Dialog Axiata PLC | Annual Report 2014

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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.

Our Mission

To lead in the provision of technology enabled connectivity touching multiple human sensors and faculties, through committed adherence to customer-driven, responsive and flexible business processes, and through the delivery of quality service and leading edge technology unparalleled by any other, spurred by an empowered set of dedicated individuals who are driven by an irrepressible desire to work as one towards a common goal in the truest sense of the team spirit.

Dialog Values

- Service From the Heart
- Create the Future
- Champions of Change
- Exceptional Performance
- Uncompromising Integrity
- Responsible Leadership
- One Team

Introduction to the Company

Dialog Axiata PLC, a subsidiary of Axiata Group Berhad (Axiata), operates Sri Lanka's largest and fastest growing mobile telecommunications network. The Company is also one of the largest listed companies on the Colombo Stock Exchange in terms of market capitalization. Dialog is also Sri Lanka's largest Foreign Direct Investor (FDI) with investments totalling over USD 1.7 billion.

Dialog, a winner of two GSMA Mobile World Awards in 2015 has the distinction of being voted by Sri Lankan consumers as the Telecom Service Provider of the Year and Internet Service Provider of the Year for four successive years at the SLIM-Nielsen People's Choice Awards. Dialog has topped Sri Lanka's Corporate Accountability rankings for the past 5 years in succession and is an ISO 9001 certified company. The Company has received numerous local and international awards including the National Quality Award and Sri Lanka Business Excellence Award.

Dialog has been at the forefront of innovation in the mobile industry in Sri Lanka since the late 90's, propelling the nation's mobile telephony infrastructure to a level of advancement on par with the developed world. The Company delivers advanced mobile telephony and high speed mobile broadband services to a subscriber base in excess of 9.5 Million Sri Lankans, via 2.5G and 3G/3.5G and 4G networks. In April 2013, Dialog secured the distinction of becoming the first service provider in South Asia to commence commercial operations of 4GFD-LTE services, having previously introduced 3G to the region in as far back as 2006. The Company also provides a comprehensive suite of International Roaming Services across a global footprint comprising of more than 200 countries, and operates a wide portfolio of international telecommunication services, including but not limited to retail and wholesale international voice and data services.

Dialog Axiata supplements its market leading position in the Mobile Telecommunications sector with a robust footprint and market presence in Sri Lanka's Fixed Telecommunications and Digital Television markets through its fully-owned subsidiaries Dialog Broadband Networks (Private) Ltd (DBN) and Dialog Television (Private) Ltd. (DTV).

DBN is Sri Lanka's second largest Fixed Telecommunications service provider, serving residential and enterprise customers with voice, broadband, lease lines and customised telecommunication services. DBN is also a leading provider of Radio and Optical Fibre-based transmission infrastructure facilities. DTV operates a Direct-to-Home (DTH) Digital Satellite TV service and is the market leader in Sri Lanka's Pay TV sector. DTV supports a broad array of international and local content in both Standard Definition (SD) and High Definition (HD) formats alongside a wide portfolio of Sri Lankan television channels and delivers high quality infotainment to a viewer base of 452,000 Sri Lankan households.

Message from the Chairman

As in previous years, it is gratifying to note that our Company continues to be a major contributor to the revenues of the Government of Sri Lanka (GoSL) and hence to national development and the welfare of the country's citizens. During the year 2014.... remittances to the GoSL accruing from the operations of the Group totalled Rs. 24.4Bn.

My dear shareholders,

In 2015 our Company celebrates the completion of 20 years of commercial operations. I believe we can be collectively proud of the fact that over these two decades, our Company has succeeded in leading a quantum transformation in Sri Lanka's connectivity infrastructure and the way in which Sri Lankan citizens connect and communicate. Furthermore, I believe that our Company has truly lived up to its vision of ensuring that the outcome of its operations results always in the empowerment and enrichment of Sri Lankan lives and enterprises.

Leadership

I am happy to inform you that during the Year 2014, we further consolidated our position as the undisputed leader in Sri Lanka's mobile market. Today, Dialog's Mobile Telephony network serves in excess of 9.5 million Sri Lankan citizens and provides voice and high speed mobile broadband services across all provinces of the country. We also succeeded in extending our leadership in the country's Digital Pay Television sector and we continued to make aggressive strides with respect to market share and consumer preference in the fixed telephony and broadband sectors.

I am also happy to report that our Company continued to lead the industry with respect to Innovation and thought leadership. In this respect, the Year 2014 brought with it a milestone achievement which placed our Company on the world stage with respect to leadership in innovation. Dialog Axiata was recently honoured with two world awards at the Mobile World Congress, where our Company stood amongst world leaders in the global mobile industry as the winner of world awards for the best mobile money service and best technology enabler respectively. We also stand humbled by the fact that Dialog continues for several years in succession, to be voted by Sri Lankan consumers as the Telecom Services Provider of the Year and Internet Services Provider of the Year.

Financial Performance

In tandem with competing aggressively across the multiple industry sectors in which we operate, our Company has also been diligent and consistent with respect to its focus on Operational Excellence and Cost Management. This duality in focus has enabled our Company to grow market share and revenues in tandem with increases in profitability and returns on investment.

> "I firmly believe that our priority at this stage should be to ensure that on going and planned strategic investments supporting the future growth of our Company are not compromised, and that the growth momentum achieved in the previous years is sustained through investments in infrastructure and customer experience enhancements."

I am happy to report that during the year under review, the Dialog Group demonstrated strong growth in revenue across Mobile, Digital Pay Television and Fixed Line businesses to record consolidated revenues of Rs. 67.3Bn representing an increase of 6% Year on Year (YoY). On the backdrop of strong revenue growth, Group EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for FY 2014 was recorded at Rs. 20.9Bn, an increase of 5% YoY. The Group EBITDA margin for FY 2014 was recorded at 31.1%. Leading on from robust EBITDA, Group Net Profit After Tax (NPAT) grew 17% YoY to be recorded at Rs. 6.1Bn.

Contribution to Government Revenues

As in previous years, it is gratifying to note that our Company continues to be a major contributor to the revenues of the Government of Sri Lanka (GoSL) and hence to national development and the welfare of the country's citizens. During the year 2014, the Dialog Group contributed Rs. 11.1Bn in taxes, fees and levies to the GoSL inclusive of Income Tax. Furthermore, the Group through the provision of a wide range

Message from the Chairman

of telecommunications and Internet services also collected consumption taxes, totalling to Rs. 13.3Bn on behalf of the GoSL during FY 2014, comprising in the main of Telecommunication Levy collections amounting to Rs. 10.5Bn. Accordingly, remittances to the GoSL accruing from the operations of the Group totalled Rs. 24.4Bn.

Notwithstanding, the very significant contribution made by our Company in terms of GoSL revenue, we also take note of the additional taxes the Dialog Group would be potentially required to remit to the GoSL pursuant to the interim budget presented on the 29th of January 2015 and passed by the Parliament of Sri Lanka on the 7th of February 2015. Pursuant to the interim budget proposals, a draft Finance Bill and Telecommunication Levy (Amendment) Bill were published by way of a gazette notification on 30th March 2015 and are currently placed before the Parliament of Sri Lanka for deliberation and debate. The final formulation of the said legislation once enacted would provide definitive clarity with respect to the applicability and implementation parameters pertaining to the proposed taxes. In view of the pending legislation and deficit in clarity as at the time of finalisation of financial statements for the year 2014, the consolidated financial results as reported excludes any and all impacts from the Interim Budget.

Investments and Dividends

While the financial statements for the year 2014 do not capture the impact of additional taxation arising from the interim budget, the Dialog Group has to take cognizance of the potential impact of the interim budget on profit, in concluding on the Cash Flows available for the disbursement of Dividends for the year 2014. In this respect, we are called upon to take note of the prospective impact of the Telecommunications Levy (Amendment) Bill, which if enacted would place on the Company a tax burden of up to 25% of Prepaid Voice and Value Added Service Revenues. We also take specific cognizance of the impact arising from one-off taxes to be legislated through the (Draft) Finance Bill. The associated impact on distributable profit is estimated to be Rs. 3Bn.

I firmly believe that our priority at this stage should be to ensure that on going and planned strategic investments supporting the future growth of our Company are not compromised, and that the growth momentum achieved in the previous years is sustained through investments in infrastructure and customer experience enhancements. This will in turn position us to deliver solid and sustainable returns to our stakeholders going forward, and further consolidate the trust our customers have placed in us as the leader in the industry to provide them with the very best in advanced connectivity services.

In line with profit available for distribution and the imperative of investing in the future growth of the Company, the Board of Directors has resolved to recommend for the approval of shareholders, a total dividend of Rs. 1.1Bn which translates to a dividend to shareholders of Rs. 0.13 per share.

Towards a Sustainable Future

Our best practices and fine tuned competencies in efficient and responsible operations have enabled us to deliver a widening portfolio of advanced ICT services in an inclusive formulation which brings them within reach of every Sri Lankan citizen.

Our Company believes deeply in the business ethos of the triple bottom line hinged on the simultaneous achievement of Social, Economic and Environmental Development. It is this ethos which steers the Group's medium and long term business objectives towards cementing a sustainable future. I am delighted to report that our Company has retained its Number 1 ranking on Sri Lanka's Corporate Accountability Index for the fourth year in succession.

Our Company's focus on delivering Affordability and Inclusive Digital Empowerment across all its business lines, whilst continuing to make impactful community investments, provides a robust foundation for short and medium term business success in tandem with long term sustainability.

Changes to the Board

On behalf of the Group I warmly welcome Mr. Chari TVT to the Board. Chari carries over 35 years of experience in the fields of management, finance and marketing. His insights will be invaluable in guiding the Group in the future especially in the tentative times that lay ahead of us. I also wish to extend my sincere thanks Mr. Mohd Khairil Abdullah, who resigned from the Board in September 2014, for his valued contribution.

My Deep Gratitude

As always it gives me immense pleasure to extend my profound thanks to the multiple stakeholders of our business, principal amongst which are our Customers, Shareholders and Employees. Year upon year it is my privilege to recognise and appreciate the efforts and achievements of the Dialog team lead by our inspirational Group Chief Executive, Dr. Hans Wijayasuriya. I also wish to place on record my sincere appreciation for the guidance and support extended to us by the GoSL and its agencies including but not limited to the Telecommunications Regulatory Commission of Sri Lanka, the Ministry of Media and Information, the Board of Investment Sri Lanka, the Central Bank of Sri Lanka, and the Ministry of Telecommunications. I also wish to place on record my gratitude to my fellow Board Directors for the advice, guidance and support that has made 2014 an year we can reflect upon with pride and satisfaction.

Datuk Azzat Kamaludin
Chairman of the Board of Directors

15 May 2015

Group Chief Executive's Review of Operations

In tandem with embarking on an evolutionary trajectory we recognised the near term imperatives of continuing to deliver solid financial returns and reinforcing the foundations of sustainable financial stability, while concurrently consolidating consumer trust through the delivery of world class services.

In closing my review of operations for the Year 2013, I alluded to the overarching imperative of instituting in our Company the strength and capability to successfully navigate the techno-economic transformation of the industry in which we operate. We entered the Year 2014 with sound acknowledgement of the fact that this transformational journey which would traverse the deflation of voice revenues and the expansion of demand for Data and Digital Services, would require us to re-examine our cost structures and execution efficacy, refresh our views on competition and collaboration, and build new product and revenue strategies to meet the rapidly transforming needs of digital consumers. In tandem with embarking on an evolutionary trajectory we recognised the near term imperatives of continuing to deliver solid financial returns and reinforcing the foundations of sustainable financial stability, while concurrently consolidating consumer trust through the delivery of world class services.

Financial Returns & Leadership

It gives me pride to report that your Company exited the Year 2014 having performed excellently in delivering robust financial returns simultaneously with consolidating and growing its leadership position in the emerging digital era. Group Net Profit After Tax (NPAT) was recorded at Rs. 6.1Bn – registering growth of 17% relative to the previous year. Operational Performance during 2014 also featured growth in Group Earnings Before Interest Depreciation Taxes and Amortisation (EBITDA) of 5% to Rs. 20.9Bn, and expansion of Group Revenues by 6% Year on Year (YoY) to be recorded at Rs. 67.3Bn at Year end. Fundamental to the financial performance of the Group was a concerted focus on operational excellence and leadership with respect to customer services, market performance and innovation. In this respect we stand humbled by the voice of Sri Lankan consumers who have for the 4th year in succession named us the People's Chosen Leader in the ICT sector. Consumers of Telecommunications Services, through a nationwide preference survey conducted by AC Nielsen in association with the Sri Lanka Institute of Marketing, selected Dialog as the Telecom Services Provider of the Year for the 4th Year in succession. Sri Lankan consumers also voted us the Internet Services Provider of the Year for the 3rd Year running.

The Year 2014 also saw your Company securing supremacy on the world stage in the arena of digital innovation. Dialog secured the distinction of winning two global awards at the Mobile World Congress (MWC) held in Barcelona Spain in March 2015. Sri Lanka's premier mobile payment network, eZ Cash beat out worldwide competition to win the Global Award for the Best Mobile Money Service, whilst Dialog's cutting edge open development platform ideamart won the Global Award for the Best Technology Enabler. ideamart is widely regarded as one of the most successful integrated mobile application development platforms in the world.

> "The sustainability, of delivering robust financial returns alongside aggressive performance gains in today's market place and proactive capture of leadership in the emerging digital era, is embodied in the structurally robust balance sheet."

Sri Lankan consumers further manifested their trust in your Company by rewarding our team with growth in market share across multiple ICT sectors. In addition to continuing market gains in the mobile telecommunications sector, Dialog also consolidated its leadership in the country's Digital Pay Television, Fixed Telecommunications and Tele-Infrastructure sectors with segment growth rates in excess of 7%.

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In tandem with achieving aggressive market gains, your Company focused with keen intent on operational and people excellence. Our Service Delivery organisation reinforced its position as the country's best, securing the distinction of becoming the only service organisation in Sri Lanka to achieve international certification at Level 5 on the People Capability Maturity Model (People-CMM). Further, the Dialog Group won an overall Gold Award for excellence in Human Resource Management at the HRM Awards 2014 organised by the Associated of Human Resource Professionals, underscoring the future oriented people development initiatives embarked on by the Company. The Dialog Group also secured re-certification of its Group-Wide quality system in line with the ISO 9001:2008 standard. The Dialog Group also continued to excel in terms of instituting and operating best in class Information Systems management practices. During the course of 2014 our Information Technology (IT) and Information Security Systems (ISS) functions secured ISO 27001:2005 certification elevating quality assurance to a level on par with best in class Telecommunications Operators globally. Further, I am also happy to report that our Internet Data Centre (IDC) became the first Data Center in Sri Lanka to be certified for conformance with the ISO 27001:2013 standard.

While reflecting with pride on the achievements of our Company we can draw further strength from the fact that the sustainability, of delivering robust financial returns alongside aggressive performance gains in today's market place and proactive capture of leadership in the emerging digital era, is embodied in the structurally robust balance sheet of the Group. With leverage maintained at modest levels of 0.92x Net Debt to EBITDA, we can be confident that the financial fire power of the Group will combine synergistically with our armoury of operational and strategic strengths, to deliver leadership and growth well in to the future not withstanding industry transformation and external dynamics.

Contribution to the Sri Lankan Economy

We recognise with pride that the Dialog Group continues to deliver significant direct as well as indirect contributions to the Sri Lankan Economy. The Group contributed Rs. 11.1Bn in taxes, fees and levies to the Government of Sri Lanka (GoSL) during FY 2014 inclusive of Income Tax on the basis of 2% of Company revenue. Further, the Group additionally collected consumption taxes totaling to Rs. 13.3Bn on behalf of the GoSL during FY 2014, comprising in the main of Telecom Levy collections amounting to Rs. 10.5Bn. Accordingly, remittances to the GoSL accruing from the operations of the Group totaled to Rs. 24.4Bn.

The Dialog Group also continues to be recognised as the largest Foreign Direct Investment (FDI) in Sri Lanka with investments reaching USD 1.74Bn (Rs. 176Bn) of which USD 116.3Mn (Rs. 15.2Bn) was invested in FY 2014. Dialog has also secured the distinction of being the first Company under the aegis of the Board of Investment of Sri Lanka (BoI) to surpass the USD 1Bn milestone with respect to direct investment, a testimony to our Company's commitment to, and trust in, Sri Lanka's economy, Government and people.

> "We are confident that our direct and indirect contribution to the national economy, in combine with the inclusive delivery of multi-faceted connectivity.... will continue to catalyse an explosive economic multiplier which in turn will accelerate the socio-economic development of our nation."

It is further heartening to note that Dialog matches its direct contribution to the economy with a burgeoning indirect input which touches millions of Sri Lankan lives across our country. Downstream of our internal operations, the Dialog Group paid out in excess of Rs. 5.0Bn to distributors, retailers and agents from across all regions of Sri Lanka and Rs. 8.0Bn to local contractors supporting our development activities and nationwide service operations. Your Company also provides direct employment to 3,000 people and indirect livelihoods to over 100,000 families engaged in the expansive value and supply chains underlying our nationwide operations.

As the principle outcome of our direct and indirect investments, we continue to be afforded the honour and privilege of connecting and empowering a major segment of Sri Lankan citizens and homes. As at the end of FY 2014, Dialog's Mobile Telecommunication Service connected in excess of 9.5Mn citizens from across all provinces of Sri Lanka, while its Fixed Telecommunications and Digital Satellite Television Services reached approximately 425,000 and 450,000 Sri Lankan homes respectively. Our internationally acclaimed Mobile Money Service, eZ Cash which delivers the power of electronic transactions to all segments of Sri Lankan society, and now operates in partnership with Etisalat and Hutch, supports a subscriber base in excess of 1.7Mn customers, and transacted a total of Rs. 8.5Bn during the course of 2014. It is our overarching objective to ensure that, the paradigm setting advancements in the empowerment value of our products and services continue to deliver live enhancing impacts on the communities in which we operate.

We are confident that our direct and indirect contribution to the national economy, in combine with the inclusive delivery of multi-faceted connectivity spanning dimensions including but not limited to the plural delivery of communication, learning, commerce and entertainment.

Economy & Industry

During the year under review, the Sri Lankan economy recorded a robust real GDP growth of 7.4% on the backdrop of muted inflation. Annual average inflation fell to 3.3% in December 2014 from a starting point of 6.9%. Similarly Year on Year inflation which was reported as 4.7% at the beginning of the year declined to 2.1% at year-end. The exchange rate environment was largely stable during 2014 in contrast to the previous year during which the Sri Lankan Rupee depreciated significantly. The widening of the trade deficit and associated weakening of the currency during the latter part of the year however signals the potential for ongoing pressure on the Sri Lankan Rupee. While policy rates were maintained at a stable level by the Central Bank of Sri Lanka in contrast with the rate cuts in 2013, market interest rates moved downwards during the course of the year with Government Treasury Bill rates registering an average decline of 393 basis points YoY.

Unemployment remained at conservative levels being recorded at 4.3% and tourist arrivals surpassed the previous year's milestone figure of 1Mn visitors to be recorded at 1.5Mn for the Year 2014. The GoSL also retained its strategic focus on Infrastructure Development and on the invigoration and empowerment of SME and Agricultural sectors. We are confident that on the backdrop of the effective management of macro-economic indicators and the continued improvement of fiscal debt levels, the GoSL's focus on long term investments will lay the foundations of accelerated and sustainable economic growth reaching well into the future.

The Connectivity Sector

During the course of 2014, mobile subscriptions increased by 9% to 22.1Mn, while Fixed Telephone lines decreased by 1% to 2.7Mn. Smartphone adoption in Sri Lanka is well on track for exponential growth, with adoption levels at FYE 2014 being recorded at over 15%. The continuous growth in GDP per capital level as well the positive outlook in the key

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sectors but not limited to tourism, construction and agriculture forecast a positive growth in the adoption and consumption of ICT Services.

Substantial increase in electricity, fuel and cumulative costs of indirect inputs during 2014 added pressure on operating margins and hence network development cost structures. The sector however continued to deliver transformational outcomes in terms of Broadband adoption. During the course of 2014, Broadband penetration levels increased to 16% driven by the expansion of service availability, increase in affordability of Smartphones, successive reductions in Broadband tariffs.

The Challenge Ahead: Structural Transformation & Industry Profitability

Telecommunications operators world over, along with the wider industry in which they operate, today face the stark challenges of the techno-economic transformation characteristic of the emerging digital era. Paradoxically, telecommunications operators are both, the underlying drivers of the transformation, as well as the potential victims of disruptive business models which ride "On Top Of" High Speed Broadband and Internet Protocol (IP) based infrastructures they operate.

Disruptive competition in this respect comes in the form of OTT (Over the Top) service providers who invade the legacy revenue field of telecommunications operators by offering Free of Cost or Near-Zero Cost communication services spanning the breadth of Voice, Messaging and Video connectivity. Disruptive business models in the emerging digital era are most often funded by advertising linked revenues and are further based on a global scale. The afore-referenced paradox hinges on the fundamental that it is in fact the high speed broadband infrastructures invested in by Telecommunications Operators which enable the existence of OTT services in the first place. The proliferation of smart devices and the efforts of telecommunications operators to enhance their affordability to rapidly widening customer segments further exacerbate the leakage of traditional revenues through the proliferation of Free OTT services.

The Wider Impact of OTT – Regulation and Government Revenues

The "OTT" nature of disruptive communication services applies not only in the context of Telecommunications Infrastructures – whereby services eroding traditional revenues are provided "On Top Of" the very telecommunications infrastructure which they disrupt, but also in the context National Regulation and Sovereign jurisdictions. OTT services most often by-pass national telecommunications and media regulation and furthermore are seldom subject to taxation at a national level. As evident from hotly contested Net-Neutrality and Sovereign Taxation based debates in advanced markets such as the USA and European Union, an era where

> "The 'Over the Top' nature of disruptive communication services applies ... also in the context National Regulation and Sovereign jurisdictions.... an era where the rich contribution to government revenues from the Telecommunications Sector evaporates at exponential pace could well be imminent in Sri Lanka."

the rich contribution to government revenues from the Telecommunications Sector evaporates at exponential pace could well be imminent in Sri Lanka and other regional markets. The impact on the national economies of country's such as Sri Lanka could be envisaged to be particularly threatening since the OTT service providers are in the main located outside Sri Lanka and hence would not be revenue contributors to governments in their respective countries. The early symptoms of such an avalanche are in fact already evidenced in Sri Lanka's Telecommunications Sector featuring in the main the depletion of International Termination and IDD revenues, mutation of voice revenue growth and a declining trend in SMS revenues. Once onset, the wave of transformation is seldom linear and could be envisaged to be exponential and hence catastrophic in consequence unless managed with proactive navigational strategies.

Proactive Adjustment of Industry Techno-Economics

The ultimate destination of the emerging digital era and the empowerment it would deliver to citizens nationally and globally is unquestionably an outcome to be celebrated by all stakeholders in the Telecommunications Sector. It should not be our intent to mutate or impede the digital revolution. The onus confronts telecommunications stakeholders including but not limited to operators, regulators, government and revenue authorities, however to precipitate proactive adjustment of industry techno-economics in manner which would pre-empt exponential disruption and ensure the sustainability of economic contribution, investment viability, and consumer empowerment alike.

The fundamental levers enabling strategic navigation of the techno-economic transformation ahead are relatively straightforward and are centered on Data Pricing, viable returns on Broadband Infrastructure Investments, neutrality in service taxation across traditional and OTT communication services and vigorous innovation in the space of Digital Services wherein domestic Telecommunications Operators themselves could augment their service offerings to meet the evolving needs of digital consumers.

Based on the afore-described imperatives it is my view that our industry, with the guidance of the TRCSL and the Information and Communications Technology Agency need to be expeditious in instituting the structural changes pre-requisite to enabling a sustainable, Data and IP Service based future. While Telecommunications and Broadband service availability, affordability and adoption demonstrate significantly positive indicators relative to regional and even global benchmarks, I share the concern of industry counterparts that the capability of the sector to deliver real economic returns to shareholders, maybe at risk in the medium term unless structural corrections with respect to industry pricing and cost structures are implemented on an immediate basis. It is of particular concern that today broadband pricing appears to be sub-cost and to be subsidised by Domestic and International Voice Services. The resulting cost vs revenue formulation is both precarious and foolhardy in the context of the very real risk of voice revenue erosion ahead.

The portfolio of strategies and policies required to guide the sector through the challenging period of Voice to Data Conversion, would no doubt need to target the restoration of margins and profitability of Data and Broadband services. We believe that the principle policy frameworks required to secure data profitability would feature among others, the encouragement of cost based (profitable) data pricing, industry consolidation, constructs such as network sharing and collaborative investment and the overarching duality of focus on consumer affordability and fair returns on investment to service providers.

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Operational Performance

I am happy to report that during the Year 2014, the Dialog Group demonstrated strong revenue growth across Mobile, Digital Pay Television, Tele-infrastructure and Fixed Line businesses to record a consolidated revenue of Rs. 67.3Bn for FY 2014, delivering a growth of 6% YoY. Overall revenue growth was significantly diluted by the reduction in International Termination revenue of 10% YoY. The afore-referenced

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growth mitigating trends align with the discussion on techno-economic transformation of the industry earlier in this report.

Proactive strategies adopted by the Dialog Group to navigate the transformation of industry revenue profile in the emerging digital era have however enabled the Group to compensate for revenue decline in impacted segments with robust growth in the emerging segments of Mobile Broadband, Fixed/Home Broadband, Pay Television and Digital Services which have delivered YoY growth of 52%, 109%, 30%, and 153% respectively.

Revenue growth in combine with continued operational improvements led to the Group posting healthy YoY growth in EBITDA of 5% to be recorded at Rs. 20.9Bn for FY 2014. While EBITDA demonstrated substantial growth in absolute and relative terms, inflation led expansion of key input costs, and enhanced investments in Customer Servicing in line with the rapid growth in Mobile, Fixed and Television subscribers, resulted in the contraction of the Group's EBITDA margin by 0.4 percentage points to be recorded at 31.1%. Group NPBT (Net Profit Before Tax) demonstrated growth of 16% YoY to Rs. 7.3Bn, whilst Group NPAT registered 17% YoY growth to be recorded at Rs. 6.1Bn. Underpinned by EBITDA growth and cost efficiencies derived through strategic supply chain strategies with respect to infrastructure sourcing, Free Cash Flow was recorded at Rs. 4.5Bn at year end. Accordingly, the Dialog Group continued to maintain an increasingly robust balance sheet featuring the reduction of Net Debt to EBITDA to a level of 0.92x as at 31st December 2014 relative to 1.29x in the previous year.

In reporting on the Operational Performance of the Dialog Group for the Year 2014, I make note of the fact that the Minister of Finance presented the interim budget 2015 to the Parliament on 29th January, 2015. The interim budget as presented alluded to new taxes and levies potentially applicable to the operations of the Dialog Group. Pursuant to the interim budget proposals, a draft Finance Bill and Telecommunication Levy (Amendment) Bill were published by way of a gazette notification on 30th March, 2015 and are currently placed before the Parliament of Sri Lanka for deliberation and debate. Accordingly, the consolidated financial results for FY 2014 excludes any and all impacts from the afore-referenced bills since they remain in draft form, and corresponding legislation has not been enacted as at the reporting date.

Mobile & Adjacent Business

Dialog Axiata PLC, featuring the Mobile, International and Tele-Infrastructure business of the Group, continued to leverage its market leading position within Sri Lanka's mobile sector to capture over 800,000 subscribers during the course of the year, and record a subscriber base of 9.5Mn as at the end of FY 2014. The combine of the Mobile, International and Infrastructure businesses continued to contribute a major share of Group Revenue (85%) and of Group EBITDA (88%). Revenue at Dialog Axiata PLC for FY 2013 was recorded at Rs. 58.0Bn, up 5% relative to FY 2013. Underpinned by strong revenue performance, Company EBITDA for FY 2014 grew by 5% to be recorded at Rs. 18.5Bn translating to an EBITDA margin of 31.8%. Company NPBT was recorded at Rs. 8.2Bn, an increase of 14% relative to FY 2013. Company NPAT was recorded at Rs. 7.0Bn, representing growth of 15% compared to FY 2013.

Digital Pay Television Business

Dialog Television (DTV), the Digital Pay Television business of the Dialog Group continued its positive growth momentum recording YoY revenue growth of 30% to reach Rs. 4.7Bn for FY 2014, contributing 7% to the Group's top line. Revenue growth was under-pinned by robust market performance, with DTV's Pay Television subscriber base growing by 36% YoY to be recorded at 452,000 as at the end of FY 2014. DTV EBITDA was recorded at Rs. 863Mn for FY 2014, an improvement of 30% YoY. NPAT for the year was reported at Rs. 243Mn representing manifold earnings growth relative to the Normalised Net profit of Rs. 28Mn in the previous year.

Fixed Telecommunications and Broadband Business

Dialog Broadband Networks (DBN) featuring the Group's Fixed Telecommunications and Broadband Business recorded revenue of Rs. 6.2Bn for FY 2014, exhibiting an YoY increase of 6% and contributing 8% to the Group's top line. Revenue growth YoY was driven by healthy growth in High Speed Broadband and Data Solutions revenues. The year under review featured the rapid expansion of the Company's 4G-LTE based Fixed Wireless Broadband infrastructure across all provinces of Sri Lanka. DBN also engaged in an aggressive expansion of its Fibre Optic Network to meet bandwidth demands of its Enterprise and Small Business subscriber base as well as to enable high speed backbone connectivity for the Group's 3G HSPA+ and 4G High Speed Broadband networks. In line with the acceleration of network expansion activities, EBITDA contracted marginally by 1% YoY to Rs. 1.5 Bn, due in the main to forward looking expansion of the Group's Fixed Broadband infrastructure and acceleration of subscriber acquisition. Increase in depreciation accruing from an accelerated network expansion along with elevated 4G-LTE spectrum license amortisation charges led to DBN's Net Loss increasing from Rs. 481Mn in the previous year to Rs. 941Mn in 2014.

Next Generation Infrastructure – 2014 Investments

During the Year 2014, the investment focus of the Group was centered on the strategic and long term imperative of securing a pole position in Sri Lanka's High Speed Broadband services market. Equally, operational focus with respect to capital projects was centered on the cost and time efficient built out of infrastructure associated with the initiatives and strategies seeded in the previous year. Accordingly, our investment and development focus spanned both the mobile and fixed telecommunications sectors featuring the build out of 3G and 4G-LTE networks, as well as the imperatives of expanding our high speed Fiber Optic network on a nationwide basis alongside the establishment of robust International (Sub-Marine) Optical Fibre connectivity to the Global Internet via the Bay of Bengal Gateway (BBG) Cable project.

While our 3G HSPA and 4G based High Speed Mobile Broadband Infrastructure continued to lead the market with respect to coverage and quality, our Fibre and 4G-LTE based Fixed Broadband business made aggressive inroads into the Enterprise, Small Business and Residential Segments. Our Fixed Broadband Infrastructure also laid the foundation for the expansion and consolidation of Sri Lanka's largest Wi-Fi network spanning 2,750 hot spots distributed across the country. The BBG submarine cable project will supplement the High Speed Broadband thrust of the Group through the provision of a robust pipe to the Global Internet with capacity and speed commensurate with the burgeoning demand for Broadband services projected going forward. Dialog's investment in the new high speed submarine cable and cable landing station will trigger the single largest infusion of International Bandwidth to Sri Lanka to date. The submarine cable and cable landing station will be commissioned in 2015 and will link Sri Lanka to high capacity Internet hubs in Singapore and India and to onward submarine cable pipes to Europe and the USA.

"During the Year 2014, the investment focus of the Group was centered on the strategic and long term imperative of securing a pole position in Sri Lanka's High Speed Broadband services market."

The Year 2014 also saw the upgrade of Dialog's Digital Pay Television infrastructure to an all MPEG4 formulation, with an accompanying expansion of channel capacity. The Dialog Group also directed substantial investments towards the establishment of state of the art Customer Experience Management (CEM) and Customer Relationship Management (CRM) infrastructures which would serve to elevate customer

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experience across the Group's expansive portfolio of connectivity services to a superlative level of excellence and consistency.

Investing in the Digital Future – The Imperative of Operating Free Cash Flows

As alluded to in the review of Operational Performance above, the strategy of the Dialog Group with respect to capital investment during the Year 2014, continued to be calibrated to ongoing and future returns, while being closely aligned to the forward looking growth strategies of our multiple businesses. Group capital expenditure for FY 2014 was recorded at Rs. 15.2Bn. Notwithstanding aggressive capital investments, the Dialog Group continues to exhibit a structurally robust balance sheet with the Group's Net debt to EBITDA ratio being enhanced to 0.92x as at end of FY 2014 alongside the generation of Free Cash Flows of Rs. 4.5Bn.

In line with the demands of the emerging data and digital service driven era, we need to be increasingly cognizant however of the requirement for aggressive albeit rational investments in Broadband Infrastructure, Advanced Customer Experienced Management Technologies and Digital Services going forward in to 2015. The cementing of a robust balance sheet and Free Cash Flow generating operating structure is hence of crucial importance for the successful navigation of industry transformation.

While reporting with due pride on the financial and operating outcomes for the FY 2014 on the afore-referenced dimensions, we are duly cognizant of the potential extraneous dilution of cash flows available for investment due to impacts arising from the Interim Budget 2015 of the GoSL. As alluded to earlier in this report, legislation potentially impacting the Dialog Group placed before the Parliament of Sri Lanka for deliberation and debate, comprise of the draft Finance Bill and the Telecommunication Levy (Amendment) Bill. With respect to the one-off taxes proposed for legislation through the (draft) Finance Bill, the impact of the said taxes on distributable profit arising from 2014 operations is estimated at Rs. 3.0Bn. Accordingly, and in line with financial prudence, it is estimated that profit from 2014 operations available for distribution hitherto recorded at Rs. 6.1Bn, would be corrected downwards to a sum in the range of Rs. 3.1Bn. Free Cash Flow recorded by the Group for 2014 would accordingly be diluted downwards to Rs. 1.5Bn. Further, looking forward at 2015 cash flows, the Draft Telecommunication Levy (Amendment) Bill if legislated will impose a levy from every operator providing telecommunication services as a prepaid service, at the rate of twenty five percent (25%) on the value of supply (excluding that of Internet Services) going forward. If legislated, this levy will no doubt draw considerably on the operating cash flows of the Group and hence on the investing capacity during the year ahead.

> "The strategy of the Dialog Group with respect to capital investment during the Year 2014, continued to be calibrated to ongoing and future returns, while being closely aligned to the forward looking growth strategies of our multiple businesses."

In line with the going forward imperative of investing in the future growth of the Company, we look forward to the support of shareholders in approving the proposal of the Board of Directors to moderate Dividends to a level of Rs. 0.13 per share. The proposed level of Dividend translates to a total dividend pay-out of Rs. 1.1Bn drawn from a distributable profit of Rs. 3.1Bn.

Notwithstanding substantive future focused capital investments and the potential dilution of free cash due to the impacts arising from the Interim Budget Proposals if legislated, the Dialog Group continued to maintain a National Long-term Rating of 'AAA(lka)' with a 'stable' outlook issued by Sri Lanka's premier credit rating agency, Fitch Ratings Lanka Ltd.

Leadership in the Digital Era – Building Businesses of the Future

We are of the singular belief that life enhancing Digital Services, if deployed inclusively, will collectively form a pivotal driver of the nation's development going forward. During the year 2014, the Dialog Group has made several beachheads and forward looking investments towards our nation's digital infrastructure, and we look forward with excitement to the digital dividend that would accrue to nation, citizen and company alike in the years ahead.

As alluded to in my review of operations last year, the emerging digital era is best described as a future in which "digitisation" via a confluence of advanced devices and enabling services would permeate consumer lifestyles as well as business processes at an ever increasing pace. People and enterprises would then increasingly engage with "Digital Services" to carry out a wide spectrum of tasks including but not limited to the access of information, entertainment and learning, the fulfillment of transactions spanning Government or Business to Consumer (G/B2C), Business to Business (B2B) and Consumer to Consumer (C2C) domains, and the maintenance of social connections and business networks.

Digital Services – Payments, Commerce and Edutainment

During the Year 2014, Dialog continued to play an aggressive and leading role in the nascent Digital Services market in Sri Lanka. I am proud to report that your Company has built on its pioneering achievement in establishing Sri Lanka's first Mobile Payments Service, eZ Cash in 2012, to elevate the service to a multi-operator based world award winning mobile money product. Similarly in the sphere of Digital Commerce, WoW.lk operated by Digital Commerce Lanka (DCL) in which Dialog holds a 42.48% stake continued to lead the market as Sri Lanka's best performing Digital Market Place. DCL also secured a partnership with Sri Lanka's No 1 Print Classified Hitad.lk with a view to chartering new ground in the hybrid (print and online) classifieds space.

During the Year 2014, Dialog further expanded its portfolio of Near Field Communications (NFC) based Cashless Transportation Ticketing Services. Dialog's portfolio of NFC services also includes the facilitation of cashless payments via eZ Cash and a range of Enterprise Solutions spanning Fuel, Fleet and workforce productivity management. During the Year, Dialog also succeeded in elevating the performance and adoption of Guru.lk, a digital destination for multi-faceted learning spanning Secondary, Vocational and General Interest Education segments. During the course of 2014 Dialog also continued to embark on penetrative forays into the domains of Digital Navigation and the delivery of digital entertainment to mobile and nomadic devices. In the sphere of mobile entertainment, Dialog's MyTV Mobile TV service continued to exhibit accelerated adoption across a wide spectrum of Sri Lankan consumers. The Year 2014 also saw Dialog's entry in to the sphere of Micro-Insurance during the previous year, reach fruition with the singularly inclusive Rs. 1Mn Personal Accident Cover securing adoption by over 450,000 subscribers. Emboldened by the success of this paradigm shifting product, Dialog has continued to innovate in the field of Micro-Insurance along with its partners in the insurance sector to extend the ethos of inclusion to a wider spectrum of insurance offerings.

Devices and Minimum Cost of Ownership

The "Mobile Phone" enriched with successive generations of "Smart Device" technologies, will no doubt be the single most transformative driver in manifesting the multi-faceted capabilities of digital services into life changing empowerment. A clear focus on the value chain of digital services is hence a crucial tenet within the forward strategy of a leader in the mobile services sector in particular and the ICT sector in general. Accordingly we are increasingly cognisant of the fact that the affordability dimension of inclusion is hinged both on the ongoing cost (and benefit) of the services, as well as on the cost of owning a device capable of delivering the desired level of digital empowerment. In this respect, Dialog continued its thrust in driving a calibrated strategy towards driving down the MCO of Smart Devices to within the affordability horizon of a vast majority of Sri Lankan consumers through the aggressive enhancement of the "Dialog Smartphone" offering following an aggressive market entry during the previous year. The Dialog Smartphone series continues to set price benchmarks at entry as well as advanced functionality device categories. The Dialog Smart Device series now includes an entry level tablet as well as a comprehensive choice of Smartphones ranging through to a best in class 4G-LTE device with inbuilt NFC capability.

Sharing Value - A Sustainable Contribution to Nation & Society

As broadly alluded to in my account of the contribution to the national economy delivered by the operations of the Dialog Group, your Company is uniquely placed to leave behind life enhancing impacts on the communities in which it operates, through paradigm-setting advancements in the inclusive application of its products and services. In addition to the inclusive proliferation of advanced connectivity services and accompanying digital empowerment, to a vast majority of the nation's population, your Company continues to invest extensively in specific interventions targeted at bridging divides in opportunity through the deployment of advanced technology. I am proud to report that Dialog has retained the No.1 Ranking on Sri Lanka's Corporate Accountability index for the past 5 years in succession.

During the course of 2014 the Dialog Group further bolstered its contribution to Sri Lanka's Education sector and also towards National Sports Development. The Satellite based Nenasa Distance Learning Network now operates two dedicated education channels and supports state of the art bilingual features. Nenasa is a Gift to the Nation's children from Dialog and is operated in collaboration with the Ministry of Education and the National Institute of Education, with a vision of delivering best in class educational content to rural schools across Sri Lanka. The Year 2014 also saw the disbursement of the 570th Dialog Scholarship. The Dialog Scholarship has been in operation since 2003 and rewards top performers at Ordinary and Advanced Level from across all 25 districts of Sri Lanka with ongoing monetary support during their course of advanced studies.

Dialog's strategic thrust with respect to National Sports development saw the foundational efforts of previous years seeing fruition with the National Cricket Team emerging T20 World Champions and the National Rugby team elevating its international ranking from 47 to 38 in the Year 2015. Dialog continued its unbroken partnership with the National Volleyball Federation for over a decade as the Sponsor of the President's Gold Cup featuring the participation of over 4,000 teams from across all provinces of Sri Lanka. The Company also continued its partnership with the National Football Federation in sponsoring the similarly inclusive Dialog Champions League for over 7 consecutive years.

While our sustainability ethos as well as our contribution to the nation and community at large is more fully espoused in our Sustainability Report for 2014, I would like to reiterate our commitment to the principal of inclusive development towards which we will leverage our core business levers and capabilities, as well as our philanthropic thrust. In 2014, plural and inclusive Digital Empowerment continued to be central to our sustainability ethos and underpinned a relentless drive towards bridging socio-economic divides and asymmetries in access to education, knowledge, information, commerce, health and other fundamental levers of socio-economic development.

In line with this broader ethos, in 2014 we renewed investments in several flagship initiatives including the Disaster and Emergency Warning Network (DEWN), the SMS based Blood Donor network of the National Blood Bank, and the Ratmalana Audiology Centre. Sustainability investments grew YoY by 41%. The sustainability thrust of the Dialog Group is singularly unique in that the passion to create a more equal nation and world underpinned by Triple Bottom Line principles pervades across the Dialog Organisation. In 2014, 9% of the employee base volunteered in excess of 7,000 person-hours on projects encompassing a beneficiary base exceeding 20,000 less fortunate Sri Lankan citizens. The Dialog Volunteer Network, which empowers staff members to propose projects aligned with Dialog's community development ethos, adopted an enhanced format during 2014 enabling significantly larger teams, projects, and investments to be directed at qualifying projects. Dialog part funds all projects carried out by the Volunteer Network.

In our quest to further the power and impact of ICTs in socio-economic development, we are indebted to our strategic partners in Government as well as like-minded Non-Government sectors who have worked with us towards maximising the impact we deliver to the communities in which we operate. These partners include the International Finance Corporation, the GSM Association, and the International Telecommunications Union; the Ministries of Education, Health, Disaster Management, and the Presidential Secretariat; the National Blood Transfusion Centre, the National Institute of Education, and the National Disaster Management Centre, the University of Moratuwa and MicroImage Pvt Ltd.

In Conclusion

As the challenges of Telecommunications Industry Transformation unfold with elevated clarity and impact, Dialog draws confidence from the fact that proactive strategies adopted in nascent form in years past, have today placed the Group in a strong position to consolidate and grow its leadership in current as well as future fields of competition. We also believe that we have honed business formulae possessing a requisite mix of discipline and innovation, which will enable us to continue delivering on the dual imperatives of short term financial returns and long term leadership in the digital era.

We view the future with extreme diligence but equally with an abundance of excitement and unbridled energy which we will harness in capturing every available opportunity for growth and advancement. Our people, systems and innovation driven process are finely aligned with the emerging digital era and the Dialog Group is confident in its capability to deliver superlative social and economic dividends to Sri Lankan citizens through the inclusive proliferation of digital empowerment.

We recognise as an imperative, the need for the structural correction of our industry, a task we will continue to further in collaboration with our peers in the industry, regulators and government. We are also committed to lead this journey and to be bold in setting direction for others to follow. In line with our Corporate Vision, our proactive strategies under all circumstance, would consistently aim at delivering the outcome of empowering and enriching Sri Lankan lives and enterprises. In this respect we remain singularly cognizant of the fact that the sustainability of a "digital future" is predicated on the extent to which the resulting empowerment and enablement is made inclusive – i.e. affordable, relevant, and available on a plural basis to all Sri Lankans.

In closing my review of operations, my management team joins me in thanking our customers for their valued patronage and loyalty. Furthermore, we stand humbled by the voice of Sri Lanka's Telecommunications Consumers who have for the 4th year in succession named us the People's Chosen leader in the ICT sector. It is this trust, confidence and encouragement of Sri Lankan consumers which underpins the business outcomes Team Dialog delivers year on year.

Importantly, the outcomes of the Year 2014 would not have been possible if not for the steadfast support and encouragement of our shareholders and I wish to extend to them the sincere appreciation and gratitude of the Dialog team. I would also like to express my sincere gratitude for the support and encouragement extended to us by the Government of Sri Lanka and its agencies – in particular, the TRCSL, BOI, the Central Bank of Sri Lanka and the Ministry of Mass Media

Group Chief Executive's Review of Operations

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

The performance of the Dialog Group stands testimony to the courage, determination and excellence of the Dialog team. It is been an honour and privilege to work alongside them. Together we look to the future with great excitement as we stand at the cusp of an era where ICTs will play an even more transformational role in the lives of people, and hence in the shaping of the future of our country. Our excitement remains underpinned and enshrined in our confidence that as the people's chosen leader in our sector, we will guide the future responsibly, and with care for citizen, society and nation.

Dr. Hans Wijayasuriya
Director/Group Chief Executive

15 May 2015

Board of Directors

Datuk Azzat Kamaludin

Chairman / Non-Independent, Non-Executive Director

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

He is a Senior Independent Non-Executive Director of Axiata Group Bhd, and is a partner in the law firm of Azzat and Izzat, Malaysia.

Datuk Azzat served as an administrative and diplomatic officer with the Ministry of Foreign Affairs, Malaysia from 1970 to 1979 and has also served as a member of the Securities Commission, Malaysia from 1993 to 1999. He is presently a Director of several public listed and private limited companies in Malaysia.

Datuk Azzat 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. He was admitted as an advocate and solicitor of the High Court of Malaya in 1979.

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. Dr. Wijayasuriya also functioned as the Founding CEO of Axiata Digital Services – the Group Wide Digital Services Business of the Axiata Group during the period 2012-2014.

Dr. Wijayasuriya continues to serve on the Boards of Axiata Digital Services and several of its Digital Venture Subsidiaries. He also represents the Axiata Group as a nominee director on the board of the Global TM Forum and on the Board of Idea Cellular in India. Dr. Wijayasuriya also serves on the board of the Sri Lanka Institute of Nanotechnology (SLINTEC).

Dr. Wijayasuriya holds a degree in Electrical and Electronic Engineering from the University of Cambridge, UK, a PhD in Digital Mobile Communications from the University of Bristol, UK and a Master's in Business Administration from the University of Warwick, UK. He is a Fellow of the Institute of Engineering Technology of the UK (IET), and a Chartered Professional Engineer. Dr. Wijayasuriya has published widely on the subject of digital mobile communications, including research papers in publications of the Institute of Electrical and Electronic Engineers (IEEE) USA, Royal Society and the Institute of Electrical Engineers (IEE) 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. He 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 Lanka Monthly Digest (LMD).

Board of Directors

Mr. Moksevi Prelis
Independent, Non-Executive Director

Mr. Moksevi 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. Johns 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 Group of Companies, a Director of the Colombo Stock Exchange Ltd and Sinwa Holdings Ltd. He is also a Director of the National Research Council of Sri Lanka.

Mr. Prelis holds a Bachelor's degree with Honours in Mechanical Engineering from the University of Ceylon, 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. Mohamed 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, and the work he accomplished is featured in a Harvard Business School Case Study.

He has also worked in senior positions in the private sector in Sri Lanka and served for several years as the Group Financial Director of Zambia's Industrial and Mining conglomerate (ZIMCO) and as advisor on state enterprise reform in the office of the then President of Zambia, Dr. Kenneth Kaunda. Mr. Muhsin is a Fellow of The Institute of Chartered Accountants of Sri Lanka.

Mr. James Maclaurin
Non-Independent, Non-Executive Director

Mr. James Maclaurin was appointed to the Board of Dialog Axiata on 10th May 2011.

Mr. Maclaurin currently serves as an Advisor and Consultant to Axiata Group Bhd and edotco Group Sdn Bhd ("edotco"), a wholly-owned subsidiary of Axiata. Prior to this, he functioned as the Group Chief Financial Officer of Axiata and thereafter as the Founding Chief Executive Officer of edotco. Mr. Maclaurin has worked in the telecommunications industry for over 20 years and has held a number of senior finance leadership positions including Group CFO of Axiata, CFO for Africa and Central Europe at Vodafone, Group CFO of Celtel, the pan-African mobile operator, CFO of UbiNetics, the 3G technology developer and EVP Finance of Marconi, the UK-based telecom vendor. In the mid 90's he worked in Asia and served as the Finance Director of General Electric Co. of Singapore and prior to this he was the Finance Director of the General Electric Co. of Bangladesh. He currently serves on the boards of a number of international public listed and private limited companies.

Mr. Maclaurin is a member of the Institute of Chartered Accountants of Scotland and holds degrees in Engineering and Finance from Scottish universities.

Mr. Darke Mohamed Sani
Non- Independent, Non-Executive Director

Mr. Darke M Sani was appointed to the Board of Dialog Axiata on 08th February 2014.

He is presently the Group Chief Human Resources Officer & Head of Organisational Development of Axiata Group Bhd.

Mr. Darke M Sani has had over 25 years' experience both in Malaysia and in the South Asia region, in the telecommunication and IT industries and most recently in leadership development and management consulting. He has held several senior positions in multinational companies and large local companies as Managing Director of South East Asia and India of Apple Inc., Managing Director (Singapore) of Digital Equipment Corporation (now part of Hewlett-Packard) and Managing Director of Enterprise Business of Maxis Communications in Malaysia. Prior to joining the Axiata Group in 2011, he was a director of a leadership development and management consulting company.

Mr. Darke M Sani holds a Bachelor's Degree in Civil Engineering from the National University of Singapore. He was a member of the Public Service Commission of Singapore and was awarded the Public Service Medal by the Singapore Government in 2001.

Board of Directors

Deshamanya Mahesh Amalean
Independent, Non-Executive Director

Mr. Mahesh Amalean was appointed to the Board of Dialog Axiata on 15th May 2014.

Mr. Amalean serves as the Chairman and visionary leader of apparel manufacturer, MAS Holdings Limited (MAS). He is highly regarded for his astute management vision and governance principles, which has steered MAS into one of the largest and most respected business entities in the region.

Mr. Amalean also serves as Chairman of the Sri Lanka Institute of Nanotechnology and is a Past Chairman and current Executive Committee member of the Joint Apparel Association Forum.

He was conferred the title 'Deshamanya' by the President of Sri Lanka, in recognition of his service to the nation through the National Committee of Economic Development and the Task Force for Rebuilding the Nation. In 2011, The Open University of Sri Lanka conferred an honorary doctorate (honoris causa) to him in recognition of his contribution to the country.

Mr. Amalean has a Bachelor of Technology degree in Chemical Engineering from the University of Madras, India and has completed his executive education at Columbia Business School, USA.

Mr. Thandalam Veeravalli Thirumala Chari (Chari TVT)
Non-Independent Non-Executive Director

Mr. Chari TVT was appointed to the Board of Dialog Axiata on 19th September 2014.

He is presently the Group Chief Financial Officer of Axiata Group Bhd. Prior to this, he served as Chief Financial Officer of Celcom Axiata Bhd, a subsidiary of Axiata. During his time, he was instrumental for many initiatives that contributed to excellent financial performance of Celcom over the last four years, making it one of the most profitable companies in Malaysia. Prior to this assignment, he was the Vice President, Sales, HP Financial Services Asia Pacific and Japan. He had an illustrious career in HP for over twenty years, of which 10 years was in senior finance positions in various countries (Hong Kong, Malaysia, Thailand and Singapore) and 10 years heading Sales and Marketing for Asia Pac and a large business unit with revenue of close to USD 1Bn.

Mr. Chari holds a Master's in Business Administration from State University of New York at Buffalo, USA. He is also a Fellow member of the Chartered Institute of Management Accountants UK (CIMA) and an Associate member of the Institute of Chartered Accountant (ACA) and Institute of Cost and Works Accountants (ICWA) from India.

Corporate Management Team

Pradeep De Almeida
Group Chief Technology Officer

Sandra De Zoysa
Group Chief Customer Officer

Upali Gajanaike
Chief Executive Officer - Dialog Tele- Infrastructure

Pradeep De Almeida

Group Chief Technology Officer

Pradeep leads the Technology function of the Dialog Group. His portfolio spans the planning, development and operation of multiple networks and services including but not limited to the Group's Mobile, Broadband, Fixed Line, Digital Television and International Telecommunications infrastructures.

Pradeep joined Dialog Axiata in 1996 and holds a Bachelor of Science degree in Electronic and Telecommunication Engineering from the University of Moratuwa, Sri Lanka and is a Member of the Institution of Engineers of Sri Lanka and the Institution of Engineering and Technology (IET) United Kingdom.

Over the course of his 19 year career in technology management, Pradeep has garnered extensive experience across multiple generations of mobile telephony technology leading up to the most recent 4G technologies, based on which the Dialog Group has implemented Mobile FD-LTE and Fixed TD-LTE networks. Pradeep is a regular speaker at Technology forums both locally and internationally.

Sandra De Zoysa

Group Chief Customer Officer

Sandra joined Dialog in 1997 as a member of the Company's Senior Management Team and is the Group Chief Customer Officer and Chairperson of the Customer Experience Excellence Group Leadership Committee of the Company. She counts over two decades of experience in the mobile telecommunication industry as a pioneer customer service practitioner.

In 2011, Sandra was honoured with the industry champion award for Sri Lanka at the Contact Centre World Conference, Australia. Sandra also ranked among the Top 10 business women in Sri Lanka on the Echelon Top 50 most powerful women in business. Sandra is an avid speaker at Customer Experience Industry forums internationally and locally and is a visiting Lecture at the University of Colombo, School of Computing on customer experience and CRM. Sandra is also a founding member and former Director of the board of SLASSCOM, the national IT-BPO chamber. She currently heads the quality forum of SLASSCOM.

Upali Gajanaike

Chief Executive Officer - Dialog Tele-Infrastructure

Upali functions as the Chief Executive Officer of Dialog Tele-infrastructures Strategic Business Unit. His portfolio includes management of passive and transmission infrastructure of the Dialog Group and related commercial operation.

With over 20 years of experience in the Telecommunication industry, he has been a key member of Mobile, Fixed, and Transport network rollouts and many other strategic projects and business initiatives. His extensive experience largely covers Designing, Planning, Implementation, Project Management, and Operations & Maintenance of Telecommunication & IT networks and systems. He has also gained exposure at overseas subsidiaries and business ventures of Axiata Group in Africa, Malaysia, and Indonesia.

Upali holds a Bachelor of Science in Electronic and Telecommunication Engineering from the University of Moratuwa, Sri Lanka, a Master of Business Administration from University of Colombo, Sri Lanka. He is a Chartered Engineer of the Engineering Council UK, a Member of the Institution of Engineering & Technology (IET), a Corporate Member of the Institution of Engineers Sri Lanka (IESL), and a Senior Member of the Australian Computer Society (ACS).

Corporate Management Team

Jeremy Huxtable
Group Chief Officer - Dialog Enterprise

Azwan Khan
Group Chief Operating Officer

Shayam Majeed
Group Chief Officer - Group Commercial and Programme Management

Jeremy Huxtable

Group Chief Officer - Dialog Enterprise

Jeremy counts a total of 16 years industry experience in telecommunications on the backdrop of a multi-country and multi-sector management career spanning over 3 decades.

Jeremy joined the Group Senior Management Team of Dialog following 7 years as the Managing Director of Suntel Ltd. Prior to taking the helm at Suntel in 2005, Jeremy held several senior management positions in the Scandinavian region with Orange International, the mobile arm of France Telecom including that of CEO of Orange Sweden, a 3G green-field start up and that of Director for Strategy and Planning at Orange Denmark. Prior to joining Orange, Jeremy held the position of Vice President at an internet start-up fortunecity.com. Jeremy's involvement with the Sri Lankan telco market has its beginnings in 1996, when he joined Millicom International Cellular as the CEO of Celltel.

Tracing back to the early years of Jeremy's illustrious career - he began his management journey in the pharmaceutical industry and later went on to take up numerous positions in senior management with DHL in Bahrain, Saudi Arabia, UK and Pakistan.

Azwan Khan

Group Chief Operating Officer

Azwan leads the Mobile, Broadband, Fixed Line, International and Digital Television Strategic Business units of the Dialog Group. His portfolio also spans Group Corporate Strategy, Business Control and overall Operations Management of the Group.

Azwan counts over two decades of Senior Leadership experience. Prior to his current position Azwan functioned as the Group Chief Strategy Officer of Axiata Group Berhad and a Board member of Dialog Axiata and former Senior Vice-President, Corporate Strategy and Development in Celcom (Malaysia) Bhd. Azwan graduated with a First Class Honours degree in Engineering from the Imperial College of London and has an extensive mix of telecommunications and non-telecommunications experience across a range of companies.

His professional experience also includes tenure with the Boston Consulting Group and Shell Malaysia. Azwan is a former Board Member in Axiata Management Services Sdn Bhd, Hello Axiata Company Limited, Sacofa Sdn Bhd and Samart I-Mobile Public Limited Company. He is also a former member of the GSMA Chief Strategy Officer Group.

Shayam Majeed

Group Chief Officer - Group Commercial and Programme Management

Shayam currently holds the position of Group Chief Officer - Commercial & Programme Management of the organization. Shayam's portfolio spans Enterprise Programme Management, Supply Chain Management, Material Management & Warehouse Operations, Legal & Contract Management, and Quality Systems & Process Management.

Shayam joined the Dialog team in 1997 and has previously served in the capacities of Group Senior Vice President - Access Networks/Technology Resource Planning and Head - Network Planning of the company prior being appointed to his current role.

Shayam holds a Master of Science in Electrical Engineering specialising in Wireless Communications from the University of Texas - Arlington, Texas, USA and a Bachelor of Science in Computer Systems specialising in Telecommunications from the University of Houston - Clear Lake, Texas, USA.

Amali Nanayakkara
Group Chief Marketing Officer

Anthony Rodrigo
Group Chief Information Officer & Chief Digital Services Officer

Lucy Tan
Group Chief Financial Officer

He is a Member of the Institute of Electrical and Electronic Engineers (IEEE) - USA, a member of the Institution of Engineering & Technology (IET) – UK, and a Chartered Engineer registered with the Engineering Council (UK).

Amali Nanayakkara

Group Chief Marketing Officer

Amali is one of Sri Lanka's most renowned marketing professionals and a business leader, drawing from over two decades of experience in senior management positions both in Sri Lanka and overseas attached to leading global multi-nationals and Sri Lankan blue chips.

One of Sri Lanka's 20 Most Powerful Women in Business as ranked by Echelon Magazine, Amali is an honours graduate from the University of Colombo. She began her career at Unilever Sri Lanka, where she traversed multiple leadership roles, before her appointment to the Board in the capacity of Director, Foods & Personal Care.

Following her tenure at Unilever, Amali transitioned to the telecommunications sector where she was Managing Director and Chief Executive Officer of Bharthi Airtel Lanka, before taking over as Group Chief Marketing Officer of Dialog Axiata. At Dialog, her portfolio spans through Mobile, Fixed Line, Broadband, Dialog Television and the National Sales arm of the Group, where she has garnered a significant foothold for the Company in a fiercely competitive industry landscape.

Anthony Rodrigo

Group Chief Information Officer & Chief Digital Services Officer

Anthony joined Dialog Axiata as the Group Chief Information Officer in 2010, and manages a portfolio spanning Enterprise Information Technology, Product and Service Innovation and the Digital Services Business of the Dialog Group.

Prior to joining the Dialog Group, Anthony was the Head of the North America Systems Integration Business for Nokia Siemens Networks. He was responsible for Solution Development, Systems Integration and Business Management of converged Fixed and Wireless solutions for communication service providers in North America. Anthony counts over two decades of experience in Europe, Asia and the Americas in Operations Support Systems/ Business Support Solutions and Systems Integration, holding leadership positions at British Telecom, AT&T, Nokia, NSN and Hayleys.

Anthony holds a B.Eng from Kings College London, and an MBA from Regis University Denver, CO. USA. He holds several European and United States Patents in the area of Charging and Speech Recognition technology.

Lucy Tan

Group Chief Financial Officer

Lucy joined Dialog Axiata in November 2010 as the Group Chief Financial Officer.

Prior to joining Dialog, Lucy was the Financial Controller for Maxis Berhad, Kuala Lumpur. She was with Price Waterhouse, Malaysia before leaving to join Sime Darby Berhad Group where she was there for eight years, holding various senior financial management positions including that of the Group's Chief Accountant and the Head of Group Shared Services.

Lucy is a Chartered Accountant and is a member of the Malaysian Institute of Accountants and the Australian Institute of Certified Public Accountants (CPA). She also holds a B.Sc (Hons) Degree in Chemistry and a Diploma in Education, both from University of Malaya.

Business and Financial Review

Business and Financial Review

Amidst the intense competition in key Mobile and Data space, Dialog Group further consolidated its position as the undisputed market leader in Sri Lanka's Mobile Telephony sector in 2014, recording a significant improvement in its financial performance. The Dialog Group's steady revenue growth supplemented with effective cost management initiatives translated to growth in profitability.

The consolidated financial performance of Dialog Group comprises Dialog Axiata PLC (the Company) and its subsidiaries Dialog Broadband Networks (Pvt.) Ltd (DBN) and Dialog Television (Pvt.) Ltd (DTV).

The Group demonstrated strong growth in revenue across Mobile, Digital Pay Television and Fixed Line businesses to record consolidated revenue of Rs. 67.3Bn for the year 2014 representing an increase of 6% Year on Year (YoY).

Despite the fierce competition and over 100% mobile penetration, voice revenue registered 3% YoY growth due to continuous focus on increasing voice usage aided by the Lord of the Reload campaign stimulating usage as well as the 9% YoY increase in subscriber base.

Data revenue grew by an impressive 57% YoY supported by data focused infrastructure investments and the steady increase in Smartphone adoption, evident from the remarkable 78% increase in small screen subscribers YoY.

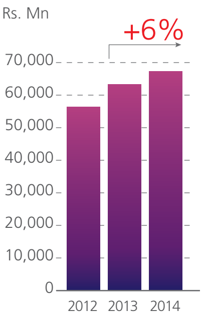
DTV revenue increased by a solid 30% YoY to reach Rs. 4.7Bn in 2014. The significant revenue growth was achieved on the back of wider distribution coverage, promotional campaigns and attractive prepaid packages making Pay TV affordable to majority of Sri Lankan households.

Further DBN revenue increased by 6% YoY led by growth in LTE and leased line revenues aided by the continuous investments in 4G network rollout and the ever increasing demand for data usage.

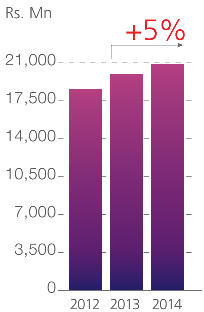
Group total operating cost reflected a growth of 7% YoY driven by increases in customer related cost, advertising & marketing cost and network related cost.

Advertising & marketing cost increased as a result of sponsorships undertaken and promotional campaigns carried out throughout the year to promote new

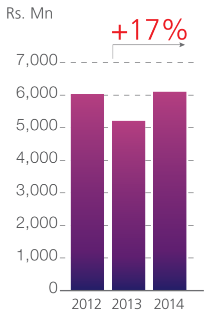
Group Revenue



Group EBITDA



Group PAT



and existing product offerings as well as campaigns launched in view of stimulating voice usage.

Further as a result of continuous investments made during the year to provide un-parallel data speeds and connectivity, related network cost recorded a YoY increase driven by the wider and enhanced network footprint.

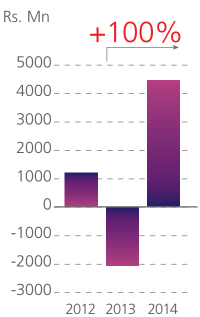
Cost of phone sales has also increased significantly YoY in line with the corresponding revenue, led by the growing popularity of Dialog branded Smartphones and tabs among the masses as well as the launch of iPhone 5s in December 2013 and iPhone 6s in December 2014.

Supported by the strong revenue growth and cost management initiatives, Group EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for the year 2014 was recorded at Rs. 20.9Bn, an increase of 5% YoY while Group EBITDA margin was registered at 31.1%.

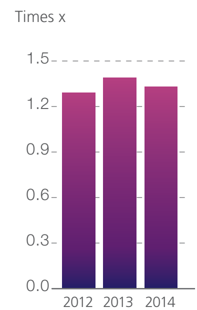
Group Net Profit After Tax for the year 2014 grew by a significant 17% YoY to reach Rs. 6.1Bn which translated to a NPAT Margin of 9.1% on the back of strong improvement in EBITDA and the decrease in translational forex losses resulting from lower depreciation of the Sri Lankan Rupee against the USD during 2014 compared to the previous year.

Group capital expenditure during the year amounted to Rs. 15.2Bn. Capital expenditure was in line with the Group's comprehensive end to end technology strategy focused on catering to the steady shift in customer preference towards data consumption. Accordingly investments were predominantly data focused with capex being spent on, expanding network reach and upgrading its quality to ensure superior customer experience as well as on Optical Fibre Network (OFN) expansion projects to deliver high speed, seamless and reliable data connectivity. Capital expenditure was also directed towards Bay of Bengal Gateway (BBG) Sub-Marine Cable project, which is expected to commission by the end of 2015. Once commissioned, it will trigger the single largest infusion of International Bandwidth to Sri Lanka to date.

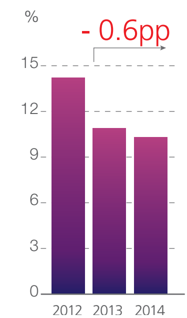
Group Free Cash Flow



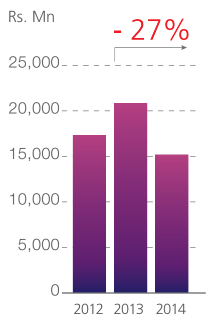
Group Gross Debt to EBITDA



ROIC



Capex



Business and Financial Review

Group Free Cash Flow (FCF) was recorded at Rs. 4.5Bn for FY 2014 as a result of improved EBITDA and lower capital expenditure compared to the previous year which included significant strategic investments in spectrum assets for mobile 4G-LTE services and payment for spectrum re-farming fees.

The Group continued to exhibit a structurally robust balance sheet despite significant capex investments made to support the steady growth in data. The Group's cash and bank balance stands at a strong Rs. 10.8bn as at end of 2014 after paying Rs. 2.4Bn in dividends during the year. Gross debt remained unchanged compared to the previous year as a result of diligent and focused working capital management initiatives carried out throughout the year as well as the relatively lower capex spend compared to FY 2013. Accordingly the Group's Net Debt to EBITDA ratio improved from 1.29x as at end of December 2013 to 0.92x as at the end of December 2014.

Group Financial Indicators

Rs. Mn.	2014	2013	YoY%
Revenue	67,286	63,298	6%
EBITDA[1]	20,895	19,917	5%
NPAT	6,098	5,201	17%
Capex	15,204	20,840	-27%
Free Cash Flows (FCF)[2]	4,459	-2,050	>100%

Group Financial Ratios

	2014 %	2013 %	YoY
EBITDA margin	31.1%	31.5%	-0.4pp
NPAT margin	9.1%	8.2%	0.8pp
Capex to revenue	22.6%	32.9%	-10.3pp
FCF to revenue	6.6%	-3.2%	9.8pp
ROIC[3]	10.3%	10.9%	-0.6pp
Debt/Equity ratio	0.62	0.69	(0.07)

1 EBITDA : Earnings before interest, taxation, depreciation and amortisation
2 FCF : EBITDA - Capex - Tax
3 ROIC : EBIT after tax divided by average invested capital
4 Tax : Tax excluding deferred taxation

Note : 2013 capex excludes investments in intangibles relating to spectrum acquisition and license renewal which amounts to Rs. 7.1Bn.

Business and Financial Review

Dialog Axiata PLC– Business Overview

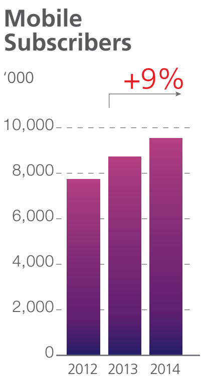
The operations of Dialog Axiata PLC include Mobile, International, Tele-infrastructure and Digital Service businesses. Despite fierce competition and challenges, the Company continued to remain the most preferred Mobile operator and undisputed leader while further strengthening the subscriber market share by 1.4pp during the year. The subscriber base reached 9.5Mn at the end of year against 8.7Mn the previous year.

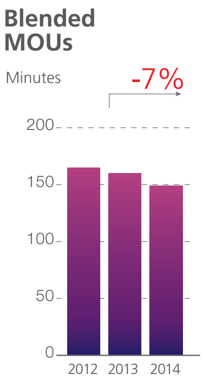
The mobile industry in Sri Lanka continues to grow rapidly, with a total of 22.1Mn mobile subscribers at the end of December 2014. Mobile penetration surpassed 100% during the year implying that every Sri Lankan now has a mobile subscription. However, when the impact of multiple connections used by the same individual is factored, the real mobile telephony penetration is lower and poses an opportunity for further growth.

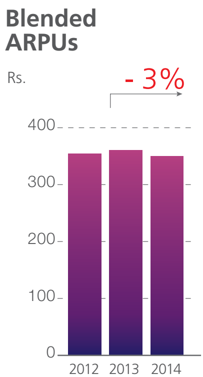
Accelerated digitisation and advancement of lifestyles is evident globally with the increased adoption of Smartphones. In view of fast-tracking this transformation to Sri Lankan consumer, the Company introduced an affordable series of Dialog branded handsets in 2013. Consequently, Smartphone adoption has started to reach the critical mass which is reflected via growth in Smartphone penetration within Dialog network to 19% from 9% during the year.

The growing number of Smartphones and evolving customer behaviour poses a massive opportunity to the Company for alternative revenue streams with the possession of the largest market share in the industry. As a way of capitalizing the opportunity, Dialog introduced over 20 value added services during the year.

Music is a primary form of entertainment for people in all age groups. As the leading mobile service provider in Sri Lanka, Dialog launched the first-ever streaming application for Sri Lankan music – 'Thaala'. This on-demand streaming app allows users to listen to a large selection of Sinhala and Tamil songs from local artists. 'Thaala' also aims to promote and give due recognition to local performing artistes. Further, Dialog introduced Boinc, another music app which offers high-quality downloads of over 15 million songs from the largest music houses both local and international. Dialog's video streaming service 'MyTV' and gaming portals 'Gameloft' and 'Games Club' propelled the adoption and earned record revenue in FY 2014.







'Automatic Loan' is a remarkably successful new service in the prepaid service portfolio. With Automatic Loan, customer can receive an instant loan every time they run out of credit. This service gained instant popularity and reached 2.1Mn activations during the year. Another such initiatives 'Package top-up,' a first of its kind in Sri Lanka, allows Dialog post-paid subscribers to enjoy prepaid services. This gives the post-paid customer the flexibility to choose selected services with pre-paid mode whenever required. Further, Dialog entered into an agreement with national carrier, Sri Lankan Airlines for the provision of on-board connectivity including voice, SMS and data services to their customers.

Mobile broadband service continued to grow rapidly, fuelled by the expanding range of applications and availability of affordable Smartphones. Dialog Mobile Broadband subscriber base grew by an impressive 66% during the year, signalling the competitive advantage the company holds in the broadband sphere.

Dialog Mobile has island wide 2G coverage with over 4000 base stations. To cater to this exponential growth in data traffic, Dialog expanded the 3G and Mobile 4G-LTE base stations by 12% during the year and upgraded capacity of the existing 3G network. In addition the Company entered into many strategic partnerships; the agreement with Opera Mini, world's fastest and one of the most popular browsers used on mobile devices, and Vodafone for 'Vodafone Guardian', a child protection app for Smartphones, to improve the user experience.

With the emergence of the new digital ecosystem, Dialog aspires to become the leader in Sri Lanka's growing digital services industry. The company secured two global awards, 'Best Technology Enabler Award' and 'The NFC & Mobile Money Award', at the 20th Mobile World Congress (MWC) held in Barcelona, Spain for ideamart and eZ Cash respectively. ideamart is the largest ecosystem in Sri Lanka which provides innovative solution to public and enterprises to create their own mobile applications and monetise using Dialog network. ideamart brings together world class thought leadership and platform innovation with the unbridled innovation energy of the Sri Lankan application development community. Currently, over 850,000 Dialog Mobile customers engage with the ideamart community creating vibrant returns for the innovative service creators. ideamart partnered with Lankan Angel Network, the pioneer in the area of angel investments and the organizer of Venture Engine. This partnership aims to provide ideamart innovators with the opportunity to upscale proven ideas and revenue generating services into sustainable businesses. eZ Cash is Sri Lanka's premier mobile payment network. eZ Cash has the distinction of being the first mobile money system in the world to be end-to-end interoperable across multiple service providers bringing forward a combined approachable base of over 14Mn Sri Lankans who could transact electronically via eZ Cash.

Dialog launched Digital Reach, analytics based digital advertising platform with built-in governance and ecosystem control, which facilitates Dialog's digital adverting business to execute highly targeted multichannel campaigns for Sri Lanka's leading brands and agencies. In addition, self-service portal in Digital Reach facilitates the SME sector to realize the same benefits on a prepaid basis. Another outstanding service development during the year was iLocate. This is a low cost asset tracking application running on in-house developed M2M device management platform, machineTalk, which enables even non Dialog customers to locate their asset via SMS, app and web.

Business and Financial Review

In 2014, Dialog successfully expanded international roaming network services by reinforcing its presence beyond borders. Dialog signed 20 GSM roaming agreements in 8 countries during the year to reach its overall voice roaming collaboration to 617 operators in 225 countries around the globe. The Company also expanded its roaming destinations on GPRS, 3G, and CAMEL to 188, 146, and 159 respectively, with the effort to provide a better experience to its customers at all times, home and away. For the first time in South Asian region, Dialog successfully launched LTE roaming services in 2013 with the view of enabling customers to enjoy high speed data services. The initial foray was followed with expanding services and coverage to 50 operators in 34 destinations. Dialog has one of the largest LTE roaming footprint and coverage in the world.

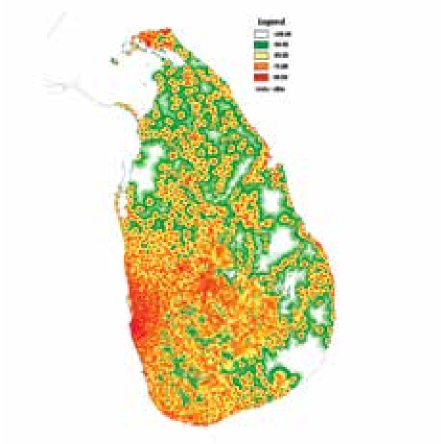


Figure i : 2G Coverage

Unlimited Data Roaming was a new initiative in international roaming service arena, where roamers can enjoy unlimited data roaming in 18 destinations for as low as USD 5 per day. Further the company deployed an 'Online Charging and Data notification' service which automatically monitors data usage of roaming customers and informs customers through a message to help them to keep track on usage and bill value.

Dialog entered into an agreement with the Bay of Bengal Gateway (BBG) Consortium in 2013 to commission a high bandwidth undersea fibre optics cable, connecting Sri Lanka with 5 other regional countries. The cable laying in international waters and Cable Landing Station (CLS) construction are ongoing and system is expected to be ready for live services by end of 2015.

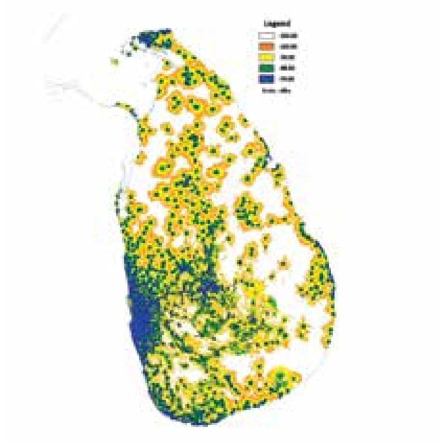


Figure ii : 3G Coverage

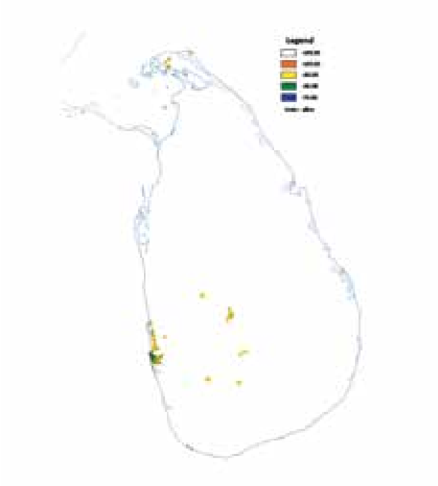


Figure iii : Fastest Expanding Mobile LTE Network

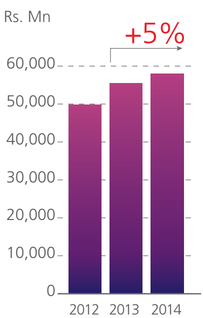
DTI, the Company's infrastructure arm, continues to be in the forefront of active and passive telecommunication infrastructure service providers in Sri Lanka. Business relationships were consolidated during the year and DTI continues to serve all licensed operators and broadcasters with their passive infrastructure and transmission requirements. In view of providing high capacity and reliable backhaul transmission services, Dialog expanded its optical fibre network distance by 16% connecting cities around the country.

Business and Financial Review

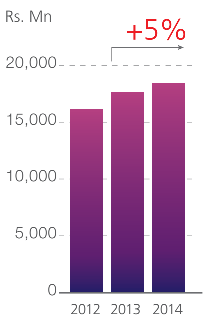
Financial Review

The Company represents the key Mobile operation of the Group accounting for 85% of the Group revenue. Further consolidating on its Market leading position, the Company delivered strong growth in revenue and profitability. Company revenue grew by 5% YoY on the back of its Mobile subscriber base of over 9.5Mn, to reach Rs. 58.0Bn for the year 2014. Revenue increase was driven by the growth in both voice and data revenues as well as device sales. Company EBITDA grew by 5% YoY to Rs. 18.5Bn, translating to an EBITDA margin of 31.8%, while Company NPAT recorded double-digit growth of 15% YoY to reach Rs. 7.0Bn on the backdrop of improved EBITDA and lower translational forex losses relative to the previous year.

Revenue



EBITDA



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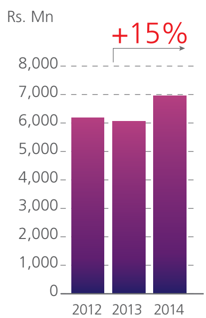


Dialog Broadband Networks – Business Overview

DBN is a strong player in Sri Lanka's Fixed Telecommunication market offering multiple services to individuals and corporate clients including Fixed Telephony, Broadband, Internet lease lines, data communication, Hosted PABX offerings, Internet Data Centre and converged ICT Solutions.

DBN's subscriber base at the end of 2014 was 427,000 and the Company further strengthened its presence in the enterprise sector by offering innovative solutions supported by 4G-LTE technology and Fibre.

DBN launched the first Sri Lankan Fixed 4G-LTE network in December 2012 to deliver high speed broadband to Sri Lankan homes and enterprises and continued to increase its geographical footprint during the year. The product has received greater acceptance since introduction and showing an exponential growth.

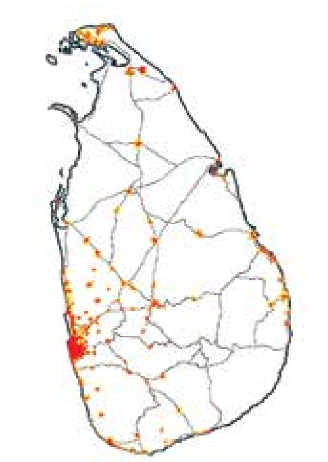


Figure iv : Expanding Fixed LTE Network

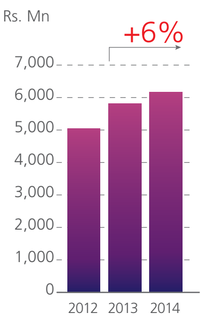
Business and Financial Review

Financial Review

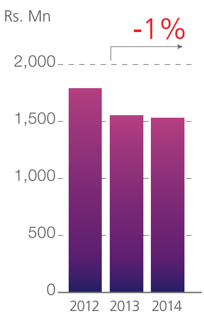
Contributing 8% of Group revenue, DBN recorded revenue of Rs. 6.2Bn for the year 2014, representing an increase of 6% YoY. DBN Revenue growth was mainly driven by the increase in LTE and leased line revenues. However, notwithstanding strong revenue performance, DBN EBITDA contracted by 1% YoY to reach Rs. 1.5Bn in 2014 due to the expiration of VAT credits totalling to Rs. 392Mn recognised in 2013.

Increase in depreciation accruing from the network expansion and the amortisation of spectrum license fees, related to Fixed 4G-LTE investments combined with the decline in EBITDA has led to DBN's Net Loss to increase by 96% YoY to record at a negative Rs. 941Mn in 2014.

Revenue



EBITDA



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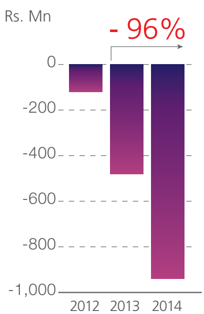
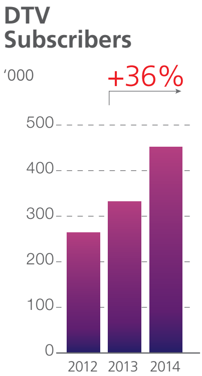


Dialog Television – Business Overview



The Group's Pay Television business Dialog Television (DTV) is the only licensed Direct-to-Home (DTH) satellite service provider operating in Sri Lanka with island wide coverage during FY 2014. It caters the diverse infotainment needs of 452,000 households in the country with an estimated Pay TV market share of 77%. The business has a promising prospect with low Pay TV market penetration in the country which is currently estimated to be less than 15%. DTV continued to exploit this opportunity and grew the base by 36% YoY.

'Per Day TV,' which was launched in 2012 with the objective of making Pay TV affordable to majority of Sri Lankan households, maintained its solid growth momentum in FY 2014. The market reach was improved to make the product available in every town, city and village with sales channel expansion carried out during the year.

DTV advertising business recorded unprecedented sales underpinned by marketing of key international sporting events, increase in the number of advertisable channels, new business partnerships and platform development for effective inventory utilization.

DTV upgraded its Transponders from MPEG 2 technology to MPEG 4 technology in the view of adding more channels and enhancing the visual quality. DTV introduced over ten new channels during FY 2014, where DTV had an extensive assortment of more than 90 Standard Definition (SD) and High Definition (HD) channels at the end of 2014 including CNN, Star channels, HBO, Cinemax, AXN, Ten Sports, Discovery HD, AXN HD, Nat Geo HD and a bouquet of local content.

Business and Financial Review

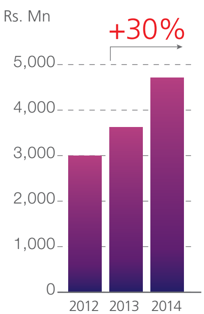
Financial Review

DTV continued its positive growth momentum recording a significant revenue growth of 30% YoY to reach Rs. 4.7Bn for 2014. DTV accounts for 7% of the Group revenue. The strong revenue growth was led by increase in subscription revenue, connection fees and revenue from advertising and miscellaneous services.

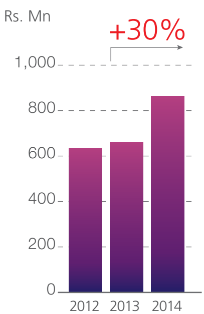
Driven by strong revenue growth, DTV EBITDA for 2014 was recorded at Rs. 863Mn, an increase of 30% YoY. Improvement in EBITDA performance was achieved amidst increase in costs related to customer acquisition as well as foreign exchange denominated inputs such as channel fees.

Underpinned by growth in EBITDA, DTV posted a Net Profit of Rs. 243Mn compared to a Net Loss of Rs. 301Mn recorded in 2013. Performance of 2013 was impact by a one-off prudent impairment made on account of transmission equipment and customer premises equipment assets relating to DVBT.

Revenue



EBITDA



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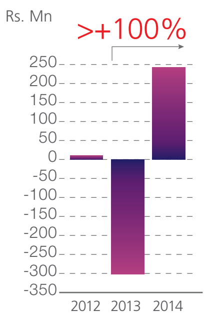


Corporate Governance Report

Introduction

The Board continued its efforts to enhance its role in improving governance practices effectively to safeguard the best interests of shareholders and other stakeholders. The Company's internally developed Code of Corporate Governance (Code), which illustrates the Board's commitment to upholding high standards of corporate governance, contains international corporate governance principles and best practices, in addition to the requirements outlined in the Listing Rules of the CSE and other relevant regulations, and is applicable to the Group and governs the activities of the Board, how the Group conducts its business operations, its relationships with all of its stakeholders while providing for accountability and sound internal control systems.

The Board confirms that the Company is compliant with the requirements stipulated in the Code, the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange and the requirements stipulated in the Companies Act, No. 7 of 2007. This report outlines the Corporate Governance framework, application and practice within the Group for the year 2014.

1. The Board

The Company's business and Group operations are managed under the supervision of the Board. The role of the Board includes:–

- 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.

The composition of the Board of Directors as at 31st December 2014, were as follows:-

Name of Director	Date of Appointment to the Board	Position
Datuk Azzat Kamaludin	21 July 2008	Chairman
Dr. Hans Wijayasuriya	19 January 2001	Group Chief Executive Officer/Director
Mr. Moksevi Prelis	15 September 2004	Independent, Non-Executive Director
Mr. Mohamed Muhsin	14 June 2006	Independent, Non-Executive Director
Mr. James Maclaurin	10 May 2011	Non-Executive Director
Deshamanya Mahesh Amalean	15 May 2014	Independent, Non-Executive Director
Mr. Darke Mohamed Sani	08 February 2014	Non-Executive Director
Mr. Chari TVT	19 September 2014	Non-Executive Director

Table 1 – Composition of the Board as at 31 December 2014

Corporate Governance Report

Mr. Jayantha Dhanapala retired from the Board of Directors of the Company after the conclusion of the Company's preceding AGM on 17 June 2014. Since the preceding AGM, Mr. Thandalam Veeravalli Thirumala Chari (Chari TVT) was appointed to the Board on 19 September 2014 as a nominee director of Axiata Group Berhad in replacement of Mr. Mohd Khairil Abdullah.

The profiles of each Director are found on pages 19 to 22 of this Report.

- **Composition of the Board and balance**

The Board comprises of 08 directors, of which 07 are non-executive directors and 01 is an executive director, who is also the Group Chief Executive Officer ("GCEO"). The composition mix of the executive and non-executive directors satisfies the requirements of the Listing Rules of the CSE.

The non-executive directors provide considerable depth of knowledge collectively gained from experiences, whilst serving in a variety of public and private companies in various industries. The Board includes three qualified Chartered Accountants who provide the Board with the requisite financial acumen and knowledge on financial matters.

The Board considers that the composition and expertise of the Board is sufficient to meet the present needs of the Group, but will continue to review the composition and the mix of skills and expertise on an ongoing basis to align it to the business needs and complexity of the Group's operations.

- **Board Independence**

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 CSE, Mr. Mohamed Muhsin and Deshamanya Mahesh Amalean are considered independent. Further, notwithstanding that Mr. Moksevi Prelis has completed more than 9 consecutive years, the Board considers him 'independent' given his objective and unbiased approach to matters of the Board. These directors 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 04 non-executive directors, namely Datuk Azzat Kamaludin, Mr. James Maclaurin, Mr. Darke Mohamed Sani and Mr. Chari TVT as non independent, as they are nominees of Axiata Group Berhad, the major shareholder of the Company.

- **Division of Responsibilities**

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

The role of the Chairman, Datuk Azzat Kamaludin, is to provide leadership to the Board, for the efficient organization and conduct of the Board's function, and to ensure the integrity and effectiveness of the relationship between the non-executive and executive director(s).

The role of the GCEO, Dr. Hans Wijayasuriya, is to implement policies and strategies approved by the Board, and develop and recommend to the Board the business plans and budgets that support the Group's long-term strategy and vision that would lead to the maximisation of shareholder value.

- **Board Meetings and attendance**

The Board meetings for each financial year are scheduled in advance to enable the Directors and management to plan accordingly and fit the year's Board meetings into their respective calendars. The Board's annual meeting calendar (including Board meetings and Board Committee meetings) is prepared with the consensus of all directors and is tabled at the Board meeting in the fourth quarter of each preceding year.

To ensure that Board meetings are conducted effectively and efficiently, the time allocation for each agenda item is determined in advance. Members of the management and external advisors are invited as and when required to attend Board meetings to present proposals and provide further clarity to the Board.

The Board meets quarterly with a view to discharging its duties effectively. In addition, special Board meetings are also held whenever necessary to deal with specific matters. A total of 08 meetings were held in 2014, which included 04 special meetings. The attendance of directors at these meetings is set out in the table below:

Name of Director	Attendance
Datuk Azzat Kamaludin	8/8
Dr. Hans Wijayasuriya	8/8
Mr. Moksevi Prelis	8/8
Mr. Mohamed Muhsin	8/8
Mr. Jayantha Dhanapala*	2/4
Dato' Sri Jamaludin Ibrahim**	1/1
Mr. James Maclaurin	6/8
Mr. Mohd Khairil Abdullah***	6/6
Deshamanya Mahesh Amalean	3/5
Mr. Darke Mohamed Sani	7/7
Mr. Chari TVT	2/2

Table 2 –Board Meeting Attendance

* Resigned with effect from 16 June 2014.
** Resigned with effect from 8 February 2014.
*** Resigned with effect from 18 September 2014.

- **Access to Information**

To enable the Board to make informed decisions, the Board is supplied with complete and adequate information in advance of each meeting, which includes an agenda, minutes, board papers with background or explanatory information, financial and operational performance reports. The Board also receives regular review reports and presentations on business development, risk profiles and regulatory updates. Any additional information may be requested by any director as and when required.

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, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

The directors, especially non-executive directors, have access to independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

- **Professional Development and Performance Evaluation**

The Directors are provided with the opportunity to update and enhance their skills and knowledge through training conducted by both external and in-house facilitators, and are periodically briefed on changes to relevant laws, regulations and accounting standards which impact the Group's business and the directors.

The NRC is responsible for evaluating the Board's performance and decides how the Board's performance may be evaluated and also proposes the objective criteria.

- **Delegation of Authority and Board Committees**

Other than the matters reserved for the Board, the Board has adopted a Group Policies and Limits of Authority (LOA) framework applicable to the Group, by which the Board has delegated authority to its Board Committees and management. The Group Policies states the principles and sets out the tone by which business is to be conducted whereas the primary purpose of the LOA is to set out clear guidance to management as to the matters over which the Board reserves authority and those which it delegates to management. The LOA has established a sound framework of authority and accountability, which facilitates timely, effective and quality decision-making at the appropriate level.

Corporate Governance Report

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. Group Executive Committee

All Board 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 Chair Persons of each of the Board 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 brief description of each Board Committee is provided below:-

a) Board Audit Committee

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 activities conducted by the BAC are set out in the BAC Report on pages 46 to 48.

b) Nominating and Remuneration Committee

The role of the Nominating and Remuneration Committee (NRC) is to identify, consider and propose suitable candidates for appointment as directors and to formulate, review, approve and make recommendations to the Board with regard to the remuneration of the executive and 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 of 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 also ensures that it receives quarterly updates from the Group HR Division on staff related matters.

The NRC comprises 03 non-executive directors, namely Datuk Azzat Kamaludin (Chairman), Mr. Moksevi Prelis and Mr. Mohamed Muhsin. Deshamanya Mahesh Amalean was appointed to the NRC in place of Mr. Jayantha Dhanapala.

The NRC held 04 meetings during the financial year ended 31 December 2014 and the attendance at these meetings is set out below.

Name of Director	Attendance
Datuk Azzat Kamaludin (Chairman)	4/4
Mr. Jayantha Dhanapala*	1/2
Mr. Mohamed Muhsin	4/4
Deshamanya Mahesh Amalean**	1/2

Table 3 –NRC meeting Attendance

* Resigned as a member w.e.f. 16 June 2014

** Appointed as a member w.e.f. 17 June 2014

c) Group Executive Committee

The role of the Group Executive Committee (EXCOM) is to support the Board in the performance of its duties by considering and approving, or recommending to the Board, strategic, operational and financial matters and procurement proposals.

The EXCOM comprises of 05 representatives of the Board, namely Mr. James Maclaurin (Chairman), Mr. Mohamed Muhsin, Mr. Darke Mohamed Sani, Mr. Chari TVT and Dr. Hans Wijayasuriya and 03 ex-officio members who are drawn from the membership of the Senior Management of Dialog and Axiata.

The EXCOM held 03 meetings during the financial year ended 31 December 2014.

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 GCEO, to oversee the overall operations of the Group. Reporting to the GSMC are Group Leadership Committees that oversee the effective management of core functional areas and are headed by senior management members heading the respective functional area.

- **Re-appointment and Re-election**

In accordance with the Company's Articles of Association, directors who were appointed during the year must submit themselves to the shareholders for re-election at the first AGM following their appointment and one-third of the directors (excluding the executive director) are subject to retirement and re-appointment by rotation at every AGM. The directors who retire by rotation are those who have been longest in office since their appointment/re-appointment.

The director retiring by rotation and eligible for re-election this year are mentioned in the Notice of the AGM on page 136.

2. Remuneration

The Company's remuneration policy endeavours to attract, retain and motivate directors of the quality and experience commensurate with the stature and operational complexity of the Dialog Group. The remuneration policy for directors is proposed, evaluated and reviewed by the NRC, in keeping with criteria of reasonability.

The remuneration of non-executive directors comprises of a monthly fixed allowance and meeting allowances paid in accordance with the number of meetings attended during the year 2014.

The remuneration of the executive director, in his capacity of an employee, comprises of a salary, bonuses, share options and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Company. 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. Thus the variable component of the executive director's remuneration is based on the achievement of two dimensions – company performance against company targets and individual performance against a pre-determined set of Key Performance Indicators (KPI). These KPI's comprise of qualitative and quantitative targets and the evaluation of the achievement of the KPI's is reviewed by the NRC and the recommendations are tabled for approval of the Board.

A total of LKR. 79.07Mn was paid to the Directors as emoluments for the financial year 2014.

3. Accountability and Audit

- **Financial Reporting**

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

The Board aims to provide and present a balanced and understandable assessment of the Group's position and prospects. Therefore, the Board has established a formal and transparent process to independently verify and safeguard the integrity of the Group's accounting and financial reporting and internal control systems, which are periodically reviewed and monitored to ensure effectiveness.

The GCEO and the Group Chief Financial Officer ("GCFO") 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 that operational results are stated in accordance with relevant accounting standards.

4. 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. Upon receiving confirmation from the heads of units, the GCEO and GCFO provide the BAC with a certificate of compliance confirming compliance with all applicable statutory and regulatory requirements on a quarterly basis.

- **Risk Management, Compliance & Control**

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

- Oversight of the risk management system;
- Examination of the Company's Risk profile which contains a description of the material risks facing the Company including financial and non-financial matters;
- Assessment of Compliance and control;
- Assessment of effectiveness - mechanism to review, at least annually, the effectiveness of the Company's implementation of the risk management system.

The Enterprise Risk Management Group Leadership Committee is responsible for monitoring the risks and reporting the same to the BAC and Board on a periodic basis or as and when a significant risk arises.

- **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 page 48.

5. Responsible Decision-Making

The Group's Code of Business Ethics and Employee Code of Conduct actively promotes 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.

6. Respect for the Rights of Shareholders

The Company is committed to having regular, proactive and effective communication with the investors and 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.

- **Communication with shareholders**

The Company communicates with the shareholders through the following means of communication:-

1. Annual General Meeting

The AGM is the main event for the shareholders to meet with the Board which allows reasonable opportunity for informed shareholders to communicate their views on various matters affecting the Company and the forthcoming AGM will be used to effectively communicate with shareholders. The AGM is also attended by the Senior Management, External Auditors and External Legal Counsel.

2. Announcements to the Colombo Stock Exchange

Announcements of quarterly interim financial results, press releases and various announcements on corporate actions are disclosed to the CSE in a prompt and timely manner in compliance with the Listing Rules of the CSE.

3. Media Releases

The Company ensures that media releases are made to the media on all significant corporate developments and business initiatives through its Group Corporate Communications Unit.

4. Company website

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/financial-announcements.

- **Investor Relations**

The Group Investor Relations (IR) Unit proactively disseminates relevant information about the Company to the investor community, specifically the institutional fund managers and analysts. The IR unit maintains close contact with the investor community by means of road shows, company visits, one-on-one meetings, teleconferences and emails etc 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.

In the year 2014, the Company actively participated in three overseas investor conferences held in Singapore, London and Hong Kong. The Company also took part in two local forums for clients of reputed global financial services institutions. In addition the Company has conducted one-on-one meetings and conference calls with key local and foreign investors on a regular basis.

The Company held earnings calls via teleconference every quarter to brief local and foreign analysts and investors on the results achieved in that quarter. Further the annual investor forum was held in February 2015 providing local analysts the opportunity to interact with the senior management. These sessions not only provide analysts and investors with a comprehensive review of the Group's financial performance, but also give them the opportunity to clarify related queries they may have. The contents of these briefings are posted on the Company's website at http://www.dialog.lk/quarterly-reports.

- **Major Transactions**

There were no transactions during the year deemed a "major transaction" in terms of the definition of stipulated in the Companies' Act, No. 7 of 2007.

Report of the Board Audit Committee

Role of the Committee

The Board Audit Committee (BAC) is a formally constituted sub-committee of the Board of Directors (Board). It reports to and is accountable to the Board.

The primary role of the BAC is to implement, address issues and support the oversight function of the Board in relation to the Group's financial results, audits, corporate risks and internal controls. It ensures compliance with international best practices, accounting standards as defined by the Institute of Chartered Accountants of Sri Lanka and applicable local laws and regulations and the requirements of the Listing Rules of the Colombo Stock Exchange (CSE).

The Terms of Reference (ToR) of the BAC, as formulated by the Board, are reviewed annually. The effectiveness of the BAC is evaluated annually by each member of the BAC. The work practices and performance of the external auditors are also reviewed.

Composition

The BAC comprises of three non-executive directors, of whom a majority are independent directors. The BAC is chaired by Mr. Mohamed Muhsin, who is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. The composition meets the requirements stipulated in the Listing Rules of the CSE. The Board Secretary functions as the Secretary to the BAC.

The members of the BAC as at 31 December 2014 were:

1. Mr. Mohamed Muhsin – Independent, Non-Executive Director (Chairman)
2. Mr. Moksevi Prelis – Independent, Non-Executive Director
3. Mr. Thandalam Veeravalli Thirumala Chari - Non-Independent, Non-Executive Director

Mr. Moksevi Prelis and Mr. James Maclaurin were re-appointed to the BAC effective 16 June 2014 and the following members resigned from the BAC during the year 2014 –

1. Mr. Jayantha Dhanapala – w.e.f. 17 June 2014
2. Mr. Mohd Khairil Abdullah – w.e.f. 19 September 2014
3. Mr. James Maclaurin – w.e.f. 19 September 2014

The BAC wishes to place on record its appreciation to Mr. Jayantha Dhanapala, Mr. Mohd Khairil Abdullah and Mr. James Maclaurin for their valued contribution.

Mr. Thandalam Veeravalli Thirumala Chari was appointed as a member of the BAC effective 19 September 2014.

Meetings

The BAC had eight meetings during the year 2014 which includes four special meetings. The meeting attendance of the members is set out in the table below:-

Name of Member	Date of Appointment / Resignation during the year	Attendance
Mr. Mohamed Muhsin - Chairman	-	8/8
Mr. Moksevi Prelis	Re-appointed w.e.f. 17 June 2014	4/4
Mr. Thandalam Veeravalli Thirumala Chari	Appointed w.e.f. 19 September 2014	2/2
Mr. Jayantha Dhanapala	Resigned w.e.f. 17 June 2014	2/4

Name of Member	Date of Appointment / Resignation during the year	Attendance
Mr. James Maclaurin	Re-appointed w.e.f. 17 June 2014 and Resigned w.e.f. 19 September 2014	1/1
Mr. Mohd Khairil Abdullah	Resigned w.e.f. 19 September 2014	6/6

The Group Chief Executive Officer, the Group Chief Financial Officer and the Group Chief Internal Auditor, attended these meetings on invitation. The external auditors also attended meetings, on invitation, to brief the BAC on specific issues. In addition to these formal meetings, the BAC Chairman met with the external auditors in private sessions without any of the management present to exchange views.

The Board is apprised of the significant issues deliberated and considers and adopts, if thought fit, the recommendations of the BAC.

Summary of Principal Activities of the BAC during the Year

During the year, besides complying with the ToR, the BAC reviewed risks, control issues and legal risks of emerging businesses and also gave special attention to the progress of the implementation of the new billing system and IT systems and revenue assurance activities.

The following include other key routine activities carried out by the BAC during 2014:

Financial Reporting

In relation to 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, in consultation with the external and internal auditors, prior to making recommendations 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 reports furnished by the internal auditors, the external auditors and the management, including;

- enterprise risk management reports on significant risk exposures and risk mitigation plans;
- 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;
- certificate of compliance attested by the GCEO and GCFO, confirming compliance with all applicable statutory and regulatory requirements;
- legal and regulatory reports on significant litigation and regulatory issues.

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.

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

Report of the Board Audit Committee

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 the recommendations contained in the Management Letters arising from the audits of the quarterly and annual financial statements, and ensured appropriate follow up actions were taken.

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 re-appointed as the external auditors for the financial year 2015.

Internal Audit

The BAC is supported by the Group Internal Audit Division, headed by Mr. Izrin Hashim, MEng (Oxon), AIIA, the Group Chief Internal Auditor who reports directly to the BAC. The Division has a mix of expertise in the disciplines of Finance, Information Technology, Sales & Marketing and Network Engineering. The Division leverages global best practices and has an on going knowledge sharing and training program with the Axiata Group.

The Division's audit plans are reviewed and approved by the BAC and follow up actions are monitored. The performance of the Internal Audit Division is appraised by the BAC on an annual basis against the audit plan and pre-determined key performance indicators. The Group Chief Internal Auditor's periodic reports detailing control issues and recommendations are reviewed by the BAC and follow actions in regard to past and present recommendations are monitored.

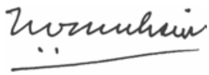
The Group Internal Audit Division performed 24 audit assignments and highlighted key risk issues with recommendations for action. In addition, the division co-ordinated and updated the follow-up action reviews on external audit issues.

Mr. Izrin Hashim relinquished his duties as the Group Chief Internal Auditor of the Company in end February 2015 and returned to the parent company, Axiata Group Bhd. The BAC wishes to place on record its appreciation to Mr. Izrin Hashim for the excellent support and service provided.

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 financial affairs of the Group are managed in accordance with Group policies and accepted accounting standards.

On behalf of the Board Audit Committee.



Mohamed Muhsin, FCA
Chairman, Board Audit Committee

15 May 2015

DIAL Share Information

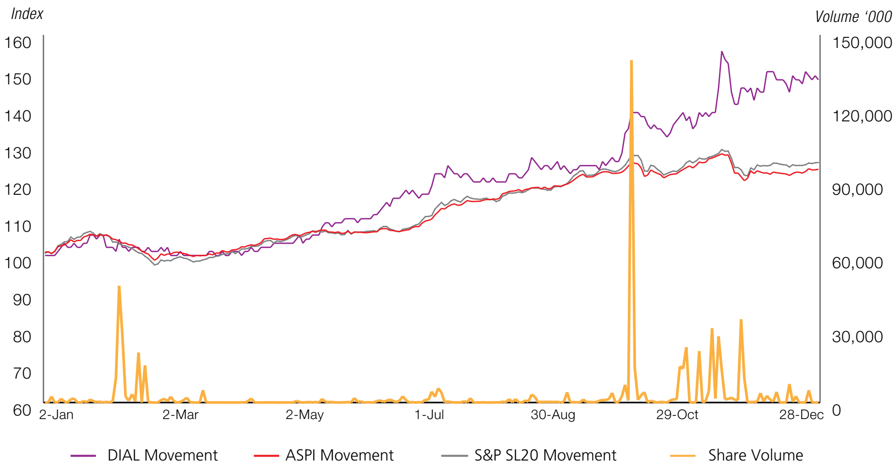


Figure 1: Share Volume and Relative Performance vs Market

The DIAL Share

The continuous decline in policy rates together with substantial foreign inflows into the country have further improved gains made by the Colombo Stock Exchange (CSE), in FY 2014. Though the latter part of the final quarter experienced some volatility due to the political environment that preceded the 2015 presidential poll, ASPI recorded a growth of 23.4%, while the S&P SL20 Index recorded an increase of 25.3%. The market depicted a steady growth especially during Q3 of 2014, driven by foreign as well as local investor participation who channeled their funds back to the Capital Market shifting from bank deposits due to lower interest rates. The 364 day TB yield has declined by 229 basis points during the year.

DIAL share started the year at Rs. 9.00 and traded between a high of Rs. 14.10 and a low of Rs. 8.90 to close the year at Rs. 13.30. The share price increased significantly by 47.8% compared to FY 2013. DIAL share outperformed both the ASPI and S&P SL20. The improved market sentiments and performance during the year has translated into positive performance of the share.

Market Capitalisation

The total market capitalisation of the Company increased by 47.8% to Rs. 108.31Bn during the year compared to Rs. 73.29Bn in FY 2013, representing approximately 3.5% of the total market capitalisation of the CSE. DIAL is among the top ten largest companies on the CSE in terms of market capitalisation.

DIAL Share Information

	2014	Q4	Q3	Q2	Q1	2013
Share Information						
Highest Price (Rs)	14.10	14.10	11.60	10.60	9.60	9.90
Lowest Price (Rs)	8.90	11.50	10.40	9.00	8.90	7.90
Closing Price (Rs)	13.30	13.30	11.50	10.50	9.00	9.00
Trading Statistics						
Number of Trades'000	11.1	5.0	2.4	2.1	1.6	7.6
% of Total Market Trades	0.6	0.9	0.7	0.6	0.5	0.5
Number of shares traded (Mn)	630	405	53	19	154	338
% of Total Shares Traded	3.8	8.6	6.5	0.6	5.7	3.7
% of Public float	48.6	29.8	4.4	1.6	12.9	28.2
Turnover (Rs. Mn)	7,313	5,127	583	186	1,417	3,035
Avg. Daily Turnover (Rs. Mn)						
% of Total Market Turnover	2.1	4.9	0.5	0.3	2.7	1.5
Market Capitalisation (Rs. Mn)	108,312	108,312	93,653	85,510	73,294	73,294
% of Total Market Capitalisation	3.5	3.5	3.1	3.2	2.9	3.0

Table 1: Market information on DIAL share

Dividends

Subsequent to the approval of the financial statements, the Board of Directors resolved on 12th May 2015, to recommend for the approval of shareholders, a total dividend of Rs. 1.1Bn for the financial year ended 31st December 2014, in line with profit available for distribution and the imperative of investing in the future growth of the Company, which translates to a dividend to shareholders of Rs. 0.13 per share.

Total Shareholder Returns

The Total Shareholder Returns (TSR) of the share was 51.0% in FY 2014 as a result of the 47.8% increase in the share price and the dividend per share of Rs. 0.29 paid during the year. The Market TSR (based on ASPI) increased by 26.3% in 2014, while TSR based on S&P SL20 increased by 29.0%.

Earnings Per Share

The basic earnings per share (EPS) for the year was Rs. 0.76 compared to the EPS of Rs. 0.65 recorded in FY 2013 an increase of 16.9% YoY. EPS is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Price Earnings Ratio

DIAL share was trading at 17.5x earnings as at 31st December 2014 compared to 13.8x as at 31st December 2013 due to the EPS registering a growth lesser than the rate at which the share price has appreciated. However, DIAL share was trading at a lower earnings multiple to the market, which was recorded at 19.7x as at 31st December 2014.

	2014	2013	2012
Market cap (Rs. Bn)	108.3	73.3	67.6
Market value added (Rs. Bn)	35	6	4
Enterprise value (Rs. Bn)	127	99	83
EV/EBITDA (x)	6.1	5.0	4.5
Basic EPS (Rs.)	0.76	0.65	0.76
PER (x)	17.5	13.8	11.1
Price to book (x)	2.4	1.8	1.8

Table 2: Trading Multiples

Return on Equity and Return on Invested Capital

The Return on Equity (ROE) for the Group increased to 14.9% in FY 2014 from 13.1% in FY 2013. Return on Invested Capital (ROIC) for the Group decreased to 10.3% in FY 2014 from 10.9% in FY 2013.

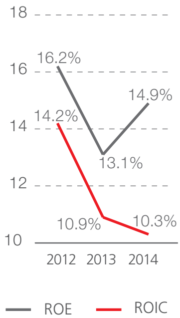


Figure 2: Return on Equity and Return on Invested Capital

Price to Book Ratio

The price to book ratio of the Group as at 31st December 2014 was 2.4x, an increase of 33.3% compared to last year.

Composition of Shareholders

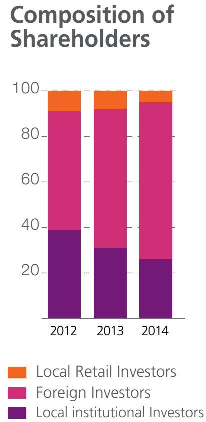


Figure 3: Trend in Composition of Shareholders

The total number of Shareholders of DIAL decreased to 20,334 as at 31st December 2014 compared to the 21,344 during the previous year.

The public float of DIAL was at 16.7% as at 31st December 2014. In terms of composition of the public float, foreign investors held 69% of the float, 26% was held by local institutional investors and 5% by local retail investors.

FY 2014 witnessed renewed foreign investor interest in DIAL, accordingly foreign investor composition increased to 69% in FY 2014 compared to 61% in the previous year.

DIAL Share Information

Distribution of Shareholders

	31st December 2014				31st December 2013			
	No. of Share-holders	%	No. of Shares Held	%	No. of Share-holders	%	No. of Shares Held	%
1 to 1,000	10,423	51.26	5,358,702	0.07	10,611	49.71	5,601,013	0.07
1,001 to 10,000	8,925	43.89	21,391,029	0.26	9,548	44.73	23,349,680	0.29
10,001 to 100,000	790	3.89	23,677,740	0.29	958	4.49	28,416,398	0.35
100,001 to 1,000,000	122	0.60	38,363,747	0.47	157	0.74	48,513,310	0.60
Over 1,000,000	74	0.35	8,054,987,187	98.91	70	0.33	8,037,898,004	98.70
Total	20,334	100.00	8,143,778,405	100.00	21,344	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

Table 3: Distribution of Shareholders

	Name of Shareholder	No. of Shares As at 31-Dec-14	% of Holding	No. of Shares As at 31-Dec-13	% of Holding
1	Axiata Investments (Labuan) Limited	6,785,252,765	83.3%	6,785,252,765	83.3%
2	HSBC INTL NOM LTD-BBH Genesis Smaller Companies	178,669,912	2.2%	181,660,558	2.2%
3	Employees Provident Fund	177,494,055	2.2%	213,735,588	2.6%
4	HSBC INTL NOM LTD-SSBT-Wasatch Frontier Emerging Small Countries Fund	137,412,700	1.7%	-	0.0%
5	HSBC INTL NOM LTD-SSBT-National Westminster Bank PLC as Depositary of First State Indian Subcontinent Fund a Sub Fund of First State Investments ICVC	76,876,900	0.9%	51,154,800	0.6%
6	HSBC INTL Nominees Ltd-JPMCB-Scottish ORL SML TR GTI 6018	68,851,821	0.8%	62,823,900	0.8%
7	CB NY S/A International Finance Corporation	64,086,800	0.8%	64,086,800	0.8%
8	HSBC International Nominees Limited-BBH-Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.7%	55,345,900	0.7%
9	BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	44,314,300	0.5%	44,314,300	0.5%
10	The Ceylon Guardian Investment Trust Plc A/C # 02	31,733,585	0.4%	281,303	0.0%
11	The Ceylon Investment Plc A/C # 02	31,473,413	0.4%	132,408	0.0%
12	Northen Trust Co S/A EDGBASTON Asian Equity Trust	25,847,325	0.3%	20,255,349	0.2%
13	HSBC Intl Nom Ltd-SSBT-National Westminster Bank PLC as Depositary of First State Asia Pacific Sustainability Fund a Sub Fund of First State Investments ICVC	24,130,400	0.3%	-	0.0%
14	HSBC Intl Nom Ltd-SSBT-National Westminster Bank Plc as Depositary of First State Asia Pacific Fund a Sub Fund of First State Investments ICVC	23,993,425	0.3%	43,473,700	0.5%
15	Northern Trust Co S/A Prince Street Opportunities Ltd.	22,000,000	0.3%	22,000,000	0.3%
16	CB NY S/A Wasatch Frontier Emerging Small Countries Citi Fund	19,733,200	0.2%	-	0.0%
17	Mellon Bank N.A-Eaton Vance Trust Co. Collective Inv. Trust For Empolyee Benefit Plans-Eaton Vance Trust Co./Parametric Structured Emerging Mkt. Equity Fund	19,392,086	0.2%	-	0.0%
18	Mellon Bank N.A.-UPS Group Trust	18,880,000	0.2%	18,880,000	0.2%
19	HSBC Intl Nom Ltd-JPMCB-Pacific Assets Trust PLC	17,847,200	0.2%	-	0.0%
20	HSBC Intl Nom Ltd-SSBT-Parametric Emerging Markets Fund	13,671,999	0.2%	-	0.0%

Table 4: Twenty Largest Shareholders

Financial Statements

Annual Report of the Board of Directors for the year ended 31 December 2014

The Board of Directors ['the Board'] of Dialog Axiata PLC ['DAP' or 'the Company'] is pleased to present herewith the 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 31 December 2014 as set out on pages 62 to 130.

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 (CSE) and is 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 27 August 1993, under the Companies Act, No. 17 of 1982, as a private limited liability company bearing the name MTN Networks (Private) Limited.

MTN Networks (Private) Limited changed its name to Dialog Telekom Limited on 26 May 2005 and was listed on the Colombo Stock Exchange on 28 July 2005. Pursuant to the requirements of the Companies Act, No. 07 of 2007 ("Companies' Act"), the Company was re-registered on 19 July 2007 and was accordingly renamed as Dialog Telekom PLC and bears registration number PQ38. Dialog Telekom PLC changed its name to Dialog Axiata PLC on 7 July 2010 in accordance with the provisions of the Section 8 of the Companies Act.

The Company and its subsidiaries have entered into a number of agreements with the Board of Investment of Sri Lanka (BOI). The Company and the Group enjoy concessions under Section 17 of the BOI Act.

Principal Activities

The principal activities of the Group, are to provide communication services (mobile, fixed, broadband, international gateway services), telecommunication infrastructure services (tower infrastructure and transmission services), media (digital television services based on multiple media - satellite, cable, terrestrial) and digital services [including but not limited to digital commerce (mobile and e-commerce), electronic payments (including mobile payment), digital health, education, navigation and enterprise services].

Financial Statements

The financial statements which include the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes to the financial statements of the Company and the Group for the year ended 31 December 2014 are set out on pages 62 to 130.

Independent Auditor's Report

The Independent auditor's report is set out on page 61.

Accounting Policies

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Accounting Standards (LKASs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC).The significant accounting policies adopted in the preparation of financial statements are given on pages 67 to 86.

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 Sri Lanka Accounting Standards, the Companies Act and the Listing Rules of the Colombo Stock Exchange. The detail statement of Directors' responsibility is included in page 60.

Review of Business

The state of affairs of the Company and the Group as at 31 December 2014 is set out in the statements of financial position on page 62. An assessment of the financial performance of the Company and the Group is set out in the statements of comprehensive income on page 63.

Property, Plant and Equipment

The movements in property, plant and equipment during the year are set out in note 8 to the financial statements.

Market Value of Properties

The Directors are of the view that the carrying values of properties stated in note 8 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 of the Company and the Group on pages 64 and 65 to the financial statements.

Substantial Shareholdings

The parent company, Axiata Investments (Labuan) Limited, held 83.32 percent of the ordinary shares in issue of the Company at 31 December 2014. The main shareholders of the Company and the corresponding holding percentages are set out below:

Annual Report of the Board of Directors for the year ended 31 December 2014

Substantial Shareholdings (Contd.)

Name of Shareholders	2014 No. of Shares	2014 % Holding	2013 No. of Shares	2013 % Holding
1 Axiata Investments (Labuan) Limited	6,785,252,765	83.32%	6,785,252,765	83.32%
2 HSBC INTL Nom Limited - BBH Genesis Smaller Companies	178,669,912	2.19%	181,660,558	2.23%
3 Employees Provident Fund	177,494,055	2.18%	213,735,588	2.62%
4 HSBC INTL Nom Limited -SSBT -Wasatch Frontier Emerging Small Countries Fund	137,412,700	1.69%	-	-
5 HSBC INTL Nom Limited - SSBT-National Westminster Bank PLC as depositary of first state Indian subcontinent fund a sub fund of first state investments ICVC	76,876,900	0.94%	51,154,800	0.63%
6 HSBC INTL Nominees Limited -JPMCB-Scottish ORL SML TR GTI 6018	68,851,821	0.85%	62,823,900	0.77%
7 CB NY S/A International Finance Corporation	64,086,800	0.79%	64,086,800	0.79%
8 HSBC International Nominees Limited-BBH-Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.68%	55,345,900	0.68%
9 BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	44,314,300	0.54%	44,314,300	0.54%
10 The Ceylon Guardian Investment Trust Plc A/C # 02	31,733,585	0.39%	281,303	0.00%

As at 31 December 2014, the public held 16.68 percent (2013 - 14.73 percent) of the ordinary shares in issue of the Company.

Directors

The Directors of the Company as at 31 December 2014 were;

Datuk Azzat Kamaludin (Chairman)
Dr. Hansa Wijayasuriya (Group Chief Executive Officer)
Mr. Moksevi Prelis
Mr. Mohamed Muhsin
Mr. James Maclaurin
Mr. Darke Mohamed Sani (Appointed with effect from 08 February 2014)
Deshamanya Mahesh Amalean (Appointed with effect from 15 May 2014)
Mr. Thandalam Veeravalli Thirumala Chari (Appointed with effect from 19 September 2014)

During the year under review, the following resignations and appointments took place:

Resignations from the Board:

1 Dato' Sri Jamaludin Ibrahim - with effect from 08 February 2014
2 Mr. Jayantha Dhanapala - with effect from 17 June 2014
3 Mr. Mohd Khairil Abdullah - with effect from 19 September 2014

Appointments to the Board:

1 Mr. Darke Mohamed Sani - with effect from 08 February 2014
2 Deshamanya Mahesh Amalean - with effect from15 May 2014
3 Mr. Thandalam Veeravalli Thirumala Chari - with effect from 19 September 2014

As Mr. Thandalam Veeravalli Thirumala Chari was appointed to the Board since the last Annual General Meeting which was held on 17 June 2014, he will submit himself for re-election at the forthcoming Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company.

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

Mr. Moksevi Prelis, who attained the age of 78 years on 2 July 2014, and Mr. Mohamed Muhsin, who attained the age of 71 years on 16 October 2014, retire pursuant to Section 210 of the Companies Act, 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 Prelis and Mr. Mohamed Muhsin will be proposed at the forthcoming Annual General Meeting.

Interests Register

The Company has maintained an interest register as required by the Companies Act. 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 33 to the financial statements.

Remuneration and Other Benefits of Directors

The remuneration and other benefits of the Directors are given in note 25 to the financial statements.

Employee Share Option Scheme

Details of the Employee Share Option Scheme are given in note 16 to the financial statements.

Directors' Interests in Shares of the Company

The details of shares held by the Directors and their spouses as at 31 December are as follows:

	As at December	
	2014	2013
Dr. Hansa Wijayasuriya	43,010	42,570
Mr. Moksevi Prelis	18,480	18,480
Mr. Mohamed Muhsin	18,040	18,040

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

Annual Report of the Board of Directors for the year ended 31 December 2014

Amounts Payable to the Firm Holding Office as Independent Auditor

The remuneration payable by the Company to the independent auditor is given in note 25 to the financial statements.

Stated Capital

The stated capital of the Company as at 31 December 2014 was Rs. 28,103,913,434 comprising 8,143,778,405 ordinary 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 the Group 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 date of the statement of financial position have been duly paid, or where relevant provided for, except as disclosed in note 31 to the financial statements.

Risk Management and Internal Controls

The Directors are responsible for the Company's and 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 and to provide reasonable assurance against material misstatement or loss. The Directors further confirm that there is an ongoing process to identify, evaluate and manage significant business risks.

Environmental Protection

The Company and the Group are 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 the management, the Directors are satisfied that the Company and the Group operate in a manner that minimises the detrimental effects on the environment and provide 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.40,876,453 (2013 - Rs.67,623,918).

Going Concern

The Directors are satisfied that the Company and the Group have adequate resources to continue its operations for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

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, digital television and digital services 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 submarine International fibre optic cable and landing station, domestic 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 deliver a superlative data connectivity experience across Sri Lanka by deploying the latest access technologies and also driving the affordability and adoption of smart phones and other empowering connectivity devices across all segments of society through the furthering of strategic device partnerships. This will in turn further empower Sri Lankan citizens and businesses with parity access to information, knowledge and entertainment.

Independent Auditor

Messrs PricewaterhouseCoopers Sri Lanka, Chartered Accountants, served as the Independent Auditor during the year. The Directors are satisfied that, based on representations made by the Independent Auditor to the Board, they did not have any relationship or interest with the Company and its subsidiaries that would impair their independence and objectivity.

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

Events After the Reporting Period

No other material events have occurred since the date of the statement of financial position which requires adjustments to, or disclosures in the financial statements other than those disclosed in note 35 to the financial statements.

By Order of the Board

Dr. Hans Wijayasuriya
Director

Mr. Moksevi Prelis
Director

Ms. Viranthi Attygalle
Secretary

Colombo
16 February 2015

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 Auditor in relation to the financial statements prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 ['the Act'], is set out in the Independent Auditor's report on page 61.

The financial statements comprise:

- the statements of comprehensive income, which presents a true and fair view of the profit or loss and/or other comprehensive income/expense of the Company and the Group for the financial year,
- the statements of financial position, 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.

In preparing these financial statements the Directors are required to ensure that:

- 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 Act and the Listing Rules of the Colombo Stock Exchange has been complied with.

The Directors are also required to ensure that the Company and the Group have adequate resources to continue operations to justify applying the 'going concern' basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company and the Group 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 of preventing and detecting fraud and other irregularities.

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 the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the date of the statement of financial position have been paid, or where relevant provided for, except as disclosed in note 31 to the financial statements covering contingent liabilities.

By Order of the Board

Ms. Viranthi Attygalle
Company Secretary

Colombo
16 February 2015

Independent Auditor's Report

pwc

To the shareholders of Dialog Axiata PLC

Report on the financial statements

1 We have audited the accompanying financial statements of Dialog Axiata PLC ("the Company", the consolidated financial statements of the Company and its subsidiaries ("the Group), which comprise the balance sheets as at 31 December 2014, and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 62 to 130

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial positions of the Company and the Group as at 31 December 2014, and of their financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards.

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers

16 February 2015

COLOMBO

CHARTERED ACCOUNTANTS

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9838, 471 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Statements of Financial Position

(all amounts in Sri Lanka Rupees thousands)

	Note	Group 31 December 2014	Group 31 December 2013	Company 31 December 2014	Company 31 December 2013
ASSETS					
Non-current assets					
Intangible assets	7	16,220,414	17,318,737	5,561,147	6,318,363
Property, plant and equipment	8	71,264,570	68,450,923	51,442,639	50,768,641
Investment in subsidiaries	9	-	-	18,826,010	18,826,010
Investment in associates	10	249,479	257,979	377,833	278,694
Amount due from related companies	14	48,806	1,273	16,885,475	13,864,601
Financial assets	12	115,000	-	115,000	-
		87,898,269	86,028,912	93,208,104	90,056,309
Current assets					
Inventories	13	262,624	669,792	131,810	551,256
Trade and other receivables	14	13,244,209	14,487,943	10,751,022	12,057,912
Cash and cash equivalents	15	10,774,042	3,217,502	9,805,322	2,063,250
		24,280,875	18,375,237	20,688,154	14,672,418
Total assets		**112,179,144**	**104,404,149**	**113,896,258**	**104,728,727**
EQUITY					
Capital and reserves attributable to equity holders					
Stated capital	16	28,103,913	26,112,992	28,103,913	26,112,992
Reserves	17	16,728,377	13,622,578	27,713,534	23,702,833
Total equity		**44,832,290**	**39,735,570**	**55,817,447**	**49,815,825**
LIABILITIES					
Non-current liabilities					
Borrowings	19	25,453,950	17,451,422	25,453,950	17,451,422
Derivative financial instrument	20	55,837	-	55,837	-
Deferred revenue	21	1,906,053	1,690,733	1,787,242	1,552,055
Deferred income tax liability	22	80	800	-	-
Employee benefit payables	23	1,442,038	717,869	1,245,365	588,035
Provision for other liabilities	24	1,135,438	1,564,353	921,130	1,310,468
		29,993,396	21,425,177	29,463,524	20,901,980
Current liabilities					
Trade and other payables	18	32,257,903	30,219,606	23,926,468	21,504,891
Borrowings	19	4,457,578	11,905,931	4,051,738	11,392,675
Derivative financial instrument	20	9,090	-	9,090-	
Current income tax liabilities		628,887	1,117,865	627,991	1,113,356
		37,353,458	43,243,402	28,615,287	34,010,922
Total liabilities		**67,346,854**	**64,668,579**	**58,078,811**	**54,912,902**
Total equity and liabilities		**112,179,144**	**104,404,149**	**113,896,258**	**104,728,727**
Net assets per share (Rs.)		5.50	4.88	6.85	6.12

The notes on pages 67 to 130 form an integral part of these financial statements.

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

Ms. Lucy Tan
Group Chief Financial Officer
16 February 2015

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
16 February 2015

Mr. Moksevi Prelis
Director
16 February 2015

Statements of Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

	Note	Group 31 December		Company 31 December	
		2014	2013	2014	2013
Revenue		67,285,594	63,297,591	57,963,362	55,445,060
Direct costs		(38,797,061)	(36,865,917)	(32,048,946)	(31,369,285)
Gross profit		28,488,533	26,431,674	25,914,416	24,075,775
Distribution costs		(9,478,487)	(8,605,198)	(8,302,514)	(7,700,619)
Administrative costs		(11,101,636)	(10,250,423)	(8,965,743)	(8,106,116)
Other income		145,378	87,904	86,199	77,590
Operating profit		8,053,788	7,663,957	8,732,358	8,346,630
Finance income	27	203,427	113,116	199,170	107,068
Finance costs	27	(819,388)	(1,419,605)	(755,615)	(1,278,276)
Finance costs - net	27	(615,961)	(1,306,489)	(556,445)	(1,171,208)
Share of loss from associates - net of tax	10	(107,639)	(29,542)	-	-
Profit before income tax		7,330,188	6,327,926	8,175,913	7,175,422
Income tax	28	(1,232,438)	(1,126,896)	(1,221,989)	(1,113,932)
Profit for the year		**6,097,750**	**5,201,030**	**6,953,924**	**6,061,490**
Other comprehensive expense:					
Items that will not be reclassified to profit or loss					
- Actuarial loss on defined benefit obligation, net of tax		(186,163)	(6,888)	(137,435)	(3,788)
Items that may be subsequently reclassified to profit or loss					
- Net change in cash flow hedge		(39,337)	-	(39,337)	-
Other comprehensive expense for the year, net of tax		**(225,500)**	**(6,888)**	**(176,772)**	**(3,788)**
Total comprehensive income for the year		**5,872,250**	**5,194,142**	**6,777,152**	**6,057,702**
Profit for the year attributable to equity holders of the Company		6,097,750	5,201,030	6,953,924	6,061,490
Total comprehensive income for the year attributable to equity holders of the Company		5,872,250	5,194,142	6,777,152	6,057,702
Basic earnings per share for profit attributable to the equity holders of the Company (Rs.)	29	0.76	0.65	0.87	0.76

The notes on pages 67 to 130 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Attributable to equity holders of the Company			
	Stated capital	Shares in ESOS Trust	Reserves	Total
Balance at 1 January 2014	28,103,913	(1,990,921)	13,622,578	39,735,570
Profit for the year	-	-	6,097,750	6,097,750
Other comprehensive expense	-	-	(225,500)	(225,500)
Total comprehensive income for the year	**-**	**-**	**5,872,250**	**5,872,250**
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	-	45,986	45,986
Effect of disposal of shares in ESOS Trust	-	1,990,921	(21,001)	1,969,920
Transfer of dividend reserve - ESOS Trust	-	-	(429,740)	(429,740)
Balance at 31 December 2014	**28,103,913**	**-**	**16,728,377**	**44,832,290**
Balance at 1 January 2013	28,103,913	(1,990,921)	11,068,553	37,181,545
Profit for the year	-	-	5,201,030	5,201,030
Other comprehensive expense	-	-	(6,888)	(6,888)
Total comprehensive income for the year	**-**	**-**	**5,194,142**	**5,194,142**
Dividend received by ESOS Trust	-	-	52,329	52,329
Dividend to equity shareholders	-	-	(2,687,446)	(2,687,446)
Direct cost on share issue	-	-	(5,000)	(5,000)
Balance at 31 December 2013	**28,103,913**	**(1,990,921)**	**13,622,578**	**39,735,570**

The notes on pages 67 to 130 form an integral part of these financial statements.

Company Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Attributable to equity holders of the Company			
	Stated capital	Shares in ESOS Trust	Reserves	Total
Balance at 1 January 2014	28,103,913	(1,990,921)	23,702,833	49,815,825
Profit for the year	-	-	6,953,924	6,953,924
Other comprehensive expense	-	-	(176,772)	(176,772)
Total comprehensive income for the year	**-**	**-**	**6,777,152**	**6,777,152**
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	-	45,986	45,986
Effect of disposal of shares in ESOS Trust	-	1,990,921	(21,001)	1,969,920
Transfer of dividend reserve - ESOS Trust	-	-	(429,740)	(429,740)
Balance at 31 December 2014	**28,103,913**	**-**	**27,713,534**	**55,817,447**
Balance at 1 January 2013	28,103,913	(1,990,921)	20,280,248	46,393,240
Profit for the year	-	-	6,061,490	6,061,490
Other comprehensive expense	-	-	(3,788)	(3,788)
Total comprehensive income for the year	**-**	**-**	**6,057,702**	**6,057,702**
Dividend received by ESOS Trust	-	-	52,329	52,329
Dividend to equity shareholders	-	-	(2,687,446)	(2,687,446)
Balance at 31 December 2013	**28,103,913**	**(1,990,921)**	**23,702,833**	**49,815,825**

The notes on pages 67 to 130 form an integral part of these financial statements.

Statements of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

	Note	Group 31 December 2014	Group 31 December 2013	Company 31 December 2014	Company 31 December 2013
Cash flows from operating activities					
Cash generated from operations	30	23,837,447	22,218,572	23,548,408	20,781,999
Interest received		183,903	119,901	179,645	113,853
Interest paid		(370,688)	(287,971)	(370,585)	(287,095)
Tax paid		(567,037)	(134,806)	(547,022)	(120,000)
Employee benefits paid		(89,132)	(29,000)	(69,953)	(25,085)
Net cash generated from operating activities		22,994,493	21,886,696	22,740,493	20,463,672
Cash flows from investing activities					
Purchase of property, plant and equipment		(14,570,614)	(19,294,362)	(9,560,672)	(13,140,736)
Purchase of intangible assets		(633,781)	(8,620,928)	(618,528)	(6,672,182)
Investment in associate	10	(99,139)	(45,348)	(99,139)	(45,348)
Advances to subsidiaries	33 (c)	-	-	(4,533,400)	(6,954,222)
Advances to associate		(48,806)	-	(48,806)	-
Loans to associate		(75,000)	-	(75,000)	-
Purchase of available-for-sale financial assets		(40,000)	-	(40,000)	-
Proceed from sale of property, plant and equipment		83,160	57,855	30,897	48,350
Net cash used in investing activities		(15,384,180)	(27,902,783)	(14,944,648)	(26,764,138)
Cash flows from financing activities					
Repayment of borrowings		-	(15,816,364)	-	(15,816,364)
Repayment of finance leases		-	(5,129)	-	-
Proceed from borrowings		-	19,097,232	-	19,097,232
Dividend paid to ordinary shareholders		(2,361,696)	(2,687,446)	(2,361,696)	(2,687,446)
Dividend received - ESOS Trust		45,986	52,329	45,986	52,329
Proceeds from disposal of shares in ESOS Trust		1,969,920	-	1,969,920	-
Expenses on share issue		-	(5,000)	-	-
Net cash (used in) / generated from financing activities		(345,790)	635,622	(345,790)	645,751
Net increase / (decrease) in cash and cash equivalents		7,264,523	(5,380,465)	7,450,055	(5,654,715)
Movement in cash and cash equivalents					
At start of the year		3,217,502	8,647,069	2,063,250	7,767,439
Increase / (decrease)		7,264,523	(5,380,465)	7,450,055	(5,654,715)
Effect of exchange rate changes		292,017	(49,102)	292,017	(49,474)
At end of the year	15	10,774,042	3,217,502	9,805,322	2,063,250

The notes on pages 67 to 130 form an integral part of these financial statements.

Notes to the Financial Statements

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

1 Corporate information

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

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

The Company's and the Group's financial statements were authorised for issue by the Board of Directors on 16 February 2015.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Accounting Standards (LKASs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in note 5 to the financial statements.

(a) New accounting standards, amendments and interpretations adopted in 2014.

The following standards have been adopted by the Group for the first time with effect from financial year beginning on 1 January 2014.

(i) SLFRS 10 'Consolidated Financial Statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

(ii) SLFRS 11 'Joint Arrangements', focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operators account for its share of the assets, liabilities, revenue and expenses. Joint ventures are accounted for under equity method. Proportional consolidation of joint arrangements is no longer permitted.

(iii) SLFRS 12 'Disclosure of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

2 Summary of significant accounting policies (Contd.)

2.1 Basis of preparation (Contd.)

(a) New accounting standards, amendments and interpretations adopted in 2014 (Contd.)

(iv) SLFRS 13 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Sri Lanka Accounting Standards.

(v) IFRIC 21 'Levies', establishes the accounting for an obligation to pay a levy if that liability is within the scope of LKAS 37 'Provisions'. The interpretation addresses what the obligating event which gives rise to pay a levy and when a liability should be recognised. The Group has applied the IFRIC 21 and there has been no significant impact on the Group financial statements.

(vi) Amendment to LKAS 1 'Financial Statement Presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments).

(vii) Amendments to LKAS 32 'Financial Instruments: Presentation', with regard to offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment does not have a significant effect on the Group financial statements.

(viii) Amendments to LKAS 36 'Impairment of Assets', regarding recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of 'Cash-Generating Units' (CGUs) which had been included in LKAS 36 by the issue of SLFRS 13.The amendment does not have a significant effect on the Group financial statements.

(ix) Amendments to LKAS 39 'Financial Instruments: Recognition and Measurement', on novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under LKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment is not applicable to the Group financial statements in the current financial year.

(b) New accounting standards, amendments and interpretations issued but not yet adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Group, except as set out below:

(i) SLFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of SLFRS 9 was issued in July 2014. It replaces the guidance in LKAS 39 that relates to the classification and measurement of financial instruments. SLFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in LKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. SLFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under LKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess the full impact of SLFRS 9.

(ii) SLFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces LKAS 18 and LKAS 11 and related interpretations. This standard will be effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact to the Group.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered only if the rights are substantive 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 deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition related costs are expensed as incurred.

When initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in the financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

2 Summary of significant accounting policies (Contd.)

2.2 Consolidation (Contd.)

(a) Subsidiaries (Contd.)

During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date in profit or loss in the statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with LKAS 39, in the statement of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as 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. If this consideration is lower than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Investments in subsidiaries are accounted for at cost less impairment in separate financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. The financial periods of the subsidiary undertakings are same as that of the Company.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised as other comprehensive income in the statement of comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

A listing of the Group's principal subsidiaries is set out in note 9 to the financial statements.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the post-acquisition results and changes of the associate's reserves in the consolidated statement of comprehensive income after the date of acquisition and net off with any accumulated impairment loss, if any.

The Group's investment in associates includes goodwill identified on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profits and losses resulting from transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income in the consolidated statement of comprehensive income is reclassified to profit or loss in the consolidated statement of comprehensive income where appropriate. The cost of acquiring an additional stake in an associate is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not re-measured. Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the difference in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (Contd.)

2.3 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 and the Group'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.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss in statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'Finance income or cost'.

2.4 Property, plant and equipment (PPE)

(a) Measurement

PPE are stated at historical cost less accumulated 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, and direct labour and related directly attributable overheads. Cost of fixed line CDMA network includes customers' premises equipment including handsets. The cost of other PPE 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 Company and 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 statement of comprehensive income during the financial period in which they are incurred.

Depreciation of assets begins when it is available for use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost 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
Customers' premises equipment	33 to 100
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 the end of each reporting period.

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 within 'Other income' in the statement of comprehensive income.

Identifiable interest costs on borrowings to finance the construction of PPE are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

(b) Asset exchange transaction

PPE may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair value unless;

- the exchange transaction lacks commercial substance; or

- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Company and the Group cannot immediately derecognise the assets given up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(c) Repairs and maintenance

Repairs and maintenance are charged to the profit or loss in the statement of comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company and the Group. This cost is depreciated over the remaining useful life of the related asset.

2 Summary of significant accounting policies (Contd.)

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 circumstances indicate that it might be impaired and carried at less than costs less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to 'Cash-Generating Units' (CGU) for the purpose of impairment testing. Each CGU or a group of CGUs represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

(b) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses 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 licenses over their estimated useful lives which is between 5 to 10 years.

(c) Computer software

Acquired computer software licenses 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 two (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 two (2) years. Costs relating to development of software are carried in capital work in progress until the software is available for use.

Other development expenditures that do not meet the relevant criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(d) Other intangibles

Costs incurred to acquire the indefeasible right of use of SEA-ME-WE under-sea cable, is recognised at cost and amortised over its useful life of 2 to 15 years.

2.6 Investments

In the Company's separate financial statement, investments in subsidiaries and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life 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. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(a) Classification

The Company and the Group classify its financial assets in the following categories: at 'Fair Value Through Profit or Loss' (FVTPL), Loans and Receivables, 'Available-For-Sale' (AFS) and 'Held-To-Maturity' (HTM). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve (12) months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the end of the reporting period. These are classified as non-current assets.

(iii) HTM financial assets

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's and the Group's management have the positive intention and ability to hold to maturity. If the Company and the Group were to sell other than an insignificant amount of HTM financial assets, the whole category would be tainted and reclassified as AFS. HTM financial assets are included in non-current assets, except for those with maturities less than twelve (12) months from the end of the reporting period, which are classified as current assets

(iv) AFS financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve (12) months from the end of the reporting period.

2 Summary of significant accounting policies (Contd.)

2.8 Financial assets (Contd.)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company and the Group commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

(c) Subsequent measurement - gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair value. Loans and receivables and HTM financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation are recognised in the statement of comprehensive income in the period in which the changes arise.

(d) Subsequent measurement - impairment of financial assets

(i) Assets carried at amortised cost

The Company and the Group assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'Loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or HTM investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company and the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(ii) Assets classified as AFS

The Company and the Group assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Company and the Group use criteria and measurement of impairment loss applicable for 'Assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

In the case of equity securities classified as AFS, in addition to the criteria for 'Assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the statement of comprehensive income. The amount of cumulative loss that is reclassified to the statement of comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as AFS are not reversed through the statement of comprehensive income.

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company and the Group have transferred substantially all risks and rewards of ownership.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(g) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company and the Group designate certain derivatives as either:

(i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(iii) Hedges of a net investment in a foreign operation (net investment hedge).

2 Summary of significant accounting policies (Contd.)

2.8 Financial assets (Contd.)

(g) Derivative financial instruments and hedging activities (Contd.)

The Company and the Group document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company and the Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve (12) months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve (12) months. Trading derivatives are classified as a current asset or liability. The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. Movements on the hedging reserve in other comprehensive income are shown in note 17.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of comprehensive income within 'Net finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'Other gains / (losses) - net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the statement of comprehensive income within 'Net finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to the statement of comprehensive income over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the statement of comprehensive income within 'Other comprehensive income'. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'Other gains / (losses) - net'.

Amounts accumulated in equity are reclassified to the statement of comprehensive income in the periods when the hedged item affects statement of comprehensive income. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within 'Net finance cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of PPE.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within 'Other gains / (losses) - net'.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in statement of comprehensive income within 'Other comprehensive income'. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'Other gains / (losses) - net'. Gains and losses accumulated in equity are included in the statement of comprehensive income when the foreign operation is partially disposed of or sold.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises 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. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

2.11 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.12 Stated capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 Summary of significant accounting policies (Contd.)

2.12 Stated capital (Contd.)

(b) Share issue expenses

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(c) Dividend to shareholders of the Company

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

2.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one (01) year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the Company and the Group have an unconditional right to defer settlement of the liability for at least twelve (12) months after the date of statement of financial position.

2.15 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss under finance cost in the period in which they are incurred.

2.16 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is recognised in equity. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised 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 liabilities are 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 substantially enacted by the date of the statement of financial position 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 is provided on temporary differences arising on investments in subsidiaries and associates 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

2.17 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 defined benefit plan comprises the gratuity provided under the Act, No. 12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position. 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 the yield rate of long term government bonds that have terms to maturity approximating to the terms of the related retirement benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the statement of comprehensive income.

The assumptions based on which the results of the actuarial valuation was determined, are included in note 23 to the financial statements.

2 Summary of significant accounting policies (Contd.)

2.17 Employee benefits (Contd.)

(b) Defined contribution plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company and the Group contribute 12% or 15% and 3% respectively, of basic or consolidated wage or salary of each eligible employee. The Company and the Group have no further payment obligation 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 Company and 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 Company and the Group recognise 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) Share-based compensation

The Company and the Group operate an equity-settled, share-based compensation plan for its employees termed Employees' Share Options Scheme ("ESOS"). Employee services received in exchange for the grant of the share options are recognised as an expense in the statement of comprehensive income over the vesting period of the grant, with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions
- excluding the impact of any non-vesting conditions

Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At the date of statement of financial position, the Company and the Group revise its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.18 Deferred revenue

Deferred revenue comprises the unutilised balance of call time, telecast time and downloadable quota in respect of prepaid cards and services sold to customers. Such revenue amounts are recognised as revenue upon subsequent utilisation of call time, telecast time and downloadable quota by the customer or when the credit expires.

2.19 Subscriber acquisition costs

Subscriber acquisition costs comprise handset and other subsidies offered under usage contracts in excess of one (01) year. Subscriber acquisition costs are amortised over the contract period and reviewed annually for impairment. Other subscriber acquisition costs under usage contracts less than one (01) year are recognised as an expense in the statement of comprehensive income as incurred.

2.20 Provisions

Provisions are recognised when the Company and the Group have a present legal or constructive obligation as a result of past events when it is more probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are 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.

Provisions for asset retirement obligations are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

2.21 Contingent liabilities and contingent assets

The Company and the Group do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company and the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company and the Group. The Company and the Group do not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The Group recognises separately the contingent liabilities of the acquiree's as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

2 Summary of significant accounting policies (Contd.)

2.21 Contingent liabilities and contingent assets (Contd.)

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of LKAS 37 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with LKAS 18.

2.22 Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.23 Accounting for leases where the Company and the Group are the lessee

(a) Finance leases

Leases of PPE where the Company and the Group assume substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset 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 periodic rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables.

The interest element of the finance lease is charged to the statement of comprehensive income as finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

PPE acquired under finance leases are depreciated over the estimated useful life of the asset in accordance with the annual rates stated in note 2.4 to the financial statements as mentioned above. Where there is no reasonable certainty that the ownership will be transferred to the Company and the Group, the asset is depreciated over the shorter of the lease term or its estimated useful life.

(b) Operating leases

Leases of assets where 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 are charged as an expense to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Company's and the Group's activities. Revenue is stated net of all applicable taxes and levies, returns, rebates and discounts. The Group revenue is subject to elimination of sales within the Group.

The Company and the Group recognise 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 Company's and the Group's activities as described below. The Company and the Group base its estimates of return 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 service revenue and rental income

Revenue from telecommunications comprises amounts charged to customers in respect of monthly access charges, call time 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 Company's and the Group's network.

Revenue from Pay TV comprises amounts charged to customers in respect of monthly subscription revenue, telecast time usage and connection fees.

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.

Revenue from the sale of prepaid card on Mobile, CDMA, Broadband and Pay TV are deferred until such time the customer uses the call time, downloadable quota, telecast time or when credit expires.

(b) Revenue from other network operators and international settlements

The revenue from other network operators, local and international, for the use of the Company's and 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 are recognised as revenue over the subscriber average stay in the network.

(d) Lease of passive infrastructure

Income from lease of passive infrastructure is recognised on an accrual basis based on prices agreed with customers upon completion of service.

(e) 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.

(f) Award credits

Award credits are separately identifiable component of the sales transaction in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale.

2 Summary of significant accounting policies (Contd.)

2.24 Revenue recognition (Contd.)

(g) Interest income

Interest income is recognised using the effective interest method. When a loan granted or a receivable is impaired, the Company and the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Interest income on bank balances and bank deposits is recognised on accrual basis.

(h) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Comparatives

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

3 Financial risk management

3.1 Financial risk factors

The Company's and the Group's activities exposed to variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's and the Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company and the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Company's and the Group's financial risk management policies. The Board of Directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks. Hedging transactions are determined in the light of commercial commitments. Derivative financial instruments are used only to hedge underlying commercial exposures and are not held for speculative purposes.

(a) Market risk consists of:

(i) Foreign currency exchange risk - risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

(ii) Fair value interest rate risk - risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

(iii) Cash flow interest rate risk - risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

(iv) Price risk - risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instrument traded in the market.

(b) Credit risk - risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

(c) Liquidity risk (Funding risk) - risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

(a) Market risks

(i) Foreign currency exchange risk

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.

If LKR fluctuate by 1% against USD as at 31 December 2014, with all other variables held constant, it will result in a net foreign exchange difference of Rs. 242Mn on translation of USD balances in the Group.

(ii) Cash flow and fair value interest rate risk

The Company and the Group have cash and bank balances including deposits placed with creditworthy licensed banks and financial institutions. The Company and the Group manage its interest rate risk by actively monitoring the yield curve trend and interest rate movement for the various cash and bank balances.

The Company's and the Group's borrowings comprise borrowings from financial and non-financial institutions. The Company's and the Group's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Company and the Group target a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile. The Company and the Group analyse its interest rate exposure on a dynamic basis.

(b) Credit risk

Credit risk is managed on the Company and the 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 (net of deposits held). Individual risk limits are set, based on internal or external ratings. The utilisation of credit limits is regularly monitored.

The Company and the Group place its cash and cash equivalents with a number of creditworthy financial institutions. The Company's and the Group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the Company and the Group are approximately their carrying amounts as at statement of financial position date.

The credit quality of the financial assets is disclosed in note 11(b) to the financial statements.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the Company and the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Company's and the Group's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Company and the Group aim at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

3 Financial risk management (Contd.)

3.1 Financial risk factors (Contd.)

(c) Liquidity risk (Contd.)

The table below analyses the Company's and the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. These amounts may not be reconciled to the amounts disclosed on the statement of financial position for borrowings, trade and other payables and derivative financial instruments.

Group	Less than 3 months	Between 3 months and year 1	Between year 1 and year 2	Between year 2 and year 5	Over year 5
At 31 December 2014					
Borrowings	2,037,607	2,495,325	4,990,651	20,655,373	-
Trade and other payables	19,820,963	9,883,125	-	-	-
Net-settled derivative financial liabilities	36,100	85,976	21,240	(78,133)	-
At 31 December 2013					
Borrowings	1,775,235	9,894,847	2,476,875	15,215,090	-
Trade and other payables	11,803,453	16,247,392	-	-	-

Company	Less than 3 months	Between 3 months and year 1	Between year 1 and year 2	Between year 2 and year 5	Over year 5
At 31 December 2014					
Borrowings	1,631,767	2,495,325	4,990,651	20,655,373	-
Trade and other payables	17,159,950	3,764,771	-	-	-
Net-settled derivative financial liabilities	36,100	85,976	21,240	(78,133)	-
At 31 December 2013					
Borrowings	1,486,813	9,894,847	2,476,875	15,215,090	-
Trade and other payables	8,510,433	11,122,257	-	-	-

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings (including 'Current and non-current borrowings' as shown in the consolidated statement of financial position less bank overdrafts). Total capital is calculated as 'Total equity' as shown in the consolidated statement of financial position.

The gearing ratios as at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
Borrowings	27,873,921	27,586,712	27,873,921	27,586,712
Total equity	44,832,290	39,735,570	55,817,447	49,815,825
Gearing ratio	0.62	0.69	0.50	0.55

4 Fair value measurement

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument;

Level 2 : Valuation techniques based on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices); this category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 : Valuation techniques using significant unobservable inputs; this category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The following table represents the fair value level of the financial assets and liabilities that are measured at fair value as at 31 December 2014.

	Measurement criteria and the fair value		
	Level 2 Rs.000	Level 3 Rs.000	Total Rs.000
Financial assets			
Available-for-sale financial assets:			
- Investment in unquoted redeemable convertible bonds	-	40,000	40,000
Financial liabilities			
Derivative designated as hedging instrument:			
- Interest rate swap	64,927	-	64,927

4 Fair value measurement (Contd.)

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (i.e. over-the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of the interest rate swap is provided by counterparty financial institution which is determined based on forward interest rates from observable yield curves over the duration of the interest rate swap and contracted interest rates discounted at a rate that reflects the credit risk of the counterparty.

(ii) Financial instruments in level 3

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques and if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of the unquoted redeemable convertible bonds are determined based on discounted cash flows using interest rate of a similar nature financial instrument which was adjusted to reflect the investee's credit risk.

5 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company and the Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom 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 addressed below.

(a) Impairment assessment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy stated in note 2.5 to the financial statements and whenever events or change in circumstances indicate that this is necessary within the financial year. The recoverable amounts of cash-generating units have been determined based on Value In Use (VIU) calculations. These calculations require the use of estimates and are disclosed in note 7 to the financial statements.

(b) Estimated useful lives of PPE

The Company and the Group reviews annually the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE carrying value.

(c) Taxation

(i) Income taxes

Judgment is involved in determining the Company and the Group provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company and the Group recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and / or deferred income tax provisions in the period in which such determination is made.

(ii) Deferred income tax

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred income tax asset has been recognised.

(d) Fair value of derivatives and other financial instruments

Certain financial instruments such as investments, derivative financial instruments and certain elements of borrowings are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of comprehensive income.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company and the Group use its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

(e) Impairment of non-current assets

The Company and the Group test annually the indicators to ascertain whether non-current assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in note 2.5 and 2.7 to the financial statements. These calculations require the use of estimates.

(f) 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 Company and the Group determine 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 Company and the Group consider the interest yield of long term Government 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 as disclosed in note 23 to the financial statements.

5 Critical accounting estimates and judgments (Contd.)

(g) Asset Retirement Obligations (ARO)

ARO applies when there is a legal or constructive obligation associated with the retirement of tangible long-lived assets, and the liability can be reasonably estimated. The assumptions used in determining the ARO include the discount rate, inflation rate and the period after which the liability is expected to crystallise as disclosed in note 24 to the financial statements.

(h) Provisions

The Company and the Group recognise provisions when they have 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 statement of financial position date and adjusted to reflect the Company's and the Group's current best estimate.

(i) 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 Company and the Group consult with legal counsel on matters related to litigation and other experts both within and outside the Company and the Group with respect to matters in the ordinary course of business.

(j) Impairment of trade receivables

The Company and the Group assess at the date of statement of financial position 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.

6 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The revenue, cost, depreciation, amortisation, impairment, total assets, total liabilities and capital expenditure have been allocated to the respective segments based on the internal reporting basis under the below stated segments.

The reportable segments derive their revenue primarily from the provision of mobile services, data services, international direct dialling services, leasing of passive infrastructure, provision of interconnect services, pay television transmission services and provision of other data services.

At 31 December 2014, the Group is organised into three main business segments:

- Mobile operation
- Fixed telephony and broadband operation
- Television operation

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

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

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

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

The segment assets and liabilities at 31 December 2014 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	113,896,258	23,815,950	4,991,230	(11,238,489)	131,464,949
Inter-segment assets	(16,965,178)	(2,087,482)	(233,145)	-	(19,285,805)
Total assets	**96,931,080**	**21,728,468**	**4,758,085**	**(11,238,489)**	**112,179,144**
Liabilities	58,078,811	24,566,241	4,269,360	-	86,914,412
Inter-segment liabilities	(214,803)	(16,657,400)	(2,695,355)	-	(19,567,558)
Total liabilities	**57,864,008**	**7,908,841**	**1,574,005**	**-**	**67,346,854**
Capital expenditure	10,179,200	3,772,061	1,253,136	-	15,204,397

6 Segment information (Contd.)

The segment results for the year ended 31 December 2013 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	54,755,457	4,950,272	3,591,862	-	63,297,591
Inter-segment revenue	689,603	866,476	28,622	-	1,584,701
Total segmental revenue	**55,445,060**	**5,816,748**	**3,620,484**	**-**	**64,882,292**
Segment operating profit / (loss) for the year	8,346,630	(385,544)	(248,192)	(48,937)	7,663,957
Finance costs - net					(1,306,489)
Share of loss from associates - net of tax					(29,542)
Profit before income tax					6,327,926
Income tax					(1,126,896)
Profit for the year					**5,201,030**

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Depreciation, amortisation and impairment	9,377,609	2,000,055	911,854	50,286	12,339,804

The segment assets and liabilities at 31 December 2013 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	104,728,727	22,155,162	3,839,509	(11,188,203)	119,535,195
Inter-segment assets	(13,884,042)	(1,249,854)	2,850	-	(15,131,046)
Total assets	**90,844,685**	**20,905,308**	**3,842,359**	**(11,188,203)**	**104,404,149**
Liabilities	54,912,902	21,922,004	3,354,065	-	80,188,971
Inter-segment liabilities	(175,772)	(12,911,277)	(2,433,343)	-	(15,520,392)
Total liabilities	**54,737,130**	**9,010,727**	**920,722**	**-**	**64,668,579**
Capital expenditure	19,812,918	7,137,781	964,591	-	27,915,290

7 Intangible assets

(a) Group

	Goodwill	Licenses	Computer software	Others	Total
At 1 January 2014					
Cost	8,629,569	9,299,667	3,745,946	1,168,361	22,843,543
Accumulated amortisation	-	(1,865,398)	(3,169,651)	(489,757)	(5,524,806)
Net book amount	**8,629,569**	**7,434,269**	**576,295**	**678,604**	**17,318,737**
Year ended 31 December 2014					
Opening net book amount	8,629,569	7,434,269	576,295	678,604	17,318,737
Additions	-	10,432	526,002	13,360	549,794
Disposals	-	-	-	(338)	(338)
Amortisation charge (Note 30)	-	(927,477)	(602,446)	(91,880)	(1,621,803)
Assets written off (Note 30)	-	(25,817)	-	(159)	(25,976)
Closing net book amount	**8,629,569**	**6,491,407**	**499,851**	**599,587**	**16,220,414**
At 31 December 2014					
Cost	8,629,569	9,210,099	4,271,947	1,180,955	23,292,570
Accumulated amortisation	-	(2,718,692)	(3,772,096)	(581,368)	(7,072,156)
Net book amount	**8,629,569**	**6,491,407**	**499,851**	**599,587**	**16,220,414**
Year ended 31 December 2013					
Opening net book amount	8,364,880	1,119,846	329,925	687,787	10,502,438
Additions	264,689	6,972,832	651,239	108,634	7,997,394
Amortisation charge (Note 30)	-	(658,409)	(404,869)	(87,611)	(1,150,889)
Assets written off (Note 30)	-	-	-	(30,206)	(30,206)
Closing net book amount	**8,629,569**	**7,434,269**	**576,295**	**678,604**	**17,318,737**
At 31 December 2013					
Cost	8,629,569	9,299,667	3,745,946	1,168,361	22,843,543
Accumulated amortisation	-	(1,865,398)	(3,169,651)	(489,757)	(5,524,806)
Net book amount	**8,629,569**	**7,434,269**	**576,295**	**678,604**	**17,318,737**

7 Intangible assets (Contd.)

(b) Company

	Licenses	Computer software	Others	Total
At 1 January 2014				
Cost	5,984,659	3,514,020	1,168,361	10,667,040
Accumulated amortisation	(913,725)	(2,945,196)	(489,756)	(4,348,677)
Net book amount	**5,070,934**	**568,824**	**678,605**	**6,318,363**
Year ended 31 December 2014				
Opening net book amount	5,070,934	568,824	678,605	6,318,363
Additions	-	521,182	13,359	534,541
Disposals	-	-	(338)	(338)
Amortisation charge (Note 30)	(580,161)	(593,402)	(91,880)	(1,265,443)
Assets written off (Note 30)	(25,817)	-	(159)	(25,976)
Closing net book amount	**4,464,956**	**496,604**	**599,587**	**5,561,147**
At 31 December 2014				
Cost	5,884,660	4,010,790	1,180,954	11,076,404
Accumulated amortisation	(1,419,704)	(3,514,186)	(581,367)	(5,515,257)
Net book amount	**4,464,956**	**496,604**	**599,587**	**5,561,147**
Year ended 31 December 2013				
Opening net book amount	522,306	275,219	687,788	1,485,313
Additions	4,948,342	647,744	108,634	5,704,720
Amortisation charge (Note 30)	(399,714)	(354,139)	(87,611)	(841,464)
Assets written off (Note 30)	-	-	(30,206)	(30,206)
Closing net book amount	**5,070,934**	**568,824**	**678,605**	**6,318,363**
At 31 December 2013				
Cost	5,984,659	3,514,020	1,168,361	10,667,040
Accumulated amortisation	(913,725)	(2,945,196)	(489,756)	(4,348,677)
Net book amount	**5,070,934**	**568,824**	**678,605**	**6,318,363**

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

(c) Amortisation has been charged under following expense categories:

	Group		Company	
Expense categories:	2014	2013	2014	2013
Direct costs	1,019,357	695,734	672,041	487,325
Administrative costs	602,446	455,155	593,402	354,139
	1,621,803	1,150,889	1,265,443	841,464

(d) Impairment provisions have been charged under administrative expenses.

(e) 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.

	2014	2013
Television operation	1,504,455	1,504,455
Fixed telephony and broadband operation	7,125,114	7,125,114
	8,629,569	8,629,569

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

The VIU calculations apply Discounted Cash Flow (DCF) model using cash flow projections based on the forecasts and projections approved by the management covering a ten year period. Cash flows beyond the ten year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate.

In the DCF model, the Free Cash Flows (FCF) has been discounted by the pre-tax discount rate.

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

The following assumptions are applied in the value in use computation.

(i) EBIDTA margin

Projected EBIDTA margin is determined based on expected growth potential in fixed telephony and broadband operation and Pay TV business tapping further into developing markets.

(ii) Free cash flow

FCF projections are based on EBITDA and Capital expenditure (Capex) projections. The expansion of fixed Long Term Evolution (LTE) network and investments in Internet Data Centre (IDC) drives the higher Capex (in comparison to revenue) over next three years. Year-on-year EBITDA growth and Capex (in comparison to revenue) stabilise post 2016.

7 Intangible assets (Contd.)

(e) Impairment tests for goodwill (Contd.)

(iii) Pre-tax discount rate

The Group's tong term Weighted Average Cost of Capital (WACC) is representative of pre-tax discount rate (or required rate of return), and is used as the discount rate to discount cash flow projections.

(iv) Terminal growth rate

Terminal growth reflects the management expectations on the fixed telephony and broadband operation and television operation segments' growth potential in Sri Lanka for the foreseeable future.

Given below are the projected variables used for the impairment test for 2014 and 2013:

	Fixed telephony and broadband operation		Television operation	
	2014	2013	2014	2013
EBIDTA margin	38%	26%	23%	22%
EBIDTA growth rate	16%	16%	13%	12%
Capex to revenue ratio	33%	24%	16%	16%
Pre-tax discount rate	12%	14%	12%	14%
Terminal growth rate	3%	3%	3%	3%

Based on the impairment test performed, the recoverable amounts exceeded the carrying value, hence no provision for impairment of goodwill was recognised as of 31 December 2014.

(f) Impact of possible changes 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 Property, plant and equipment

(a) Group

	Land and buildings	Computer systems and telecom equipment	Furniture, fittings and other equipment	Motor vehicles	Assets in the course of construction (CWIP)	Total
At 1 January 2014						
Cost	1,551,732	123,217,159	5,257,846	439,324	9,511,224	139,977,285
Accumulated depreciation / provision for impairment	(599,475)	(64,203,596)	(4,037,147)	(425,451)	(2,260,693)	(71,526,362)
Net book amount	**952,257**	**59,013,563**	**1,220,699**	**13,873**	**7,250,531**	**68,450,923**
Year ended 31 December 2014						
Opening net book amount	952,257	59,013,563	1,220,699	13,873	7,250,531	68,450,923
Additions	-	-	12,084	-	14,636,326	14,648,410
Transferred from CWIP	49,626	10,555,713	980,857	-	(11,586,196)	-
Disposals	-	(3,828)	(4,133)	(2,219)	-	(10,180)
Reversal of provision for ARO	-	(489,892)	-	-	-	(489,892)
Impairment (provision) / reversal and assets written off (Note 30)	(9)	58,658	44,304	-	267,696	370,649
Reclassification to trading inventory	-	-	-	-	4,315	4,315
Depreciation charge (Note 30)	(42,041)	(11,087,726)	(573,780)	(6,108)	-	(11,709,655)
Closing net book amount	**959,833**	**58,046,488**	**1,680,031**	**5,546**	**10,572,672**	**71,264,570**
At 31 December 2014						
Cost	1,601,342	127,240,977	6,306,049	400,684	12,247,370	147,796,422
Accumulated depreciation / provision for impairment	(641,509)	(69,194,489)	(4,626,018)	(395,138)	(1,674,698)	(76,531,852)
Net book amount	**959,833**	**58,046,488**	**1,680,031**	**5,546**	**10,572,672**	**71,264,570**
Year ended 31 December 2013						
Opening net book amount	801,002	48,828,843	1,295,934	21,109	8,000,001	58,946,889
Additions	-	928,331	-	-	20,217,056	21,145,387
Transferred from CWIP	205,023	20,035,615	496,070	2	(20,736,710)	-
Disposals	-	(1,556)	(1,920)	(727)	-	(4,203)
Reversal of provision for ARO	-	(422,185)	-	-	-	(422,185)
Impairment reversal / (provision) and assets written off (Note 30)	-	106,605	43,252	-	(142,964)	6,893
Reclassification to trading inventory	-	-	-	-	(86,852)	(86,852)
Depreciation charge (Note 30)	(53,768)	(10,462,090)	(612,637)	(6,511)	-	(11,135,006)
Closing net book amount	**952,257**	**59,013,563**	**1,220,699**	**13,873**	**7,250,531**	**68,450,923**
At 31 December 2013						
Cost	1,551,732	123,217,159	5,257,846	439,324	9,511,224	139,977,285
Accumulated depreciation / provision for impairment	(599,475)	(64,203,596)	(4,037,147)	(425,451)	(2,260,693)	(71,526,362)
Net book amount	**952,257**	**59,013,563**	**1,220,699**	**13,873**	**7,250,531**	**68,450,923**

8 Property, plant and equipment (Contd.)

(b) Company

	Land and buildings	Computer systems and telecom equipment	Furniture, fittings and other equipment	Motor vehicles	Assets in the course of construction (CWIP)	Total
At 1 January 2014						
Cost	1,128,643	84,984,562	1,208,293	363,682	6,760,620	94,445,800
Accumulated depreciation / provision for impairment	(594,915)	(40,230,899)	(1,081,225)	(349,820)	(1,420,300)	(43,677,159)
Net book amount	**533,728**	**44,753,663**	**127,068**	**13,862**	**5,340,320**	**50,768,641**
Year ended 31 December 2014						
Opening net book amount	533,728	44,753,663	127,068	13,862	5,340,320	50,768,641
Additions	-	-	25,918	-	9,626,382	9,652,300
Transferred from CWIP	13,550	6,365,116	45,533	-	(6,424,199)	-
Disposals	-	(3,800)	(4,133)	(2,219)	-	(10,152)
Reversal of provision for ARO	-	(445,916)	-	-	-	(445,916)
Impairment (provision) / reversal and assets written off (Note 30)	(9)	(229,277)	-	-	192,085	(37,201)
Reclassification to trading inventory	-	-	-	-	(5,804)	(5,804)
Depreciation charge (Note 30)	(40,240)	(8,377,544)	(55,343)	(6,102)	-	(8,479,229)
Closing net book amount	**507,029**	**42,062,242**	**139,043**	**5,541**	**8,728,784**	**51,442,639**
At 31 December 2014						
Cost	1,142,176	85,050,835	1,272,024	325,042	9,841,534	97,631,611
Accumulated depreciation / provision for impairment	(635,147)	(42,988,593)	(1,132,981)	(319,501)	(1,112,750)	(46,188,972)
Net book amount	**507,029**	**42,062,242**	**139,043**	**5,541**	**8,728,784**	**51,442,639**
Year ended 31 December 2013						
Opening net book amount	579,351	38,327,604	153,102	20,193	5,663,986	44,744,236
Additions	-	893,179	-	-	14,101,213	14,994,392
Transferred from CWIP	7,207	14,445,599	47,081	2	(14,499,889)	-
Disposals	-	(876)	(1,920)	-	-	(2,796)
Reversal of provision for ARO	-	(422,185)	-	-	-	(422,185)
Impairment (provision) / reversal and assets written off (Note 30)	-	(70,393)	-	-	144,673	74,280
Reclassification to trading inventory	-	-	-	-	(69,663)	(69,663)
Depreciation charge (Note 30)	(52,830)	(8,419,265)	(71,195)	(6,333)	-	(8,549,623)
Closing net book amount	**533,728**	**44,753,663**	**127,068**	**13,862**	**5,340,320**	**50,768,641**
At 31 December 2013						
Cost	1,128,643	84,984,562	1,208,293	363,682	6,760,620	94,445,800
Accumulated depreciation / provision for impairment	(594,915)	(40,230,899)	(1,081,225)	(349,820)	(1,420,300)	(43,677,159)
Net book amount	**533,728**	**44,753,663**	**127,068**	**13,862**	**5,340,320**	**50,768,641**

(c) Assets in the course of construction as at 31 December 2014 and 2013 mainly comprise network related assets.

(d) Depreciation expense has been charged under following expense categories:

	Group		Company	
Expense categories:	2014	2013	2014	2013
Direct costs	10,317,994	9,731,290	8,356,023	8,356,798
Administrative costs	1,391,661	1,403,716	123,206	192,825
	11,709,655	11,135,006	8,479,229	8,549,623

(e) Impairment (reversals) / provisions have been charged under following expense categories:

	Group		Company	
Expense categories:	2014	2013	2014	2013
Direct costs	(113,657)	(6,688)	-	-
Administrative costs	(256,992)	(205)	37,201	(74,280)
	(370,649)	(6,893)	37,201	(74,280)

(f) At 31 December 2014, property, plant and equipment includes fully depreciated assets which are still in use, the cost of which amounted to Rs.15,099,396,444 (2013 - Rs.13,854,460,598) and Rs. 34,451,602,134 (2013 - Rs.31,141,151,276), for the Company and the Group respectively.

(g) During the year, the Company has capitalised borrowing costs amounting to Rs.28,577,924 (2013 - Rs.2,055,098) on qualifying assets. Borrowing costs are capitalised at the weighted average rate of its general borrowings of 2.18% p.a (2013 - 1.01% p.a).

(h) The land and buildings are not secured against any bank borrowings.

9 Investment in subsidiaries

Name of the subsidiary	% Holding	2014	2013
Dialog Television (Private) Limited (DTV)	100	3,864,746	3,864,746
Dialog Broadband Networks (Private) Limited (DBN)	100	14,961,264	14,961,264
		18,826,010	18,826,010

	2014	2013
At 1 January	18,826,010	17,826,010
Issuance of shares against shareholder's loan	-	1,000,000
At 31 December	**18,826,010**	**18,826,010**

Name of the subsidiary	Principal activities	Country of incorporation and place of business
Dialog Television (Private) Limited	Television broadcasting services and direct-to-home satellite pay television service.	Sri Lanka
Dialog Broadband Networks (Private) Limited	Data and backbone, fixed wireless and transmission infrastructure.	Sri Lanka

10 Investment in associates

	Group		Company	
	2014	2013	2014	2013
At 1 January	257,979	242,173	278,694	233,346
Additional investment	99,139	45,348	99,139	45,348
Share of loss (Note 30)	(107,639)	(29,542)	-	-
At 31 December	**249,479**	**257,979**	**377,833**	**278,694**

Investment in associates represented the ownership of 26% and 42.48% of stated capital of Firstsource-Dialog Solutions (Private) Limited and Digital Commerce Lanka (Private) Limited respectively, which are entities incorporated and domiciled in Sri Lanka.

The Group's share of the revenue and results of the associates are as follows:

	Group	
	2014	2013
Revenue	251,488	227,791
Other income	1,449	649
Expenses	(360,576)	(257,982)
Loss before tax	**(107,639)**	**(29,542)**
Taxation	-	-
Loss after tax	**(107,639)**	**(29,542)**

The Group's share of the assets and liabilities of the associates are as follows:

	Group	
	2014	2013
Non-current assets	17,544	39,784
Current assets	68,182	63,771
Non-current liabilities	(3,987)	(524)
Current liabilities	(73,785)	(29,993)
Net assets	7,954	73,038
Goodwill	241,525	184,941
	249,479	257,979

11 (a) Financial instruments by category

Group

	Available-for-sale	Loans and receivables	Total
Assets as per the statement of financial position			
Non-current financial assets	40,000	75,000	115,000
Trade and other receivables (excluding prepayments)	-	11,089,130	11,089,130
Cash and cash equivalents (Note 15)	-	10,774,042	10,774,042
31 December 2014	**40,000**	**21,938,172**	**21,978,172**

	Financial liabilities at FVTPL	Other financial liabilities at amortised cost	Total
Liabilities as per the statement of financial position			
Borrowings	-	29,911,527	29,911,527
Trade and other payables (excluding non-financial liabilities)	-	29,764,674	29,764,674
Derivative financial instrument	64,927	-	64,927
31 December 2014	**64,927**	**59,676,201**	**59,741,128**

	Loans and receivables
Assets as per the statement of financial position	
Trade and other receivables (excluding prepayments)	12,538,234
Cash and cash equivalents (Note 15)	3,217,502
31 December 2013	**15,755,736**

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings	29,357,353
Trade and other payables (excluding non-financial liabilities)	28,050,845
31 December 2013	**57,408,198**

11 (a) Financial instruments by category (Contd.)

Company

	Available-for-sale	Loans and receivables	Total
Assets as per the statement of financial position			
Non-current financial assets	40,000	75,000	115,000
Trade and other receivables (excluding prepayments)	-	9,076,424	9,076,424
Cash and cash equivalents (Note 15)	-	9,805,322	9,805,322
31 December 2014	**40,000**	**18,956,746**	**18,996,746**

	Financial liabilities at FVTPL	Other financial liabilities at amortised cost	Total
Liabilities as per the statement of financial position			
Borrowings	-	29,505,687	29,505,687
Trade and other payables (excluding non-financial liabilities)	-	21,779,463	21,779,463
Derivative financial instrument	64,927	-	64,927
31 December 2014	**64,927**	**51,285,150**	**51,350,077**

	Loans and receivables
Assets as per the statement of financial position	
Trade and other receivables (excluding prepayments)	10,447,534
Cash and cash equivalents (Note 15)	2,063,250
31 December 2013	**12,510,784**

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings	28,844,097
Trade and other payables (excluding non-financial liabilities)	19,632,690
31 December 2013	**48,476,787**

11 **(b) Credit quality of financial assets**

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default risk.

	Group		Company	
	2014	2013	2014	2013
Trade receivables				
Subscribers				
Individual	1,157,525	1,833,995	685,670	1,377,937
Corporate	1,107,796	1,425,073	359,634	821,143
Operators				
Domestic	1,689,984	1,717,005	1,408,825	1,234,315
International	4,461,388	3,320,297	4,461,388	3,320,297
Distributors	520,523	413,886	450,545	389,396
	8,937,216	8,710,256	7,366,062	7,143,088

The ageing of the trade receivables that are past due but not impaired is disclosed in the note 14 (c) to the financial statements.

	Group		Company	
	2014	2013	2014	2013
Cash at bank and short-term bank deposits				
AAA lka	2,044,300	1,566,622	1,379,030	849,421
AA+ lka	92,199	68,650	88,925	52,319
AA lka	2,584,018	123,339	2,568,932	78,187
AA-lka	2,233,806	200,117	2,213,526	188,859
A+lka to A-lka	3,801,817	1,236,502	3,544,617	885,369
Below A	9,497	16,140	2,677	6,817
Counterparties without external credit rating and cash in hand	8,405	6,132	7,615	2,278
	10,774,042	3,217,502	9,805,322	2,063,250

The carrying amounts of cash at bank and short-term bank deposits are denominated in following currencies:

	Group		Company	
	2014	2013	2014	2013
Cash at bank and short-term bank deposits				
Cash at bank and in hand				
Sri Lankan rupees	4,359,374	2,378,437	3,390,654	1,224,185
United States dollars	453,907	577,285	453,907	577,285
	4,813,281	2,955,722	3,844,561	1,801,470
Short-term bank deposits				
Sri Lankan rupees	4,831,550	-	4,831,550	-
United States dollars	1,129,211	261,780	1,129,211	261,780
	5,960,761	261,780	5,960,761	261,780

12 Financial assets

		Group		Company	
	Note	2014	2013	2014	2013
Available-for-sale financial assets	(a)	40,000	-	40,000	-
Loans and receivables	(b)	75,000	-	75,000	-
		115,000	**-**	**115,000**	**-**

(a) Available-for-sale financial assets

	Group / Company	
	2014	2013
At 1 January	-	30,596
Investment made during the year	40,000	-
	40,000	30,596
Provision for impairment (Note 30)	-	(30,596)
At 31 December	**40,000**	**-**

The Company entered into an investment agreement with Headstart (Private) Limited on 04 September 2014 to purchase redeemable convertible bonds, to be matured on 31 December 2021, at a nominal value of Rs.85,000,000. Four (04) zero rated redeemable convertible bonds at a nominal value of Rs.20,000,000 and another four (04) ten percent (10%) redeemable convertible bonds at a nominal value of Rs.20,000,000 have been issued as at the reporting date. Remaining value of redeemable convertible bonds amounting to Rs.45,000,000 will be issued in the future at an interest rate of ten percent (10%) in accordance with the investment agreement.

Investments in redeemable convertible bonds are classified as available-for-sale financial instrument and are measured at fair value by the Company. The fair values of redeemable convertible bonds are determined based on discounted cash flows using interest rate of a similar nature financial instrument which was adjusted to reflect the investee's credit risk (2014 - 10.86%) and the fair values are disclosed within level 3 of the fair value hierarchy.

(b) Loans and receivables

The carrying value represent the loan receivable from Digital Commerce Lanka (Private) Limited measured at amortised cost. The loan carries an interest rate of SLIBOR + 3.25%, which will mature from five (05) years from the grant date and has a repayment moratorium period of 24 months.

The fair value of the loan receivable are based on cash flows discounted using a rate based on the effective interest rates of between 9.89%-9.93% floating and are within level 2 of the fair value hierarchy.

13 Inventories

	Group		Company	
	2014	2013	2014	2013
Phone stock	171,762	385,701	171,762	385,701
Accessories and consumables	284,814	320,191	148,784	224,775
Goods in transit	2,409	99,086	15	72,314
Provision for slow moving inventory	(196,361)	(135,186)	(188,751)	(131,534)
	262,624	**669,792**	**131,810**	**551,256**

14 Trade and other receivables

	Group 2014	Group 2013	Company 2014	Company 2013
Current				
Trade receivables	11,261,575	12,235,430	8,548,529	9,089,466
Less: provision for impairment of trade receivables	(2,324,359)	(3,525,174)	(1,182,468)	(1,946,378)
Net trade receivables	8,937,216	8,710,256	7,366,061	7,143,088
Receivables from related companies [Note 33 (f)]	221,616	389,512	212,901	382,557
Prepayments	2,155,079	1,949,709	1,674,597	1,610,378
Other receivables	1,930,298	3,438,466	1,497,463	2,921,889
	13,244,209	**14,487,943**	**10,751,022**	**12,057,912**
Non-current				
Receivables from related companies [Note 33 (f)]	48,806	1,273	16,885,475	13,864,601
	48,806	**1,273**	**16,885,475**	**13,864,601**

Other receivables mainly consist of amounts advanced to vendors Rs.1,099,724,950 (2013 - Rs.1,244,744,847) and Rs.1,214,581,762 (2013 - Rs.1,377,646,345), no Value Added Tax refunds due from the Department of Inland Revenue as at the reporting date (2013 - Rs.574,351,297) and Rs.41,470,940 (2013 - Rs.633,864,304) and no ESC tax credits due from the Department of Inland Revenue as at the reporting date (2013 - Rs.522,894,783) and Rs.75,691,677 (2013 - Rs.595,525,811) of the Company and the Group respectively.

(a) The fair values of trade and other receivables are as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
Trade receivables	8,937,216	8,710,256	7,366,061	7,143,088
Receivables from related companies [Note 33 (f)]	221,616	389,512	212,901	382,557
Other receivables excluding non-financial assets	1,930,298	3,438,466	1,497,463	2,921,889
	11,089,130	12,538,234	9,076,425	10,447,534

The fair values of loans to related companies are based on the cash flows discounted using a rate based on the borrowings rate of 4.05% (2013 - 4.05%).

(b) Trade receivables by credit quality are as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
Neither past due nor impaired	3,134,728	3,650,356	2,119,372	2,899,181
Past due but not impaired	5,802,488	5,059,900	5,246,689	4,243,907
Impaired	2,324,359	3,525,174	1,182,468	1,946,378
	11,261,575	12,235,430	8,548,529	9,089,466

Past due but not impaired trade receivable balances of the Company and the Group have not been impaired as there has not been a significant change in credit quality and the Directors believe that overdue amounts are fully recoverable.

14 Trade and other receivables (Contd.)

(c) The aging of trade receivables that are past due but not impaired are as follows:

	Group		Company	
	2014	2013	2014	2013
Amount overdue:				
1 month to 6 months	3,915,465	4,763,299	3,359,666	4,106,652
6 months to 1 year	402,452	119,082	402,452	39,623
More than 1 year	1,484,571	177,519	1,484,571	97,632
	5,802,488	5,059,900	5,246,689	4,243,907

(d) The movement of the provision for impairment of trade receivables are as follows:

	Group		Company	
	2014	2013	2014	2013
At 1 January	3,525,174	2,590,052	1,946,378	1,293,493
Provision for impairment of trade receivables	902,156	935,122	437,055	652,885
Receivables written off during the year as uncollectable	(2,102,971)	-	(1,200,965)	-
At 31 December	**2,324,359**	**3,525,174**	**1,182,468**	**1,946,378**

(e) The carrying amounts of trade and other receivables are denominated in following currencies:

	Group		Company	
	2014	2013	2014	2013
Sri Lankan rupees	4,518,121	4,988,200	2,955,293	3,822,791
United States dollars	4,419,095	3,722,056	4,410,768	3,320,297
	8,937,216	8,710,256	7,366,061	7,143,088

(f) The creation and release of provision for impaired receivables have been included in 'Distribution costs' in the statement of comprehensive income.

15 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
Cash at bank and in hand	4,813,281	2,955,722	3,844,561	1,801,470
Short-term bank deposits	5,960,761	261,780	5,960,761	261,780
Cash and cash equivalents	**10,774,042**	**3,217,502**	**9,805,322**	**2,063,250**

Cash and cash equivalents as at 31 December 2014 of the Group include a restricted amount of Rs.672,760,000. These comprise cash deposited at Standard Chartered Bank (Sri Lankan Branch) who acted as the escrow agent for the purpose of purchasing shares of Suntel Limited amounting to Rs.522,760,000 and Hatton National Bank PLC in custodian accounts to facilitate Ez cash operation amounting to Rs.150,000,000.

16 Stated capital

(a)

	Ordinary shares	Stated capital	Shares in ESOS Trust	Stated capital less shares in ESOS Trust
At 1 January 2014	28,103,913	28,103,913	(1,990,921)	26,112,992
Disposal / exercise of ESOS Trust shares	-	-	1,990,921	1,990,921
At 31 December 2014	**28,103,913**	**28,103,913**	**-**	**28,103,913**
At 1 January 2013	28,103,913	28,103,913	(1,990,921)	26,112,992
At 31 December 2013	**28,103,913**	**28,103,913**	**(1,990,921)**	**26,112,992**

(b) **Movement in shares**

	Number of ordinary shares	Number of shares in ESOS Trust	Total number of shares less shares in ESOS Trust
At 1 January 2014	8,143,778,405	(158,572,462)	7,985,205,943
Disposal / exercise of ESOS Trust shares	-	158,572,462	158,572,462
At 31 December 2014	**8,143,778,405**	**-**	**8,143,778,405**
At 1 January 2013	8,143,778,405	(158,572,462)	7,985,205,943
At 31 December 2013	**8,143,778,405**	**(158,572,462)**	**7,985,205,943**

(c) **Employee Share Option Scheme [ESOS]**

The Board of Directors of the Company established an Employee Share Option Scheme (ESOS), in 2005, immediately preceding the Initial Public Offering (IPO) of the Company, in order to align the interest of the employees of the Company with those of the shareholders, and further created the ESOS Trust to administer the ESOS. Accordingly, the Board resolved and issued 199,892,741 ordinary shares of the Company at the IPO price of Rs.12 each to the Trust, representing 2.7% of the ordinary share capital of the Company at that time. Further, pursuant to the Rights Issue in 2007, the ESOS Trust sold 5,668,600 shares out of its entitlement of 15,452,020 shares in the stock market and thereafter upon the Trustees' approval, accepted and exercised the remaining rights entitlement amounting to 9,783,420 shares.

The Trustees of the ESOS Trust as at 31 December 2014 are as follows:

Datuk Azzat Kamaludin - Chairman
Mr. Moksevi Prelis
Mr. Darke Mohamed Sani
Mr. Mohamed Muhsin

Mr. Arittha Wikramanayake resigned during the year from the Board of Trustees and Mr. Mohamed Muhsin was appointed in place thereof.

Out of the shares which were issued to the ESOS Trust, 88,841,218 shares (44.44%) were allocated to Tranche 0, and the balance 111,051,523 shares (56.60%) were set aside for future allocation to employees as an ongoing performance incentive.

16 Stated capital (Contd.)

(c) Employee Share Option Scheme [ESOS] (Contd.)

88,649,900 options were granted in June 2005 under Tranche 0 to eligible employees at Rs.12 each. The exercise price of the options granted was based on the five (05) days weighted average market price of the Company's shares immediately preceding the offer date for the options, with the ESOS committee having the discretion to set an exercise price up to ten percent (10%) lower than that of the derived weighted average market price. Eligibility was determined upon an employee satisfying the following:

- attainment of the age of eighteen (18) years
- been in the full-time employment by and on the payroll of the Company within the Group; and
- been in the employment of the Group for a period of at least one (01) year of continuous service as of the offer date, including service during the probation period.

Up to 25 October 2014, out of the total number of share options granted under Tranche 0, a total of 51,330,499 options had been exercised and a total of 11,562,301 options had been forfeited. 226,800 options were exercised by the employees during the financial year.

An alternative employee share scheme which was approved by the shareholders has been introduced by the Company and further, taking into consideration the provisions introduced by the Colombo Stock Exchange in the rules applicable to established employee shares schemes, the ESOS Committee resolved that no further tranches will be granted to employees under the existing ESOS Trust and further resolved to dispose the remaining shares in ESOS Trust with the view of concluding the scheme.

Accordingly, 158,345,662 shares including unallocated shares and the unexercised share options which were surrendered by the eligible employees to the ESOS Trust were disposed in the open market during the month of October 2014, at a price of Rs.12.50 per share.

The proceeds from the sale of shares were directed towards full settlement of the loan outstanding to the Company which was originally put in place to fund the ESOS. The excess funds post settlement of the loan were utilised to fund the disbursement of a sum of Rs.62Mn to eligible employees who surrendered their share options, and to effect a transfer of Rs.368Mn towards the aforementioned alternative employee share scheme introduced by the Company.

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

	2014		2013	
	Average exercise price in Rs per share	Options (Thousands)	Average exercise price in Rs per share	Options (Thousands)
As at 1 January	12	26,295	12	26,564
Options forfeited during the period	12	(121)	12	(269)
		26,174		26,295
Unallocated shares in Tranche 0		(191)		(191)
Number of unexercised options at the end of the period		**25,983**		**26,104**
Options exercised during the period	12	(227)		-
Number of options forfeited to date		11,563		11,442
Unallocated shares remaining in the Trust		111,243		111,243
Shares allotted to the ESOS Trust via the rights issue		9,783		9,783
Shares sold in the open market	12.50	(158,345)		-
Total number of shares remaining in the ESOS Trust as at 31 December		**-**		**158,572**

17 Reserves

	Group		Company	
	2014	2013	2014	2013
Distributable				
Retained earnings	16,767,714	13,238,824	27,752,871	23.319,079
Dividend reserve ESOS Trust	-	383,754	-	383,754
Non-distributable				
Hedging reserve	(39,337)	-	(39,337)	-
At 31 December	**16,728,377**	**13,622,578**	**27,713,534**	**23,702,833**

The hedging reserve represents the fair value relating to derivative financial instrument used to hedge the exposure of variability in cash flow attributable to interest rate risk associated with future interest payments of the floating rated syndicated term loan. Movements of the hedging reserve are recorded through other comprehensive income throughout the period of the hedging contract. The balance of the hedging reserve at each statement of financial position date is recorded under equity and it will be zero at the maturity of the hedging contract.

Further, no tax is applicable for the movement of the hedging reserve recorded in other comprehensive income.

17 Reserves (Contd.)

The movement of the reserves is as follow:

Group

	Hedging reserve	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2014	-	383,754	13,238,824	13,622,578
Profit for the year	-	-	6,097,750	6,097,750
Other comprehensive expense:				
- Net change in cash flow hedge	(39,337)	-	-	(39,337)
- Actuarial loss on defined benefit obligation, net of tax	-	-	(186,163)	(186,163)
Total comprehensive (expense) / income for the year	**(39,337)**	**-**	**5,911,587**	**5,872,250**
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	45,986	-	45,986
Effect of disposal of shares in ESOS Trust	-	-	(21,001)	(21,001)
Transfer of dividend reserve - ESOS Trust	-	(429,740)	-	(429,740)
Balance at 31 December 2014	**(39,337)**	**-**	**16,767,714**	**16,728,377**
Balance at 1 January 2013	-	331,425	10,737,128	11,068,553
Profit for the year	-	-	5,201,030	5,201,030
Other comprehensive expense:				
- Actuarial loss on defined benefit obligation, net of tax	-	-	(6,888)	(6,888)
Total comprehensive income for the year	**-**	**-**	**5,194,142**	**5,194,142**
Dividend to equity shareholders	-	-	(2,687,446)	(2,687,446)
Dividend received by ESOS Trust	-	52,329	-	52,329
Direct cost on share issue	-	-	(5,000)	(5,000)
Balance at 31 December 2013	**-**	**383,754**	**13,238,824**	**13,622,578**

Company

	Hedging reserve	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2014	-	383,754	23,319,079	23,702,833
Profit for the year	-	-	6,953,924	6,953,924
Other comprehensive expense:				
- Net change in cash flow hedge	(39,337)	-	-	(39,337)
- Actuarial loss on defined benefit obligation, net of tax	-	-	(137,435)	(137,435)
Total comprehensive (expense) / income for the year	**(39,337)**	**-**	**6,816,489**	**6,777,152**
Dividend to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividend received by ESOS Trust	-	45,986	-	45,986
Effect of disposal of shares in ESOS Trust	-	-	(21,001)	(21,001)
Transfer of dividend reserve - ESOS Trust	-	(429,740)	-	(429,740)
Balance at 31 December 2014	**(39,337)**	**-**	**27,752,871**	**27,713,534**
Balance at 1 January 2013	-	331,425	19,948,823	20,280,248
Profit for the year	-	-	6,061,490	6,061,490
Other comprehensive expense:				
- Actuarial loss on defined benefit obligation, net of tax	-	-	(3,788)	(3,788)
Total comprehensive income for the year	**-**	**-**	**6,057,702**	**6,057,702**
Dividend to equity shareholders	-	-	(2,687,446)	(2,687,446)
Dividend received by ESOS Trust	-	52,329	-	52,329
Balance at 31 December 2013	**-**	**383,754**	**23,319,079**	**23,702,833**

18 Trade and other payables

	Group		Company	
	2014	2013	2014	2013
Trade payables	4,435,693	5,478,431	3,106,851	3,318,372
Amount due to ultimate parent company [Note 33 (g)]	1,280,128	848,701	1,280,128	848,701
Amounts due to related companies [Note 33 (g)]	2,572,506	2,588,069	2,785,485	2,763,841
Deferred revenue (Note 21)	2,493,224	2,168,761	2,147,005	1,872,201
Accrued expenses	8,908,883	6,632,464	6,704,625	4,804,478
Customer deposits	1,126,403	1,232,768	1,071,424	1,137,997
Other payables	11,441,066	11,270,412	6,830,950	6,759,301
	32,257,903	**30,219,606**	**23,926,468**	**21,504,891**

18 Trade and other payables (Contd.)

(a) Other payables of the Group include a provision made as a matter of prudence, for a possible claim amounting to a sum of Rs.4,221,040,185 on account of a judgment delivered against Suntel Limited on 9 March 2012 in HC (Civil) 282/2001(1) in the Commercial High Court of the Western Province in favour of Electroteks Network Services (Private) Limited. Suntel Limited [now amalgamated with Dialog Broadband Networks (Private) Limited], on the basis of legal advice received, has appealed against this judgment to the Supreme Court of Sri Lanka. The matter is now fixed for further hearing on 16 March 2015.

(b) Pending such appeal, Electroteks Network Services (Private) Limited filed a writ pending appeal application in the Commercial High Court of the Western Province seeking to execute the judgment given in their favour. On 4 December 2013 Electroteks Network Services (Private) Limited agreed not to pursue this writ pending appeal application upon Dialog Broadband Network (Private) Limited agreeing to keep a guarantee to cover the judgment in the appeal made to the Supreme Court of Sri Lanka, through its parent company Dialog Axiata PLC, in the form of a bank guarantee for the value of Rs.1Bn and a corporate guarantee for the value of Rs.3.2Bn.The contingent liability arises from such guarantee is disclosed in note 31(a) (ii) to the financial statements.

19 Borrowings

	Group		Company	
	2014	2013	2014	2013
Current				
Bank overdrafts	2,037,607	1,770,641	1,631,767	1,257,385
Bank borrowings	2,419,971	-	2,419,971	-
Loan from parent company [Note 33(e)]	-	10,135,290	-	10,135,290
	4,457,578	**11,905,931**	**4,051,738**	**11,392,675**

	Group		Company	
	2014	2013	2014	2013
Non-current				
Bank borrowings	15,235,684	17,451,422	15,235,684	17,451,422
Loan from parent company [Note 33(e)]	10,218,266	-	10,218,266	-
	25,453,950	**17,451,422**	**25,453,950**	**17,451,422**

(a) Bank borrowings

The term loan carries an interest rate of USD 3 months LIBOR + 1.45%, which will mature on 29 July 2018. The term loan has a repayment moratorium period of 24 months from the grant date which will be ended on 29 July 2015.

(b) Loan from parent company

Axiata Investments (Labuan) Limited has provided advances amounting to USD 50Mn and Rs.3.7Bn, during the years of 2008, 2009 and 2013 to meet expenditure related to telecommunication expansion, launch of CDMA and Pay TV services. For the purpose of determining the amortised cost, a repayment period up to January 2018 has been considered.

The effective interest rate on loans from parent company was 2.217% p.a and 6.75% (2013 - 2.217% p.a and 4.05%).

(c) Bank overdraft at the reporting date represents the book overdrawn situation.

(d) The exposure of the borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	Group		Company	
	2014	2013	2014	2013
3 months or less	2,037,607	2,110,138	1,631,767	1,596,882
3-6 months	-	7,582,187	-	7,582,187
6-12 months	2,419,971	2,213,606	2,419,971	2,213,606
1-5 years	25,453,950	17,451,422	25,453,950	17,451,422
	29,911,528	29,357,353	29,505,688	28,844,097

(e) The carrying amounts of the Company's and the Group's borrowings are denominated in following currencies:

	Group		Company	
	2014	2013	2014	2013
Sri Lankan rupees	5,718,961	4,203,553	5,313,121	3,690,297
United States dollars	24,192,567	25,153,800	24,192,567	25,153,800
	29,911,528	29,357,353	29,505,688	28,844,097

(f) The carrying amounts at amortised cost and fair value of non-current borrowings are as follows:

	Group		Company	
	2014	2013	2014	2013
Bank borrowings	15,235,684	17,451,422	15,235,684	17,451,422
Loan from parent company	10,218,266	-	10,218,266	-
	25,453,950	17,451,422	25,453,950	17,451,422

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair value of non-current borrowings are based on cash flows discounted using a rate based on the effective interest rates of between 1.64%-1.69% floating and 2.217% and 4.05% fixed (2013-1.6%-1.74% floating and 2.217% and 4.05% fixed) and are within level 2 of the fair value hierarchy.

20 Derivative financial instrument

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedge	-	64,927	-	-
Less non-current portion:				
Interest rate swaps - cash flow hedge	-	(55,837)	-	-
Current portion	**-**	**9,090**	**-**	**-**

The information relating to the derivative financial instrument of the Group as at 31 December 2014 is as follows:

Counterparty	Notional amount outstanding	Period	Exchange period	Fixed interest rate paid	Floating interest rate received
HSBC	USD 120,666,667	13 January 2014 - 29 July 2018	Quarterly	2.6075%p.a	3 months' LIBOR plus 1.45%p.a

21 Deferred revenue

	Group 2014	Group 2013	Company 2014	Company 2013
At 1 January	3,859,494	3,272,494	3,424,256	2,846,328
Prepaid revenue and connection fees	34,070,721	29,316,791	33,092,390	28,276,202
TDC disbursement received	1,151,345	1,248,398	1,144,349	1,223,734
Released of prepaid revenue and connection fees to statement of comprehensive income	(33,822,145)	(29,357,487)	(32,913,885)	(28,359,709)
Released of TDC disbursements to statement of comprehensive income (Note 30)	(860,138)	(620,702)	(812,863)	(562,299)
At 31 December	**4,399,277**	**3,859,494**	**3,934,247**	**3,424,256**

	Group 2014	Group 2013	Company 2014	Company 2013
Current (Note 18)	2,493,224	2,168,761	2,147,005	1,872,201
Non-current	1,906,053	1,690,733	1,787,242	1,552,055
	4,399,277	**3,859,494**	**3,934,247**	**3,424,256**

22 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 date of the statement of financial position.

(a) The movement on the deferred income tax account is as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
At 1 January	800	-	-	-
Charged to statement of comprehensive income	-	800	-	-
Credited to statement of comprehensive income	(720)	-	-	-
At 31 December	**80**	**800**	**-**	**-**

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

(c) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The unrecognised deferred income tax assets in respect of losses can be carried forward against future taxable income. Accordingly, deferred income tax asset of Rs.2,118,350,871 was not recognised in respect of subsidiaries in the consolidated financial statements.

23 Employee benefit payables

	Note	Group 2014	Group 2013	Company 2014	Company 2013
Defined benefit obligation	(a)	1,074,435	717,869	877,762	588,035
Other payables	(b)	367,603	-	367,603	-
		1,442,038	**717,869**	**1,245,365**	**588,035**

(a) Defined benefit obligation

(i) The movement in the present value of defined benefit obligation over the year is as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
At 1 January	717,869	587,030	588,035	481,385
Current service cost	123,592	77,937	101,749	65,847
Interest expense	86,464	75,014	71,017	62,100
	210,056	152,951	172,766	127,947
Actuarial (gains) / losses:				
- Losses from change in financial assumptions	195,390	23,818	153,588	19,493
- Losses from change in demographic assumptions	687	317	571	281
- Experience gains	(9,914)	(17,247)	(16,724)	(15,986)
	186,163	6,888	137,435	3,788
Benefit paid	(39,653)	(29,000)	(20,474)	(25,085)
At 31 December	**1,074,435**	**717,869**	**877,762**	**588,035**

This obligation is not externally funded.

The gratuity liability of the Group is based on the actuarial valuation performed in December 2014 by Actuaries, Messrs Actuarial & Management Consultants (Private) Limited.

(ii) The principal actuarial valuation assumptions used are as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
Discount rate	9.60%	11.90%	9.60%	11.90%
Future salary growth rate	12.00%	12.00%	12.00%	12.00%

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age are considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 1967/70 mortality table) has also been used in the valuation.

23 Employee benefit payables (Contd.)

(a) Defined benefit obligation (Contd.)

(iii) The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

		Impact on defined benefit obligation			
		Group		Company	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 9.78%	Increase by 11.36%	Decrease by 9.37%	Increase by 10.83%
Future salary growth rate	1.00%	Increase by 11.44%	Decrease by 10.03%	Increase by 10.92%	Decrease by 9.63%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied.

(iv) Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation is 10.97 years and average time to benefit payout is 10.6 years. The distribution of the timing of benefit payments is as follow:

	Group 2014	Company 2014
Less than 1 year	49,979	43,591
Between 1-2 years	91,835	77,039
Between 2-5 years	117,606	105,221
Over 5 years	815,015	651,911
	1,074,435	877,762

(b) Amount represents the remaining funds in ESOS Trust transferred to an alternative employee share scheme introduced by the Company for a similar objective.

24 Provision for other liabilities

Provisions for other liabilities comprise the amounts provided for Asset Retirement Obligations (ARO).

	Group		Company	
	2014	2013	2014	2013
At 1 January	1,564,353	813,874	1,310,468	663,367
Amounts (reversed) / capitalised	(489,892)	932,893	(445,916)	893,179
Adjustment for fully depreciated ARO assets	(11,436)	(425,242)	(11,180)	(425,242)
Charged to statement of comprehensive income (Note 27)	72,413	242,828	67,758	179,164
At 31 December	**1,135,438**	**1,564,353**	**921,130**	**1,310,468**

The principal assumptions used to determine the ARO are as follows:

	Group		Company	
	2014	2013	2014	2013
Inflation	1.50%	5.60%	1.50%	5.60%
Discount rate	12.20%	10.49%	12.20%	10.49%

25 Expenses by nature

	Group 2014	Group 2013	Company 2014	Company 2013
Directors' fees	79,074	67,930	79,074	67,930
Independent auditor's remuneration				
- statutory audit	16,626	13,359	9,148	7,185
- other permitted services	550	4,179	550	1,805
Fees for other professional services	134,837	154,743	95,520	125,936
Depreciation, impairment and amortisation	12,986,784	12,309,208	9,807,849	9,347,013
Provision for impairment of available-for-sale financial asset	-	30,596	-	30,596
Domestic interconnection and international origination cost	5,868,265	6,389,076	5,799,759	6,293,775
Telecommunication development charge	2,322,252	2,908,384	2,369,526	2,966,788
Provision for impairment of trade receivables	902,156	935,122	437,055	652,885
Marketing, advertising and promotion	8,626,406	7,722,126	7,902,334	7,091,716
Rental for site and office premises	3,338,806	3,113,872	3,060,151	2,767,988
Electricity for site and office premises	3,119,886	2,682,880	2,529,871	2,303,766
Annual maintenance (IT, hardware and software)	2,294,019	2,106,841	1,901,729	1,766,156
Staff costs (Note 26)	5,169,624	4,908,644	4,445,655	4,164,489
Telecommunication regulatory charges and royalty fee	2,903,892	2,726,187	2,299,866	2,093,780
Other operating costs	11,614,007	9,648,391	8,579,116	7,494,212
Total direct costs, administrative costs and distribution costs	**59,377,184**	**55,721,538**	**49,317,203**	**47,176,020**

26 Employee benefit expenses

	Group 2014	Group 2013	Company 2014	Company 2013
Wages and salaries	2,786,127	2,542,714	2,386,316	2,150,640
Social security costs	1,689,743	1,777,811	1,489,683	1,532,206
Pension costs - defined contribution plans	483,698	435,168	396,890	353,696
Pension costs - defined benefit plan (Note 23)	210,056	152,951	172,766	127,947
	5,169,624	4,908,644	4,445,655	4,164,489
Number of persons employed as at 31 December:				
- full time	2,996	3,053	2,286	2,325

27 Finance income and costs

	Group 2014	Group 2013	Company 2014	Company 2013
Interest income on deposits (Note 30)	203,427	113,116	199,170	107,068
Finance income	**203,427**	**113,116**	**199,170**	**107,068**
Interest expenses on:				
- bank overdrafts	(334)	(3,232)	(231)	(3,178)
- term loans	(498,116)	(278,563)	(498,116)	(278,563)
- loan from parent company	(225,394)	(158,655)	(225,394)	(158,655)
- finance cost on asset retirement obligations - (Note 24)	(72,413)	(242,828)	(67,758)	(179,164)
- finance lease	-	(1,062)	-	-
Net foreign exchange (loss) / gain on foreign currency transactions / translations	(23,131)	(735,265)	35,884	(658,716)
Finance costs	**(819,388)**	**(1,419,605)**	**(755,615)**	**(1,278,276)**
Finance costs - net	**(615,961)**	**(1,306,489)**	**(556,445)**	**(1,171,208)**

28 Income tax

(a)

	Group 2014	Group 2013	Company 2014	Company 2013
Current tax	1,224,391	1,119,550	1,221,989	1,113,930
Economic service charge	8,767	6,546	-	2
Deferred income tax charged to statement of comprehensive income (Note 22)	-	800	-	-
Deferred income tax credited to statement of comprehensive income (Note 22)	(720)	-	-	-
	1,232,438	**1,126,896**	**1,221,989**	**1,113,932**

(b) The Company opted for 2% revenue based tax with effect from the year 2013 with the expiration of the 15 year tax holiday period granted under the agreement entered into between the Company and the Board of Investment of Sri Lanka (BOI).

(c) Upon expiry of the tax exemption period granted under the agreement entered into between the Dialog Broadband Networks (Private) Limited (DBN) and the BOI, the business profit of DBN is subjected to a corporate tax of 15% with effect from the year 2011.

(d) Upon expiry of the tax exemption period granted under the agreement entered into between the Dialog Television (Private) Limited (DTV) and the BOI, the business profit of DTV is subjected to a corporate tax of 10% for a period of two years with effect from the year 2012. After the expiration of the aforesaid concessionary period, the business profit of DTV is subjected to corporate tax of 20% for any year of assessment thereafter.

(e) The business profit of the Dialog Television Trading (Private) Limited (DTT) is subject to a corporate tax of 28%.

(f) The Company, DBN, DTV and DTT are also liable to pay income tax at standard rate of 28% on interest income earned in Sri Lanka rupees.

(g) The tax on the profit before tax differs from the theoretical amount that would arise using the applicable tax rate to profits is as follows:

	Group		Company	
	2014	2013	2014	2013
Profit before tax	7,330,188	6,327,926	8,175,913	7,175,422
Tax at the standard tax rate of 28%	2,052,453	1,771,819	2,289,256	2,009,118
Tax effects on:				
- Income not subject to tax	(5,269)	(13,869)	(5,269)	(13,869)
- Associates results reported net of tax	30,139	8,272	-	-
- Expenses not deductible for tax purposes	79,038	68,409	-	-
- Unrecognised deferred income tax	87,908	88,901	-	-
- Utilisation of previously unrecognised tax losses	(1,399)	(2,239)	-	-
- Change in the tax regime (Note b)	(1,078,620)	(881,893)	(1,078,620)	(881,893)
- Rate differentials (Note c and d)	43,716	78,395	-	-
Under provision for previous years	16,425	1,755	16,622	574
Net (reversal) / charge of deferred income tax	(720)	800	-	-
ESC write off	8,767	6,546	-	2
	1,232,438	**1,126,896**	**1,221,989**	**1,113,932**

29 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held by the ESOS Trust as disclosed in note 16 to the financial statements.

	Group		Company	
	2014	2013	2014	2013
Profit for the year	6,097,750	5,201,030	6,953,924	6,061,490
Attributable to ordinary shareholders	**6,097,750**	**5,201,030**	**6,953,924**	**6,061,490**
Weighted average number of ordinary shares in issue (Thousands)	8,025,175	7,985,206	8,025,175	7,985,206
Earnings per share (Rs.)	**0.76**	**0.65**	**0.87**	**0.76**

The diluted earnings per share is same as the basic earnings per share.

30 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2014	2013	2014	2013
Profit before tax	7,330,188	6,327,926	8,175,913	7,175,422
Adjustments for:				
Unrealised exchange (gain) / loss	(255,219)	728,811	(305,341)	722,801
Provision for impairment of trade receivables	902,155	935,122	437,055	652,885
Bad debts written back	(45,309)	(52,049)	(36,874)	(43,982)
Profit on sale of property, plant and equipment	(72,642)	(53,652)	(20,407)	(45,554)
Interest expense	723,843	441,512	723,741	440,396
Finance cost on asset retirement obligations (Note 27)	72,413	242,828	67,758	179,164
Interest income (Note 27)	(203,427)	(113,116)	(199,170)	(107,068)
Amortisation charge (Note 7)	1,621,803	1,150,889	1,265,443	841,464
Depreciation charge (Note 8)	11,709,655	11,135,006	8,479,229	8,549,623
Impairment (reversal) / provision and written off of property, plant and equipment (Note 8)	(370,649)	(6,893)	37,201	(74,280)
Impairment provision and written off of intangible assets (Note 7)	25,976	30,206	25,976	30,206
Impairment provision of available-for-sale financial asset (Note 12)	-	30,596	-	30,596
Grant received less amortisation	291,207	627,696	331,486	661,435
Site abandonment cost	(10,850)	-	(10,592)	-
Defined benefit obligation (Note 23)	210,056	152,951	172,766	127,947
Provision for slow moving inventory	83,384	45,192	67,892	45,697
Share of loss from associates (Note10)	107,639	29,542	-	-
Changes in working capital				
- Trade and other receivables	(1,559,313)	(2,956,243)	512,416	(836,454)
- Inventories	333,123	(341,083)	357,177	(314,112)
- Payables	2,943,414	3,863,331	3,466,739	2,745,813
Cash generated from operations	**23,837,447**	**22,218,572**	**23,548,408**	**20,781,999**

31 Contingencies

(a) Pending litigations

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 such legal claims, except for:

(i) Inquiry by Sri Lanka Customs

In August 2008, Sri Lanka Customs (SLC) detained a shipment of CDMA Customers' Premises Equipment (CPE), belonging to DBN and commenced an investigation into the eligibility of these items falling under the duty exemptions granted under the terms and conditions of the agreement with the Board of Investment of Sri Lanka. The shipment was cleared by DBN 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. Having completed the investigation, SLC commenced an inquiry into this matter on 30 January 2009. This Inquiry is now indefinitely postponed until finality is reached in respect of a settlement which was proposed by the Secretary to the Treasury in May 2010.

No assessment has been made as at the date of the statement of financial position. The Directors are of the opinion that no material liability would result from the inquiry.

(ii) Guarantee given by the Company against pending litigations

The Company kept guarantee on behalf of Dialog Broadband Networks (Private) Limited in the form of a bank guarantee for the value of Rs.1Bn and a corporate guarantee for the value of Rs.3.2Bn in the writ pending appeal application filed by Electroteks Network Services (Private) Limited. The effective date of the guarantee is 3 March 2014.

(b) Guarantees

Guarantees given by the Company and the Group as at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
Corporate guarantees	330,401,983	327,959,015	249,708,515	247,862,189
Bank guarantees	1,680,838,777	1,955,733,072	1,650,892,402	1,934,641,890
	2,011,240,760	2,283,692,087	1,900,600,917	2,182,504,079

32 Commitments

(a) Capital commitments

	Group		Company	
	2014	2013	2014	2013
Supply of telecommunication equipment	9,188,421	11,174,519	6,568,205	7,244,581

(b) Financial commitments

At the date of statement of financial position, the Group has the following annual commitments:

	Amount (Thousands)
Annual fee to the Board of Investment of Sri Lanka	1,421
Rental for site and office premises	2,896,132
Annual maintenance contracts	2,324,935
Rental to Axiata Lanka (Private) Limited	7,920

(c) Other commitments

There are no other material financial commitments outstanding at the end of the reporting period.

33 Related party transactions

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

	Datuk Azzat Kamaludin	Dr Hansa Wijayasuriya	Mr. Moksevi Prelis	Darke Mohamed Sani	Deshamanya Mahesh Amalean	Mr. Chari TVT	Mr. James Maclaurin	Mr. Mohamed Muhsin
Amaliya (Private) Limited	-	-	-	-	x	-	-	-
Association for Social Development	-	-	x	-	-	-	-	-
Attune Lanka (Private) Limited	-	-	-	-	x	-	-	-
Axiata Digital Advertising Sdn Bhd	-	x	-	-	-	-	-	-
Axiata Digital Services Sdn Bhd	-	x	-	-	-	-	-	-
Axiata Group Bhd	x	-	-	-	-	-	-	-
Axiata Investments (Cambodia) Limited	-	-	-	-	-	x	-	-
Axiata Investments (Indonesia) Sdn Bhd	-	-	-	-	-	x	-	-
Axiata Investments (Labuan) Limited	-	-	-	-	-	x	-	-
Axiata Investments (Singapore) Limited	-	-	-	-	-	x	-	-
Axiata Investments 1 (India) Limited	-	x	-	-	-	-	-	-
Axiata Investments 2 (India) Limited	-	x	-	-	-	-	-	-
Axiata Lanka (Private) Limited	-	x	-	-	-	x	-	-
Axiata Management Services Sdn Bhd	-	-	-	-	-	x	-	-
Axiata SPV 2 Bhd	-	-	-	-	-	x	-	-
Axiata SPV1 (Labuan) Limited	-	-	-	-	-	x	-	-
Bodyline (Private) Limited	-	-	-	-	x	-	-	-
Boustead Heavy Industries Corp. Bhd	x	-	-	-	-	-	-	-
Boustead Holdings Bhd	x	-	-	-	-	-	-	-
Capital Trust Corporate Solutions (Pvt) Ltd	-	-	x	-	-	-	-	-
Capital Trust Financial (Pvt) Ltd	-	-	x	-	-	-	-	-
Capital Trust Securities (Private) Limited	-	-	x	-	-	-	-	-
Capital Trust Treasuries (Private) Limited	-	-	x	-	-	-	-	-
Celcom Resources Bhd	x	-	-	-	-	-	-	-
Celcom Trading Sdn Bhd	x	-	-	-	-	-	-	-
Colombo Stock Exchange Limited	-	-	x	-	-	-	-	-
Communiq Broadband Network (Private) Limited	-	x	x	-	-	-	-	-
Dialog Axiata Employee Share Option Trust	Trustee	-	Trustee	Trustee	-	-	-	Trustee
Dialog Broadband Networks (Private) Limited	-	x	x	-	-	-	-	-
Dialog Foundation	Trustee	Trustee	-	-	-	-	-	-
Dialog Television (Private) Limited	-	x	x	-	-	-	-	-
Dialog Television Trading (Private) Limited	-	x	x	-	-	-	-	-
Digital Commerce Lanka (Private) Limited	-	x	-	-	-	-	-	-
Digital Holdings Lanka (Private) Limited	-	x	x	-	-	-	-	-
Edotco Group Sdn Bhd	x	-	-	-	-	-	-	-

	Datuk Azzat Kamaludin	Dr Hansa Wijayasuriya	Mr. Moksevi Prelis	Darke Mohamed Sani	Deshamanya Mahesh Amalean	Mr. Chari TVT	Mr. James Maclaurin	Mr. Mohamed Muhsin
Firstsource-Dialog Solutions (Private) Limited	-	x	-	-	-	-	-	-
Glaswool Holdings Limited	-	-	-	-	-	x	-	-
Hello Axiata Company Limited	-	-	-	-	-	x	-	-
Idea Cellular Limited (India)	-	x	-	-	-	-	-	-
KPJ Healthcare Bhd	x	-	-	-	-	-	-	-
Linea Aqua (Private) Limited	-	-	-	-	x	-	-	-
Linea Aqua Trading (Private) Limited	-	-	-	-	x	-	-	-
Malaysian Directors Academy	x	-	-	-	-	-	-	-
MAS Active (Private) Limited	-	-	-	-	x	-	-	-
MAS Active Trading (Private) Limited	-	-	-	-	x	-	-	-
MAS Capital (Private) Limited	-	-	-	-	x	-	-	-
MAS Holdings (Private) Limited	-	-	-	-	x	-	-	-
MAS Intimates (Private) Limited	-	-	-	-	x	-	-	-
MAS Intimates Thurulie (Private) Limited	-	-	-	-	x	-	-	-
MAS Investments (Private) Limited	-	-	-	-	x	-	-	-
MAS Research and Innovation (Private) Limited	-	-	-	-	x	-	-	-
Multinet Pakistan (Pvt) Ltd	-	-	-	-	-	-	x	-
National Research Council of Sri Lanka	-	-	x	-	-	-	-	-
Noyon Lanka (Private) Limited	-	-	-	-	x	-	-	-
Prym Intimates Lanka (Private) Limited	-	-	-	-	x	-	-	-
PT XL Axiata Tbk	-	-	-	-	-	x	-	-
Robi Axiata Limited	-	-	-	-	-	x	-	-
Sigiriya Leisure (Private) Limited	-	x	-	-	-	-	-	-
Sinwa Holdings Limited	-	-	x	-	-	-	-	-
Sri Lanka Institute of Nanotechnology (Private) Limited	-	x	-	-	x	-	-	-
Tangalle Leisure (Private) Limited	-	x	-	-	-	-	-	-
Telecard (Private) Limited	-	x	-	-	-	-	-	-
Trischel Fabrics (Private) Limited	-	-	-	-	x	-	-	-
Unichela (Private) Limited	-	-	-	-	x	-	-	-
Visdynamics Holdings Bhd	x	-	-	-	-	-	-	-

The Group Chief Executive Officer, Dr Hansa Wijayasuriya held options to purchase 5,424,400 ordinary shares under the ESOS, which he surrendered to the ESOS Trust in October 2014. No share options were granted to the Non-Executive Directors under the ESOS.

(b) Axiata Investments (Labuan) Limited owns 83.32% of the total number of shares in issue of the Company. The remaining 16.68% of the shares are widely held. The ultimate parent of the Company is Axiata Group Berhad.

33 Related party transactions (Contd.)

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

		Company 2014	Company 2013
Sale of Service:			
i)	Axiata Lanka (Private) Limited		
	- Rendering of management services	2,700	2,700
ii)	Dialog Broadband Networks (Private) Limited		
	- Site sharing revenue	233,595	232,803
	- International private lease circuits and satellite bandwidth revenue	265,508	162,102
	- Voice revenue	153,343	171,900
	- Local interconnection SMS revenue	110,628	117,174
iii)	Dialog Television (Private) Limited		
	- Satellite bandwidth service	5,623	5,623
iv)	Telekom Malaysia Berhad		
	- International private lease circuits revenue	22,314	20,328
	- Interconnection revenue	123,869	259,977
v)	Multinet Pakistan (Private) Limited		
	- Interconnection revenue	14,672	11,482
vi)	Idea Cellular Limited		
	- Interconnection revenue	25,773	818
vii)	M1 Limited (Singapore)		
	- Interconnection revenue	21,659	16,306
viii)	PT XL Axiata Tbk		
	- Inbound roaming revenue	-	948
	- Axiata roaming services	6,400	6,331
	- Interconnection revenue	985	1,431
ix)	Hello Axiata Company Limited		
	- Interconnection revenue	8,364	25,814
x)	Celcom Axiata Berhad		
	- Interconnection revenue	848,850	1,065,734
	- Inbound roaming	-	8,526
	- Other revenue	48,151	7,751
xi)	Robi Axiata Limited		
	- Axiata roaming services	9,667	6,331
		1,902,101	2,124,079

		Company 2014	Company 2013
Purchase of service :			
i)	Axiata Lanka (Private) Limited		
	- Rental charges	7,920	7,920
ii)	Dialog Broadband Networks (Private) Limited		
	- Lease circuit rental and electricity	153,318	153,318
	- Computer HW and SW maintenance	67,599	68,320
	- BTS site sharing cost	109,437	109,517
	- Last mile and field service	24,214	24,948
	- Telephone charges	37,232	18,866
	- Incoming local access charges and outgoing local access charges	288,611	403,221
	- Interconnection charges	72,772	80,965
	- Office rent	4,600	4,600
iii)	Telekom Malaysia Berhad		
	- Origination cost	19,505	43,346
	- Other network costs	26,497	26,338
	- Foreign wet for last mile cost	117,873	105,173
iv)	Dialog Television (Private) Limited		
	- Initial connection fees, DAP staff	12,197	13,003
	- Subscription fees, DAP staff	1,457	4,764
	- Advertising	869	8,228
v)	Idea Cellular Limited		
	- Origination cost	77,867	9,446
vi)	M1 Limited (Singapore)		
	- Origination cost	2,024	1,342
vii)	PT XL Axiata Tbk		
	- Outbound roaming	-	2,808
	- Interconnection charges	2,322	2,426
	- Foreign wet cost	289	-
viii)	Hello Axiata Company Limited		
	- Origination cost	73	58
ix)	Celcom Axiata Berhad		
	- Origination cost	15,521	47,614
	- Outbound roaming	-	11,783
x)	Firstsource-Dialog Solution (Private) Limited		
	- Call centre charges	478,303	494,607
		1,520,500	1,642,611

33 Related party transactions (Contd.)

(c) The related parties with whom the Company had transactions in the ordinary course of business are set out below (Contd.)

	Company	
	2014	2013
Funds made available to subsidiaries:		
Dialog Broadband Networks (Private) Limited	3,514,200	5,976,262
Dialog Television (Private) Limited	1,019,200	977,960
	4,533,400	6,954,222

	Company	
	2014	2013
Funds made available to associates:		
Loans given to Digital Commerce Lanka (Private) Limited	75,000	-
Advances given to Digital Commerce Lanka (Private) Limited	48,806	-
	123,806	-

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

	Group	
	2014	2013
Salaries and short-term employee benefits	298,980	264,624
Defined benefit plans	97,164	85,894
	396,144	350,518

(e) Axiata Investment (Labuan) Limited

	Group		Company	
	2014	2013	2014	2013
Borrowings - Non-current liability (Note 19)	10,218,266	-	10,218,266	-
Borrowings - Current liability (Note 19)	-	10,135,290	-	10,135,290
Interest payable	278,877	78,596	278,877	78,596

The borrowings consist of a loan of USD 50Mn which carries an interest rate of 1.68% p.a (2013 - 0.50%) and the balance of Rs.3.7Bn which carries an interest rate of 6.75% p.a (2013 - Nil) and repayable in the ordinary course of business. The fair values and the effective interest rates of the loans are disclosed in note 19.

(f) Outstanding receivable balances arising from related company transactions:

	Group 2014	Group 2013	Company 2014	Company 2013
Non-current receivables (Note 14)				
- Dialog Broadband Networks (Private) Limited	-	-	14,550,766	11,847,851
- Dialog Television (Private) Limited	-	-	2,285,903	2,015,477
- Digital Commerce Lanka (Private) Limited	48,806	-	48,806	-
- Axiata Lanka (Private) Limited	-	1,273	-	1,273
	48,806	**1,273**	**16,885,475**	**13,864,601**
Current receivables (Note 14)				
- Multinet Pakistan (Private) Limited	12,752	7,570	12,752	7,570
- M1 Limited (Singapore)	6,356	2,235	6,356	2,235
- Celcom Axiata Berhad	93,075	216,953	93,075	216,953
- Hello Axiata Company Limited	9,563	16,716	9,563	16,716
- PT XL Axiata Tbk	190	3,330	190	3,330
- Telekom Malaysia Berhad	56,938	115,176	56,938	115,176
- Robi Axiata Limited	26,608	16,236	26,608	16,236
- Digital Commerce Lanka (Private) Limited	16,134	523	7,419	523
- Axiata Lanka (Private) Limited	-	3,818	-	3,818
	221,616	**382,557**	**212,901**	**382,557**

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

(g) Outstanding payable balances arising from related company transactions:

	Group 2014	Group 2013	Company 2014	Company 2013
Amount due to ultimate parent company (Note 18)				
- Axiata Group Berhad	1,280,128	848,701	1,280,128	848,701
Amounts due to related companies (Note 18)				
- Axiata Investment (Labuan) Limited	2,239,133	2,239,133	2,239,133	2,239,133
- Axiata Lanka (Private) Limited	26,167	26,863	26,167	26,863
- Telekom Malaysia Berhad	169,265	141,455	169,265	141,455
- Celcom Axiata Berhad	611	-	611	-
- Hello Axiata Company Limited	62	-	62	-
- PT XL Axiata Tbk	928	858	928	858
- Robi Axiata Limited	85,215	85,215	85,215	85,215
- Firstsource-Dialog Solution (Private) Limited	45,847	90,355	44,846	90,355
- Digital Commerce Lanka (Private) Limited	5,278	4,190	5,278	4,190
- Dialog Broadband Networks (Private) Limited	-	-	213,980	175,772
	2,572,506	**2,588,069**	**2,785,485**	**2,763,841**

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

33 Related party transactions (Contd.)

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 are no other related party transactions other than those disclosed above.

34 Parent company

Axiata Investments (Labuan) Limited is the parent company. Axiata Group Berhad is the parent company of Axiata Investments (Labuan) Limited. Accordingly, the ultimate parent company of Dialog Axiata PLC is Axiata Group Berhad.

35 Events after the reporting period

The 2015 interim budget was presented by the Government of Sri Lanka (GoSL) on 29 January 2015 and passed by the Parliament of Sri Lanka on 07 February 2015. The GoSL is in the process of enacting legislation corresponding to the budget proposals which would bring the said proposals in to force and also provide definitive clarity with respect to applicability and implementation parameters. Accordingly, and pending legislation and clarity at this time, the consolidated financial results for the year ended 31 December 2014 excludes any and all impacts from the interim budget.

Except as disclosed above, no other circumstances have arisen since the statement of financial position date which require adjustments to, or disclosure in the financial statements.

US Dollar Financial Statements

Statements of financial position

For Information Purpose Only

	Group		Company	
	31 December		31 December	
	2014	2013	2014	2013
	USD '000	USD '000	USD '000	USD '000
ASSETS				
Non-current assets				
Intangible assets	123,008	132,315	42,173	48,272
Property, plant and equipment	540,436	522,965	390,116	387,873
Investment in subsidiaries	-	-	142,767	143,831
Investment in associates	1,892	1,971	2,865	2,129
Amount due from related companies	370	10	128,051	105,926
Financial assets	872	-	872	-
	666,578	657,261	706,844	688,031
Current assets				
Inventories	1,992	5,117	1,000	4,212
Trade and other receivables	100,438	110,688	81,531	92,122
Cash and cash equivalents	81,705	24,582	74,359	15,763
	184,135	140,387	156,890	112,097
Total assets	**850,713**	**797,648**	**863,734**	**800,128**
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	213,126	199,503	213,126	199,503
Reserves	126,860	104,077	210,166	181,090
Total equity	**339,986**	**303,580**	**423,292**	**380,593**
LIABILITIES				
Non-current liabilities				
Borrowings	193,030	133,329	193,030	133,329
Derivative financial instrument	423	-	423	-
Deferred revenue	14,455	12,917	13,554	11,858
Deferred income tax liability	1	6	-	-
Employee benefit payables	10,936	5,485	9,444	4,493
Provision for other liabilities	8,611	11,952	6,985	10,012
	227,456	163,689	223,436	159,692
Current liabilities				
Trade and other payables	244,629	230,878	181,449	164,297
Borrowings	33,804	90,961	30,726	87,040
Derivative financial instrument	69	-	69	-
Current income tax liabilities	4,769	8,540	4,762	8,506
	283,271	330,379	217,006	259,843
Total liabilities	**510,727**	**494,068**	**440,442**	**419,535**
Total equity and liabilities	**850,713**	**797,648**	**863,734**	**800,128**
Exchange rates	131.865	130.890	131.865	130.890

US Dollar Financial Statements

Statements of comprehensive income

For Information Purpose Only

	Group 31 December		Company 31 December	
	2014 USD '000	2013 USD '000	2014 USD '000	2013 USD '000
Revenue	510,261	483,594	439,566	423,600
Direct costs	(294,218)	(281,656)	(243,044)	(239,661)
Gross profit	216,043	201,938	196,522	183,939
Distribution costs	(71,880)	(65,744)	(62,962)	(58,833)
Administrative costs	(84,189)	(78,313)	(67,992)	(61,931)
Other income	1,102	672	654	593
Operating profit	61,076	58,553	66,222	63,768
Finance income	1,543	864	1,510	818
Finance costs	(6,214)	(10,846)	(5,730)	(9,766)
Finance costs - net	(4,671)	(9,982)	(4,220)	(8,948)
Share of loss from associates - net of tax	(816)	(226)	-	-
Profit before income tax	55,589	48,345	62,002	54,820
Income tax	(9,346)	(8,609)	(9,267)	(8,510)
Profit for the year	**46,243**	**39,736**	**52,735**	**46,310**
Other comprehensive expense:				
Items that will not be reclassified to profit or loss				
- Actuarial loss on defined benefit obligation, net of tax	(1,412)	(53)	(1,042)	(29)
Items that may be subsequently reclassified to profit or loss				
- Net change in cash flow hedge	(298)	-	(298)	-
Other comprehensive expense for the year, net of tax	**(1,710)**	**(53)**	**(1,340)**	**(29)**
Total comprehensive income for the year	**44,533**	**39,683**	**51,395**	**46,281**
Exchange rates	131.865	130.890	131.865	130.890

This information does not constitute a full set of financial statements in compliance with Sri Lanka Accounting Standards. The financial statements should be read together with the Independent Auditor's Report and financial statements from pages 61 to 130.

Exchange rates prevailing at each year end have been used to convert the statement of financial position and statement of comprehensive income.

Group Value Added Statement

For the year ended 31 December	2014 Rs. '000	2013 Rs. '000
Value added		
Revenue	67,285,594	63,297,591
Other operating income	145,378	87,904
Interest income	203,427	113,116
	67,634,399	63,498,611
Cost of materials and services bought in	(16,451,237)	(15,841,616)
	51,183,162	47,656,995
Distribution of value added		
To employees		
Salaries and other benefits	5,169,624	4,908,644
To Government		
Taxes	24,424,865	22,685,383
To lenders of capital		
Interest on borrowings	723,844	441,513
To shareholders as dividends		
Dividend to shareholders	2,361,696	2,687,446
Retained in the business		
Profit retained	5,171,675	4,648,114
Depreciation and amortisation	13,331,458	12,285,895
	18,503,133	16,934,009
	51,183,162	47,656,995
Distribution of value added		
To employees	10%	10%
To Government	48%	47%
To lenders of capital	1%	1%
To shareholders as dividends	5%	6%
Retained in the business	36%	36%

Five Year Summary

31 December	2014 Rs.'000	2013 Rs.'000	GROUP 2012 Rs.'000	2011 Rs.'000	2010* Rs.'000
OPERATING RESULTS					
Revenue	67,285,594	63,297,591	56,345,458	45,412,002	41,170,572
EBIT	8,053,788	7,663,957	6,801,177	6,207,093	5,413,302
Finance cost	(615,961)	(1,306,489)	(2,727,112)	(768,555)	(168,262)
Share of (loss) / profit from associates	(107,639)	(29,542)	(8,539)	9,681	
Profit before tax	7,330,188	6,327,926	4,065,526	5,448,219	5,245,040
Profit after tax	6,097,750	5,201,030	6,030,187	4,869,562	4,754,667
Total comprehensive income	5,872,250	5,194,142	6,021,425	4,888,489	4,754,667
CAPITAL EMPLOYED					
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913	28,103,913
Shares in ESOS Trust	-	(1,990,921)	(1,990,921)	(1,990,921)	(1,990,921)
Dividend reserve - ESOS Trust	-	383,754	331,425	291,781	260,067
Hedging reserve	(39,337)	-	-	-	-
Retained earnings	16,767,714	13,238,824	10,737,128	6,789,148	3,529,415
Share holders fund	44,832,290	39,735,570	37,181,545	33,193,921	29,902,474
Total debt	29,911,528	29,357,353	25,049,183	23,072,630	25,535,437
	74,743,818	69,092,923	62,230,728	56,266,551	55,437,911
ASSETS EMPLOYED					
Property, plant and equipment	71,264,570	68,450,923	58,946,889	51,127,539	53,014,351
Other non-current assets	16,633,699	17,577,989	10,780,298	3,956,705	3,805,506
Current assets	24,280,875	18,375,237	20,806,549	21,143,035	15,339,853
Liabilities, net of debt	(37,435,326)	(35,311,226)	(28,303,008)	(19,960,728)	(16,721,799)
	74,743,818	69,092,923	62,230,728	56,266,551	55,437,911
CASH FLOW					
Net cash generated from operating activities	22,994,493	21,886,696	21,516,145	18,639,876	14,746,176
Net cash used in investing activities	(15,384,180)	(27,902,783)	(20,797,336)	(8,651,365)	(6,748,217)
Net cash (used in) / generated from financing activities	(345,790)	635,622	(2,409,089)	(5,095,146)	(6,488,379)
Net increase / (decrease) in cash and cash equivalents	7,264,523	(5,380,465)	(1,690,280)	4,893,365	1,509,580

Note:
Finance cost adjustment on loans for year 2010 based on FV done on 1.1.2012.

KEY INDICATORS	2014	2013	2012	2011	2010*
Basic earnings per share (Rs.)	0.76	0.65	0.76	0.61	0.59
Interest cover (No. of times)	15.48	23.34	28.29	13.05	6.51
Net asset per share (Rs.)	5.50	4.88	4.57	4.08	3.67
Current ratio (No. of times)	0.65	0.42	0.54	0.96	0.82
Price earnings ratio (Times)	17.50	13.82	11.07	12.79	20.00
Dividend per share (Rs.)	0.13	0.29	0.33	0.25	0.20
Dividend yeild (%)	1.0%	3.2%	4.0%	3.2%	1.7%
Market price per share (Rs.)	13.30	9.00	8.30	7.80	11.80

* Operating results are not SLASs compliant.

**Subsequent to the approval of the financial statements, the Board of Directors resolved on 12th May 2015, to recommend for the approval of shareholders, a dividend of Rs. 0.13 per share for the financial year ended 31st December 2014.

Group Real Estate Portfolio

Owning Company and location	Buildings in Sq feet	Land in acres freehold	Net book value 2014 Rs.'000	Net book value 2013 Rs.'000
Properties in Colombo				
Dialog Axiata PLC				
No.475, Union Place, Colombo 02	74,255		354,494	367,313
No.25, Samarakoon Mawatha, Thumbowila, Piliyandala	22,506		40,336	41,777
Dialog Broadband Networks (Private) Limited				
No.24, Foster Lane, Union Place, Colombo 02		38.45P	129,998	129,998
DBN Site, Welivita Road, Malabe	1,200	3A-3R-2P	186,786	153,389
No.55/2C, Old Avissawella Road, Kotikawatta	12,360	1R-36.5P	36,538	37,306
DBN Site, De soysa Road, Mount Lavinia		26.7P	44,428	44,428
Kaluandura, Puwakkpitiya, Avissawella		2R-25.56P	931	931
DBN Site, 86/14, 15th Lane, Talangama, Battaramulla		10P	1,680	1,680
Kottawa, Mattegoda and Rukmale		21P	2,212	2,212
DBN Site, Imbaulakannda, Gamunu Road, Homagama		15P	779	779
DBN Site, Homagama		11.31P	1,646	-
Properties outside Colombo				
Dialog Broadband Networks (Private) Limited				
Saliya Mawatha, Anuradhapura		1A-3R-27P	7,778	7,778
Punachchiminal Road, Ward 40, Batticaloa		1R	4,131	4,131
Thambakanda, Kochchikade		3R-7.5P	1,275	1,275
Kotakanda, Kuda Bingiriya, Madampe		2R-32.7P	1,477	1,477
Walagamageatta, Browns Hill, Matara		36P	7,088	7,088
Anuradhapura Road, Baristapura, Puttalam		2A-1R-11P	7,624	7,624
Ambalankanda, Horana		20P	400	400
Meekanuwa, Kandy		29.02P	1,403	1,403
Gonawala, Gampaha		19.25P	609	609
Ganemulla Ragama, Gampaha		21.45P	400	400
Kendaliyaddapaluwa Ragama, Gampaha		11.1P	531	531
Ekala, Gampaha		20P	1,100	1,100
Seeduwa, Gampaha		20.75P	1,000	1,000
Kattuwa, Negombo		15P	657	657
Pitakanda, Kandy		2R-6.8P	3,500	3,500
Bolawalana, Negombo		16P	1,950	1,950
Hanthana, Kandy		1R	2,133	2,133
Kurana, Negombo		18.4P	1,380	1,380
Ketakelahahawatta, Panadura		17.6P	1,960	1,960
Katugasthota, Kandy		12.77P	1,413	1,413
Furnishing and fixtures on leaseholding building			112,196	124,635
Total Land and building			**959,833**	**952,257**

Notice of Annual General Meeting

DIALOG AXIATA PLC (PQ 38)

NOTICE IS HEREBY GIVEN THAT THE EIGHTEENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON TUESDAY, 16TH JUNE 2015 AT 3:30P.M. AT THE GRAND BALLROOM, WATERS EDGE, NO. 316, ETHUL KOTTE ROAD, BATTARAMULLA.

1. Ordinary Resolution 1

To receive and adopt the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st December 2014 and the Auditors' Report thereon.

2. Ordinary Resolution 2

To declare a final dividend as recommended by the Board of Directors.

3. Ordinary Resolution 3

To re-elect as a Director, Mr. James Maclaurin, who retires by rotation pursuant to Article 102 of the Articles of Association of the Company.

4. Ordinary Resolution 4

To re-elect as a Director, Mr. Thandalam Veeravalli Thirumala Chari 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. Ordinary Resolution 5

To re-elect as a Director, Mr. Moksevi Prelis, who attained the age of 78 years on 02nd July 2014 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 Prelis.

6. Ordinary Resolution 6

To re-elect as a Director, Mr. Mohamed Muhsin, who attained the age of 71 years on 16th October 2014 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. Mohamed Muhsin.

7. Ordinary Resolution 7

To re-appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as Auditors to the Company and to authorise the Directors to determine their remuneration.

8. Ordinary Resolution 8

To authorise the Directors to determine and make donations.

By Order of the Board

Ms. Viranthi Attygalle
Company Secretary

15th May 2015
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.

v) For more information, please refer Administrative Details enclosed herewith.

Administrative Details for the 18th Annual General Meeting

DATE : Tuesday, 16 June 2015
TIME : 03:30 PM
VENUE : The Grand Ballroom, Waters Edge, No. 316, Ethul Kotte Road, Battaramulla

Registration

1. Registration will be from 2:00 pm to 3:30 pm.

2. Please produce your National Identity Card (NIC) to the registration staff for verification.

3. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.

4. After registration, please leave the registration area immediately and proceed to the meeting hall.

5. The registration counters will handle only verification of identity and registration.

Help Desk

6. Please proceed to the Help Desk for any clarification or queries.

7. The Help Desk will also handle revocation of proxy's appointment.

Entitlement to Attend and Vote

8. 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.

Proxy

9. A shareholder entitled, as set out above, to attend and vote at the meeting but is unable to attend the meeting, is entitled to appoint a proxy to attend and vote at the AGM instead of him/her by completing the Form of Proxy enclosed herewith.

10. The Form of Proxy should only be used for the purpose of appointing a proxy to attend and vote on your behalf at the meeting in the event you are unable to attend the meeting, and should not be used to confirm participation at the AGM.

11. If you have submitted your Form of Proxy prior to the meeting and subsequently decide to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy. You will not be allowed to attend the meeting together with a proxy appointed by you.

12. 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 <u>must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 03:30 p.m. on 14 June 2015.</u>

Enquiry

13. If you have general queries prior to the meeting, you may contact us on our Shareholder Helpline on +94 773 908 929 or contact Ms. Lakshitha Gunasekara on +94 777 087 564 during working hours.

Notes

Form of Proxy

I/We (name of shareholder/s)..
(Holder of NIC/Passport/Company Registration No./s………………………………….............….……………...…)
of (address of shareholder/s)...……………...
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 Eighteenth Annual General Meeting of the Company to be held on 16 June 2015 at 3:30 PM and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		

(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)	Contact No. of Shareholder/s	Date

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

Form of Proxy

Notes and Instructions as to completion of Form of Proxy

1. A shareholder entitled to attend and vote at the meeting but is unable to attend the meeting, can appoint not more than one proxy to attend and vote at the AGM instead of him/her, by completing the Form of Proxy.

2. Please complete the Form of Proxy by filling in legibly, your full name, address and contact number and thereafter date and sign in the space provided.

3. 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 03:30 PM on 14th June 2015.

4. 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.

5. 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.

6. The Form of Proxy should only be used for the purpose of appointing a proxy to attend and vote on your behalf at the meeting in the event you are unable to attend the meeting, and should not be used to confirm participation at the AGM.

7. If a shareholder has submitted a Form of Proxy prior to the meeting and subsequently decides to attend the meeting him/herself, he/she should take immediate steps to revoke the appointment of proxy.

Corporate Information

Name of Company
Dialog Axiata 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. James Maclaurin
Mr. Darke Mohamed Sani
Deshamanya Mahesh Amalean
Mr. Chari TVT

Board Audit Committee
Mr. Mohamed Muhsin - Chairman
Mr. Moksevi Prelis
Mr. Chari TVT

Nominating & Remuneration Committee
Datuk Azzat Kamaludin - Chairman
Mr. Mohamed Muhsin
Deshamanya Mahesh Amalean

Company Secretary
Ms. Viranthi Attygalle

Contact for Shareholder Services
Group Corporate Services
Telephone: +94 773 908 929
Fax: +94 117 694 350
E-mail: cosecunit@dialog.lk

Contact for Investor Relations
Group Investor Relations
Telephone: +94 777 080 129
E-mail: ir@dialog.lk

Contact for Media
Group Corporate Communications
Telephone: +94 777 080 221; +94 777 088 412
E-mail: corporate.communications@dialog.lk

Subsidiary Companies
1. Dialog Broadband Networks (Pvt) Ltd - 100%
   - Telecard (Private) Limited - 100%
2. Dialog Television (Pvt) Ltd - 100%
   - Dialog Television Trading (Pvt) Ltd - 100%
   - Communiq Broadband Network (Pvt) Ltd - 100%
3. Digital Holdings Lanka (Private) Limited - 100%

Associate Companies
1. Firstsource-Dialog Solutions (Pvt) Ltd - 26%
2. Digital Commerce Lanka (Pvt) Ltd - 42.48%

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