

SG/106/2006

8 May 2006

The Board of Directors  
Dialog Telekom Limited  
475 Union Place  
Colombo 2

Dear Sirs

## **Dialog Telekom Limited**

### **Limited review report for the 3 months period ended 31 March 2006**

We have reviewed the accompanying consolidated balance sheet of Dialog Telekom Limited as at 31 March 2006, and the related statements of income, changes in equity and cash flow for the three months period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Sri Lanka Auditing Practice Statement on Audit applicable to review engagements. This guidance requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurances than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with Sri Lanka Accounting Standards.

**(Signed) PricewaterhouseCoopers**

**CHARTERED ACCOUNTANTS**

**COLOMBO**

# DIALOG TELEKOM LIMITED

## Income statement

(all amounts in Sri Lanka Rupees Thousands)

	3 Months ended 31 March 2006		3 Months ended 31 March 2005
	Group	Company	Company
Sales	5,952,555	5,828,983	3,852,646
Cost of sales	<u>(2,080,685)</u>	<u>(2,066,685)</u>	<u>(1,320,656)</u>
Gross profit	3,871,870	3,762,298	2,531,990
Other operating income	16,558	16,325	7,568
Administrative expenses	(618,341)	(609,977)	(350,317)
Distribution costs	<u>(709,214)</u>	<u>(708,276)</u>	<u>(457,255)</u>
Operating profit	2,560,873	2,460,370	1,731,986
Finance cost	<u>(134,438)</u>	<u>(119,094)</u>	<u>7,705</u>
<b>Profit before tax</b>	2,426,435	2,341,276	1,739,691
Tax	(29,886)	(29,886)	(17,877)
<b>Net profit</b>	<u><b>2,396,549</b></u>	<u><b>2,311,390</b></u>	<u><b>1,721,814</b></u>
Basic earnings per share (Rs.)	0.33	0.32	0.37
Par value per Ordinary share (Rs.)	1	1	1

The notes on page 5 form an integral part of these financial statements.

# DIALOG TELEKOM LIMITED

## Balance sheet

(all amounts in Sri Lanka Rupees Thousands)

ASSETS	31 March 2006		31 December 2005	
	Group	Company	Group	Company
<b>Non - current assets</b>				
Property, plant and equipment	21,577,391	20,383,721	20,188,444	18,985,566
Intangible assets	1,604,761	325,147	1,628,305	348,448
Investment in subsidiary	Nil	1,970,764	Nil	1,970,764
	<b>23,182,152</b>	<b>22,679,632</b>	<b>21,816,749</b>	<b>21,304,778</b>
<b>Current assets</b>				
Inventories	1,024,097	1,024,097	963,887	963,887
Receivables and prepayments	4,798,597	4,575,031	3,726,080	3,494,222
Cash and cash equivalents	7,046,155	6,907,925	6,689,919	6,624,188
	<b>12,868,849</b>	<b>12,507,053</b>	<b>11,379,886</b>	<b>11,082,297</b>
<b>Total assets</b>	<b>36,051,001</b>	<b>35,186,685</b>	<b>33,196,635</b>	<b>32,387,075</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Ordinary shares	7,403,435	7,403,435	7,403,435	7,403,435
ESOS Trust shares	(2,307,347)	(2,307,347)	(2,385,320)	(2,385,320)
Share premium	5,276,943	5,276,943	5,276,943	5,276,943
Revaluation reserve	4,896	4,896	4,896	4,896
Retained earnings	9,297,466	9,212,307	6,900,917	6,900,917
	<b>19,675,393</b>	<b>19,590,234</b>	<b>17,200,871</b>	<b>17,200,871</b>
<b>Non - current liabilities</b>				
Subscription in advance	31,018	31,018	Nil	Nil
Borrowings	8,949,459	8,832,174	9,048,749	8,913,470
Deferred Tax Liability	14,570	14,570	Nil	Nil
Retirement benefit obligations	89,449	82,166	81,833	75,190
	<b>9,084,496</b>	<b>8,959,928</b>	<b>9,130,582</b>	<b>8,988,660</b>
<b>Current liabilities</b>				
Trade and other payables	5,621,565	5,530,690	5,214,388	5,099,826
Current tax liabilities	45,398	45,398	35,760	35,760
Borrowings	1,624,149	1,060,435	1,615,034	1,061,958
	<b>7,291,112</b>	<b>6,636,523</b>	<b>6,865,182</b>	<b>6,197,544</b>
<b>Total liabilities</b>	<b>16,375,608</b>	<b>15,596,451</b>	<b>15,995,764</b>	<b>15,186,204</b>
<b>Total equity and liabilities</b>	<b>36,051,001</b>	<b>35,186,685</b>	<b>33,196,635</b>	<b>32,387,075</b>
Net Asset per share (Rs)	2.66	2.65	2.32	2.32

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

These financial statements were approved by the Board on 08 May 2006.

*Signed*  
Dr. S.S.H. Wijayasuriya  
Director/Chief Executive

*Signed*  
M.R.Prelis  
Director

The notes on page 5 form an integral part of these financial statements.

# DIALOG TELEKOM LIMITED

## Cash Flow Statement

(all amounts in Sri Lanka Rupees Thousands)

	3 Months ended 31 March 2006		3 Months ended 31 March 2005
	Group	Company	Company
<b>Operating activities</b>			
Cash generated from operations	2,415,275	2,306,298	2,357,319
Interest received	48,926	47,888	39,385
Interest paid	(99,576)	(90,370)	(52,342)
Tax paid	(5,677)	(5,677)	Nil
Retirement benefit obligations paid	(374)	(374)	(18)
<b>Net cash from operating activities</b>	<b>2,358,574</b>	<b>2,257,765</b>	<b>2,344,344</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(468,256)	(447,256)	(1,102,941)
Purchase of intangible assets	(37,517)	(37,517)	Nil
Expenditure incurred on capital work-in-progress	(1,519,362)	(1,519,362)	Nil
Proceeds from sale of property, plant and equipment	11,244	11,199	826
<b>Net cash used in investing activities</b>	<b>(2,013,891)</b>	<b>(1,992,936)</b>	<b>(1,102,115)</b>
<b>Financing activities</b>			
Proceeds from exercising ESOS shares	108,992	108,992	Nil
Repayment of finance leases	(10,463)	(10,463)	(6,491)
Receipt of finance lease	2,602	Nil	Nil
Repayment of long term borrowings	(92,030)	(79,621)	(83,000)
Proceeds from long term borrowings	2,034	Nil	Nil
Dividend paid	Nil	Nil	(2,858,936)
<b>Net cash used in financing activities</b>	<b>11,135</b>	<b>18,908</b>	<b>(2,948,427)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>355,818</b>	<b>283,737</b>	<b>(1,706,198)</b>
<b>Movement in cash and cash equivalents</b>			
At start of period	6,689,671	6,624,188	3,170,335
Increase / (decrease)	355,818	283,737	(1,706,198)
<b>At end of period</b>	<b>7,045,489</b>	<b>6,907,925</b>	<b>1,464,137</b>

The notes on page 5 form an integral part of these financial statements.

# DIALOG TELEKOM LIMITED

## Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Group	Ordinary share capital	Share Premium	Preference share capital	Shares in trust	Revaluation reserve	Retained earnings	Total
<b>Balance as at 1 January 2006</b>	<b>7,403,435</b>	<b>5,276,943</b>	<b>Nil</b>	<b>(2,385,320)</b>	<b>4,896</b>	<b>6,900,917</b>	<b>17,200,871</b>
Net profit	Nil	Nil	Nil	Nil	Nil	2,396,549	2,396,549
Shares exercised	Nil	Nil	Nil	108,991	Nil	Nil	108,991
Subscription in advance	Nil	Nil	Nil	(31,018)	Nil	Nil	(31,018)
<b>Balance as at 31 March 2006</b>	<b>7,403,435</b>	<b>5,276,943</b>	<b>Nil</b>	<b>(2,307,347)</b>	<b>4,896</b>	<b>9,297,466</b>	<b>19,675,393</b>

Company	Ordinary share capital	Share Premium	Preference share capital	Shares in trust	Revaluation reserve	Retained earnings	Total
<b>Balance as at 1 January 2005</b>	<b>370,000</b>	<b>Nil</b>	<b>1,268,979</b>	<b>Nil</b>	<b>4,896</b>	<b>7,068,281</b>	<b>8,712,156</b>
Net profit	Nil	Nil	Nil	Nil	Nil	1,721,814	1,721,814
Dividend Paid	Nil	Nil	Nil	Nil	Nil	(2,858,936)	(2,858,936)
<b>Balance as at 31 March 2005</b>	<b>370,000</b>	<b>Nil</b>	<b>1,268,979</b>	<b>Nil</b>	<b>4,896</b>	<b>5,931,159</b>	<b>7,575,034</b>

<b>Balance at 1 April 2005</b>	<b>370,000</b>	<b>Nil</b>	<b>1,268,979</b>	<b>Nil</b>	<b>4,896</b>	<b>5,931,159</b>	<b>7,575,034</b>
Net Profit	Nil	Nil	Nil	Nil	Nil	5,290,057	5,290,057
Conversion of Preference shares to ordinary shares	1,903,468	Nil	(1,903,468)	Nil	Nil	Nil	Nil
Premium on preference shares conversion	Nil		634,489	Nil	Nil	(634,489)	Nil
Bonus share issue	3,685,810	Nil	Nil	Nil	Nil	(3,685,810)	Nil
Share issue against subscription in advance	954,190	Nil	Nil	Nil	Nil	Nil	954,190
New issue of shares - IPO	489,967	5,389,634	Nil	Nil	Nil	Nil	5,879,601
Share Option Scheme	Nil	Nil	Nil	(2,385,320)	Nil	Nil	(2,385,320)
IPO cost setoff	Nil	(112,691)	Nil	Nil	Nil	Nil	(112,691)
<b>Balance at 31 December 2005</b>	<b>7,403,435</b>	<b>5,276,943</b>	<b>Nil</b>	<b>(2,385,320)</b>	<b>4,896</b>	<b>6,900,917</b>	<b>17,200,871</b>

<b>Balance as at 1 January 2006</b>	<b>7,403,435</b>	<b>5,276,943</b>	<b>Nil</b>	<b>(2,385,320)</b>	<b>4,896</b>	<b>6,900,917</b>	<b>17,200,871</b>
Net profit	Nil	Nil	Nil	Nil	Nil	2,311,390	2,311,390
Shares exercised	Nil	Nil	Nil	108,991	Nil	Nil	108,991
Subscription in advance	Nil	Nil	Nil	(31,018)	Nil	Nil	(31,018)
<b>Balance as at 31 March 2006</b>	<b>7,403,435</b>	<b>5,276,943</b>	<b>Nil</b>	<b>(2,307,347)</b>	<b>4,896</b>	<b>9,212,307</b>	<b>19,590,234</b>

The notes on page 5 form an integral part of these financial statements.

## DIALOG TELEKOM LIMITED

### Notes to the Financial Statements

#### 1. Market Price per Share

For the three months ended 31 <sup>st</sup> March	2006 Rs.	2005 Rs.
- Highest	20.25	n/a
- Lowest	16.00	n/a
- Last Traded	20.00	n/a

#### 2. Accounting policies

The consolidated financial statements of Dialog Telekom Limited for the three months ended 31 March 2006 have been prepared under the historical cost convention and are in accordance with Generally Accepted Accounting Principles and the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The accounting policies have been followed consistently from one accounting period to another. There have been no significant changes in the accounting policies adopted during the three months ended 31 March 2006.

#### 3. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentations in the current year. Accordingly the Engineering Spares (Maintenance Stocks) amounting to Rs. 613,391,627 as at 31 December 2005, was reclassified from Capital Work in Progress to Inventories.

#### 4. Dividend Proposed

The proposed first and final dividend amounts to 40% (payout) of 2005 earnings, which translates to 38 Cents per share will be paid on or before 26 May 2006. The said dividend is exempt from tax in the hands of the Shareholders.

#### 5. Earnings per Ordinary Shares (EPS)

For the purpose of calculating the basic earnings per ordinary shares for the period ended 31 March 2006, the weighted average number of ordinary shares has been determined as follows:

Description	Number of shares (after adjusting for the share split)
Ordinary shares as at 01/01/06	7,403,435,000
Less: ESOS Shares	(199,893,000)
Add: Shares exercised & issued to the employees	7,613,799
<b>Weighted average number of shares</b>	<b>7,211,155,799</b>

For the period ended 31 March 2005, the weighted average number of ordinary shares has been determined as follows:

Description	Number of shares (after adjusting for the share split)
Ordinary shares as at 01/01/05	370,000,000
Bonus shares issued	3,685,810,000
Retained profits capitalised	634,489,380
<b>Weighted average number of shares</b>	<b>4,690,299,380</b>