
Impairment and provisions				
- Impairment charge (Note 27)	**346,098**	6,624,039	**307,531**	6,330,968
- Provision for slow moving and obsolete items (Note 6)	**(169,865)**	1,424,255	**(346,538)**	1,216,027
- Provision for abandoned projects (Note 27)	**(298,672)**	890,340	**(276,380)**	852,787
- Investment impairment (Note 9)	**11,404**	Nil	**11,404**	Nil
Adjustments to assets under construction (Note 6)	**88,152**	215,555	**Nil**	Nil
Retirement of intangibles (Note 7)	**Nil**	3,731	**Nil**	Nil
Repair and maintenance expenditure on property, plant and equipment	**1,357,957**	1,380,907	**1,142,114**	1,187,927
Provision for doubtful debts (Note 10)	**310,041**	863,066	**125,977**	517,794
Operating Lease Rentals				
– Office	**543,140**	645,288	**497,997**	574,847
– Base stations and lease circuits	**1,340,487**	1,372,463	**1,459,286**	1,263,137
Cost of inventories (included in 'direct costs')	**582,424**	764,441	**582,241**	764,441
Employee benefit expense (Note 22)	**2,942,997**	4,226,054	**2,546,638**	3,741,743
Profit on sale of property, plant and equipment	**(28,069)**	(21,352)	**(23,848)**	(12,369)
Provision for slow moving inventory (Note 27)	**39,317**	83,372	**39,313**	81,318
Amounts released from deferred revenue (Note 16)	**125,622**	300,717	**125,622**	300,717

22. Employee Benefit Expense

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Wages and salaries	**2,022,300**	2,052,817	**1,734,894**	1,779,973
Social security costs	**875,388**	663,480	**838,931**	556,162
Pension costs - defined contribution plans	**302,794**	371,314	**267,026**	309,334
Pension costs - defined benefit plan (Note 19)	**39,107**	233,499	**34,544**	215,537
Voluntary Resignation Scheme	**(296,592)**	904,944	**(328,757)**	880,737
	2,942,997	4,226,054	**2,546,638**	3,741,743
Number of persons employed as at 31 December:				
– Full time	**2,871**	3,384	**2,432**	2,854
– Part time	**51**	51	**51**	51
	2,922	3,435	**2,483**	2,905

23. Finance income and Costs

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Interest income on deposits	**100,115**	101,940	**95,292**	99,642
Interest expense on:				
- Bank overdrafts	**(6,013)**	(112,843)	**(142)**	(59,720)
- term loans	**(630,270)**	(1,536,973)	**(520,105)**	(1,122,898)
- finance cost on asset retirement obligations (Note 20)	**(15,602)**	(169,678)	**(17,825)**	(169,678)
- finance lease	**(3,036)**	(8,227)	**(461)**	(1,916)
	(654,921)	**(1,827,721)**	**(538,533)**	(1,354,212)
Net foreign exchange gain/(loss) on foreign currency transactions/balances	**679,318**	(21,802)	**685,908**	8,492
	124,512	(1,747,583)	**242,667**	(1,246,078)

24. Tax

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Year ended 31st December				
Current tax	**12,245**	2,086	**10,806**	Nil
Reversal of overprovision	**Nil**	(59,289)	**Nil**	(59,289)
Deferred tax charge (Note 18)	**478,128**	485,285	**480,516**	484,342
	490,373	428,082	**491,322**	425,053

Under the agreement entered into between the Company and the Board of Investment of Sri Lanka (BOI), the main source of income of the Company is exempt from income tax for fifteen years (initial tax exemption period of seven years was extended to fifteen years as per the amendment made to BOI agreement on 17th April 2003) commencing either from the year in which it first makes a profit, or in the fifth year subsequent to the start of commercial operations, whichever is earlier. The Company commenced commercial operations during 1995 and profits were first recorded during the year ended 31st December 1998. Accordingly, the tax exemption period commenced from 1st January 1998 and the Company is currently liable to pay income tax only on the interest income earned from fixed and call deposits maintained in Sri Lanka Rupees.

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Year ended 31st December				
Profit/(Loss) before tax	**5,537,814**	(11,780,141)	**7,043,275**	(8,785,109)
Less: Amortisation of increase in fair value of licence	**50,286**	50,286	**Nil**	Nil
Other consolidation adjustments	**57**	(1,019,613)	**Nil**	Nil
	5,588,157	(12,749,468)	**7,043,275**	(8,785,109)
Tax at the applicable rate	**1,955,855**	(4,315,603)	**2,465,146**	(2,928,078)
Tax effects of:				
- Income not subject to tax	**(5,164,582)**	804,374	**(4,647,669)**	(127,283)
- Expenses not deductible for tax purposes	**2,631,335**	3,102,581	**1,879,143**	2,967,290
- Temporary differences not resulting in a deferred tax asset/liability	**1,063,585**	903,286	**788,549**	579,680
- Utilisation of previously unrecognised tax losses	**4,180**	(7,267)	**6,153**	(7,268)
Overprovision of tax	**Nil**	(59,289)	**Nil**	(59,289)
	490,373	428,082	**491,322**	425,053

Tax losses available for carry forward to the year of assessment 2011/12 amount to Rs. 925,622,573/-. Accordingly, the Company is entitled to set off 35% of the statutory income of any year of assessment excluding income that does not form a part of the assessable income from the aforementioned brought forward losses. Any losses not utilised over the current period could be carried forward to future years.

The weighted average applicable tax rate for the Group was 35% (2009 - 24.48%).

25. Earnings/(Loss) Per Share

(a) Basic

Basic earnings per share is calculated by dividing the net profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held by the ESOS Trust (Note 13).

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Net profit/(loss) after tax	**5,047,441**	(12,208,223)	**6,551,953**	(9,210,162)
Less: Preference dividend paid	**(292,774)**	(858,759)	**(292,774)**	(858,759)
Net profit/(loss) attributable to ordinary shareholders	**4,754,667**	(13,066,982)	**6,259,179**	(10,068,921)
Weighted average number of ordinary shares in issue (thousands)	**7,985,206**	7,985,206	**7,985,206**	7,985,206
Basic earnings/(loss) per share (Rs.)	**0.60**	(1.64)	**0.78**	(1.26)

(b) Diluted

Diluted earning per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. The Company has share options (ESOS) which have potential for dilution. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares), based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Net profit/(loss) after tax	**5,047,441**	(12,208,223)	**6,551,953**	(9,210,162)
Less: Preference dividend paid	**(292,774)**	(858,759)	**(292,774)**	(858,759)
Net profit/(loss) attributable to ordinary shareholders	**4,754,667**	(13,066,982)	**6,259,179**	(10,068,921)
Weighted average number of ordinary shares in issue (thousands)	**7,992,685**	7,939,700	**7,992,685**	7,939,700
Diluted earnings/(loss) per share (Rs)	**0.59**	(1.65)	**0.78**	(1.27)

26. Dividends

The Directors have recommended a withholding tax-free final dividend of 0.20 cents per share amounting to Rs. 1.6 Bn. for the financial year 2010, subject to the approval of the shareholders at the Annual General Meeting. Dividends were not declared or paid for the financial year ended 31st December 2009.

27. Cash Generated from Operations

Reconciliation of profit/(loss) before tax to cash generated from operations:

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Profit/(loss) before tax	**5,537,814**	(11,780,141)	**7,043,275**	(8,785,109)
Adjustments for:				
Unreleased exchange (gain)/loss	**(742,277)**	46,848	**(736,537)**	25,095
Provision for bad debts (Note 10)	**310,041**	863,066	**125,977**	517,794
Bad debts written back	**(764,600)**	(318,798)	**(764,600)**	(729,120)
Profit on sale of property, plant and equipment (Note 21)	**(28,069)**	(21,352)	**(23,848)**	(12,369)
Interest expense (Note 23)	**639,318**	1,658,043	**520,709**	1,184,534
Finance cost on asset retirement obligations (Note 23)	**15,602**	169,678	**17,825**	169,678
Interest income (Note 23)	**(100,115)**	(101,940)	**(95,292)**	(99,642)
SRL Expenses	**163**	(882)	**161**	(882)
Amortisation (Note 7)	**631,681**	655,064	**505,673**	524,816
Depreciation (Note 6)	**9,283,798**	8,981,809	**7,574,555**	7,366,081
Adjustments to assets under construction (Note 6)	**88,152**	215,555	**Nil**	Nil
Impairment and provisions				
- Impairment charge (Note 21)	**346,098**	6,624,039	**307,531**	6,330,968
- Provision for slow moving and obsolete items (Note 21)	**(169,865)**	1,424,255	**(346,538)**	1,216,027
- Provision for abandoned projects (Note 21)	**(298,672)**	890,340	**(276,380)**	852,787
- Investment impairment (Note 9)	**11,404**	Nil	**11,404**	Nil
Retirement of intangibles (Note 21)	**Nil**	3,731	**Nil**	Nil
Amortisation of deferred revenue (Note 16)	**(125,622)**	(300,717)	**(125,622)**	(300,717)
Retirement benefit obligation (Note 19)	**39,107**	233,499	**34,544**	215,537
Provision for slow moving inventory (Note 21)	**39,317**	83,372	**39,313**	81,318
Changes in working capital				
- trade and other receivables	**(512,741)**	3,325,205	**(177,985)**	1,227,807
- inventories	**(98,553)**	275,343	**(97,884)**	271,814
- payables	**686,728**	(989,362)	**481,068**	2,877,522
Cash generated from operations	**14,788,709**	11,936,655	**14,017,349**	12,933,939

28. Reclassification of Comparatives

The presentation and classification of the following items in these financial statements are amended to ensure comparability with the current year.

	As reported previously Rs. Mn.			Current Presentation Rs. Mn.	
	Group 2009	Company 2009	Note Reference	Group 2009	Company 2009
Balance Sheet					
Trade and other receivables	9,646	7,101	a	9,629	7,084
Provision for other liabilities	521	521	b	535	521
Trade and other payables	12,668	11,157	a & b	12,637	11,140

	Group 2009	Company 2009	Note Ref.	Group 2009	Company 2009
Income Statement					
Revenue	35,774	32,515	c	36,246	33,189
Other operating income	705	891	c & d	248	228
Administrative costs	(18,056)	(16,098)	d	(18,072)	(16,110)

(a) Customer loyalty balances which were separately included in the other payables and receivables in the year 2009 are netted off and shown as net payable in the year 2010 for a better presentation of the financial statements.

(b) Dismantling provision of Rs. 14 Mn., which was included in current assets in the previous year was reclassified during the current year for a better presentation of the financial statements.

(c) Site sharing revenue of Rs. 472 Mn. (Group) and Rs. 675 Mn. (Company), which was included in other operating income in the previous year was re-classified during the current year for a better presentation of the financial statements.

(d) Property, Plant and Equipment (PPE) disposal revenue of Rs. 16 Mn. (Group) and Rs. 12 Mn. (Company), which was included in administrative costs in the previous year was reclassified during the current year for a better presentation of the financial statements.

29. Contingencies

(a) Pending litigation

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the legal cases, nor are additional payments anticipated as of date. Accordingly, no provision has been made for legal claims in the financial statements.

(b) Assessment in Respect of Value Added Tax (VAT)

Based on the Value Added Tax assessments issued by the Department of Inland Revenue in respect of financial year 2006, management has estimated the current VAT exposure to be approximately Rs. 1,216,177,099/- as at the balance sheet date. This includes penalties of Rs. 353,821,168/- on amounts assessed. The Company not being in agreement with the assessments has appealed against the said assessments under Section 34 of the Value Added Tax Act.

Value Added Tax (VAT) assessments issued by Department of Inland Revenue in respect of financial year 2006 have been determined by the Commissioner General on 28th January 2011. Accordingly, an additional VAT liability of LKR 131.5 Mn. has been imposed for which provision has been made in full in the financial statements for the year ended 31st December 2010.

(c) Inquiry by Sri Lanka Customs

In August 2008, Sri Lanka Customs (SLC) detained a shipment of CDMA Customer Premises Equipment (CPE), belonging to its subsidiary company Dialog Broadband Networks (Private) Ltd. and commenced an investigation into the eligibility of these items falling under the duty exemptions granted under the terms and conditions of the Agreement which the subsidiary has entered into with the Board of Investment of Sri Lanka. The shipment was cleared by submitting bank guarantees and thereafter shipments of CPE were cleared by paying duty 'under protest'. The main contention of SLC was that the CDMA CPE could not be considered a fixed asset of the subsidiary. Having completed the investigation, SLC commenced an inquiry into this matter on 30th January 2009 and this inquiry is still in progress.

No assessment has been made on the subsidiary as at the date of the balance sheet. The Directors are of the opinion that no material liability would result from the inquiry, and accordingly no provision has been made in the financial statements.

30. Commitments

Capital Commitments

Capital commitments that were approved and contracted for the supply of Telecommunication equipment and services are as follows:

Capital expenditure contracted for at the balance sheet date but not yet incurred:

	Group		Company	
	2010 **Rs. '000**	2009 Rs. '000	**2010** **Rs. '000**	2009 Rs. '000
Supply of telecommunication equipment	**2,588,953**	1,652,053	**1,772,539**	1,352,964

Financial commitments

The Group has the following annual commitments;

	Currency	Amount
Annual fee to the Board of Investment of Sri Lanka	USD	5,155
Site rental for telecommunication equipment	LKR	1,004,400,000
Annual maintenance contract	LKR	1,062,372
Rental to Axiata Lanka (Pvt) Ltd. [formerly known as TM International Lanka (Private) Ltd.] for registered office	LKR	7,920,000

The Company, Dialog Broadband Networks (Private) Ltd. and Dialog Television (Pvt.) Ltd. have an annual commitment to pay the Telecommunication Regulatory Commission of Sri Lanka (TRC), a sum equivalent to 2% of the annual turnover.

The Company also has a commitment to the Change Trust Fund for an amount equivalent to the value of contributions donated to the Trust by its customers. This is to uplift the standard of living of underprivileged fellow countrymen and preservation of the environment and culture.

There were no other material financial commitments outstanding at the balance sheet date.

31. Related Party Transactions

(a) The Directors of the Company are also Directors of the following companies:

	Datuk Azzat bin Kamaludin	Dr. Shridhir Sariputta Hansa Wijayasuriya	Mr. Moksevi Rasingh Prelis	Dato' Yusof Annuar bin Yaacob	Mr. Jayantha Cudah Bandara Dhanapala	Azwan Khan Osman Khan	Mr. Roni Lihawa Abdul Wahab	Mr. Mohamed Vazir Muhsin
Axiata Group Berhad	x	–	–	x	–	–	–	–
Celcom Mobile Sdn. Bhd	x	–	–	–	–	–	–	–
Dialog Broadband Network (Private) Ltd.	–	x	x	x	–	–	–	–
Dialog Television (Private) Ltd.	–	x	x	x	–	–	–	–
Communiq Broadband Network (Private) Ltd.	–	x	x	x	–	–	–	–
CBN Sat (Private) Ltd.	–	x	x	x	–	–	–	–
Axiata Lanka (Pvt) Ltd. (formerly known as TM International Lanka (Private) Ltd.	–	x	–	x	–	–	–	–
Spice Communications Ltd.	–	–	–	x	–	–	–	–
Sri Lanka Institute of Nanotechnology (Private) Ltd.	–	x	–	–	–	–	–	–
Celcom Axiata Berhad [Formerly known as Celcom (Malaysia) Berhad]	–	–	–	x	–	–	–	–
Axiata Investments (Labuan) Ltd. [Formerly known as TM International (L) Ltd.	–	–	–	x	–	–	–	–
Multinet Pakistan (Private) Ltd.	–	–	–	x	–	–	–	–
PT XL Axiata Tbk (Formerly known as PT Excelcomindo Pratama Tbk)	–	–	–	x	–	–	–	–
M1 Ltd. (formerly known as Mobileone Ltd.)	–	–	–	x	–	–	–	–
Cargills (Ceylon) Ltd.	–	–	–	–	x	–	–	–
Technology Resources Industries Ltd.	x	–	–	–	–	–	–	–
Rego Multi-Trades Sdn Bhd	x	–	–	–	–	–	–	–
Pulai Springs Resort Berhad	x	–	–	–	–	–	–	–
KPJ Healthcare Berhad	x	–	–	–	–	–	–	–
Boustead Holdings Berhad	x	–	–	–	–	–	–	–
Affin Holdings Berhad	x	–	–	–	–	–	–	–
Visdynamics Holdings Berhad	x	–	–	–	–	–	–	–
Boustead Heavy Industries Corp. Bhd	x	–	–	–	–	–	–	–
Malaysian Directors Academy	x	–	–	–	–	–	–	–
Idea Cellular Ltd. (India)	–	x	–	–	–	–	–	–
Robi Axiata Ltd. [formerly known as Axiata (Bangladesh) Ltd.]	–	x	–	x	–	–	–	–

	Datuk Azzat bin Kamaludin	Dr. Shridhir Sariputta Hansa Wijayasuriya	Mr Moksevi Rasingh Prelis	Dato' Yusof Annuar bin Yaacob	Mr. Jayantha Cudah Bandara Dhanapala	Azwan Khan Osman Khan	Mr. Roni Lihawa Abdul Wahab	Mr. Mohamed Vazir Muhsin
Axiata Investments 1 (India) Ltd.	–	x	–	–	–	–	–	–
Axiata Investments 2 (India) Ltd.	–	x	–	–	–	–	–	–
Capital Trust Securities (Private) Ltd.	–	–	x	–	–	–	–	–
Sinwa Holdings	–	–	x	–	–	–	–	–
Colombo Stock Exchange Ltd.	–	–	x	–	–	–	–	–
Capital Trust Financial (Private) Ltd.	–	–	x	–	–	–	–	–
Sacofa Sdn Bhd	–	–	–	–	–	x	–	–
Samart I-Mobile Public Co. Ltd.	–	–	–	–	–	x	–	–
Sipadan Investments (Mauritius) Ltd.	–	–	–	–	–	–	x	–
Titiwangsa Investments (Mauritius) Ltd.	–	–	–	–	–	–	x	–
Tioman Investments (Mauritius) Ltd.	–	–	–	–	–	–	x	–
Teluk Kemang Investments (Mauritius) Ltd.	–	–	–	–	–	–	x	–
Teluk Cempedak Investments (Mauritius) Ltd.	–	–	–	–	–	–	x	–
Chandering Investments Ltd.	–	–	–	–	–	–	x	–
Palau Kapas Venture Sdn Bhd	–	–	–	–	–	–	x	–
Global Communication	–	–	–	–	–	–	x	–
Astro Holding Sdn Bhd	–	–	–	–	–	–	x	–
Pantai Cahaya Bulan Ventures Sdn Bhd	–	–	–	–	–	–	x	–
Axiata Management Services Sdn Bhd (formerly known as Telekom Management Services Sdn Bhd)	–	–	–	x	–	–	–	–
Hello Axiata Company Ltd.	–	–	–	x	–	–	–	–
Axiata Investments (Indonesia) Sdn Bhd [formerly known as Indocel Holding Sdn Bhd]	–	–	–	x	–	–	–	–
Axiata Investments (Mauritius) Ltd. [formerly known as Tess International Ltd.]	–	–	–	x	–	–	–	–
Mobile Telecommunications Company of Esfahan (“MTCE”)	–	–	–	x	–	–	–	–
Axiata Investments (Singapore) Ltd. [formerly known as SunShare Investments Ltd.]	–	–	–	x	–	–	–	–
Axiata SPV1 (Labuan) Ltd.	–	–	–	x	–	–	–	–

Dr. Shridhir Sariputta Hansa Wijayasuriya, Mr. Moksevi Prelis and Mr. Jayantha Dhanapala are Trustees of the Change Trust Fund.

As at 31 December 2010, the Group Chief Executive Officer, Dr Shridhir Sariputta Hansa Wijayasuriya held options to purchase 5,424,400 ordinary shares under ESOS.

The Company invested in Sri Lanka Institute of Nano Technology ("SLINTec"); a company set up for carrying out research on technology developments. The carrying value of the investment as at 31st December 2010 is Rs. 30,595,773/- (Note 9).

No share options have been granted to the non-executive members of the Board of Directors under the employee share option plan.

(b) The Company is controlled by Axiata Investments (Labuan) Ltd. (formerly known as TM International (L) Ltd.), which owns 83.32% of the total number of shares in issue. The remaining 16.68% of the shares are widely held. The Ultimate Parent of the Company is Axiata Group Behard.

(c) The related parties with whom Dialog Axiata PLC had transactions in the ordinary course of business are set out below:

		2010 Rs. '000	2009 Rs. '000
	Sale of Service to –		
i)	Axiata Lanka (Private) Ltd. [formerly known as TM International Lanka (Private) Ltd.]		
	- Rendering of management services	**2,700**	2,700
ii)	Dialog Broadband Networks (Private) Ltd.		
	- Site sharing revenue	**202,705**	202,705
	- International bandwidth revenue	**(180)**	180
	- IPLC and satellite bandwidth revenue	**188,189**	222,605
	- Market development, work-shop revenue, origination and others	**94,296**	108,929
	- Local Interconnection SMS	**22,024**	5,425
	- Revenue from call centre	**1,248**	Nil
iii)	Dialog Television (Private) Ltd.		
	- Revenue from call centre agent fee	**14,700**	27,573
	- Satellite band width service	**5,723**	6,006
	- Local call revenue	**2,175**	2,624
iv)	Telekom Malaysia Berhad		
	- IPLC revenue	**17,962**	14,136
	- Interconnection revenue	**278,915**	300,373
v)	Multinet Pakistan (Private) Ltd.		
	- Interconnection revenue	**143,083**	47,812
vi)	Spice Communications Ltd.		
	- Interconnection revenue	**430,511**	157,052
vii)	M1 Ltd. [formerly known as MobileOne Ltd. (Singapore)]		
	- Interconnection revenue	**13,490**	10,686
viii)	Celcom Mobile Sdn Bhd		
	- Inbound roaming	**18,018**	12,713

		2010 Rs. '000	2009 Rs. '000
ix)	PT XL Axiata Tbk (formerly known as PT Excelcomindo Pratama Tbk)		
	- Inbound roaming	**1,341**	810
x)	Telekom Malaysia (USA) Inc		
	- Interconnection revenue	**33**	512
xi)	Telekom Malaysia (UK) Ltd.		
	- Interconnection revenue	**Nil**	1,076
xii)	Hello Axiata Company Ltd. [formerly known as Telekom Malaysia International (Cambodia) (Private) Ltd.]		
	- Interconnection revenue	**247**	1,738
xiii)	Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad]		
	- SAP implementation revenue	**146,675**	40,769
xiv)	Robi Axiata Ltd. [formerly known as Axiata (Bangladesh) Ltd.]		
	- Share of Inbound roaming revenue	**Nil**	29,988
		1,583,855	1,196,412

		2010 Rs. '000	2009 Rs. '000
Purchase of service from –			
i)	Axiata Lanka (Private) Ltd. (formerly known as TM International Lanka (Private) Ltd.		
	- Rental charges	**8,165**	8,103
ii)	Dialog Broadband Networks (Private) Ltd.		
	- Lease circuit rental and electricity	**49,451**	168,765
	- Computer HW/SW maintenance	**4,357**	60,863
	- BTS site sharing cost	**147,872**	49,451
	- Last mile and field service	**60,100**	7,352
	- Telephone charges and D Net	**7,680**	8,661
	- ILAC,OLAC and IC	**66,385**	67,641
	- Connection fee (Included under office supplies and staff welfare)	**Nil**	5
	- Interconnection Charges	**18,813**	Nil
	- Telephone expenses	**3,586**	5,425

		2010 Rs. '000	2009 Rs. '000
iii)	Telekom Malaysia Berhad		
	- Lease rental	**7,112**	9,225
	- Acquisition cost of indefeasible right of use of Sea-Me-We	**Nil**	84,546
	- TMCH charges	**40,592**	59,164
	- Operation & maintenance charges	**82,038**	86,391
	- Local access charges	**35,082**	49,423
	- Port & internet charges	**4,043**	5,520
	- Restoration charges	**18,352**	24,587
	- Voice interconnection charges	**3,392**	2,005
iv)	Dialog Television (Private) Ltd.		
	- Cost on initial connection given to DAP staff	**8,823**	799
	- Cost on subscription fees on connection given to DTP staff	**8,963**	11,082
	- Cost on e-mobile, cartoon network and CNN mobile video streaming	**Nil**	(837)
	- Advertising expenses	**1,721**	450
	- Vehicle hiring charges	**Nil**	1,332
v)	Multinet Pakistan (Private) Ltd.		
	- Origination cost	**309,713**	21,552
vi)	Spice Communications Ltd.		
	- Origination cost	**6,011**	10,412
vii)	M1 Ltd. [formerly known as MobileOne Ltd. (Singapore)]		
	- Origination cost	**1,078**	765
viii)	Celcom Mobile Sdn Bhd		
	- Outbound roaming	**6,011**	14,424
ix)	PT XL Axiata Tbk (formerly known as PT Excelcomindo Pratama Tbk)		
	- Outbound roaming	**Nil**	2,246
x)	Telekom Malaysia (USA) Inc.		
	- Acquisition cost of indefeasible right of use of Sea-Me-We	**168**	156
	- Local access charges/port and internet charges	**8,618**	8,015
xi)	Telekom Malaysia (UK) Ltd.		
	- Operation and maintenance charges	**Nil**	6,611
	- Local access charges	**75,771**	78,146
	- Port and internet charges	**3,462**	4,343
	- Restoration charges	**14,145**	11,394
	- Refund of charges	**Nil**	(691)

		2010 Rs. '000	2009 Rs. '000
xii)	Telecom Malaysia International (Cambodia) (Private) Ltd.		
	- Origination cost	**23**	5
xiii)	Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad]		
	- Origination cost	**11,252**	500
xiv)	Telekom Malaysia (HK) Ltd.		
	- Operation and maintenance charges	**Nil**	587
	- Local access charges	**15,467**	15,708
xv)	Robi Axiata Company Ltd. [formerly known as Axiata (Bangladesh) Ltd.		
	- Share of Inbound roaming revenue	**Nil**	2,155
		1,028,246	886,281

Funds made available to subsidiaries:		
Dialog Broadband Networks (Private) Ltd.	**2,413,604**	3,586,905
Dialog Television (Private) Ltd.	**585,020**	760,270
	2,998,624	4,347,175

(d) Key management personnel include members of the Group Senior Management of Dialog Axiata PLC and its subsidiary companies

Key management compensation:

	Salaries and short-term employee benefits	**228,173**	177,456
	Termination benefits	**15,969**	36,215
	Post-employment benefits	**56,861**	53,995
		301,003	267,666
(e)	Loans obtained from Axiata Investment (Labuan) Ltd. (Note 17)		
	At 31 December	**7,980,347**	9,058,347

The loans are interest free and repayable in the ordinary course of business.

(f) Outstanding receivable balances arising from inter-company transactions:

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Non-current receivables (Note 10)				
– Dialog Broadband Networks (Private) Ltd.	**Nil**	Nil	**7,608,766**	5,229,480
– Dialog Television (Private) Ltd.	**Nil**	Nil	**1,163,225**	594,478
	Nil	Nil	**8,771,991**	5,823,958
Current receivables (Note 10)				
– Change Trust Fund	**(149,473)**	2,878	**(149,473)**	2,878
– Multinet Pakistan (Private) Ltd.	**39,575**	14,769	**39,575**	14,769
– Spice Communications Ltd.	**88,141**	69,802	**88,141**	69,802
– M1 Ltd. [formerly known as MobileOne Ltd. (Singapore)	**1,822**	1,762	**1,822**	1,762
– Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad]	**61,380**	48,092	**61,380**	48,092
– Telekom Malaysia (USA) Inc	**32**	Nil	**32**	Nil
– Hello Axiata Company Ltd. [formerly known as Telekom Malaysia International (Cambodia) (Private) Ltd.]	**160**	13	**160**	13
	41,637	137,316	**41,637**	137,316

The current receivables from related parties are settled in the ordinary course of the business.

(g) Outstanding payable balances arising from inter-company transactions:

	Group		Company	
	2010 Rs. '000	2009 Rs. '000	**2010 Rs. '000**	2009 Rs. '000
Amount due to ultimate parent company (Note 15)				
– Axiata Group Berhard	**362,244**	210,954	**362,244**	210,954
Amounts due to related companies (Note 15)				
– Axiata Lanka (Private) Ltd. [formerly known as TM International Lanka (Private) Ltd.]	**8,609**	4,514	**8,609**	4,514
– Telekom Malaysia Berhad	**568,329**	699,013	**568,329**	699,013
– Telekom Malaysia (USA) Inc	**1,843**	1,875	**1,843**	1,875
– Telekom Malaysia (UK) Ltd.	**26,537**	36,842	**26,537**	36,842
– PT XL Axiata Tbk (formerly known as PT Excelcomindo Pratama Tbk)	**213**	338	**213**	338
– Telekom Malaysia (HK) Ltd.	**4,281**	5,068	**4,281**	5,068
– Robi Axiata Ltd. [formerly known as Axiata (Bangladesh) Ltd.]	**67,566**	63,846	**67,566**	63,846
	677,378	811,496	**677,378**	811,496

The above balances are settled in the ordinary share of business.

The Directors have disclosed the nature of their interests in contracts at meetings of Directors, which are entered in the register maintained by the Company.

There were no other related party transactions other than those disclosed above.

32. Parent company

Axiata Investments (Labuan) Ltd. (formerly known as TM International (L) Ltd.) is the parent company of Dialog Axiata PLC. Axiata Group Berhad is the parent company of Axiata Investments (Labuan) Ltd. Accordingly, the ultimate parent company of Dialog Axiata PLC is Axiata Group Berhad.

33. Events after the Balance Sheet Date

(a) A new company, wholly-owned subsidiary of Dialog Axiata PLC, was incorporated on 21st January 2011 under the name of Dialog Business Services (Private) Ltd. (DBS) for the purpose of carrying out IT enabled services. DBS entered into a principal agreement with the Board of Investment of Sri Lanka on 7th March 2011. The operations of DBS will be seeded through the transfer of the contact centre operations of Dialog Axiata PLC, to DBS its fully-owned subsidiary. It is envisaged that DBS will be fully operational by the 1st April 2011.

(b) The Board of Directors of Dialog Axiata, resolved on 10th February 2011, to propose for consideration by the shareholders of the Company, a cash dividend to ordinary shareholders amounting to Rs. 1.6 Bn. of consolidated Group profits after preference dividend for the financial year ended 31st December 2010, which translates to Rs. 0.20 cents per share. The said dividend would be exempt from tax in the hands of the shareholders. The dividend so proposed is subject to the approval of the shareholders at the Annual General Meeting (AGM) of the Company.

(c) Effective 1st January 2011, telecommunication services are exempt from VAT.

US Dollar Financial Statements
Balance Sheet

For Information Purpose Only

As at 31st December	Group 2010 USD '000	Group 2009 USD '000	Company 2010 USD '000	Company 2009 USD '000
ASSETS				
Non-current assets				
Property, plant and equipment	**478,901**	489,978	**400,619**	421,888
Intangible assets	**33,940**	33,673	**12,621**	12,143
Investments in subsidiaries	**Nil**	Nil	**93,279**	90,381
Other investments	**276**	254	**276**	254
Amounts due from subsidiaries	**Nil**	Nil	**79,241**	50,976
	513,117	523,905	**586,036**	575,642
Current assets				
Inventories	**2,450**	1,850	**2,404**	1,817
Trade and other receivables	**86,980**	84,282	**72,912**	62,007
Current tax receivables	**Nil**	1	**Nil**	1
Cash and cash equivalents	**49,086**	46,349	**45,882**	44,769
	138,516	132,482	**121,198**	108,594
Total assets	**651,633**	656,387	**707,234**	684,235
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Stated capital	**276,026**	278,390	**276,026**	278,390
ESOS trust shares	**(17,985)**	(17,426)	**(17,985)**	(17,426)
Dividend reserve - ESOS	**2,349**	2,276	**2,349**	2,276
Revaluation reserve	**1,190**	1,194	**875**	887
Retained earnings/(accumulated losses)	**23,996**	(18,402)	**97,059**	39,225
	285,576	246,034	**358,324**	303,353
LIABILITIES				
Non-current liabilities				
Borrowings	**181,777**	216,445	**181,777**	209,973
Deferred income tax liabilities	**14,566**	9,923	**14,566**	9,902
Retirement benefit obligations	**3,529**	3,453	**3,242**	3,171
Provision for other liabilities	**5,600**	4,681	**5,490**	4,556
Deferred revenue	**2,581**	1,883	**2,581**	1,883
	208,053	236,385	**207,656**	229,485
Current liabilities				
Trade and other payables	**109,252**	110,605	**94,343**	97,507
Current income tax liabilities	**128**	23	**98**	Nil
Borrowings	**48,624**	63,340	**46,813**	53,890
	158,004	173,968	**141,254**	151,397
Total liabilities	**366,057**	410,354	**348,910**	380,882
Total equity and liabilities	**651,633**	656,387	**707,234**	684,235
Exchange Rates	**110.70**	114.25	**110.70**	114.25

Income Statement

For Information Purpose Only				
	Group		Company	
Year ended 31st December	**2010 USD '000**	2009 USD '000	**2010 USD '000**	2009 USD '000
Revenue	**374,190**	317,252	**342,857**	290,496
Direct costs	**(213,192)**	(195,199)	**(189,449)**	(169,458)
Gross margin	**160,998**	122,053	**153,407**	121,038
Other operating income	**1,212**	2,172	**1,095**	1,999
Administrative expenses	**(64,243)**	(158,174)	**(48,003)**	(141,005)
Distribution costs	**(49,066)**	(53,863)	**(45,066)**	(48,020)
Operating profit/(loss)	**48,901**	(87,812)	**61,433**	(65,987)
Finance costs	**1,125**	(15,296)	**2,192**	(10,907)
Profit/(loss) before tax	**50,026**	(103,108)	**63,625**	(76,894)
Tax	**(4,430)**	(3,747)	**(4,438)**	(3,720)
Profit/(loss) for the period	**45,596**	(106,855)	**59,187**	(80,614)
Exchange Rates	**110.70**	114.25	**110.70**	114.25

This information does not constitute a full set of financial statements in compliance with SLAS. The financial statements should be read together with the Auditors opinion and the Financial Statements from pages 65 to 119.

Exchange rates prevailing at each year end have been used to convert the income Statement and Balance Sheet.

Group Value Added Statement

For the year ended 31st December	**2010** **Rs. '000**	2009 Rs. '000
Value added		
Revenue	**41,422,783**	36,246,014
Other operating income	**134,160**	248,127
Interest income and forex gain	**779,433**	80,138
	42,336,376	36,574,279
Cost of materials and services bought in	**(14,740,069)**	(15,663,143)
	27,596,307	20,911,136
Distribution of value added		
To Employees		
Salaries and other benefits	**2,910,851**	4,226,054
To Government		
Taxes	**10,437,189**	8,061,994
To Lenders of capital		
Interest on borrowings	**654,921**	1,827,721
	654,921	1,827,721
To Shareholders as dividends		
Dividend to rated cumulative redeemable preference shareholders	**292,774**	858,759
	292,774	858,759
Retained in the business		
Profit retained	**3,507,531**	(12,638,899)
Depreciation	**9,793,040**	18,575,507
	13,300,571	5,936,608
	27,596,307	20,911,136

Distribution of value added

	2010	2009
To Employees	**11%**	20%
Retained in the business	**48%**	28%
To Lenders of capital	**2%**	9%
To Government	**38%**	39%
To Shareholders as dividends	**1%**	4%

Five Year Summary

31st December	GROUP 2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Restated Rs. '000	2006 Rs. '000
OPERATING RESULTS					
Turnover	**41,422,783**	36,246,014	36,419,952	34,206,610	27,140,396
EBIT	**5,413,302**	(10,032,558)	(368,512)	9,582,173	10,850,776
Finance income/(cost)	**124,512**	(1,747,583)	(2,003,761)	(630,018)	(657,309)
Profit/(loss) before tax	**5,537,814**	(11,780,141)	(2,372,273)	8,952,155	10,193,467
Profit/(loss) after tax	**5,047,441**	(12,208,223)	(2,879,341)	8,906,853	10,118,893
CAPITAL EMPLOYED					
Stated capital	**30,556,113**	31,806,113	32,556,113	33,056,413	12,680,378
ESOS trust shares	**(1,990,921)**	(1,990,921)	(1,990,921)	(2,000,439)	(1,925,226)
Dividend reserve - ESOS	**260,067**	260,067	260,067	172,722	70,309
Revaluation reserve	**131,713**	136,471	19,913	20,377	20,840
Retained earnings	**2,656,318**	(2,102,401)	10,964,118	19,036,282	14,206,808
Share holders fund	**31,613,290**	28,109,329	41,809,290	50,285,355	25,053,109
Minority interest	**Nil**	Nil	Nil	Nil	(72)
Subscription in advance	**Nil**	Nil	Nil	306	1,235
Total debt	**25,505,376**	31,965,400	27,723,232	10,490,553	13,160,736
	57,118,666	60,074,729	69,532,522	60,776,214	38,215,008
ASSETS EMPLOYED					
Property, plant and equipment	**53,014,351**	55,979,991	64,698,584	50,665,921	30,031,500
Other non-current assets	**3,787,789**	3,876,177	3,917,887	3,919,177	3,602,737
Current assets	**15,333,672**	15,136,068	12,821,020	17,140,415	9,791,731
Liabilities net of debt	**(15,017,146)**	(14,917,507)	(11,904,969)	(10,949,299)	(5,210,960)
	57,118,666	60,074,729	69,532,522	60,776,214	38,215,008
CASH FLOW					
Cash flow from operating activities	**14,282,578**	10,815,052	6,791,920	12,534,433	12,090,080
Net cash used in investing activities	**(6,748,217)**	(9,703,630)	(23,025,988)	(25,498,939)	(13,211,906)
Net cash (used)/flows from financing activities	**(6,024,781)**	2,848,547	9,094,470	16,764,275	(3,383,181)
Net increase/(decrease) in cash and cash equivalents	**1,509,580**	3,959,969	(7,139,598)	3,799,769	(4,505,007)
KEY INDICATORS					
Basic Earnings per Share (Rs.)	**0.60**	(1.64)	(0.45)	1.15	1.38
Diluted Earnings per Share (Rs.)	**0.59**	(1.65)	(0.45)	1.13	1.38
Interest Cover (No. of times)	**9.75**	(5.74)	(0.18)	15.21	16.51
Adjusted Net Asset per Share (Rs.)*	**3.57**	2.99	4.58	5.56	3.08
Current Ratio (No. of Times)	**0.88**	0.76	0.51	1.09	0.97
Price Earnings Ratio (Times)**	**20.00**	NM	NM	17.70	19.20
Dividend per Share (Rs.)	**0.20**	Nil	Nil	0.55	0.55
Dividend Yeild	**1.69%**	Nil	Nil	2.80%	2.10%
Market Price per Share (Rs.)	**11.80**	7.25	6.00	20.00	26.50

NM - Not meaningful

** Adjusted to exclude the preference share capital*

*** Market price per share over diluted earnings per share*

Notice of Annual General Meeting

DIALOG AXIATA PLC (PQ 38)

NOTICE IS HEREBY GIVEN THAT THE FOURTEENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON TUESDAY, 10TH MAY 2011 AT 10:00 AM AT THE GRAND BALLROOM, WATERS EDGE, NO. 316, ETHUL KOTTE ROAD, BATTARAMULLA.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st December 2010 and the Auditors' Report thereon.
2. To declare a final dividend as recommended by the Board of Directors.
3. To re-elect as a Director, Datuk Azzat Kamaludin, who retires by rotation pursuant to Article 102 of the Articles of Association of the Company.
4. To re-elect as a Director, Dato' Sri Jamaludin Ibrahim who was appointed to the Board since the last Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company.
5. To re-elect as a Director, Mr. Moksevi Rasingh Prelis, who attained the age of 74 years on 2nd July 2010 and retires pursuant to Section 210 of the Companies Act, No. 07 of 2007 and to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. Moksevi Rasingh Prelis.
6. To re-elect as a Director, Mr. Jayantha Cudah Bandara Dhanapala, who attained the age of 72 years on 30th December 2010 and retires pursuant to Section 210 of the Companies Act No. 07 of 2007 and to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. Jayantha Cudah Bandara Dhanapala.
7. To reappoint Messrs PricewaterhouseCoopers, Chartered Accountants, as Auditors to the Company and to authorise the Directors to determine their remuneration.
8. To authorise the Directors to determine and make donations.
9. To consider any other business of which due notice has been given.

By Order of the Board

Ms. Viranthi Attygalle
Company Secretary

31st March 2011
Colombo

Notes:

i) Only persons who are shareholders of the Company and whose names appear on the Share Register as at the AGM date will be entitled to attend the above meeting.

ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint a Proxy to attend and vote in his/her place by completing the Form of Proxy enclosed herewith.

iii) A proxy need not be a shareholder of the Company. However the Proxy must be above 18 years of age.

iv) Shareholders/proxy holders are kindly advised to bring along with them their National Identity Card or a similar form of acceptable identity when attending the meeting.

Notes

Form of Proxy

I/We (name) ....

(Holder of NIC/Passport/Company Registration No./s...) of

(address)...

being a shareholder/s of **Dialog Axiata PLC**, hereby appoint :

☐ (Name of Proxy) ....

(Holder of NIC/Passport No/s...) of (Address of

proxy) ....

OR failing him/her

☐ Datuk Azzat Kamaludin (Chairman of the Company) or, failing him, one of the Directors of the Company

as my/our proxy to represent me/us and vote on my/our behalf in accordance with the preference as indicated below at the Fourteenth Annual General Meeting of the Company to be held on **10th May 2011** at 10:00 AM and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
Resolution 1 To receive and adopt the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st December 2010 and the Auditors' Report thereon.	☐	☐
Resolution 2 To declare a final dividend as recommended by the Board of Directors.	☐	☐
Resolution 3 To re-elect as a Director, Datuk Azzat Kamaludin, who retires by rotation pursuant to Article 102 of the Articles of Association of the Company.	☐	☐
Resolution 4 To re-elect as a Director, Dato' Sri Jamaludin Ibrahim who was appointed to the Board since the last Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company.	☐	☐
Resolution 5 To re-elect as a Director, Mr. Moksevi Rasingh Prelis, who attained the age of 74 years on 2nd July 2010 and retires pursuant to Section 210 of the Companies Act No. 07 of 2007 and to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. Moksevi Rasingh Prelis.	☐	☐
Resolution 6 To re-elect as a Director, Mr. Jayantha Cudah Bandara Dhanapala, who attained the age of 72 years on 30th December 2010 and retires pursuant to Section 210 of the Companies Act No. 07 of 2007 and to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. Jayantha Cudah Bandara Dhanapala.	☐	☐
Resolution 7 To reappoint Messrs PricewaterhouseCoopers, Chartered Accountants, as Auditors to the Company and to authorise the Directors to determine their remuneration.	☐	☐
Resolution 8 To authorise the Directors to determine and make donations.	☐	☐

(Please indicate with a 'X' in the space provided how your Proxy is to vote on each resolution. If you do not do so, the Proxy will vote or abstain from voting at his discretion.)

....

Signature/s of Shareholder/s Date

Note:
Instructions as to completion of the Form of Proxy are noted on the reverse hereof.

Notes and Instructions as to completion of Form of Proxy

1. Please complete the Form of Proxy by filling in legibly, your full name and address, signing in the space provided and filling in the date of signature.
2. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Company Secretary, Dialog Axiata PLC, No. 475, Union Place, Colombo 2, and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 10.00 am on 8th May 2011.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointer is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.

Corporate Information

NAME OF COMPANY
Dialog Axiata PLC
(formerly known as Dialog Telekom PLC)

COMPANY REGISTRATION NO.
PQ 38

REGISTERED ADDRESS
475, Union Place
Colombo 02
Sri Lanka
Telephone: +94 777 678 700
Website: www.dialog.lk

LEGAL FORM
A public quoted company with limited liability. Incorporated as a private limited liability company on 27th August 1993
and subsequently converted to a public limited liability company on 26th May 2005. Listed on the Colombo Stock Exchange in July 2005.

STOCK EXCHANGE LISTING
The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

BOARD OF DIRECTORS
Datuk Azzat Kamaludin - *Chairman*
Dr. Hans Wijayasuriya – *Group Chief Executive*
Mr. Moksevi Prelis
Mr. Mohamed Muhsin
Mr. Jayantha Dhanapala
Mr. Azwan Khan Osman Khan
Dato' Sri Jamaludin Ibrahim – *Appointed w.e.f. 23rd March 2011*

BOARD AUDIT COMMITTEE
Mr. Moksevi Prelis - *Chairman*
Mr. Mohamed Muhsin
Mr. Jayantha Dhanapala
Mr. Azwan Khan Osman Khan

NOMINATING & REMUNERATION COMMITTEE
Datuk Azzat Kamaludin - *Chairman*
Mr. Moksevi Prelis
Mr. Mohamed Muhsin

COMPANY SECRETARY
Ms. Viranthi Attygalle

AUDITORS
Messrs PricewaterhouseCoopers
Chartered Accountants
100, Braybrooke Place
Colombo 02, Sri Lanka

BANKERS
Bank of Ceylon
Citibank N.A.
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Vardhana Bank Ltd.
Hatton National Bank PLC
Hongkong and Shanghai Banking Corporation Ltd.
National Savings Bank
Nations Trust Bank PLC
NDB Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Public Bank Berhad
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank Ltd.
Union Bank of Colombo Ltd.

CONTACT FOR SHAREHOLDER SERVICES
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