Dialog Axiata PLC | Annual Report 2015

Contents

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 capitalisation. Dialog is also Sri Lanka's largest Foreign Direct Investor (FDI) with investments totalling over USD 1.9 billion.

Dialog, a winner of six GSMA Mobile World Awards has the distinction of being voted by Sri Lankan consumers as the Telecom Service Provider of the Year for five successive years and Internet Service Provider of the Year at the SLIM-Nielsen People's Choice Awards. Dialog has topped Sri Lanka's Corporate Accountability rankings for the past six 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 of 10.9 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 mobile 4G-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 Pay 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 Pay 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 together with a wide portfolio of Sri Lankan television channels and delivers high quality infotainment to a viewer base of 650,000 Sri Lankan households.

Message from the Chairman

"The digital era is in full bloom globally and is transforming the way people use ICT. In Sri Lanka the impact that technology has on our working and everyday life is immeasurable. As a company that has evolved with the transformation of ICT, we will lead the nation's connectivity sector in staying ahead of this wave of development."

"In a challenging macroeconomic climate we carried on with improving our business efficiency, preparing for new major project launches and securing sustainable returns for our shareholders."

My dear shareholders,

In 2015 we successfully concluded another year of consumer centric service to the nation, thereby strengthening our position as the preeminent provider of telecommunications services to the community. Both our service offerings as well as financial and operational performances have exceeded expectations despite intense competition in the telecommunications sector.

In a challenging macroeconomic climate we carried on with improving our business efficiency, preparing for new major project launches and securing sustainable returns for our shareholders.

The Dialog Group achieved year on year top line growth of 10% with revenue growth across Mobile, Digital Pay Television, Tele-Infrastructure and Fixed Line businesses from Rs. 67.3Bn to Rs. 73.9Bn. Group Profit After Tax was recorded at Rs. 5.2Bn down 15% from the previous year, due to non-cash translational foreign exchange losses amounting to Rs. 2.2Bn following the devaluation of the Sri Lanka Rupee (LKR) by 9.2%.

The Board is happy to propose for your consideration, a full year dividend of 0.32 Cents per share which translates to a 50% payout of full year earnings.

INVESTING IN DIGITAL SRI LANKA – THE REGION'S BEST CONNECTIVITY INFRASTRUCTURE

I am happy to announce to you, that the Dialog Group has continued to be at the forefront of investments in Sri Lanka. In 2015 alone, our Company pledged USD 175Mn to further develop Sri Lanka's ICT (Information Communication Technology) infrastructure, taking the total investment of the Dialog Group to USD 2.08Bn (Rs. 223.7Bn), the highest among all Foreign Direct Investments (FDI) operating under the aegis of the BOI (Board of Investment of Sri Lanka). In 2011, Dialog and the Axiata Group secured the distinction of being the first FDI to reach a cumulative investment in excess of USD 1Bn.

Our investment programme is underpinned by a sound balance sheet, which is strong enough to withstand volatile currency fluctuations to maintain your Company's position as Sri Lanka's flagship telecommunications service provider.

"Our investment programme is underpinned by a sound balance sheet."

The digital era is in full bloom globally and is transforming the way people use ICT. In Sri Lanka the impact that technology has on our working and everyday life is immeasurable. As a company that has evolved with the transformation of ICT, we will lead the nation's connectivity sector in staying ahead of this wave of development.

As Sri Lanka's premier connectivity provider, we are in a strong position to leverage on our capabilities and meet the ever evolving needs of our customers, who are looking to us to deliver new services and

Message from the Chairman

provide the network they require to fully participate in the new digital world they live in. With our digital services strategies well in place and our commitment to transforming lives emboldened by the impact we continue to deliver year on year, we are confident that we will continue to unearth new opportunities for growth as we move into the future.

"I am also happy to report that the operations of Dialog Axiata Group contributed significantly to the National Economy."

CONTRIBUTION TO THE NATION & SUSTAINABLE OPERATIONS

I am also happy to report that the operations of Dialog Axiata Group contributed significantly to the National Economy, with the taxes and levies remitted in the Year 2015 alone, totalling to Rs.12.7Bn, alongside an additional Rs.14.9Bn in consumption taxes collected on behalf of the Government.

I am also delighted to report to you that your Company for the year under review has retained its position as the leader in the country's largest assessment for corporate accountability, by being ranked No.1 for the sixth consecutive time in the Corporate Accountability Rating, a position it has held since the rating's inception, published by the Lanka Monthly Digest (LMD). Dialog is in the business of providing technological platforms to enhance Sri Lankan lives and enterprises. We have over the years, successfully built and consolidated several platforms that go beyond meeting communication needs. These have given life to the emergence of entirely new ecosystems and have opened up avenues for developers to build upon our own platforms, giving rise to innovative solutions.

"We have over the years, successfully built and consolidated several platforms that go beyond meeting communication needs."

We, as a company are committed to ensuring that our mandate for Digital Inclusion ensures affordable and accessible products to all segments of Sri Lankan society. To this end, we have expanded access to persons with disabilities and paid attention to taking our product responsibility messages to every technology user in the country. This led to the launch of a child security device as the latest addition to our portfolio of business-positive initiatives. Beyond our mandate of Digital Inclusion, Dialog remains conscious of and continues to work on its social and environmental footprint and enhancing value for all stakeholders across our multiple businesses.

"We, as a company are committed to ensuring that our mandate for Digital Inclusion ensures affordable and accessible products to all segments of Sri Lankan society."

MY DEEP APPRECIATION

As always it gives me immense pleasure to extend my profound thanks to our multiple stakeholders including shareholders, customers, partners, suppliers and team Dialog led admirably as usual by our inspirational Group Chief Executive, Dr. Hans Wijayasuriya. I also wish to place on record my sincere gratitude to the Government of Sri Lanka, the Telecommunication Regulatory Commission of Sri Lanka, the Ministry of Mass Media and Information, the Board of Investment of Sri Lanka and other agencies who have extended an invaluable contribution to the development of our Company as well as to my fellow Board Directors for the advice, guidance and support that has made 2015 such a triumphant year for us.

Datuk Azzat Kamaludin
Chairman of the Board of Directors

15 April 2016

Group Chief Executive's Review of Operations

"Fundamental to your Company's long run leadership potential is our commitment to cutting edge but plural innovation, ongoing introspect examination of our business models and cost structures, and a continuous refresh of our views on competition and collaboration."

In closing my review of operations last year, I alluded to our cognizance and deep understanding of the challenges arising from the techno-economic transformation of the connectivity business. Likewise, I expressed confidence that the Dialog Group had honed strategies and capabilities which were founded on a potent mix of discipline and innovation which would enable the Dialog Group to continue delivering simultaneously on the dual imperatives of short term financial returns and long term leadership in the digital era.

My review of operations for the Year 2015, aims to report to you our valued shareholders, the progress of the Company with respect to these dual imperatives. My review will accordingly be structured, to report on the Company's performance in the short run and the multifaceted dividends accruing there-from to our multiple stakeholders, and also to expand on our strategies and investments targeting a leadership position in the emerging digital era which is abundant in opportunity but equally fraught with challenges from disruption.

"Strategies and Capabilities... founded on a potent mix of discipline and innovation... would enable... simultaneously... short term financial returns and long term leadership in the digital era."

THE SHORT RUN – 2015 PERFORMANCE OUTCOMES

It gives me pride to report that your Company exited the Year 2015 delivering aggressive performance outcomes across multiple business dimensions.

Financial Performance and Stakeholder Dividends

On the backdrop of excellent market performance across all our business segments, Group Revenue grew 10% Year on Year (YoY) to be recorded at Rs. 73.9Bn for FY 2015. Downstream of revenue growth, Group Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) grew by 14% YoY to Rs. 23.8Bn, underpinned by the successful implementation of a suite of operational excellence initiatives. Group Net Profit After Tax (NPAT) was recorded at Rs. 5.2Bn, exhibiting a contraction of 15% relative to the previous year underlined by a non-cash translational foreign exchange loss of Rs. 2.2Bn accruing from the devaluation of the Sri Lankan Rupee (SLR) by 9.2% relative to the US Dollar (USD). Normalising for this non-cash translational item, organic profitability (Normalised NPAT) grew by 18% YoY to be recorded at Rs. 7.4Bn.

Dividends to Shareholders

It gives me great pleasure to note that in line with the excellent financial performance delivered by the Group during FY 2015, the Board of Directors has resolved to recommend for your approval, a dividend to Shareholders amounting to Rs. 2.6Bn translating to a dividend payout of 50% of net profit, and dividend per share of Thirty Two (32) Cents.

Direct Contribution to the Government of Sri Lanka

We are proud to record that the growth and acceleration of Dialog's financial performance translated directly to the growth in the direct contribution our business delivers to the Government of Sri Lanka and the National Economy. During the course of 2015, the Group contributed Rs.12.7Bn in taxes, fees and levies to the Government of Sri Lanka (GoSL) inclusive of Income Tax computed at 2% of Company revenue. Further, the Group additionally collected consumption taxes totalling to Rs.14.9Bn on behalf of the GoSL. Accordingly, remittances to

Group Chief Executive's Review of Operations

the GoSL accruing from the operations of the Group totalled to Rs. 27.6Bn during FY 2015.

"Remittances to the GoSL accruing from the operations of the Group totaled to Rs. 27.6Bn during FY 2015."

Market Performance and Sector Leadership

Consistent with previous years, the financial outcomes for the Year 2015 were underpinned by a concerted focus on operational excellence and the consolidation of leadership with respect to customer services, market performance and innovation. As a direct outcome of these efforts, the Dialog Group consolidated its leadership in Sri Lanka's connectivity sector, with Sri Lankan consumers endowing the Group with growth in market share across multiple ICT sectors. In addition to recording market gains in the mobile telecommunications sector, Dialog also consolidated its leadership in the country's Digital Pay Television and Tele-Infrastructure sectors on the backdrop of healthy segment growth rates.

"Financial outcomes for the Year 2015 were underpinned by a concerted focus on operational excellence and the consolidation of leadership with respect to customer services, market performance and innovation."

We once again stand humbled by the voice of Sri Lankan consumers who have for the 5th 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 5th year in succession. Sri Lankan consumers also voted us the Internet Services Provider of the Year for the 4th year running.

INVESTING IN LONG RUN LEADERSHIP

It has been our consistent belief that the cementing of a robust Balance Sheet and Free Cash Flow generating operating structure is of crucial importance for the successful navigation of industry transformation.

Accordingly, your Company's ability to orchestrate a nexus of short run financial returns, aggressive market capture and forward looking leadership in the emerging digital era, is embodied in its structurally robust balance sheet and capital formation. With leverage maintained at a modest level of 0.78x 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 into the future.

"The financial fire power of the Group will combine synergistically with our armory of operational and strategic strengths, to deliver leadership and growth well into the future."

The Power to Invest

Pivoting on the strength of its balance sheet and exploiting leverage headroom fuelled by robust cash flow from operations, the Dialog Group will continue to adopt a calibrated approach to short and long run investments, while being closely aligned to the forward looking growth strategies of our multiple businesses. Group capital expenditure for FY 2015 was recorded at Rs.19.6Bn.

Emboldened by positive business outcomes across multiple connectivity sectors in which it operates, the Dialog Group continues to invest aggressively in Sri Lanka's ICT infrastructure. The Group continues to be recognised as the largest Foreign Direct Investment in Sri Lanka with investments reaching USD 1.91Bn (Rs.198.5Bn) since inception. Investments made during the course of FY 2015, accounted for USD 167.2Mn (Rs. 22.9Bn) of this cumulative sum. During the course of 2015, the Dialog Group entered in to an agreement with the Board of Investment of Sri Lanka to invest a further sum of USD 175Mn (Rs. 25.2Bn) in the country – an indelible testimony to our Company's commitment to, and trust in, Sri Lanka's economy, government and people.

"An agreement with the Board of Investment to invest a further sum of USD 175Mn (Rs. 25.2Bn)... an indelible testimony to our Company's commitment to, and trust in, Sri Lanka's economy, government and people."

Investment in Core Connectivity Business

During the Year 2015, 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. Investment and development focus spanned both the mobile and fixed telecommunications sectors featuring the build out of 3G, 4G-LTE and Fibre Optic networks. The Year 2015 also saw the Company's Bay of Bengal Gateway (BBG) Submarine Optical Fibre Cable project near completion with the cable being brought ashore to the Cable Landing Station at Mt. Lavinia (South Colombo), and the commencement of the final phase of pre-commissioning activities. The BBG Cable will provide 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.

"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."

Driving Sri Lanka's Global Leadership in Plural Connectivity

As the principal outcome of investments in latest generation digital connectivity, we continue to be afforded the honour and privilege of connecting and empowering a major share of Sri Lanka's citizens, businesses and homes. Dialog's mobile network infrastructure provides an expansive population coverage of 97% and connects 10.9Mn citizens from across all provinces of Sri Lanka. Dialog's Fixed Telecommunications and Digital Satellite Television Services serve approximately 500,000 and 650,000 Sri Lankan homes, respectively.

It is rewarding to note that over 85% of our country's population have access to Broadband Speeds of 1 MBPS or higher, while approximately 32% of the population have access to 4G speeds of 10-40MBPS. The inclusive availability of advanced connectivity services combined with plural affordability has no doubt empowered Sri Lankan citizens from all walks of life to derive maximum dividends from the emerging digital era. The ITU names Sri Lanka as exhibiting the lowest broadband tariffs in the Asia Pacific Region, while Akamai, in its report of State of the Internet - Connectivity points to Sri Lanka leading the region if not the world in terms of the affordability, availability, quality and inclusivity of broadband services.

Group Chief Executive's Review of Operations

Sri Lanka continues to deliver transformational outcomes in terms of broadband adoption. During the course of 2015, broadband penetration levels increased to 20% driven by the expansion of service availability, increase in affordability of Smartphones and the successive reductions in broadband tariffs. No less than 2.6Mn Sri Lankans are today, digitally empowered by Dialog's high speed broadband services.

"The ITU names Sri Lanka as exhibiting the lowest broadband tariffs in the Asia Pacific Region, while Akamai, in its report of State of the Internet - Connectivity points to Sri Lanka leading the region if not the world in terms of the affordability, availability, quality and inclusivity of broadband services."

Investments in Emerging Digital Businesses

Pivoting on the delivery of excellent short run financial and market outcomes successively year upon year, your Company continues to establish and evolve a robust foundation for sustainable leadership in the digital era. Fundamental to your Company's long run leadership potential is our commitment to cutting edge but plural innovation, ongoing introspect examination of our business models and cost structures, and a continuous refresh of our views on competition and collaboration.

During the year 2015, the Dialog Group continued to invest aggressively in our nation's digital infrastructure and digital services eco-system. We are of the singular belief that empowering digital services if deployed inclusively will form a pivotal driver of the nation's development going forward. We look forward with excitement to the digital dividend that would accrue to nation, Company and citizen alike in the years ahead.

World Class Innovation – Fundamental to Driving Digital Transformation

An innovation focus takes centre stage on the Group's product and revenue strategy blueprint, which in turn focuses on pre-empting the needs and preferences of digital consumers. As in previous years, Dialog continued to lead Sri Lanka's connectivity sector in terms of Innovation, new product evolution and the plural proliferation of advanced services.

The Year 2015 saw your Company once again secure supremacy on the world stage in the arena of digital innovation. Dialog secured the distinction of winning the Global Mobile Award for the Best Network Solution for Serving Customers at the Mobile World Congress (MWC) held in Barcelona, Spain. This Global Award follows in immediate succession to the Company's resounding success at the Mobile World Congress in 2014 where it secured Global Mobile Awards for the Best Mobile Money Service (eZ Cash) and the Best Technology Enabler (Ideamart).

Digital Transactions – Mobile Money and Payments

Dialog's internationally acclaimed Mobile Money Service eZ Cash, delivers the power of electronic transactions to all segments of Sri Lankan society. Operating in partnership with Etisalat and Hutch, eZ Cash supports a subscriber base in excess of 2.2Mn customers. Mobile consumers transacted a total of Rs.11.9Bn over the eZ Cash network during the course of 2015. eZ Cash also broke new ground during 2015, enabling the receipt of Foreign Direct Remittances direct to a Mobile Phone Wallet. The ground breaking service was launched in partnership with World Remit.

"Mobile consumers transacted a total of Rs.11.9Bn over the eZ Cash network during the course of 2015."

During the course of 2015, 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 attendance management.

Digital Financial Services - Micro Insurance

Dialog's aggressive foray into mobile based micro-insurance continued to break adoption barriers normally impacting the insurance sector and recorded robust growth during the Year 2015. Dialog's expanded portfolio of micro-insurance services spanning Personal Accident (PA), Hospitalisation, and Third Party Motor Cover delivered sterling performance notching up a total of 1.8Mn policies as at the end of FY 2015. Emboldened by the success of this paradigm shifting product formulation, Dialog will continue 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 products.

Digital Commerce

During the Year 2015, Dialog, through its wholly owned subsidiary Digital Holdings Lanka, expanded its stake in Digital Commerce Lanka (DCL) – the operator of WoW.lk to a level of 100%. WoW.lk continues to lead Sri Lanka's Digital Commerce market as Sri Lanka's best performing digital market place.

Digital Edutainment

During the Year, Dialog consolidated its commitment to the advancement of digital education in Sri Lanka by taking up a 26% stake in Headstart (Pvt) Ltd, the operator of Guru.lk, a digital destination for multi-faceted learning spanning secondary, vocational and general interest education segments.

During the course of 2015 Dialog continued its penetrative forays into 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. In tandem with the expansion of Dialog's Mobile TV service, Sri Lanka's premier sports portal ThePapare.com, achieved major strides in terms of the expansion of its portfolio of live sports coverage and archived content during the course of the Year under review. ThePapare.com is operated by Dialog and is accessible via smart devices and the internet.

PREEMPTING CHALLENGES TO INDUSTRY SUSTAINABILITY

As expanded upon in detail in my review of operations last year, there is little doubt that Sri Lanka's telecommunications industry will going forward face a threat of increasing severity arising from revenue erosion due to the impact of Over The Top (OTT) communication services. Providers of OTT communications services 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 global scale.

Erosion of Sector and Government Revenues

An era where the rich contribution to government revenues from the telecommunications sector evaporates at an exponential pace could well be imminent in Sri Lanka and other regional markets. The impact on the national economy of countries such as Sri Lanka could be envisaged to be particularly severe since the OTT service providers are in the main located outside the country and hence would not be revenue or tax contributors.

> "An era where the rich contribution to government revenues from the Telecommunications Sector evaporates at an exponential pace could well be imminent in Sri Lanka."

Group Chief Executive's Review of Operations

The wave of erosion is seldom time linear and could be envisaged to be exponential and hence catastrophic in consequence, unless managed with proactive strategies. The early symptoms of such an avalanche are in fact already evidenced in Sri Lanka's telecommunications sector and feature in the main, the depletion of International Termination and IDD revenues (by circa 12.4%), mutation of local voice revenue growth (down to 5.1% relative to past 5 year average of 8.5%) and a rapid decline in SMS revenues.

The Role of Regulators and Policy Makers

The onus of precipitating proactive adjustment of industry techno-economics in a manner which would ensure the sustainability of economic contribution, investment viability, and consumer empowerment falls equally on all sector stakeholders including but not limited to operators, regulators, government and revenue authorities. In this respect Sri Lanka's telecommunications industry led by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) and the Information and Communications Technology Agency needs to be expeditious in instituting the structural changes pre-requisite to enabling a sustainable, data and IP service led future. In particular, we look forward to the institution of "Same Service Same Rules" based regulation – whereby neutrality in service licensing and taxation is enforced across OTT communication services on par with traditional communication counterparts.

While we look to regulators and policy makers to put in place a level playing field in terms of regulation and taxation vis a vis disruptive competition, we also recognise the predominance of several organic levers which can play a crucial role in industry sustainability going forward. We believe that the principal policy frameworks required to secure sector viability would feature among others, the encouragement of cost based (profitable) data pricing, industry consolidation and constructs such as network sharing and collaborative investment. I share the concerns of industry counterparts that in the absence of the afore-said adjustments to industry structure and governance, real economic returns to shareholders as well as the sustenance of government revenues will be at grave risk in the medium term.

"We look forward to "Same Service Same Rules" based regulation – whereby neutrality in service licensing and taxation is enforced across OTT communication services on par with traditional communication counterparts."

Balancing Disruption Dividends vis a vis Sustainability

It is well acknowledged that the ultimate destination of the OTT driven 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. In the sequel it should also be recognised that the proliferation of OTT services are themselves reliant on robust telecommunications infrastructure and inclusive broadband connectivity. Accordingly, the industry quest is for calibrated and equitable regulation which will achieve a synergistic equilibrium between disruptive innovation and the sustained economic viability of the telecommunications sector. It is singularly encouraging that the TRCSL has thus far, as in the past, espoused and facilitated the establishment of a sustainable techno-economic industry framework. We continue to look to the TRCSL as well as other policy makers for the proactive and strategic navigation of the transformational environments ahead.

OPERATIONAL PERFORMANCE

I am happy to report that during the Year 2015, the Dialog Group demonstrated robust revenue growth across Mobile, Digital Pay Television, Tele-Infrastructure and Fixed Line businesses to record consolidated revenue of Rs. 73.9Bn for FY 2015, representing an Year on Year ("YoY") growth of 10%. While local voice revenues grew by 5%, the emerging segments of Mobile Broadband, Fixed Services, Pay Television Services and Digital Services contributed significantly to the overall growth profile delivering growth rates of 63%, 14%, 23%, and 105% respectively.

Revenue growth in combine with continued operational improvements led to Group EBITDA growing by 14% YoY to be recorded at Rs. 23.8Bn for FY 2015. The Group EBITDA margin was recorded at 32.2%, an improvement of 1.1 percentage points (pp) relative to the previous year. Notwithstanding healthy growth in EBITDA, the recording of a non-cash translational foreign exchange loss of Rs. 2.2Bn during the year, lead to Group NPAT (Net Profit After Tax) contracting by 15% to be recorded at Rs. 5.2Bn. Translational foreign exchange losses during the year accrued from the 9.2% devaluation of the Sri Lankan Rupee (LKR) against the US Dollar (USD). Normalised for this non-cash translational item, organic NPAT for the Group grew by 18% YoY to Rs. 7.4Bn.

The Dialog Group continued to maintain a robust balance sheet featuring a Net Debt to EBITDA ratio of 0.78X as at 31st December 2015. The positive performance trajectory at Group level was underpinned by robust growth in the Group's core mobile business as reflected in the financial performance of Dialog Axiata PLC, as well as by positive performance dynamics accruing at its subsidiaries, Dialog Television (DTV) and Dialog Broadband Networks (DBN).

Mobile and Adjacent Business

Dialog Axiata PLC, featuring the Mobile, International and Tele-Infrastructure businesses of the Group, continued to leverage the Company's market leading position within Sri Lanka's mobile sector to capture over 1.3 Million subscribers during the course of the year, and record a mobile subscriber base of 10.9Mn as at the end of FY 2015. The combine of the Mobile, International and Infrastructure businesses recorded under Dialog Axiata PLC, continued to contribute a major share of Group Revenue (84%) and of Group EBITDA (85%). Revenue at Dialog Axiata PLC for FY 2015 was recorded at Rs. 62.9Bn, up 9% relative to FY 2014. Underpinned by strong revenue performance, Company EBITDA for FY 2015 grew by 10% to be recorded at Rs. 20.3Bn translating to an EBITDA margin of 32.3%. Notwithstanding healthy performance in Revenue and EBITDA, NPAT contracted by 17% to be recorded at Rs. 5.7Bn in nominal terms. Normalising the financial statements of FY 2015 for the impact of non-cash foreign exchange losses, organic NPAT for FY 2015 is recorded at Rs. 7.8Bn representing growth of 9% YoY.

Digital Pay Television Business

Dialog Television (DTV), the Digital Pay Television business of the Group continued its positive growth momentum, recording a revenue growth of 23% YoY to reach Rs. 5.8Bn for FY 2015. DTV's Pay TV customer base was recorded at 650,000 subscriptions as at the end of December 2015. DTV engaged in an aggressive service and product enhancement programme during 2015 featuring the expansion of channel genres and the launch of new prepaid product offerings. Cost expansion arising from planned aggression in customer acquisition and product expansion activities, resulted in DTV's EBITDA contracting by 30% to be recorded at Rs. 609Mn. The negative movement in EBITDA reflects a medium term strategy to drive revenue growth on the back of subscriber acquisition and product portfolio expansion. The contraction of DTV EBITDA translated to an equivalent negative impact on NPAT leading to a Net Loss of Rs. 314Mn for FY 2015 compared to a Net Profit of Rs. 243Mn posted in FY 2014.

Fixed Telecommunications and Broadband Business

Dialog Broadband Networks (DBN) featuring the Group's Fixed Telecommunications and Broadband Business recorded revenue of Rs. 7.3Bn for FY 2015, representing a YoY increase of 19% and a 8% contribution towards the Group's top line. Revenue growth YoY was achieved through healthy growth in High Speed Broadband and Data Solution revenues. The year under review featured the rapid expansion of the Company's Fixed Wireless Broadband infrastructure,

Group Chief Executive's Review of Operations

with the deployment of fixed 4G-LTE coverage in population centres 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. Robust revenue growth and operating cost efficiencies combined to deliver an 88% YoY increase in DBN EBITDA which was recorded at Rs. 2.9Bn for FY 2015. Accordingly, the Net Loss for FY 2015 recorded at Rs.133Mn signalled a significant improvement in bottom line profitability relative to the Net Loss of Rs. 941Mn recorded in FY 2014.

SHARING VALUE - A SUSTAINABLE CONTRIBUTION TO NATION & SOCIETY

The sustainability thrust of the Dialog Group is singularly unique in that the passion to create a more equal nation underpinned by Triple Bottom Line principles pervades across the Dialog Organisation. In line with this broader ethos, in 2015 we enhanced our investments across several flagship initiatives including those focused on education, hearing and speech impairment, disaster management, national sports development and volunteerism. Accordingly, community investments grew by 41% YoY. I am proud to report that Dialog has retained the No. 1 Ranking on Sri Lanka's Corporate Accountability index for 6 consecutive years since the inception of the index in 2009.

The sustainability ethos of the Dialog Group as well as our contribution to the nation and community at large is more fully espoused in our Sustainability Report for 2015. The following principal activity segments signify 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.

Empowering Sri Lankan Livelihoods and Businesses

We are proud 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 core business operations, the Dialog Group paid out in excess of Rs. 5.7Bn to distributors, retailers and agents from across all regions of Sri Lanka and over Rs. 7.9Bn to local contractors supporting our development activities. Your Company also provides direct employment to 3,000 people and supports the livelihoods of over 100,000 families engaged in the expansive value and supply chains underlying our nationwide operations.

> "The Dialog Group paid out in excess of Rs. 5.7Bn to distributors, retailers and agents from across all regions of Sri Lanka and over Rs. 7.9Bn to local contractors.... and also provides direct employment to 3,000 people and supports the livelihoods of over 100,000 families."

Contribution to National Education

During the course of 2015 the Dialog Group further bolstered its contribution to Sri Lanka's Education Sector. The Satellite based Nenasa Distance Learning Network – a Gift to the nation's children, jointly operated by the Ministry of Education, National Institute of Education and the Dialog Group, now broadcasts two education channels complete with state-of-the-art bilingual features. Furthermore, the Dialog Group has empowered over 2,000 schools with satellite reception equipment and television sets so as to facilitate free of cost reception of the Nenasa education channels.

The Year 2015 also saw the disbursement of the 600th Dialog Scholarship, a programme which has, as at the end of Year 2015 invested in excess of Rs. 70Mn towards supporting top performers at Advanced Level and Ordinary Level from across all districts in Sri Lanka.

Empowering the Marginalised - Hearing and Speech

During the course of 2015, Dialog invested significantly in signature partnerships across several spheres where early intervention has been proven to moderate physical disability. Significant among these partnerships is Dialog's investment in the Ratmalana Audiology Centre (RAC). During the course of the year, Dialog and the RAC intervened to clear the paediatric Auditory Brainstem Response (ABR) test backlog at the Lady Ridgeway Hospital by bearing the cost of testing wait-listed patients at the RAC. Commencing in 2015 Dialog augmented its portfolio of interventions with respect to sensory impairments, with the initiation of support for the Vision 2020 programme carried out by the Ministry of Health and the World Health Organisation, enabling the provision of customised spectacles to 10,000 low-income patients.

Development of National Sports

During the Year 2015, the Dialog Group continued to invest aggressively in national sports development. Dialog continued to carry the mantle of being the sponsor of the National Cricket Team alongside its sponsorship of the National Rugby Team, the National Volleyball Federation, the National Football Federation, and the Disabled Sports Federation. The total investment by the Group towards the development of Sports in Sri Lanka exceeds several hundred million Rupees on an annualised basis.

People and Community – Volunteerism at Dialog

In 2015 more than 7% of Dialog's employee base volunteered in excess of 7,000 person-hours through community projects across all provinces of the country. Funding for the projects is provided by Dialog, enabling groups of volunteering employees to work alongside local stakeholders to support infrastructure enhancement for schools, hospitals and community facilities. The Dialog Volunteer Network, which empowers staff members to propose projects aligned with Dialog's community investment ethos, embarked on a new format during 2014 enabling the engagement of significantly larger teams and the deployment of larger and impactful investments. Projects carried out by the Volunteer Network at Dialog benefited an estimated 47,000 citizens during the course of 2015.

> "Projects carried out by the Volunteer Network at Dialog benefited an estimated 47,000 citizens during the course of 2015."

IN CONCLUSION

The Year 2015 represents a year of stellar financial and market performance by the Dialog Team. More significantly, I believe your Company has demonstrated its capability to orchestrate a combine of financial returns and aggressive market leadership in the short run, alongside the establishment of a robust foundation for leadership in the transformational and fast emerging digital future.

We recognise and understand comprehensively, the opportunities as well as the challenges of the digital era ahead. While on one hand, we ourselves have opportunistically embraced digital business models and have engaged in empowering citizens via Digital Inclusion spanning payments, commerce, financial services, education, health and a wide spectrum of digitisation opportunities, we seek the stewardship of regulators and policy makers to install a "Same Service Same Rules" based regulatory framework to moderate the exponential erosion of sector and Government revenues due to OTT disruption.

Group Chief Executive's Review of Operations

"We ourselves have opportunistically embraced digital business models and have engaged in disruptive forays in Digital Inclusion spanning Payments, Commerce, Financial Services, education, health and a wide spectrum of digitisation opportunities."

The performance of the Dialog Group stands testimony to the courage, determination and excellence of the Dialog Team. It has been an honour and privilege to work alongside them. Together, we thank 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 5th year in succession named us the People's Chosen Leader in the ICT sector.

The outcomes of the Year 2015 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 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.

Our 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. We are confident that the direct and indirect contributions of the Dialog Group to the national economy, combined with the inclusive delivery of multi-faceted connectivity spanning dimensions including but not limited to the plural delivery of communication, learning, commerce and entertainment will continue to catalyse an explosive economic multiplier which in turn will accelerate the socio-economic development of our nation. Accordingly, we view the future with an abundance of excitement and unbridled energy which we will harness towards capturing every available opportunity for the advancement of our Company, people and nation.

Dr. Hans Wijayasuriya
Director/Group Chief Executive

15 April 2016

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

In January 2016, Dr. Wijayasuriya was appointed by the Axiata Group as the Regional CEO for the South Asian Region, encompassing the Group's operations and interests in Bangladesh, Nepal, India, Pakistan and Sri Lanka, in addition to his role as the Group Chief Executive of Dialog Axiata.

Dr. Wijayasuriya serves 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 Boards of Idea Cellular in India, Ncell Axiata in Nepal and Multinet in Pakistan. Dr. Wijayasuriya also serves on the Board of the Sri Lanka Institute of NanoTechnoloy (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, 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 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, UK 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 of 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 various telecoms and technology companies in Asia and Europe. Prior to this, he functioned as the Group Chief Financial Officer of Axiata and thereafter as the Founding Chief Executive Officer of edotco, the infrastructure spinout of Axiata. 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, Group CFO of UbiNetics, the 3G technology developer and EVP Finance of Marconi, the UK-based telecoms 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 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) of 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 is the Group Chief Customer Officer and the Chairperson of the Customer Experience Excellence Group Leadership Committee of the Company. She counts over 25 years of experience in the mobile telecommunication industry.

In 2015, Sandra was amongst the top 10 global recipients of the Customer Experience Impact Award presented by the Customer Experience Professionals Association, USA, and in 2011 she was honoured with the Industry Champion Award for Sri Lanka at the Contact Centre World Conference, Australia. Sandra was named amongst the Top 10 Most Powerful Women in Business in Sri Lanka by the Echelon Magazine.

Sandra is a visiting Lecturer at the University of Colombo, School of Computing and is also an avid speaker at Global Customer Experience Events. She is a founding member and a former Director on the board of SLASSCOM, the national IT-BPO chamber where she continues to head the Quality Forum.

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 operations.

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 strategic business initiatives. His extensive experience largely covers Designing, Planning, Implementation, Project Management, Operations and Maintenance of Telecommunication and IT networks and systems. He has also gained wide 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 with 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 was appointed to the position of Group Chief Officer – Enterprise Business of Dialog Axiata PLC with effect from 19th April, 2012.

He counts a total of 17 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-year stint as the Managing Director of Suntel Ltd. Prior to taking the helm at Suntel in 2005, he 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, he held the position of Vice President at Fortunecity.com an internet start-up that was listed on the German Neuer Market.

Jeremy also serves as a Board Member of Asiri Hospital Holdings.

Azwan Khan

Group Business Operations – Group Chief Operating Officer

Azwan is the Group Chief Operating Officer of Dialog Axiata PLC. Prior to his current position which he took on in February, 2013, he functioned as the Group Chief Strategy Officer of Axiata Group Berhad and COO of Axiata Network Transformation SBU (also known as "Netco") and also as a Board member of Dialog Axiata PLC. He was also the Senior Vice President, Corporate Strategy and Development in Celcom Axiata Berhad in Malaysia since 2005. He is an active Board member in Axiata Management Services Sdn Bhd and Samart I-Mobile Public Ltd company, and was formerly a board member of Hello Axiata Company Ltd. He was also a member of the GSMA Chief Strategy Officer Group prior to moving to Dialog.

As Dialog GCOO he is responsible for Mobile, Television, Broadband, Fixed and International businesses, Group Corporate Planning and Strategy, Group Business Control and Axiata Group Wholesale.

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

Shayam Majeed

Group Chief Officer - Group Commercial and Programme Management

Shayam currently holds the position of Group Chief Officer - Commercial & Programme Management of the organisation. 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. He is a Member of the

Amali Nanayakkara
Group Chief Marketing Officer

Anthony Rodrigo
Group Chief Information Officer & Chief Digital Services Officer

Lucy Tan
Group Chief Financial Officer

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.

Named one of Sri Lanka's 10 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 encompasses the Marketing and Sales functions of the Group's multiple businesses.

Anthony Rodrigo
Group Chief Information Officer

Anthony joined Dialog Axiata as Group CIO in 2010. Prior to that he was the Head of North America Systems Integration Business for Nokia Siemens Networks. He was responsible for Solution Development, Systems Integration and Business Management of converged wireless/ wire line/cable solutions for communication service providers in North America. As Head of Systems Integration Business, he was also responsible for the Charging, Billing, CRM and OSS business units. Prior to that, Anthony was heading the North American Service Management unit, responsible for service performance, optimization, fulfillment and assurance solutions.

Anthony worked at Nokia for over a decade holding various positions in Helsinki and California, from Research Scientist, R&D Manager, Head of Program Management to Heading Nokia's Charging and Service Management Strategy. He also worked for AT&T Asia/ Pacific and British Telecom, UK. Anthony worked in Sri Lanka for Hayleys heading a software development firm.

Anthony holds a B.Eng (Hons.) from Kings College London, MBA (Hons.) from Regis University Denver, CO. USA and is a Chartered Engineer of the IET. 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 joining 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

2015 proved to be a formidable year due to the prevalent intense competition and enforcement of new legislation succeeding the National Budget 2015 which impacted the corporate community in its entirety and the telecommunication industry specifically. Despite such challenging circumstances Dialog Group consolidated its position as Sri Lanka's premier connectivity provider, by achieving strong top line growth while maintaining robust operational momentum.

The consolidated financial performance of Dialog Group comprises Dialog Axiata PLC ("the Company") and of the Dialog Axiata Group ("the Group") post-consolidation with subsidiaries Dialog Broadband Networks (Pvt) Ltd ("DBN"), Dialog Television (Pvt) Ltd ("DTV") and Digital Holdings Lanka (Pvt) Ltd. During 2015, Dialog, through Digital Holdings Lanka increased its stake in Digital Commerce Lanka ("DCL") the operator of WoW.lk, to 100%.

Continuing its positive performance trajectory, the Group delivered consolidated revenue of Rs. 73.9Bn for the FY2015, a significant double digit growth of 10% YoY ("Year on Year"), underpinned by strong growth across its Mobile, Digital Pay Television, Tele-Infrastructure and Fixed Line businesses.

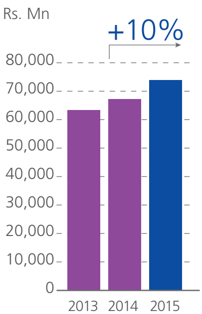
Despite the impact of 25% Pre-paid bonus pursuant to the National Budget 2015, voice revenue registered a 3% increase YoY as a result of aggressive regional campaigns carried out throughout the year, positive market response to new products launched and the 14% YoY growth in subscribers.

Data revenue continued to grow exponentially to record a YoY revenue growth of 64%, led by the significant growth in small screen revenue achieved through increased Smartphone take up supported by data related infrastructure coverage expansion and upgrades.

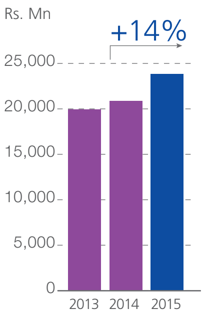
DBN delivered a robust revenue increase of 19% YoY, mainly driven by the significant growth in fixed 4G-LTE revenue on the back of its substantial increase in subscribers YoY.

Further DTV recorded strong revenue growth of 23% YoY led by aggressive sales drive executed during the year as well as the introduction of new affordable pre-paid packages.

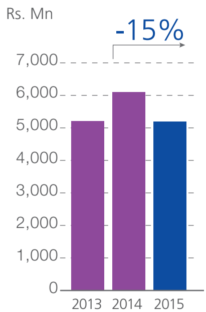
Group Revenue



Group EBITDA



Group PAT



Group total operating cost grew by 8% YoY, as a result of the increases in revenue driven cost in line with growth in revenue, increase in advertising & marketing cost and internet port & bandwidth charges.

Advertising & marketing recorded a significant YoY growth due to increased aggression with respect to promotions executed during the year, targeting higher subscriber additions across business lines.

Higher internet and bandwidth charges compared to previous year led by the additional bandwidth acquired to cater to the growing data usage.

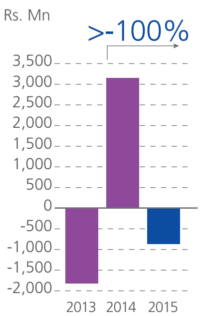
Further FY 2015 cost is inclusive of Mobile Licence levy amounting to Rs. 250Mn.

On the back of substantial revenue growth as well as operational efficiencies derived through cost management initiatives, Group EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) for FY 2015 delivered a strong growth of 14% YoY to reach Rs. 23.8Bn. The Group EBITDA margin for FY 2015 was accordingly recorded at 32.2%.

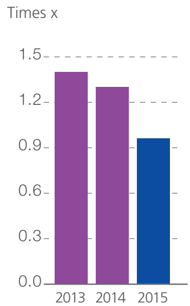
However, notwithstanding robust growth in all operational performance metrics, the Group was significantly impacted by non-cash, translational foreign exchange losses to the value of Rs. 2.2Bn during the year, resulting from the depreciation of the LKR relative to the USD by 9.2% YoY. Group NPAT ("Net Profit After Tax") was posted at Rs. 5.2Bn for FY 2015, a contraction of 15% YoY. Group NPAT post normalisation for the non-cash translational foreign exchange losses was recorded at Rs. 7.4Bn for FY 2015, representing an increase of 18% YoY relative to the FY 2014 on similarly normalized basis.

Group capital expenditure for FY 2015 was recorded at Rs.19.6Bn and was in line with the Group's relentless strategic pursuit to deliver a consistent, high-speed broadband service to cater the profound increase in demand for data consumption, which has been accelerated by the growing popularity and affordability of Smartphones and tablets. Accordingly, capital expenditure was directed in the main towards expanding and upgrading the broadband network footprint to enhance customer experience alongside the extension of the Group's Optical Fibre Network to support robust seamless connectivity, and investments

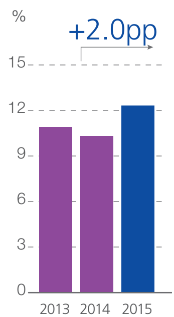
Group Free Cash Flow



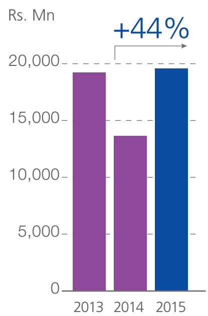
Group Gross Debt to EBITDA



ROIC



Capex



associated with the final phase of the Bay of Bengal Gateway (BBG) Sub-Marine Cable project to strengthen end-to-end connectivity across the world.

As a result of the significant increase in YoY capex, Operating Free Cash Flow for FY 2015 was marginally negative at Rs. 864Mn. However notwithstanding the expansion of capital investments, the Group continued to exhibit a structurally robust balance sheet with the Net Debt to EBITDA ratio being maintained at a healthy 0.78x as at end December 2015.

The Group remitted a total of Rs. 27.6Bn to the Government of Sri Lanka (GoSL) in the form of taxes and levies during the financial year ended 31st December 2015. Total remittances included direct taxes and levies as well as consumption taxes collected on behalf of the GoSL. Direct taxes, fees and levies contributed by the Group totalled Rs. 12.7Bn inclusive of income tax. The Group additionally collected consumption taxes, totalling Rs. 14.9Bn on behalf of the GoSL for FY 2015, comprising in the main of Telecom Levy collections amounting to Rs. 11.7Bn.

GROUP FINANCIAL INDICATORS

Rs. Mn	2015	2014	YOY
Revenue	73,930	67,286	10%
EBITDA[1]	23,824	20,895	14%
NPAT	5,188	6,098	-15%
Capex[2]	19,577	13,630	44%
Operating Free Cash Flows (OFCF)[3]	-864	3,146	>-100%

GROUP FINANCIAL RATIOS

	2015	2014	YOY
EBITDA margin	32.2%	31.1%	1.1pp
NPAT margin	7.0%	9.1%	-2.1pp
Capex to revenue	26.5%	20.3%	6.2pp
OFCF to revenue	-1.2%	4.7%	-5.9pp
ROIC[4]	12.3%	10.3%	2pp
Debt/Equity ratio	0.48	0.62	(0.14)

1 EBITDA : Earnings before interest, taxation, depreciation and amortisation
2 Capex : Capex excluding Customer Premises Equipment investments and intangibles
3 OFCF : EBITDA - Capex including CPE & intangibles - Tax excluding deferred taxtation
4 ROIC : EBIT after tax divided by average invested capital

DIALOG AXIATA PLC – BUSINESS OVERVIEW

The operations of Dialog Axiata PLC include Mobile, International, Tele-Infrastructure and Digital Service businesses. Despite the competitive environment, the Company remained the most preferred telecom service provider and Internet service provider of the year in 2015.

Industry Outlook

Sri Lanka witnessed a rapid transition in the telecommunication industry during the year. The country's mobile communication sector displays sophistication parallel to any advanced nations and propelled in terms of scale, rapid technology migration and adoption of Smart and other connected devices. The mobile industry in Sri Lanka exhibited an accelerating growth in mobile subscribers due to technological advancement, wider coverage of network and affordability of services. At the end of 2015, Sri Lanka's mobile subscriber base surpassed 22Mn, which results in a penetration of more than 100%. However, one-fifth of the population is estimated to have more than one mobile subscription, offer significant room for further growth.

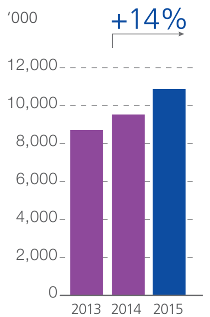
Dialog's Performance

Dialog continues to be the premier mobile communication provider by offering competitive and futuristic services. The subscriber base of the Company reached 10.9Mn at the end of the year against 9.5Mn in the previous year. Despite multifaceted challenges, the Company continued to remain the most preferred mobile operator and undisputed leader while further strengthening of subscriber market share by 1.9pp.

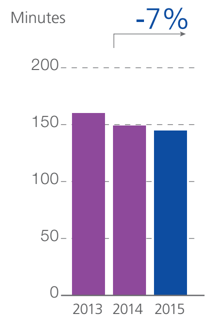
Usage Drive

Whilst growing subscriber base influx revenue, the Company also focused to drive usage with prudently executed marketing promotions. Based on the insights and experience gained from a previous promotional campaign 'Lord of the Reload', Dialog re-launched "Lord of the Reload - Mega Wasana" promotion during the year with a new appearance. It has cemented its position as Sri Lanka's largest and most rewarding lucky draw programme designed to reward and recognise the customer base of over 10Mn. The promotion enabled customers to win cash prizes when the draw numbers received for every prepaid top-up or post-paid bill payment match the winning numbers. Winning draw numbers are made available at the end of each week. This transparent process makes the lucky draw programme unique to its precedent as well as other promotions in the market driving the acquisitions and recharges during the FY2015.

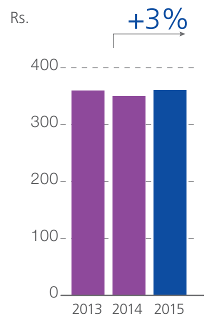
Mobile Subscribers



Blended MOUs



Blended ARPUs



The Company successfully introduced over 20 value-added services and a range of specialised product offerings to suit the needs of various customer segments in order to drive usage. 'MyPlan', a revolutionary new package was launched during the year. This was initiated with the premise that individual preferences are different and flexibility is needed to create their own post-paid plan with combinations of Dialog to Dialog minutes, Dialog to Non-Dialog minutes, Dialog to Dialog SMS, Dialog to Non-Dialog SMS and Data. The novel concept received tremendous reception in the market. 'Prepaid services for post-paid customers', which was launched in 2014 to give post-paid customer the flexibility to choose selected services with prepaid mode, has gained its growth momentum during the year where the active user base grew by 144% YoY.

Another example of Dialog's novelty is "Suraksha", an easy-to-use mobile safety device especially for kids and their parents. Incoming and outgoing calls on the device are restricted to four individual contacts specified by the parents or the child's guardians, whilst it is also armed with a one-touch SOS dial button that can be used at a time of emergency. The unit serves as a tracking device allowing parents to view the location of their child. This innovative service is considered as timely solution for the growing needs of the society.

Broadband Demand will Fuel Future Growth

Despite the current dominance in voice connectivity service, the industry growth acceleration is driven by mobile broadband service. During the course of 2015, Sri Lanka's mobile broadband penetration increased to 16.3% from 13.5% in 2014. The adoption is driven by wider and deeper network coverage, attractive tariffs, and mounting Smartphone penetration. Dialog's Mobile Broadband subscriber base showed a noteworthy 64% growth during the year, signalling the competitive advantage the Company holds in the broadband sphere.

The growing number of Smartphones and other advanced devices are increasing the use of data-intensive applications, such as gaming and video streaming on mobile networks. Dialog also witnessed a similar trend with the firm growth in mobile gaming subscriber base in 2015. The Company extended its gaming portfolio with the launch of "Kitmania", which is a subscription based service to download or play online games from a range of categories such as Arcade, Action, Puzzle, Sports and Adventure. Aiming to provide the best gaming experience, the Company set up local gaming servers on Dialog's Data Centre and delivered low latency multiplayer gaming for the Sri Lankan gamers. To drive the high level of engagement, the Company launched 'Sri Lanka Gamers Leaderboard', which brought a new dimension to competitive gaming in Sri Lanka. In addition, the Company continued to power 'online gaming tournaments' as well as 'Sri Lanka Cyber Games' in partnership with Gamer.lk, the prominent gaming community in Sri Lanka.

Dialog's video streaming service 'MyTV' experienced twofold increase in monthly average revenue registered and significant growth in active subscriber base which grew to over 200,000 during 2015. Further, the Company also introduced many attractive mobile data usage drive promotions such as 'Facebook pack', 'Pre-paid reload based data packages', 'Night time data package for Rs. 95' and 'Internet card-Bonus Data offer'.

Accelerating Rate of Smartphone Adoption

The increasing proportion of mobile data connections largely reflects the accelerating rate of Smartphone adoption. According to the GSMA, Smartphone adoption rate of Sri Lanka has reached over 30% of the connection base, which is primarily driven by digitisation, advancement of lifestyles and increasing affordability and availability of devices. Correspondingly, Smartphone adoption within the Dialog network grew by 11 percentage points (pp) to 30% in 2015 from 19% in 2014. The Company was able to achieve substantial growth in adoption rate due to competitive and market relevant offerings.

In the view of empowering the bottom end of the pyramid to enjoy the latest technology and services, the Company launched Sri Lanka's lowest priced android Smartphone for Rs. 6,990 during 2015. In addition, Dialog launched the revolutionary new consumer financing service "Lesi Pay" in April 2015, to create affordability to all Sri Lankans through attractive easy payment schemes to purchase Smartphones, tabs and other group services for a monthly or daily installment starting as low as Rs. 200 per month. In addition to meeting the needs of low end users, the Company also launched flagship devices such as Samsung Galaxy S6, Samsung Galaxy Note 5 and Apple iPhone 6S in partnership with leading brands to bring the latest technologies to all Sri Lankans.

Network Expansion

In commitment to provide high quality customer experience, the Company expanded its network coverage in 2015. At the end of 2015, Dialog has over 4,300 2G base stations spread across the country. The Company continues to upgrade 2G sites catering to basic mobile users. While 2G remains the principal network technology, Dialog fast-tracked the expansion of 3G, Mobile 4G-LTE and Fixed 4G-LTE base stations sites, by 25%, 165% and 80% respectively during the year to cater to the exponential growth in data traffic.

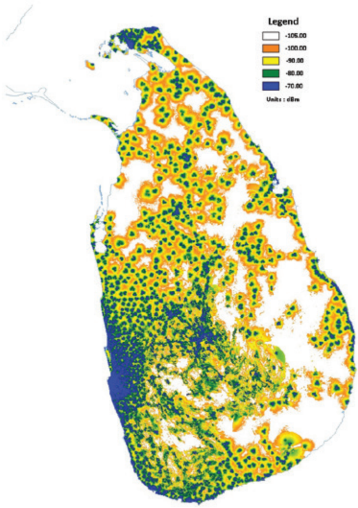


Figure 2: 3G Coverage

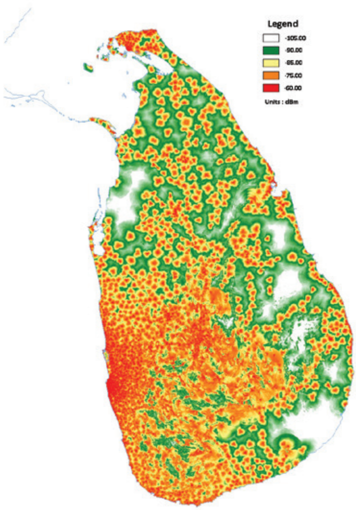


Figure 1: 2G Coverage

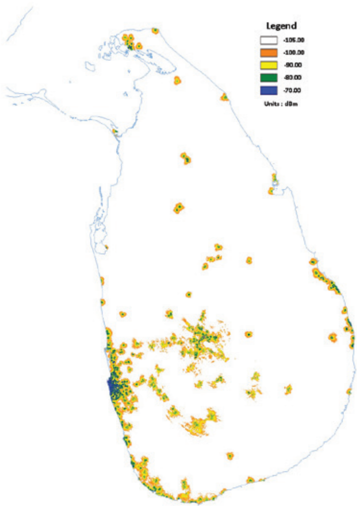


Figure 3: Fastest Expanding Mobile 4G-LTE Network

Roaming and IDD Services

All roaming services were moved to real time charging in 2015, eliminating bill surprises for customers. As a benefit of online charging, most of the services could be charged, billed, notified and controlled in real time. The Company launched "Budget setter" service during the year, which allows post-paid customers to adjust the spending limit by themselves. This was a vital feature for roaming customers as it permits them to control their spending according to usage requirement. In addition, this plan will allow customers to increase their credit limit up to three times of normal credit limit on a call. The Budget Setter service is expected to bring peace-of-mind to the roaming customers by allowing them to control their roaming expenses conveniently.

In response to growing foreign travel and tourism, Dialog reinforced its presence beyond borders by successfully expanding its international roaming network. Dialog's overall voice roaming collaboration reached 641 operators and 229 countries around the globe. The Company signed roaming agreements with 26 GSM operators and added 4 countries to its roaming footprint during the year. The Company also expanded its roaming footprint on GPRS, 3G, and CAMEL to 201, 166, and 182 destinations respectively, with the effort to meet the needs of the customers to be connected at all times. During the course of the year, the Company also expanded its LTE roaming footprint and coverage to 101 operators and 55 destinations.

Company's Infrastructure Arm- DTI

DTI, the Company's infrastructure arm, continues to be the forerunner in provision of active and passive telecommunication infrastructure services in Sri Lanka. DTI serves 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 about 40%, connecting cities across the island.

Digital Service

During the year 2015, Dialog continued to invest aggressively to expand its digital infrastructure and digital services eco-system investing in new technologies and further strengthening existing products and services. In keeping with its brand promise of delivering the future today, the disruptive technology "Ideamart" was awarded 'Best Technology Enabler' at the 20th Mobile World Congress (MWC) held in Barcelona, Spain. Ideamart is an open application programming interface (API) platform that enables businesses locally and internationally to utilise existing telco inventory and build its own portfolio of services. 'Sunlight Lights Up My Nation' campaign is a great example of Ideamart's technological agility, which allowed people to participate in a Pahan Pooja by simply dialing a mobile number. This initiative won the Bronze Award under the Brand Awareness category at the recently concluded Smarties Awards in New York.

Dialog's Mobile Money Service 'eZ Cash' exhibited 34% YoY growth in subscribers with a served customer base in excess of 2.2Mn with total transaction volume reaching Rs.11.9Bn during 2015. The first interoperable mobile money platform in the world was further strengthened with Hutch joining the platform. Growth was underpinned by focus on rural retail consumer activation programmes, strategic tie-ups with the addition of large strategic merchants from both the private and government sectors increasing consumer choice to transact using eZ Cash. The inward remittance product where consumers can receive money direct to the mobile saw rapid ecosystem expansion with leading international remittance players such as HomeSend, Mozido and Express Money joining our network.

To further strengthen its leadership position in the e-commerce space, Dialog, through Digital Holdings Lanka, increased its stake in Digital Commerce Lanka (DCL), which operates WoW.lk, to 100% during the year. DCL is a new company, it took over the business and brand only of anything.lk, successfully transitioned from a daily deals site to a fully-fledged online retail store. WoW.lk offers an expansive catalogue of over 15,000 products from over 1,000 recognised merchants whilst offering consumers the convenience of multiple payment options including the option to pay in cash at the point of delivery which has been well received by consumers. Wow.lk was ranked No.1 in the list of top startups ranked by startupranking.com and is also one of three Sri Lankan entities to be listed within the top 1,000 startups in the world.

Dialog has made significant strides in uplifting digital education in Sri Lanka by diversifying the product offering in its education portal, Guru.lk. The solution delivered through both small and large screen access mediums now serve over 150,000 customers across 4 market segments namely secondary, professional, lifestyle and corporate learning. During the year Dialog acquired 26% stake in HeadStart (Pvt) Ltd., a leading e-learning content development company. HeadStart enables Guru to diversify its corporate training portfolio thus facilitating the delivery of a complete 360 degree digital education offering to it consumers.

Dialog's mobile insurance service has received remarkable reception in 2015, as it achieved the feat of crossing the 1Mn subscriber mark through its accident and hospitalisation support packages. With insurance penetration in Sri Lanka remaining moderate, Dialog's mobile insurance products are considered to be the most convenient and affordable option for vast majority of consumers.

During the year Digital services expanded its product offering to the health sector by incorporating 'Digital Health (Private) Limited', a joint venture between Digital Holdings Lanka, the Company's fully owned subsidiary, and Asiri Hospital Holdings PLC. Digital Health offers state-of-the-art integrated e-commerce infrastructure, through the provision of digitally enabled medical appointment management to several other innovative new elements for Sri Lanka's digitalheath care value chain.

FINANCIAL REVIEW

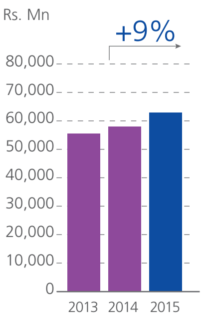
Continuing to leverage on its position as the market leader the Company, representing the key mobile operations of the Group, delivered revenue of Rs. 62.9Bn for FY 2015 on the strength of its 10.9Mn subscriber base. The resulting strong YoY revenue growth of 9% was driven by the increase in voice revenue as well as the significant growth in Data revenues. VAS and SMS revenues also increased steadily YoY.

Underpinned by strong revenue growth and positive outcomes driven by the strong cost management discipline adopted throughout the year, the Company EBITDA recorded a growth of 10% YoY to reach Rs. 20.3Bn for FY 2015, translating to an EBITDA margin of 32.3%.

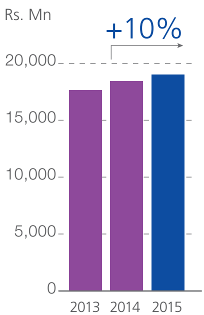
Notwithstanding healthy performance in Revenue and EBITDA, Company NPAT was impacted by non-cash translational foreign exchange losses amounting to Rs. 2.0Bn.

Accordingly Company NPAT contracted by 17% YoY to be recorded at Rs. 5.7Bn for FY 2015. On normalising for the exceptional non cash translation foreign exchange losses, Company NPAT was recorded at Rs. 7.8Bn for FY 2015, representing an increase of 9% YoY.

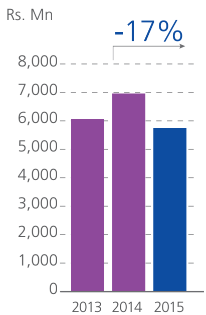
Revenue



EBITDA



PAT



DIALOG BROADBAND NETWORKS – BUSINESS OVERVIEW

Dialog Broadband Networks (DBN) serves over 500,000 individuals and corporates providing multiple services including fixed telephony, hosted PABX offerings, broadband, internet leased lines, data communication, Internet Data Centre (iDC), converged ICT solutions, telecommunication infrastructure, transmission and backbone services.

DBN continued its robust growth in the Fixed Telecommunications sector driven by strong Home Broadband and Enterprise Solution sales. The Home Broadband has started its fruition with over two fold growth in active subscriber base. DBN continued to invest in its fixed 4G-LTE network, focusing on coverage, speed and quality enhancements to ensure best in class broadband services is available to a larger base of customers.

Dialog Broadband Network's Internet Data Centre (iDC) received ISO 27001 certification (ISO 27001:2013) during the course of the year, becoming the first and only Sri Lankan service provider to receive this prestigious accreditation for meeting the highest standards of information security. The year also saw the launch of 'Cumulus', a cloud service portfolio. The portfolio encompasses Virtual IT Infrastructure, Enterprise Storage and Data Backup, Messaging Solutions, Development Platforms, Device Management, Business Applications, Productivity Solutions, and Managed Security solutions. Cumulus brings together the knowledge and strengths of Dialog's best-in-class communications technology, delivering unmatched broadband connectivity options, and state-of-the-art cloud infrastructure of global technology partners, to provide Sri Lankan businesses with a truly local cloud experience, built to global standards with the unmatched Dialog service promise. Cumulus is hosted at leading Dialog Internet Data Centers (iDC) whilst partnering with world's leading technology companies and cloud thought leaders including Ericsson, EMC, Fortinet, Hewlett Packard, Kingslake, and Microsoft.

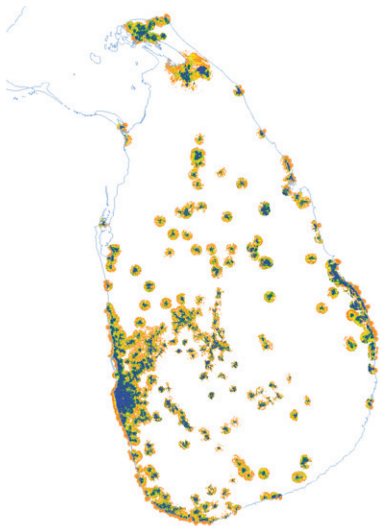


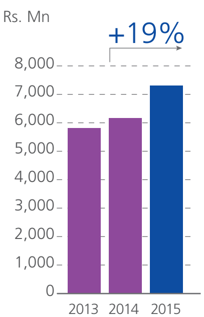
Figure 4: Expanding Fixed 4G-LTE Network

FINANCIAL REVIEW

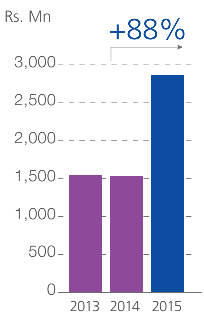
DBN consolidated its position by delivering a revenue growth of 19% YoY to record revenue of Rs. 7.3Bn for FY 2015, which contributed 8% of Group revenue. Robust revenue growth was achieved mainly via the significant growth in fixed 4G-LTE base as a result of the aggressive acquisition drive carried during the year backed by development of new channels as well as optimum monetisation of existing channels.

Further strong revenue growth and operating cost efficiencies combined to record DBN EBITDA at Rs. 2.9Bn for FY 2015, which translates to an increase of 88% YoY. Accordingly, the Net Loss for FY 2015 recorded at Rs.133Mn signaled a significant improvement in bottom line profitability relative to the Net Loss of Rs. 941Mn recorded in FY 2014.

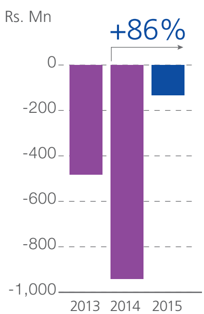
Revenue



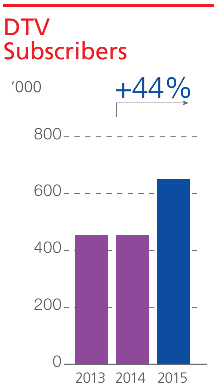
EBITDA



PAT



DIALOG TELEVISION – BUSINESS OVERVIEW



Dialog Television (DTV), the Group's Pay Television business continues to be in the forefront of the pay television industry of Sri Lanka. The Company serves as the window to the world by bringing the widest range of knowledge, information and entertainment from across Sri Lanka and the globe via latest digital satellite technology. DTV caters to the diverse infotainment needs of 650,000 Sri Lankan homes by connecting the world to their families.

Despite the entry of new operator and fierce competition, the Company was able to add over 250,000 customers during the year and sustain the subscriber market share at over 70%. During the course of 2015, DTV continued to embark on penetrative forays, where the subscriber base showed a noteworthy 44% growth. Low Pay TV market penetration in the country, which is estimated to be less than 20%, signals promising prospect for future growth.

The Company launched its revolutionary pre-paid product 'Power Play' with 'Budget Plus' and 'Arambam' packages to cater to middle income earners who are willing to spend Rs. 300-500 per month for a lower entry barrier. This created a significant boost to the Company's sales in 2015.

In addition, DTV upgraded its transponders from MPEG 2 technology to MPEG 4 technology with the view of adding more channels and enhancing visual quality. DTV introduced over twenty five new channels during 2015, where the Company had an extensive assortment of more than 110 standard Definition (SD) and High Definition (HD) channels at the end of 2015 including CNN, Star, HBO, Cinemax, AXN, Ten Sports, Discovery HD, AXN HD, Nat Geo HD and a bouquet of local content.

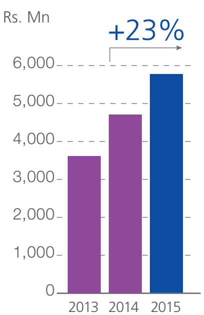
FINANCIAL REVIEW

Consolidating its strong revenue growth momentum DTV, recorded revenue of Rs. 5.8Bn for FY 2015, which accounted for 8% of Group revenue. The solid YoY revenue growth of 23% was achieved on the back of increases in both subscription and connection revenues as a result of the expansion in subscriber base.

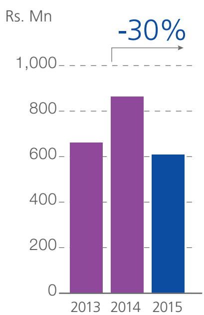
During the fourth quarter, number of DTV subscribers surpassed the 600,000 milestone to reach a base of 650,000 subscribers as at end of FY 2015.

DTV engaged in an aggressive service and product enhancement programme during 2015 to facilitate the expansion of channel genres and the launch of new prepaid product offerings. Cost expansion arising from aggressive customer acquisition alongside aforementioned service and product expansion activities, resulted in a medium term contraction in DTV's EBITDA by 30% on a YoY basis. DTV EBITDA for FY 2015 was recorded at Rs. 609Mn. Accordingly the contraction of EBITDA translated to an equivalent negative impact on NPAT leading to a Net Loss of Rs. 314Mn for FY 2015 compared to a Net Profit of Rs. 243Mn posted in FY 2014.

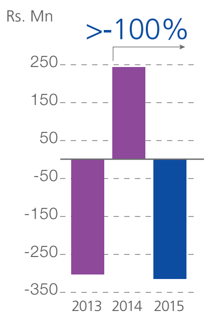
Revenue



EBITDA



PAT



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 Colombo Stock Exchange (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 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 CSE 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 2015.

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 Group;
- 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 Board of Directors as at 31st December 2015, was as follows:-

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

Table 1 – Composition of the Board as at 31st December 2015

The profiles of the Directors are found on pages 17 to 20 of this Report.

- **Composition and Balance of the Board**

The Board comprises of 08 directors, of whom 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, Deshamanya Mahesh Amalean is considered independent. Furthermore, the Board considers both Mr. Moksevi Prelis and Mr. Mohamed Muhsin as 'independent', given their objective and unbiased approach to matters of the Board notwithstanding that they have completed more than 09 consecutive years. 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. Thandalam Veeravalli Thirumala Chari 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 organisation 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 10 meetings were held in 2015, which included 07 special meetings. The attendance of directors at these meetings is set out in the table below:

Name of Director	Attendance
Datuk Azzat Kamaludin	10/10
Dr. Hans Wijayasuriya	10/10
Mr. Moksevi Prelis	10/10
Mr. Mohamed Muhsin	10/10
Mr. James Maclaurin	09/10
Deshamanya Mahesh Amalean	07/10
Mr. Darke Mohamed Sani	10/10
Mr. Thandalam Veeravalli Thirumala Chari	09/10

Table 2 – Board Meeting Attendance

- 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 Nominating and Remuneration Committee 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 state 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.

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
4. Related Party Transactions Review 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 45 to 47.

b) Nominating and Remuneration Committee

The role of the 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. Mohamed Muhsin and Deshamanya Mahesh Amalean.

The NRC held 03 meetings during the financial year ended 31st December 2015 and the attendance at these meetings is set out below:

Name of Director	Attendance
Datuk Azzat Kamaludin (Chairman)	3/3
Mr. Mohamed Muhsin	3/3
Deshamanya Mahesh Amalean	3/3

Table 3 – NRC Meeting Attendance

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 05 representatives of the Board, namely Mr. James Maclaurin (Chairman), Mr. Mohamed Muhsin, Mr. Darke Mohamed Sani, Mr. Thandalam Veeravalli Thirumala Chari and Dr. Hans Wijayasuriya and 02 ex-officio members who are drawn from the membership of the senior management of Dialog.

d) Related Party Transactions Review Committee

In compliance with the requirements of the Listing Rules (Rules) of the CSE, the Related Party Transactions Review Committee (RPTRC) was established with effect from 1st January 2016.

The primary function of the RPTRC is to review related party transactions as prescribed by Section 09 of the Rules. As per the Rules, the RPTRC shall meet at least once a financial quarter and accordingly the RPTRC of the Group had its inaugural meeting on 16 February 2016.

The RPTRC comprises 03 non-executive directors, namely Mr. Mohamed Muhsin (Chairman), Mr. Moksevi Prelis and Mr. Thandalam Veeravalli Thirumala Chari.

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 is mentioned in the Notice of the AGM on page 133.

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 2015.

The remuneration of the executive director, in his capacity of an employee, comprises of a salary, bonuses and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Company. 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 KPIs comprise of qualitative and quantitative targets and the evaluation of the achievement of the KPIs is reviewed by the NRC and the recommendations are tabled for approval of the Board.

A total of Rs. 65.0Mn was paid to the directors as emoluments for the financial year 2015.

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 is responsible for the appointment and dismissal of the Group Chief Internal Auditor. The activities of the Group's internal audit are detailed in the BAC Report on pages 45 to 47.

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.

Corporate Governance Report

- **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 CSE 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, e-mails, 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 2015, the Company actively participated in three overseas investor conferences held in New York, Hong Kong and London. The Company also took part in two local forums for clients of reputed global financial services institutions. In addition, the Company 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. These sessions not only provide analysts and investors with a comprehensive review of the Group's financial performance, but also gave 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 as a "major transaction" in terms of the definition 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 2015 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

MEETINGS

The BAC had seven meetings during the year 2015, which includes four special meetings. The meeting attendance of the members is set out in the table below:

Name of Member	Attendance
Mr. Mohamed Muhsin – Chairman	7/7
Mr. Moksevi Prelis	7/7
Mr. Thandalam Veeravalli Thirumala Chari	7/7

The Group Chief Executive Officer, the Group Chief Financial Officer and the Group Chief Internal Auditor, attended these meetings by invitation. The external auditors also attended meetings, by invitation, to brief the BAC on specific issues. In addition to these formal meetings, the BAC Chairman had private discussions with the external auditors.

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 Information Security Governance Framework which covers areas such as Information Security, Data Privacy, Cyber Security and Data Loss/Leakage Prevention across all functions of the Dialog Group.

The following include other key routine activities carried out by the BAC during 2015:

Report of the Board Audit Committee

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 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 2016.

Internal Audit

The BAC is supported by the Group Internal Audit Division, which is headed by Mr. Munesh David (FCMA, FCPA, MBA), the Group Chief Internal Auditor (GCIA). Mr. David was appointed GCIA during the year under review and reports directly to the BAC. The Internal Audit team has a mix of expertise in the disciplines of Finance, Information Technology, Network Engineering, Digital Services and Sales & Marketing. 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-up action on past and present recommendations is monitored.

During the year under review, 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.

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 April 2016

DIAL Share Information

Figure 1: Share Volumes & Relative Performance vs. Market

THE DIAL SHARE

The Colombo Stock Exchange has displayed a fair degree of volatility during the year 2015. The changes witnessed in the Country's political environment, subsequent enactments such as the implementation of Super Gains Tax (SGT) together with the gradual deterioration of the macro economic variables have contributed towards this volatility. ASPI recorded a decline of 5.5% while the S&P SL20 index recorded a decrease of 11.3%. The market downturn was further aggravated by the increase in interest rates as oppose to decline witnessed in the previous year. The 364 day TB yield has increased by 111 basis points during the year.

DIAL share started the year at Rs.13.30 and traded between a high of Rs.14.00 and a low of Rs.10.20 to close the year at Rs.10.70. The share price decreased by 19.5% compared to 2014. DIAL share underperformed both the ASPI and S&P SL20 during the year. The lackluster market sentiments and the impact of SGT during the year have contributed to the decline in share price.

MARKET CAPITALISATION

The total market capitalisation of the Company decreased by 19.5% to Rs. 87.1Bn during the year compared to Rs.108.3Bn in FY 2014, representing approximately 3.0% of the total market capitalisation of the CSE. DIAL is among the top ten largest companies on the CSE in terms of Market Capitalisation.

	2015	Q4	Q3	Q2	Q1	2014
Share Information						
Highest Price (Rs.)	14.30	11.60	12.10	11.90	14.30	14.10
Lowest Price (Rs.)	10.10	10.50	10.10	10.30	10.30	9.00
Closing Price (Rs.)	10.70	10.70	10.90	10.50	10.40	13.3
Trading Statistics						
Number of Trades '000	13.5	2.1	4.8	2.3	4.2	11.1
% of Total Market Trades	0.9	0.7	1.1	0.6	1.1	0.6
Number of shares traded (Mn)	471	137	183	65	86	630
% of Total Shares Traded	5.0	6.8	6.8	3.1	3.3	3.8
% of Public float	34.7	10.1	13.5	4.8	6.3	48.6
Turnover (Rs. Mn)	5,308	1,503	1,996	720	1,088	7,313
% of Total Market Turnover	2.1	2.7	2.6	1.3	42.2	2.1
Market Capitalisation (Rs. Mn)	87,138	87,138	88,767	85,510	84,696	108,312
% of Total Market Capitalisation	3.0	3.0	3.0	2.9	2.9	3.5

Table 1: Market information on DIAL share

DIVIDENDS

The Board has resolved to propose for consideration by the shareholders of the Company, a cash dividend to ordinary shareholders of Thirty Two Cents (Rs. 0.32) per share for the FY 2015. This translates to a dividend payout amounting to 50% of Group PAT.

The total dividend proposed in FY 2015 is Rs. 2.6Bn compared to Rs. 2.1Bn declared and paid out for the FY 2014.

TOTAL SHAREHOLDER RETURNS

The Total Shareholder Returns (TSR) of the share was -18.6% in 2015 as a result of the 19.5% decline in the share price and the dividend per share of Rs. 0.13 paid during the year. The Market TSR (based on ASPI) decreased by 5.2% in 2015, while TSR based on S&P SL20 decreased by 8.8%.

EARNINGS PER SHARE

The basic earnings per share (EPS) for the year was Rs. 0.64 compared to the EPS of Rs. 0.76 recorded in FY 2014 a decrease of 16% 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 16.7x earnings as at 31st December 2015 compared to 17.5x as at 31st December 2014 due to DIAL share price decreasing at a higher rate than the decline in EPS. However, DIAL share was trading at a lower earnings multiple to the market, which was recorded at 18.0x as at 31 December 2015.

DIAL Share Information

	2015	2014	2013
Market cap (Rs. Bn)	87.1	108.3	73.3
Market value added (negative)/positive - (Rs. Bn)	(21.2)	35.0	5.7
Enterprise value (Rs. Bn)	105.6	127.4	99.0
EV/EBITDA (x)	4.4	6.1	5.0
Basic EPS (Rs.)	0.64	0.76	0.65
PER (x)	16.7	17.5	13.8
Price to book (x)	1.8	2.4	1.8

Table 2: Trading Multiples

RETURN ON EQUITY AND RETURN ON INVESTED CAPITAL

The Return on Equity (ROE) for the Group decreased to 11.3% in 2015 from 14.9% in 2014. Return on Invested Capital (ROIC) for the Group increased to 12.3% in 2015 from 10.3% in 2014.

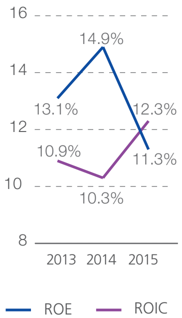


Figure 2: Return on Equity and Return on Invested Capital

PRICE TO BOOK RATIO

The price to book ratio of the Group as at 31 December 2015 was 1.8 times compared to 2.4 times last year.

COMPOSITION OF SHAREHOLDERS

The total number of Shareholders of DIAL decreased to 21,072 as at 31 December 2015 compared to the 20,334 during the previous year.

The public float of DIAL was at 16.7% as at 31 December 2015. In terms of composition of the public float, foreign investors held 66% of the float, 29% was held by local institutional investors and 6% by local retail investors.

2015 witnessed a marginal decline in foreign investor interest in DIAL, accordingly foreign investor composition decreased to 66% in 2015 compared to 69% in the previous year.

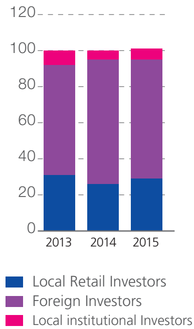


Figure 3: Trend in Composition of Shareholders

SHAREHOLDERS PROFILE

	31st December 2015				31st December 2014			
	No. of Shareholders	%	No. of Shares Held	%	No. of Shareholders	%	No. of Shares Held	%
1 to 1,000	10,946	51.95	5,450,135	0.07	10,423	51.26	5,358,702	0.07
1,001 to 10,000	8,972	42.58	21,949,477	0.27	8,925	43.89	21,391,029	0.26
10,001 to 100,000	937	4.45	29,351,995	0.36	790	3.89	23,677,740	0.29
100,001 to 1,000,000	142	0.67	44,276,697	0.54	122	0.60	38,363,747	0.47
Over 1,000,000	75	0.36	8,042,750,101	98.76	74	0.36	8,054,987,187	98.91
Total	**21,072**	**100.00**	**8,143,778,405**	**100.00**	**20,334**	**100.00**	**8,143,778,405**	**100.00**

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

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

Table 3: Distribution of Shareholders

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY

	Name of Shareholder	No. of Shares as at 31-Dec-15	% of Holding	No. of Shares as at 31-Dec-14	% 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	174,203,166	2.1%	178,669,912	2.2%
3	Employees Provident Fund	146,232,203	1.8%	177,494,055	2.2%
4	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	98,119,100	1.2%	76,876,900	0.9%
5	CB NY S/A International Finance Corporation	64,086,800	0.8%	64,086,800	0.8%
6	Citibank New York S/A Norges Bank Account 2	63,720,806	0.8%	-	-
7	BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	57,314,300	0.7%	44,314,300	0.5%
8	HSBC International Nominees Limited-BBH-Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.7%	55,345,900	0.7%

DIAL Share Information

	Name of Shareholder	No. of Shares as at 31-Dec-15	% of Holding	No. of Shares as at 31-Dec-14	% of Holding
9	HSBC INTL NOM LTD - SSBT-Wasatch Frontier Emerging Small Countries Fund	53,229,209	0.6%	137,412,700	1.7%
10	HSBC INTL Nominees Ltd-JPMCB-Scottish ORL SML TR GTI 6018	47,472,121	0.6%	68,851,821	0.8%
11	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	47,270,000	0.6%	24,130,400	0.3%
12	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	37,613,700	0.5%	23,993,425	0.3%
13	HSBC Intl Nom Ltd-JPMCB-Pacific Assets Trust PLC	33,865,700	0.4%	17,847,200	0.2%
14	Rubber Investment Trust Limited A/C # 01	28,376,990	0.3%	-	-
15	Mellon Bank N.A-Eaton Vance Trust Co. Collective Inv. Trust For Employee Benefit Plans-Eaton Vance Trust Co./Parametric Structured Emerging Mkt. Equity Fund	19,392,086	0.2%	19,392,086	0.2%
16	Mellon Bank N.A.-UPS Group Trust	18,880,000	0.2%	18,880,000	0.2%
17	HSBC Intl Nom Ltd-SSBT-Parametric Emerging Markets Fund	18,848,970	0.2%	13,671,999	0.2%
18	The Ceylon Investment Plc A/C # 02	18,797,647	0.2%	31,473,413	0.4%
19	The Ceylon Guardian Investment Trust PLC A/C # 02	16,470,454	0.2%	31,733,585	0.4%
20	HSBC Intl Nom Ltd-SSBT-Parametric Tax-Managed Emerging Markets Fund	15,786,381	0.2%	13,452,005	0.1%

Table 4: Twenty Largest Shareholders

Financial Statements

Annual Report of the Board of Directors for the year ended 31 December 2015

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 2015 as set out on pages 60 to 127.

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 eCommerce), 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 2015 are set out on pages 60 to 127.

Independent Auditor's Report

The independent Auditor's report is set out on page 59.

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 65 to 81.

Statement of Directors' Responsibility

The Directors are responsible for preparing and presenting the financial statements of the Company and the Group to reflect a true and fair view of the state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of Sri Lanka Accounting Standards, the Companies Act and the Listing Rules of the Colombo Stock Exchange. The detailed statement of Directors' responsibility is included in page 58.

Review of Business

The state of affairs of the Company and the Group as at 31 December 2015 is set out in the statements of financial position on page 60. An assessment of the financial performance of the Company and the Group is set out in the statements of comprehensive income on page 61.

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 62 and 63 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 as at 31 December 2015. The main shareholders of the Company and the corresponding holding percentages are set out below:

Directors

The Directors of the Company as at 31 December 2015 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
Deshamanya Mahesh Amalean
Mr. Thandalam Veeravalli Thirumala Chari (Chari TVT)
Dato' Sri Jamaludin Ibrahim (Alternate Director to Mr.Darke Mohamed Sani)

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

		2015		2014	
	Name of Shareholders	No. of Shares	% Holding	No. of Shares	% 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	174,203,166	2.14%	178,669,912	2.19%
3	Employees Provident Fund	146,232,203	1.79%	177,494,055	2.18%
4	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	98,119,100	1.20%	76,876,900	0.94%
5	CB NY S/A International Finance Corporation	64,086,800	0.79%	64,086,800	0.79%
6	CITI Bank New York S/A Norges Bank Account 2	63,720,806	0.78%	-	-
7	BNY-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	57,314,300	0.70%	44,314,300	0.54%
8	HSBC International Nominees Limited-BBH-Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.68%	55,345,900	0.68%
9	HSBC INTL Nom Limited-SSBT-Wasatch Frontier Emerging Small Countries Fund	53,229,209	0.65%	137,412,700	1.69%
10	HSBC INTL Nominees Limited-JPMCB-Scottish ORL SML TR GTI 6018	47,472,121	0.58%	68,851,821	0.85%

At 31 December 2015, the public held 16.68 percent (2014 - 16.68 percent) of the ordinary shares in issue of the Company.

Annual Report of the Board of Directors for the year ended 31 December 2015

Directors (Contd.)

Mr. Moksevi Prelis, who attained the age of 79 years on 2 July 2015, Mr. Mohamed Muhsin, who attained the age of 72 years on 16 October 2015 and Datuk Azzat Kamaludin who attained the age of 70 years on 8 September 2015 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, Mr.Mohamed Muhsin and Datuk Azzat Kamaludin will be proposed at the forthcoming Annual General Meeting.

Interests Register

The Company has maintained an interests 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 35 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

The details of the Employee Share Option Scheme are given in note16 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	
	2015	2014
Dr. Hansa Wijayasuriya	43,010	43,010
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.

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 2015 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 32 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 on-going process to identify, evaluate and manage significant business risks.

Environmental Protection

The Company and the Group make 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 amounted to Rs. 60,122,546 (2014 - Rs. 40,876,453).

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 38 to the financial statements.

By Order of the Board

Dr. Hans Wijayasuriya
Director

Mr. Moksevi Prelis
Director

Ms. Viranthi Attygalle
Group Company Secretary

Colombo
16 Febuary 2016

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 59.

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 maintain 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 32 to the financial statements covering contingent liabilities.

By Order of the Board

Ms. Viranthi Attygalle
Group Company Secretary

Colombo
16 Feburary 2016

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 statements of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out in pages 60 to 127.

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 about 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 2015, 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

CHARTERED ACCOUNTANTS

16 February 2016
Colombo

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		Company	
		31 December		31 December	
		2015	2014	2015	2014
ASSETS					
Non-current assets					
Intangible assets	7	17,341,413	16,220,414	5,056,319	5,561,147
Property, plant and equipment	8	79,060,275	71,264,570	54,847,766	51,442,639
Investment in subsidiaries	9	-	-	19,220,729	18,826,010
Investment in associates	10	80,349	249,479	27,742	377,833
Amount due from related companies	14	-	48,806	19,541,635	16,885,475
Financial assets	12	40,000	115,000	195,000	115,000
		96,522,037	87,898,269	98,889,191	93,208,104
Current assets					
Inventories	13	556,146	262,624	166,371	131,810
Trade and other receivables	14	12,780,295	13,244,209	9,957,001	10,751,022
Cash and cash equivalents	15	6,992,782	10,774,042	5,779,594	9,805,322
		20,329,223	24,280,875	15,902,966	20,688,154
Total assets		**116,851,260**	**112,179,144**	**114,792,157**	**113,896,258**
EQUITY					
Capital and reserves attributable to equity holders					
Stated capital	16	28,103,913	28,103,913	28,103,913	28,103,913
Reserves	17	19,213,739	16,728,377	30,737,111	27,713,534
Non-controlling interest		(697)	-	-	-
Total equity		**47,316,955**	**44,832,290**	**58,841,024**	**55,817,447**
LIABILITIES					
Non-current liabilities					
Borrowings	19	15,942,853	25,453,950	15,942,853	25,453,950
Derivative financial instrument	20	24,937	55,837	24,937	55,837
Deferred revenue	21	1,723,110	1,906,053	1,537,584	1,787,242
Deferred income tax liability	22	52,677	80	-	-
Employee benefit payables	23	1,509,350	1,442,038	1,300,685	1,245,365
Provision for other liabilities	24	1,147,298	1,135,438	929,656	921,130
		20,400,225	29,993,396	19,735,715	29,463,524
Current liabilities					
Trade and other payables	18	38,891,171	32,257,903	26,318,810	23,926,468
Borrowings	19	9,464,388	4,457,578	9,123,304	4,051,738
Derivative financial instrument	20	12,039	9,090	12,039	9,090
Current income tax liabilities		766,482	628,887	761,265	627,991
		49,134,080	37,353,458	36,215,418	28,615,287
Total liabilities		**69,534,305**	**67,346,854**	**55,951,133**	**58,078,811**
Total equity and liabilities		**116,851,260**	**112,179,144**	**114,792,157**	**113,896,258**
Net assets per share (Rs.)		5.81	5.50	7.23	6.85

The notes on pages 65 to 127 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 2016

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

Approved and signed for and on behalf of the Board of Directors.

Dr. Hans Wijayasuriya
Director

16 February 2016

Mr. Moksevi Prelis
Director

16 February 2016

Statements of Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

	Note	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2015	2014	2015	2014
Revenue		73,929,855	67,285,594	62,943,015	57,963,362
Direct costs	25	(40,828,034)	(38,797,061)	(33,412,404)	(32,048,946)
Gross profit		33,101,821	28,488,533	29,530,611	25,914,416
Distribution costs	25	(10,838,411)	(9,478,487)	(9,457,149)	(8,302,514)
Administrative costs	25	(12,799,404)	(11,101,636)	(10,336,314)	(8,965,743)
Other income	27	32,773	145,378	23,183	86,199
Operating profit		9,496,779	8,053,788	9,760,331	8,732,358
Finance income	28	485,307	203,427	485,864	199,170
Finance costs	28	(3,244,317)	(819,388)	(3,101,715)	(755,615)
Finance costs - net	28	(2,759,010)	(615,961)	(2,615,851)	(556,445)
Share of loss from associates - net of tax	10	(32,906)	(107,639)	-	-
Profit before income tax		6,704,863	7,330,188	7,144,480	8,175,913
Income tax expense	29	(1,517,537)	(1,232,438)	(1,397,087)	(1,221,989)
Profit for the year		**5,187,326**	**6,097,750**	**5,747,393**	**6,953,924**
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss:					
- remeasurement gain/(loss) on defined benefit obligation, net of tax		120,145	(186,163)	96,056	(137,435)
Items that may be subsequently reclassified to profit or loss:					
- net change in cash flow hedge		32,674	(39,337)	32,674	(39,337)
Other comprehensive income/(expense) for the year, net of tax		**152,819**	**(225,500)**	**128,730**	**(176,772)**
Total comprehensive income for the year		**5,340,145**	**5,872,250**	**5,876,123**	**6,777,152**
Profit/(loss) for the year is attributable to:					
- owners of the Company		5,188,023	6,097,750	5,747,393	6,953,924
- non-controlling interest		(697)	-	-	-
Total comprehensive income/(expense) for the year is attributable to:					
- owners of the Company		5,340,842	5,872,250	5,876,123	6,777,152
- non-controlling interest		(697)	-	-	-
Basic earnings per share for profit attributable to the owners of the Company (Rs.)	30	0.64	0.76	0.71	0.87

The notes on pages 65 to 127 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Note	Attributable to owners of the Company				
		Stated capital	Shares in ESOS Trust	Reserves	Non-controlling interest	Total
Balance at 1 January 2015		28,103,913	-	16,728,377	-	44,832,290
Adjustment for super gain tax	37 (a)	-	-	(1,796,789)	-	(1,796,789)
Adjusted balance at 1 January 2015		28,103,913	-	14,931,588	-	43,035,501
Profit/(loss) for the year		-	-	5,188,023	(697)	5,187,326
Other comprehensive income		-	-	152,819	-	152,819
Total comprehensive income/ (expense) for the year		**-**	**-**	**5,340,842**	**(697)**	**5,340,145**
Dividends to equity shareholders		-	-	(1,058,691)	-	(1,058,691)
Balance at 31 December 2015		**28,103,913**	**-**	**19,213,739**	**(697)**	**47,316,955**
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**
Dividends to equity shareholders		-	-	(2,361,696)	-	(2,361,696)
Dividends 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**

The notes on pages 65 to 127 form an integral part of these financial statements.

Company Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Note	Attributable to owners of the Company			
		Stated capital	Shares in ESOS Trust	Reserves	Total
Balance at 1 January 2015		28,103,913	-	27,713,534	55,817,447
Adjustment for super gain tax	37 (a)	-	-	(1,793,855)	(1,793,855)
Adjusted balance at 1 January 2015		28,103,913	-	25,919,679	54,023,592
Profit for the year		-	-	5,747,393	5,747,393
Other comprehensive income		-	-	128,730	128,730
Total comprehensive income for the year		**-**	**-**	**5,876,123**	**5,876,123**
Dividends to equity shareholders		-	-	(1,058,691)	(1,058,691)
Balance at 31 December 2015		**28,103,913**	**-**	**30,737,111**	**58,841,024**
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**
Dividends to equity shareholders		-	-	(2,361,696)	(2,361,696)
Dividends 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**

The notes on pages 65 to 127 form an integral part of these financial statements.

Statements of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

	Note	Group		Company	
		31 December		31 December	
		2015	2014	2015	2014
Cash flows from operating activities	31				
Cash generated from operations [1]		24,940,826	25,457,419	21,234,281	24,008,568
Interest received		467,798	183,903	463,306	179,645
Interest paid		(816,048)	(370,688)	(810,279)	(370,585)
Tax paid		(3,079,470)	(567,037)	(3,057,519)	(547,022)
Employee benefits paid		(34,732)	(89,132)	(26,326)	(69,953)
Net cash generated from operating activities		**21,478,374**	**24,614,465**	**17,803,463**	**23,200,653**
Cash flows from investing activities					
Purchase of property, plant and equipment [1]		(14,421,231)	(16,190,586)	(9,887,089)	(10,020,832)
Purchase of intangible assets		(2,127,604)	(633,781)	(763,513)	(618,528)
Acquisition of subsidiary, net of cash acquired		(217,260)	-	-	-
Investment in associate	10	-	(99,139)	-	(99,139)
Advances to subsidiaries	35 (c)	-	-	(2,656,466)	(4,533,400)
Advances to associate		-	(48,806)	-	(48,806)
Loans to subsidiary		-	-	(25,000)	-
Loans to associate	35 (c)	(95,000)	(75,000)	(95,000)	(75,000)
Purchase of available-for-sale financial assets		(20,000)	(40,000)	(20,000)	(40,000)
Proceeds from disposal of available-for-sale financial assets		-	-	60,000	-
Proceeds from sale of property, plant and equipment		266,947	83,160	265,408	30,897
Net cash used in investing activities		**(16,614,148)**	**(17,004,152)**	**(13,121,660)**	**(15,404,808)**
Cash flows from financing activities					
Repayment of borrowings		(11,957,727)	-	(11,927,843)	-
Proceed from borrowings		4,362,167	-	4,270,238	-
Dividends paid to ordinary shareholders		(1,058,691)	(2,361,696)	(1,058,691)	(2,361,696)
Dividends received - ESOS Trust		-	45,986	-	45,986
Proceeds from disposal of shares in ESOS Trust		-	1,969,920	-	1,969,920
Net cash used in financing activities		**(8,654,251)**	**(345,790)**	**(8,716,296)**	**(345,790)**
Net (decrease) / increase in cash and cash equivalents		**(3,790,025)**	**7,264,523**	**(4,034,493)**	**7,450,055**
Movement in cash and cash equivalents					
At start of the year		10,774,042	3,217,502	9,805,322	2,063,250
(Decrease) / increase		(3,790,025)	7,264,523	(4,034,493)	7,450,055
Effect of exchange rate changes		8,765	292,017	8,765	292,017
At end of the year	**15**	**6,992,782**	**10,774,042**	**5,779,594**	**9,805,322**

[1] Comparative figures are reclassified for consistency, which resulted in Rs.460Mn and Rs.1,620Mn being reclassified in respect of net change in capital expenditure accruals for the Company and the Group respectively

The notes on pages 65 to 127 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 eCommerce), electronic payments (including mobile payment), digital health, education, navigation and enterprise services].

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

The Company's and the Group's financial statements are authorised for issue by the Board of Directors on 16 February 2016.

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 ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and the 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 2015

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Group's financial statements have been adopted by the Group for the first time with effect from financial year beginning on 1 January 2015.

(i) SLFRS 2, 'Share Based Payments', clarifies the definition of 'vesting condition' and distinguishes between 'performance condition' and 'service condition'.

(ii) SLFRS 3, 'Business Combinations', clarifies that an obligation to pay contingent consideration is classified as financial liability or equity on the basis of the definitions in LKAS 32 'Financial Instruments: Presentation'. SLFRS 3 also clarifies that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date, with changes in fair value recognised in profit or loss. SLFRS 3 further clarifies that it does not apply to the accounting for the formation of any joint venture under SLFRS 11 'Joint Arrangements'.

(iii) SLFRS 8, 'Operating Segments', requires disclosure of the judgments made by management in aggregating operating segments and also clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.

(iv) SLFRS 13, 'Fair Value Measurement', confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. SLFRS 13 also clarifies that the portfolio exception in the standard (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of LKAS 39 'Financial Instruments: Recognition and Measurement'.

2 Summary of significant accounting policies (Contd.)

2.1 Basis of preparation (Contd.)

(a) New accounting standards, amendments and interpretations adopted in 2015 (Contd.)

(v) LKAS 16, 'Property, Plant and Equipment' and LKAS 38, 'Intangible Assets', clarify how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.

(vi) LKAS 24, 'Related Party Disclosures', clarifies that the amounts incurred by the entity to obtain key management personnel services that are provided by a separate management entity (the "management entity") shall be disclosed as a related party transaction, but not the compensation paid or payable by the management entity to its employees or directors.

(vii) LKAS 19, 'Employee Benefits', clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

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

The following new standards and amendments to standards had been issued but were not mandatory for annual reporting periods ending 31 December 2015.

(i) SLFRS 9 'Financial Instruments', retains but simplifies the mixed measurement model in LKAS 39 'Financial Instruments: Recognition and Measurement' and establishes a single model that has only three primary classification categories for financial assets: amortised cost, fair value through profit or loss and fair value through Other Comprehensive Income ("OCI") for certain financial assets that are debt instruments.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the profit or loss, except for equity investments that are not held for trading, which may be recorded in the profit or loss or in reserves without subsequent recycling to the profit or loss.

For financial liabilities, the standard retains most of the LKAS 39 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the profit or loss, unless this creates an accounting mismatch.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. Further, SLFRS 9 introduces a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in LKAS 39. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

SLFRS 9 also introduces expanded disclosure requirements and a change in presentation .The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

(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, and a new five-step process must be applied before revenue can be recognised. SLFRS 15 replaces LKAS 18 'Revenue' and LKAS 11 'Construction Contracts' and related interpretations. The standard was originally effective for annual periods beginning on or after 1 January 2017. However, the International Accounting Standard Board ("IASB") deferred the effective date of SLFRS 15 by one year to 1 January 2018 in September 2015. Entities will have a choice of full retrospective application, or prospective application with additional disclosures and earlier application is permitted.

(iii) Amendments to SLFRS 11,'Joint Arrangements', require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendments are effective for accounting periods beginning on or after 1 January 2016.

(iv) Amendments to LKAS 16, 'Property, Plant and Equipment' and LKAS 38, 'Intangible Assets', clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. The amendments are effective for accounting periods beginning on or after 1 January 2016.

(v) Amendments to LKAS 27, 'Separate Financial Statements', allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. LKAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment and change to the equity method must apply retrospectively. The amendments are effective for accounting periods beginning on or after 1 January 2016.

(vi) Amendments to SLFRS 10, 'Consolidated Financial Statements' and LKAS 28, 'Investments in Associates and Joint Ventures', clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interest in the associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation. The amendments are effective for accounting periods beginning on or after 1 January 2016 and apply prospectively.

(vii) Amendments to SLFRS 5,'Non-current Assets Held for Sale', clarify when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendments are effective for accounting periods beginning on or after 1 January 2016.

2 Summary of significant accounting policies (Contd.)

2.1 Basis of preparation (Contd.)

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

(viii) Amendments to SLFRS 7, 'Financial Instruments: Disclosures', provide specific guidance for transferred financial assets to help management to determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. It further clarifies that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by LKAS 34 'Interim Financial Reporting'. The amendments are effective for accounting periods beginning on or after 1 January 2016.

(ix) Amendments to LKAS 19, 'Employee Benefits', clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendments are effective for accounting periods beginning on or after 1 January 2016.

(x) Amendments to LKAS 34, 'Interim Financial Reporting', clarify what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. The amendments are effective for accounting periods beginning on or after 1 January 2016.

(xi) Amendments to LKAS 1, 'Presentation of Financial Statements', amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: materiality, disaggregation and subtotals, notes to the financial statements and OCI arising from investments accounted for under the equity method.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The impact of SLFRS 9 'Financial Instruments' and SLFRS 15 'Revenue from Contracts with Customers' are still being assessed. Apart from SLFRS 9 and SLFRS 15, the adoptions of amendments to published standards are not expected to have a material impact to the financial statements of the Company and the Group.

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 entities (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 to direct the activities of 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. The Group recognises any Non-Controlling Interest ("NCI") in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the NCI's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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. 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. Any gain or loss arising from such remeasurement is recognised in the profit or loss.

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 profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred by the Group, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, NCI recognised and previously held interest measured are less 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 profit or loss.

Inter-company transactions, balances, income and expenses on transactions between the Group's entities 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 remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated profit or loss. 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 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 the profit or loss.

Transactions with NCIs that do not result in loss of control are accounted for as equity transactions; i.e.as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gain or loss on disposals to NCIs is also recorded in equity.

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 or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is power to participate in the financial and operating policy decisions of the associates but not power to exercise control or jointly control over those policies.

2 Summary of significant accounting policies (Contd.)

2.2 Consolidation (Contd.)

(b) Associates (Contd.)

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 obligations (legal or constructive) 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 upstream and downstream transactions between the Group and its associates are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, amounts reported by associates have been adjusted to conform with the Group's accounting policies. 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 is reclassified to the profit or loss 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 remeasured. Dilution gain or loss arising in investments in associates is recognised in the consolidated profit or loss.

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 profit or loss.

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 remeasured.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

2.4 Property, plant and equipment (PPE)

(a) Measurement

PPE are stated at historical cost less accumulated depreciation and impairment losses. 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.

Borrowing costs directly incurred to finance the construction of PPE that takes more than twelve (12) months are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the qualified asset for its intended use.

Depreciation of asset 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 residual values over the estimated useful lives, as follows:

	% per annum
Buildings	2.5
Building - electrical installation	12.5 - 50
Building - leasehold property	Over lease period
Computer equipment	20 - 50
Telecom equipment	5 - 20
Customers' premises equipment	33 - 100
Office equipment	20 - 50
Office equipment - test phones	50
Furniture and fittings	20 - 50
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 profit or loss.

(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.

2 Summary of significant accounting policies (Contd.)

2.4 Property, plant and equipment (PPE) (Contd.)

(c) Repairs and maintenance

Repairs and maintenance are charged to the profit or loss 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.

2.5 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 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. 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.

(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 subsequently 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 five (5) to ten (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 are recognised as intangible assets when the criteria are met.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Costs recognised as intangible 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 two (2) to fifteen (15) years.

2.6 Investments in subsidiaries and associates

In the Company's separate financial statements, 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. On disposal of an investment, the difference between the disposal proceeds and its carrying amount is recognised in the profit or loss. Disposal related costs are expensed as incurred.

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 or more frequently if events or changes in circumstances indicate that they might be impaired. 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 ("VIU"). 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 assets.

(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.

(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 profit or loss.

(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 profit or loss in the period in which the changes arise.

2 Summary of significant accounting policies (Contd.)

2.8 Financial assets (Contd.)

(c) Subsequent measurement - gains and losses (Contd.)

Changes in the fair value of AFS financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

(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 a 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 a 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 profit or loss. 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 profit or loss.

When an asset is uncollectible, it is written off against the related accumulated impairment losses account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(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.

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 profit or loss. The amount of cumulative loss that is reclassified to the profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments classified as AFS are not reversed through the profit or loss.

(e) Derecognition

Financial assets are derecognised 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 at the end of each reporting period.

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).

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 document the assessment, both at hedge inception and on an on-going 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 maturity of the 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 profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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 profit or loss 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 recognized in the 'Other comprehensive income' and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'Other gains / (losses)-net'.

Amounts accumulated in equity are reclassified to the profit or loss in the periods when the hedged item affects the profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit or loss 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.

2 Summary of significant accounting policies (Contd.)

2.8 Financial assets (Contd.)

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

(ii) Cash flow hedge (Contd.)

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 profit or loss. 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 profit or loss 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 'Other comprehensive income' and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'Other gains / (losses)-net'. Gains and losses accumulated in equity are included in the profit or loss 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 (1) 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 (3) 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.

(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) Dividends to shareholders of the Company

Dividends distribution 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 (1) 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 initially recognised 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 profit or loss 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 draw-down 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.

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 end of the reporting period.

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 the 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 income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are 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 recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the 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 end of the reporting period 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 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 Summary of significant accounting policies (Contd.)

2.16 Current and deferred income taxes (Contd.)

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.

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 age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity 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 end of the reporting period. 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 defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and included in employee benefit expense in the profit or loss.

Remeasurement 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 and will not be reclassified to the profit or loss. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Past service costs are recognised immediately in the profit or loss.

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

(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 contributions are recognised as employee benefit expense when they are due. 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 and salaries, paid annual 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 the employment 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 that is within the scope of LKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to present value.

(e) Share-based compensation

The Company and the Group operate an equity-settled, share-based compensation plan for its employees. Employee services received in exchange for the grant of the shares are recognised as an expense in the profit or loss 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 shares granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions
- including 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 end of reporting period, the Company and the Group revise estimates of the number of shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited directly to the equity.

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 incurred in providing the customer a free or subsidised handset or equipment, provided the customer signs a non-cancellable contract for a predetermined contractual period, are capitalised as intangible assets and amortised over the contractual period on a straight-line method. Other subscriber acquisition costs under usage contracts less than one (1) year are recognised as an expense in the profit or loss as incurred.

Subscriber acquisition costs are assessed at each reporting date whether there is any indication that the subscriber acquisition cost may be impaired.

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

Provisions for asset retirement obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period 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 disclose its existence where inflows of economic benefits are probable, but not virtually certain.

2 Summary of significant accounting policies (Contd.)

2.21 Contingent liabilities and contingent assets (Contd.)

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 NCI. 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 acquisition. 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 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with LKAS18 "Revenue".

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 profit or loss 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 profit or loss 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 profit or loss 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. Where there is no reasonable certainty that the ownership will be transferred to the Company and the Group at the end of the lease term, the asset is depreciated over the shorter of the lease term or its estimated useful life.

Initial direct costs incurred by the Company and the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease expense.

(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 (net of any incentives received from the lessor) are charged as an expense to the profit or loss on a straight-line basis over the lease period.

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 the 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 telecommunication 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 cards 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 intermediaries and the intermediaries have 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.

(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 reduce 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.

(i) Other revenues

All other revenues are recognised net of rebates or discounts upon the rendering of services or sale of products, when the transfers of risks and rewards have been completed.

3 Financial risk management

3.1 Financial risk factors

The Company's and the Group's activities are 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 due to changes in market interest rates. 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 instruments 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 fluctuates by 1% against United States dollar ("USD") as at 31 December 2015, with all other variables held constant, it will result in a net foreign exchange difference of Rs.279Mn on translation of USD denominated 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 interest rate risk by actively monitoring the yield curve trend and interest rate movement for the various deposits, 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. To obtain this composition, the Company and the Group use hedging instruments such as interest rate swap contracts. The Company and the Group analyse interest rate exposure on a dynamic basis.

If 3 months London Interbank Offered Rate ("LIBOR") on non-hedged syndicated term loan had been lower/higher by 1% as at 31 December 2015, with all other variables held constant, it will result in a lower/higher interest expense of the Group amounting to Rs.21Mn.

(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 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 the end of the reporting period.

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

(c) Liquidity risk (funding 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 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.

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 end of the reporting period 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. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period. 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 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2015					
Borrowings	5,432,800	4,089,143	5,841,633	9,692,838	471,183
Trade and other payables	27,129,600	7,578,134	-	-	-
Net-settled derivative financial liabilities	27,685	40,896	4,766	(5,591)	-
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)	-

Company	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2015					
Borrowings	5,091,715	4,089,143	5,841,633	9,692,838	471,183
Trade and other payables	20,496,139	1,151,770	-	-	-
Net-settled derivative financial liabilities	27,685	40,896	4,766	(5,591)	-
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)	-

3.2 Capital risk management

The primary objective of the Company and the Group's capital risk management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder's value.

The Company and the Group manage the capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and Group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

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 statements of financial position less bank overdrafts). Total capital is calculated as 'Total equity' as shown in the statements of financial position, including non-controlling interests.

The gearing ratios as at 31 December are as follows:

	Group		Company	
	2015	2014	2015	2014
Debt	22,840,132	27,873,921	22,778,089	27,873,921
Total capital	47,317,652	44,832,290	58,841,024	55,817,447
Gearing ratio	0.48	0.62	0.39	0.50

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 Company and the Group measure 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) at the end of the reporting period 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 at the end of the reporting period.

	Note	Measurement criteria and the fair value					
		Level 2		Level 3		Total	
		Rs.000		Rs.000		Rs.000	
		2015	2014	2015	2014	2015	2014
Financial assets							
Available-for-sale financial assets:							
- Investment in unquoted convertible redeemable bonds	(a)	-	-	40,000	40,000	40,000	40,000
Financial liabilities							
Financial liabilities at FVTPL:							
- Derivative designated as hedging instrument (Interest rate swap)	(b)	36,976	64,927	-	-	36,976	64,927

(a) 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 assess the fair value of an instrument are observable, the instrument is included in level 2.

The fair value of the interest rate swap is provided by the 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.

(b) 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 are not based on observable market data, the instrument is included in level 3.

The fair value of the unquoted redeemable convertible bonds is 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.

5 Critical accounting estimates and judgments (Contd.)

(b) Estimated useful lives of PPE

The Company and the Group review 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's and the Group's 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 assets

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 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

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 financial reporting period. 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.

(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 reliably 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 the end of each financial reporting period 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 end of each financial reporting period 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, provision of other data services and digital services.

At 31 December 2015, the Group is organised into three main business segments:

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

6 Segment information (Contd.)

The segment results for the year ended 31 December 2015 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	62,036,344	6,146,156	5,747,355	-	73,929,855
Inter-segment revenue	1,033,777	1,162,636	32,480	-	2,228,893
Total segmental revenue	**63,070,121**	**7,308,792**	**5,779,835**	**-**	**76,158,748**
Segment operating profit / (loss) for the year	9,720,567	(43,486)	(144,783)	(35,519)	9,496,779
Finance costs - net					(2,759,010)
Share of loss from associates - net of tax					(32,906)
Profit before income tax					6,704,863
Income tax					(1,517,537)
Profit for the year					**5,187,326**

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Depreciation, amortisation and impairment	10,607,492	2,956,182	754,038	41,905	14,359,617

The segment assets and liabilities as at 31 December 2015 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	115,299,533	27,321,441	6,262,597	(11,290,873)	137,592,698
Inter-segment assets	(19,760,606)	(651,472)	(329,360)	-	(20,741,438)
Total assets	**95,538,927**	**26,669,969**	**5,933,237**	**(11,290,873)**	**116,851,260**
Liabilities	56,676,984	28,187,276	5,853,125	-	90,717,385
Inter-segment liabilities	(685,891)	(17,133,745)	(3,363,444)	-	(21,183,080)
Total liabilities	**55,991,093**	**11,053,531**	**2,489,681**	**-**	**69,534,305**
Capital expenditure	13,746,360	7,552,646	1,576,306	-	22,875,312

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 as 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

7 Intangible assets

(a) Group

	Goodwill	Licenses	Computer software	Others	Total
At 1 January 2015					
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 2015					
Opening net book amount	8,629,569	6,491,407	499,851	599,587	16,220,414
Additions	-	1,354,167	800,897	9,893	2,164,957
Acquisition through business combination [Note 34 (c)]	660,329	-	754	-	661,083
Disposals	-	-	-	(2,394)	(2,394)
Amortisation charge (Note 31)	-	(972,319)	(635,957)	(94,371)	(1,702,647)
Closing net book amount	**9,289,898**	**6,873,255**	**665,545**	**512,715**	**17,341,413**
At 31 December 2015					
Cost	9,289,898	10,564,266	5,073,598	1,182,191	26,109,953
Accumulated amortisation	-	(3,691,011)	(4,408,053)	(669,476)	(8,768,540)
Net book amount	**9,289,898**	**6,873,255**	**665,545**	**512,715**	**17,314,413**
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 31)	-	(927,477)	(602,446)	(91,880)	(1,621,803)
Assets written off (Note 31)	-	(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**

(b) Company

	Licenses	Computer software	Others	Total
At 1 January 2015				
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 2015				
Opening net book amount	4,464,956	496,604	599,587	5,561,147
Additions	-	790,973	9,892	800,865
Disposals	-	-	(2,394)	(2,394)
Amortisation charge (Note 31)	(579,312)	(629,616)	(94,371)	(1,303,299)
Closing net book amount	**3,885,644**	**657,961**	**512,714**	**5,056,319**
At 31 December 2015				
Cost	5,884,660	4,801,763	1,182,189	11,868,612
Accumulated amortisation	(1,999,016)	(4,143,802)	(669,475)	(6,812,293)
Net book amount	**3,885,644**	**657,961**	**512,714**	**5,056,319**
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 31)	(580,161)	(593,402)	(91,880)	(1,265,443)
Assets written off (Note 31)	(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**

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

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

	Group		Company	
Expense categories:	2015	2014	2015	2014
Direct costs	1,066,852	1,019,357	673,682	672,041
Administrative costs	635,795	602,446	629,617	593,402
	1,702,647	1,621,803	1,303,299	1,265,443

7 Intangible assets (Contd.)

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

(f) 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.

	2015	2014
Television operation	1,504,455	1,504,455
Fixed telephony and broadband operation	7,125,114	7,125,114
Digital commerce operation	660,329	-
	9,289,898	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) have 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) EBITDA margin

Projected EBITDA margin is determined based on expected growth potential in fixed telephony and broadband operation, pay TV business and digital commerce operation tapping further into developing markets.

(ii) Free cash flow (FCF)

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 2018.

(iii) Pre-tax discount rate

The Group’s long 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, television operation and digital commerce operation growth potential in Sri Lanka for the foreseeable future.

Given below are the projected variables used for the impairment test for 2015 and 2014:

	Fixed telephony and broadband operation		Television operation		Digital commerce operation
	2015	2014	2015	2014	2015
EBIDTA margin	39%	38%	31%	23%	4.5%
Capex to revenue ratio	39%	33%	15%	16%	2.5%
Pre-tax discount rate	14.3%	12%	14.3%	12%	14.3%
Terminal growth rate	3%	3%	3%	3%	2.5%

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 2015.

(g) 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	Capital Work-In Progress (CWIP)	Total
At 1 January 2015						
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 2015						
Opening net book amount	959,833	58,046,488	1,680,031	5,546	10,572,672	71,264,570
Additions	-	23,532	45,534	1,196	20,647,137	20,717,399
Transferred from CWIP	1,941,420	14,121,426	1,171,715	-	(17,234,561)	-
Acquisition through business combination [Note 34 (c)]	-	1,652	1,641	440	1,179	4,912
Disposals	-	(4,987)	(7,062)	-	(257,586)	(269,635)
Impairment (provision) / reversal and assets written off (Note 31)	-	(90,989)	(14,254)	-	479	(104,764)
Depreciation charge (Note 31)	(92,553)	(11,711,077)	(743,863)	(4,714)	-	(12,552,207)
Closing net book amount	**2,808,700**	**60,386,045**	**2,133,742**	**2,468**	**13,729,320**	**79,060,275**
At 31 December 2015						
Cost	3,542,762	139,893,081	7,520,221	402,378	15,385,976	166,744,418
Accumulated depreciation / provision for impairment	(734,062)	(79,507,036)	(5,386,479)	(399,910)	(1,656,656)	(87,684,143)
Net book amount	**2,808,700**	**60,386,045**	**2,133,742**	**2,468**	**13,729,320**	**79,060,275**
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 31)	(9)	58,658	44,304	-	267,696	370,649
Reclassification to trading inventory	-	-	-	-	4,315	4,315
Depreciation charge (Note 31)	(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**

(b) Company

	Land and buildings	Computer systems and telecom equipment	Furniture, fittings and other equipment	Motor vehicles	Capital Work-In Progress (CWIP)	Total
At 1 January 2015						
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 2015						
Opening net book amount	507,029	42,062,242	139,043	5,541	8,728,784	51,442,639
Additions	-	19,329	44,635	1,196	12,910,785	12,975,945
Transferred from CWIP	1,909,863	9,368,337	358,060	-	(11,636,260)	-
Disposals	-	(3,007)	(7,062)	-	(257,586)	(267,655)
Impairment provision and assets written off (Note 31)	-	(302,018)	-	-	(10,816)	(312,834)
Depreciation charge (Note 31)	(86,754)	(8,789,919)	(109,011)	(4,645)	-	(8,990,329)
Closing net book amount	**2,330,138**	**42,354,964**	**425,665**	**2,092**	**9,734,907**	**54,847,766**
At 31 December 2015						
Cost	3,052,039	93,315,955	1,660,865	326,238	10,858,473	109,213,570
Accumulated depreciation / provision for impairment	(721,901)	(50,960,991)	(1,235,200)	(324,146)	(1,123,566)	(54,365,804)
Net book amount	**2,330,138**	**42,354,964**	**425,665**	**2,092**	**9,734,907**	**54,847,766**
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 31)	(9)	(229,277)	-	-	192,085	(37,201)
Reclassification to trading inventory	-	-	-	-	(5,804)	(5,804)
Depreciation charge (Note 31)	(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**

8 Property, plant and equipment (Contd.)

(c) Capital work-in-progress mainly comprises network related assets.

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

	Group		Company	
Expense categories:	2015	2014	2015	2014
Direct costs	10,830,747	10,317,994	8,778,994	8,356,023
Administrative costs	1,721,460	1,391,661	211,335	123,206
	12,552,207	11,709,655	8,990,329	8,479,229

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

	Group		Company	
Expense categories:	2015	2014	2015	2014
Direct costs	(33,291)	(113,657)	-	-
Administrative costs	138,055	(256,992)	312,834	37,201
	104,764	(370,649)	312,834	37,201

(f) At 31 December 2015, property, plant and equipment include fully depreciated assets which are still in use, the cost of which amounted to Rs.19,366,879,952 (2014 - Rs.15,099,396,444) and Rs.42,149,317,797 (2014 - Rs.34,451,602,134), for the Company and the Group respectively.

(g) During the year, the Company has capitalised borrowing costs amounting to Rs.56,374,486 (2014 - Rs.28,577,924) on qualifying assets. Borrowing costs are capitalised at the weighted average rate of its general borrowings of 2.59%p.a. (2014 - 2.18%p.a.).

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

9 Investment in subsidiaries

Name of the subsidiary	% Holding	2015	2014
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
Digital Holdings Lanka (Private) Limited (DHL)	100	-	-
Digital Commerce Lanka (Private) Limited (DCL)	100	394,719	-
Digital Health (Private) Limited (DH)	70	-	-
		19,220,729	18,826,010

	2015	2014
At 1 January	18,826,010	18,826,010
Transfers from investment in associates [Note 10 (b)]	394,719	-
At 31 December	**19,220,729**	**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
Digital Holdings Lanka (Private) Limited	Investment holding company for new business areas of Dialog Group.	Sri Lanka
Digital Commerce Lanka (Private) Limited	eCommerce and digital marketing services.	Sri Lanka
Digital Health (Private) Limited	Developing and operating a state-of-the-art electronic commerce infrastructure for the healthcare sector.	Sri Lanka

10 Investment in associates

	Note	Group		Company	
		2015	2014	2015	2014
At 1 January		249,479	257,979	377,833	278,694
Additional investment		44,628	99,139	44,628	99,139
Share of loss (Note 31)		(32,906)	(107,639)	-	-
Transfers to investment in subsidiaries	(b)	(200,852)	-	(394,719)	-
Transfers from available-for-sale financial assets	[12 (a)]	20,000	-	-	-
At 31 December		**80,349**	**249,479**	**27,742**	**377,833**

(a) Investment in associate represents the ownership of 26% of stated capital of Firstsource-Dialog Solutions (Private) Limited, which is an entity incorporated and domiciled in Sri Lanka.

(b) DHL, a wholly owned subsidiary of the Company acquired 54.29% of the shares in issue of DCL on 15 September 2015. Subsequent to the aforesaid acquisition, DHL and the Company hold 54.29% and 45.71% stake of the shareholding in DCL respectively. Thereby, the previously held equity interest of the DCL is transferred to the investment in subsidiaries as at the acquisition date.

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

	Group	
	2015	2014
Revenue	233,436	251,488
Other income	472	1,449
Expenses	(266,814)	(360,576)
Loss before tax	**(32,906)**	**(107,639)**
Taxation	-	-
Loss after tax	**(32,906)**	**(107,639)**

10 Investment in associates (Contd.)

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

	Group 2015	Group 2014
Non-current assets	8,955	17,544
Current assets	71,502	68,182
Non-current liabilities	(12,246)	(3,987)
Current liabilities	(10,958)	(73,785)
Net assets	57,253	7,954
Goodwill	23,096	241,525
	80,349	249,479

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 (Note 12)	40,000	-	40,000
Trade and other receivables (excluding prepayments)	-	11,553,050	11,553,050
Cash and cash equivalents (Note 15)	-	6,992,782	6,992,782
31 December 2015	**40,000**	**18,545,832**	**18,585,832**

	Financial liabilities at FVTPL	Other financial liabilities at amortised cost	Total
Liabilities as per the statement of financial position			
Borrowings	-	25,407,241	25,407,241
Trade and other payables (excluding non-financial liabilities)	-	35,727,358	35,727,358
Derivative financial instrument	36,976	-	36,976
31 December 2015	**36,976**	**61,134,599**	**61,171,575**

	Available-for-sale	Loans and receivables	Total
Assets as per the statement of financial position			
Non-current financial assets (Note 12)	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	-	29,911,528	29,911,528
Trade and other payables (excluding non-financial liabilities)	-	29,764,679	29,764,679
Derivative financial instrument	64,927	-	64,927
31 December 2014	**64,927**	**59,676,207**	**59,741,134**

Company

	Available-for-sale	Loans and receivables	Total
Assets as per the statement of financial position			
Non-current financial assets (Note 12)	-	195,000	195,000
Trade and other receivables (excluding prepayments)	-	9,304,469	9,304,469
Cash and cash equivalents (Note 15)	-	5,779,594	5,779,594
31 December 2015	**-**	**15,279,063**	**15,279,063**

	Financial liabilities at FVTPL	Other financial liabilities at amortised cost	Total
Liabilities as per the statement of financial position			
Borrowings	-	25,066,157	25,066,157
Trade and other payables (excluding non-financial liabilities)	-	23,595,605	23,595,605
Derivative financial instrument	36,976	-	36,976
31 December 2015	**36,976**	**48,661,762**	**48,698,738**

	Available-for-sale	Loans and receivables	Total
Assets as per the statement of financial position			
Non-current financial assets (Note 12)	40,000	75,000	115,000
Trade and other receivables (excluding prepayments)	-	9,076,425	9,076,425
Cash and cash equivalents (Note 15)	-	9,805,322	9,805,322
31 December 2014	**40,000**	**18,956,747**	**18,996,747**

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

	Financial liabilities at FVTPL	Other financial liabilities at amortised cost	Total
Liabilities as per the statement of financial position			
Borrowings	-	29,505,688	29,505,688
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**	**51,285,151**	**51,350,078**

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 external credit ratings or historical information about counterparty default risk.

	Group		Company	
	2015	2014	2015	2014
Trade receivables				
Subscribers				
- Individual	1,302,614	1,157,525	814,417	685,669
- Corporate	1,419,092	1,107,796	545,014	359,634
Operators				
- Domestic	1,649,288	1,689,984	1,425,125	1,408,825
- International	3,959,429	4,461,388	3,959,429	4,461,388
Distributors	497,305	520,523	460,938	450,545
	8,827,728	8,937,216	7,204,923	7,366,061

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	
	2015	2014	2015	2014
Cash at bank and short-term bank deposits				
AAA lka	1,363,670	2,044,300	618,365	1,379,030
AA+ lka	210,343	92,199	170,956	88,925
AA lka	1,265,623	2,584,018	1,251,279	2,568,932
AA-lka	1,834,618	2,233,806	1,780,994	2,213,526
A+lka to A-lka	2,236,327	3,801,817	1,905,621	3,544,617
Below A	76,628	9,497	49,005	2,677
AAA	578	4,952	578	4,952
Cash in hand	4,995	3,453	2,796	2,663
	6,992,782	10,774,042	5,779,594	9,805,322

The carrying amounts of cash and cash equivalents are denominated in following currencies:

	Group		Company	
	2015	2014	2015	2014
Cash at bank and short-term bank deposits				
Cash at bank and in hand				
Sri Lankan rupees	2,935,794	4,359,374	1,877,885	3,390,654
United States dollars	461,709	453,907	461,709	453,907
	3,397,503	4,813,281	2,339,594	3,844,561
Short-term bank deposits				
Sri Lankan rupees	3,595,279	4,831,550	3,440,000	4,831,550
United States dollars	-	1,129,211	-	1,129,211
	3,595,279	5,960,761	3,440,000	5,960,761

12 Financial assets

	Note	Group		Company	
		2015	2014	2015	2014
Available-for-sale financial assets	(a)	40,000	40,000	-	40,000
Loans and receivables	(b)	-	75,000	195,000	75,000
		40,000	115,000	195,000	115,000

(a) Available-for-sale financial assets

	Note	Group		Company	
		2015	2014	2015	2014
At 1 January		40,000	-	40,000	-
Investment made during the year		20,000	40,000	20,000	40,000
Disposals	(i)	-	-	(60,000)	-
Transfers to investment in associates	(ii)	(20,000)	-	-	-
At 31 December		**40,000**	**40,000**	**-**	**40,000**

The carrying value of available-for-sale financial asset at the end of the financial reporting period represents the investment in redeemable convertible bonds of Headstart (Private) Limited ("Headstart") measured at fair value. The fair values of redeemable convertible bonds are determined based on discounted cash flows using interest rate of 11.10% (2014 - 10.86%), which is the interest rate for similar nature financial instrument adjusted to reflect the investee's credit risk and the fair values are disclosed within level 3 of the fair value hierarchy.

(i) The Company transferred investment in redeemable convertible bonds in Headstart amounting to Rs.60Mn to DHL by way of a deed of assignment signed between the Company, DHL, Headstart and existing shareholders of Headstart on 27 November 2015. Consequent to aforesaid transfer, investment in redeemable convertible bonds was derecognised in the Company financial statements and recognised as an investment in the DHL financial statements.

12 Financial assets (Contd.)

(a) Available-for-sale financial assets (Contd.)

(ii) Subsequent to above transfer, the redeemable convertible bonds amounting to Rs.20Mn were converted to the equity shares on 31 December 2015, which resulted 26% stake of the issued share capital of Headstart by DHL. Accordingly, the investment was classified as investment in associate in the consolidated financial statements at the end of the financial reporting period.

(b) Loans and receivables

The carrying value at the end of the financial reporting period represents the loan receivable from Digital Commerce Lanka (Private) Limited measured at amortised cost. The term loan carries an interest rate of SLIBOR+3.25%, which will mature on 2 November 2019. The term loan has a repayment moratorium period of twenty four (24) months from the effective date of the shareholder loan agreement which will expire on 3 February 2017.

The fair value of the loan receivable is based on cash flows discounted using an effective interest rates of between 9.77%-10.39% (2014 - 9.89%-9.93%) floating and are within level 2 of the fair value hierarchy.

13 Inventories

	Group		Company	
	2015	2014	2015	2014
Phone stock	166,339	171,762	166,339	171,762
Accessories and consumables	554,603	284,814	163,586	148,784
Goods in transit	40,882	2,409	14,192	15
Provision for slow moving inventory	(205,678)	(196,361)	(177,746)	(188,751)
	556,146	**262,624**	**166,371**	**131,810**

14 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
Current				
Trade receivables	11,866,020	11,261,575	8,876,891	8,548,529
Less: provision for impairment of trade receivables	(3,038,292)	(2,324,359)	(1,671,968)	(1,182,468)
Net trade receivables	8,827,728	8,937,216	7,204,923	7,366,061
Receivables from related companies [Note 35 (f)]	372,134	221,616	414,182	212,901
Prepayments	1,227,245	2,155,079	652,532	1,674,597
Other receivables	2,353,188	1,930,298	1,685,364	1,497,463
	12,780,295	**13,244,209**	**9,957,001**	**10,751,022**
Non-current				
Receivables from related companies [Note 35 (f)]	-	48,806	19,541,635	16,885,475
	-	**48,806**	**19,541,635**	**16,885,475**

Other receivables mainly consist of amounts advanced to vendors Rs.1,054,143,891 (2014 - Rs.1,099,724,950) and Rs.1,359,013,081 (2014 - Rs.1,214,581,762), no Value Added Tax refunds due from the Department of Inland Revenue at the end of the reporting period and Rs.77,586,305 (2014 - Rs.41,470,940), no ESC tax credits at the end of the reporting period and Rs.55,636,470 (2014 - Rs.75,691,677) of the Company and the Group respectively.

(a) Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

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

	Group		Company	
	2015	2014	2015	2014
Neither past due nor impaired	3,309,705	3,134,728	2,394,069	2,119,372
Past due but not impaired	5,518,024	5,802,488	4,810,853	5,246,689
Impaired	3,038,291	2,324,359	1,671,969	1,182,468
	11,866,020	11,261,575	8,876,891	8,548,529

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.

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

	Group		Company	
	2015	2014	2015	2014
Amount overdue:				
1 month to 6 months	3,245,582	3,915,465	2,654,949	3,359,666
6 months to 1 year	760,898	402,452	644,360	402,452
More than 1 year	1,511,544	1,484,571	1,511,544	1,484,571
	5,518,024	5,802,488	4,810,853	5,246,689

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

	Group		Company	
	2015	2014	2015	2014
At 1 January	2,324,359	3,525,174	1,182,468	1,946,378
Provision for impairment of trade receivables	869,930	902,156	489,500	437,055
Receivables written off during the year as uncollectible	(162,032)	(2,102,971)	-	(1,200,965)
Impairment of trade receivables - acquisition of subsidiary	6,035	-	-	-
At 31 December	**3,038,292**	**2,324,359**	**1,671,968**	**1,182,468**

14 Trade and other receivables (Contd.)

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

	Group		Company	
	2015	2014	2015	2014
Sri Lankan rupees	4,868,299	4,518,121	3,245,494	2,955,293
United States dollars	3,959,429	4,419,095	3,959,429	4,410,768
	8,827,728	8,937,216	7,204,923	7,366,061

(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	
	2015	2014	2015	2014
Cash at bank and in hand	3,397,503	4,813,281	2,339,594	3,844,561
Short-term bank deposits	3,595,279	5,960,761	3,440,000	5,960,761
Cash and cash equivalents	**6,992,782**	**10,774,042**	**5,779,594**	**9,805,322**

Cash and cash equivalents as at 31 December 2015 of the Group include a restricted amount of Rs.737,760,000. 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.215,000,000.

16 Stated capital

(a)

	Ordinary shares	Stated capital	Shares in ESOS Trust	Stated capital less shares in ESOS Trust
At 1 January 2015	28,103,913	28,103,913	-	28,103,913
At 31 December 2015	**28,103,913**	**28,103,913**	**-**	**28,103,913**
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**

(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 2015	8,143,778,405	-	8,143,778,405
At 31 December 2015	**8,143,778,405**	**-**	**8,143,778,405**
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**

(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. However, 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 on 25 October 2014. Furthermore, in 2013 an alternative employee share scheme was approved by the shareholders and has been introduced by the Company. ESOS Trust will be dissolved in the near future in accordance with the provisions of the Deed of Trust.

The Trustees of the ESOS Trust as at 31 December 2015 are as follows:

Datuk Azzat Kamaludin - Chairman

Mr. Moksevi Prelis

Mr. Darke Mohamed Sani

Mr. Mohamed Muhsin

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

	2015		2014	
	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
Options forfeited during the period	-	-	12	(121)
		-		26,174
Unallocated shares in Tranche 0		-		(191)
Number of unexercised options at the end of the period		**-**		**25,983**
Options exercised during the period	-	-	12	(227)
Number of options forfeited to date		-		11,563
Unallocated shares remaining in the Trust		-		111,243
Shares allotted to the ESOS Trust via the rights issue		-		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		**-**		**-**

17 Reserves

	Group		Company	
	2015	2014	2015	2014
Distributable				
Retained earnings	19,220,402	16,767,714	30,743,774	27,752,871
Non-controlling interest	(697)	-	-	-
Non-distributable				
Hedging reserve	(6,663)	(39,337)	(6,663)	(39,337)
At 31 December	**19,213,042**	**16,728,377**	**30,737,111**	**27,713,534**

The hedging reserve represents the fair value relating to derivative financial instrument used to hedge the exposure of variability in cash flows 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 the end of each financial reporting period 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.

The movement of the reserves is as follows:

Group

	Hedging reserve	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2015	(39,337)	-	16,767,714	16,728,377
Adjustment for super gain tax	-	-	(1,796,789)	(1,796,789)
Adjusted balance at 1 January 2015	(39,337)	-	14,970,925	14,931,588
Profit for the year	-	-	5,188,023	5,188,023
Other comprehensive income:				
- net change in cash flow hedge	32,674	-	-	32,674
- remeasurement gain on defined benefit obligation, net of tax	-	-	120,145	120,145
Total comprehensive income for the year	**32,674**	**-**	**5,308,168**	**5,340,842**
Dividends to equity shareholders	-	-	(1,058,691)	(1,058,691)
Balance at 31 December 2015	**(6,663)**	**-**	**19,220,402**	**19,213,739**
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)
- remeasurement 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**
Dividends to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividends 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**

Company	Hedging reserve	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2015	(39,337)	-	27,752,871	27,713,534
Adjustment for super gain tax	-	-	(1,793,855)	(1,793,855)
Adjusted balance at 1 January 2015	(39,337)	-	25,959,016	25,919,679
Profit for the year	-	-	5,747,393	5,747,393
Other comprehensive income:				
- net change in cash flow hedge	32,674	-	-	32,674
- remeasurement gain on defined benefit obligation, net of tax	-	-	96,056	96,056
Total comprehensive income for the year	**32,674**	**-**	**5,843,449**	**5,876,123**
Dividends to equity shareholders	-	-	(1,058,691)	(1,058,691)
Balance at 31 December 2015	**(6,663)**	**-**	**30,743,774**	**30,737,111**
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)
- remeasurement 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**
Dividends to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividends 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**

18 Trade and other payables

	Group		Company	
	2015	2014	2015	2014
Trade payables	5,726,768	4,275,805	3,043,996	3,106,851
Amount due to ultimate parent company [Note 35 (g)]	1,408,638	1,280,128	1,408,638	1,280,128
Amounts due to related companies [Note 35 (g)]	340,656	2,572,506	462,384	2,785,485
Deferred revenue (Note 21)	3,163,813	2,493,224	2,723,205	2,147,005
Accrued expenses	10,007,830	8,908,883	7,770,057	6,704,625
Customer deposits	1,143,674	1,126,403	1,085,449	1,071,424
Other payables	17,099,792	11,600,954	9,825,081	6,830,950
	38,891,171	**32,257,903**	**26,318,810**	**23,926,468**

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 fixed for hearing on 19 February 2016.

(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 3 March 2014 proceedings in relation to this application was terminated upon Dialog Broadband Networks (Private) Limited keeping a guarantee to cover the judgment in the appeal made to the Supreme Court of Sri Lanka, through its parent company Dialog Axiata PLC, in the form of a Bank Guarantee for the value of Rs.1Bn and a Corporate Guarantee for the value of Rs.3.2Bn.The contingent liability arises from such guarantee is disclosed in note 32 (a) (ii) to the financial statements.

19 Borrowings

	Note	Group		Company	
		2015	2014	2015	2014
Current					
Bank overdrafts		2,567,109	2,037,607	2,288,068	1,631,767
Bank borrowings	(a)	5,456,679	2,419,971	5,394,636	2,419,971
Loan from parent company [Note 35 (e)]	(b)	1,440,600	-	1,440,600	-
		9,464,388	**4,457,578**	**9,123,304**	**4,051,738**

	Note	Group		Company	
		2015	2014	2015	2014
Non-current					
Bank borrowings	(a)	15,942,853	15,235,684	15,942,853	15,235,684
Loan from parent company [Note 35 (e)]	(b)	-	10,218,266	-	10,218,266
		15,942,853	**25,453,950**	**15,942,853**	**25,453,950**

(a) Bank borrowings

Bank borrowings comprise syndicated term loan of USD 130Mn which carries an interest rate of USD 3 Months LIBOR+1.45%p.a., and USD 19Mn which carries an interest rate of USD 3 Months LIBOR+1.225%p.a.

The effective interest rate on bank borrowings ranges from 2.17%p.a. to 2.50%p.a. (2014 - 2.11% to 2.17%p.a.)

(b) Loan from parent company

Axiata Investments (Labuan) Limited has provided loans amounting to USD 50Mn and Rs.3.7Bn, during the years of 2008, 2009 and 2013. The Company has repaid USD 40Mn of USD loan and fully paid LKR loan of Rs.3.7Bn during the year.

The effective interest rates on loans from parent company are 2.22%p.a. and 6.75%p.a. (2014 - 2.22%p.a. and 6.75%p.a.) for USD and LKR loans respectively.

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

	Group		Company	
	2015	2014	2015	2014
3 months or less	4,069,752	2,037,607	3,728,668	1,631,767
3-6 months	2,694,411	-	2,694,411	-
6-12 months	2,700,225	2,419,971	2,700,225	2,419,971
1-5 years	15,942,853	25,453,950	15,942,853	25,453,950
	25,407,241	29,911,528	25,066,157	29,505,688

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

	Group		Company	
	2015	2014	2015	2014
Sri Lankan rupees	2,577,026	5,718,961	2,235,941	5,313,121
United States dollars	22,830,215	24,192,567	22,830,216	24,192,567
	25,407,241	29,911,528	25,066,157	29,505,688

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

	Group		Company	
	2015	2014	2015	2014
Bank borrowings	15,942,853	15,235,684	15,942,853	15,235,684
Loan from parent company	-	10,218,266	-	10,218,266
	15,942,853	25,453,950	15,942,853	25,453,950

The fair values of borrowings are not materially different to their carrying amounts, since the interest on those borrowings is close to current market rates. The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate and are within level 2 of the fair value hierarchy.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

20 Derivative financial instrument

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedge	-	36,976	-	64,927
Less non-current portion:				
Interest rate swaps - cash flow hedge	-	(24,937)	-	(55,837)
Current portion	**-**	**12,039**	**-**	**9,090**

20 Derivative financial instrument (Contd.)

The information relating to the derivative financial instrument of the Company and the Group as at 31 December 2015 is as follows:

Counterparty	Notional amount outstanding	Period	Exchange period	Fixed interest rate paid	Floating interest rate received
HSBC	USD 103,773,334	13 January 2014 -29 July 2018	Quarterly	2.6075%p.a.	3 months' LIBOR plus 1.45%p.a.

21 Deferred revenue

	Group		Company	
	2015	2014	2015	2014
At 1 January	4,399,277	3,859,494	3,934,247	3,424,256
Prepaid revenue and connection fees	40,299,464	34,070,721	39,243,568	33,092,390
TDC disbursement received	-	1,151,345	-	1,144,349
Release of prepaid revenue and connection fees to profit or loss	(39,493,092)	(33,822,145)	(38,638,877)	(32,913,885)
Release of TDC disbursements to profit or loss	(318,726)	(860,138)	(278,149)	(812,863)
At 31 December	**4,886,923**	**4,399,277**	**4,260,789**	**3,934,247**

	Group		Company	
	2015	2014	2015	2014
Current (Note 18)	3,163,813	2,493,224	2,723,205	2,147,005
Non-current	1,723,110	1,906,053	1,537,584	1,787,242
	4,886,923	4,399,277	4,260,789	3,934,247

22 Deferred income tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rates at the end of the financial reporting period.

(a) Deferred income tax assets and liabilities of the Group are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position.

	Group		Company	
	2015	2014	2015	2014
Deferred income tax liabilities	199,922	1,662	-	-
Deferred income tax assets	(147,245)	(1,582)	-	-
Net deferred income tax liabilities	**52,677**	**80**	**-**	**-**

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

	Group		Company	
	2015	2014	2015	2014
At 1 January	80	800	-	-
Charged / (credited) to profit or loss:				
- PPE	198,260	(14,957)	-	-
- Retirement benefit obligations	(5,325)	14,237	-	-
- Unutilised tax losses	(140,338)	-	-	-
At 31 December	**52,677**	**80**	**-**	**-**

(c) The balance comprises temporary differences attributable to:

	Group		Company	
	2015	2014	2015	2014
PPE	199,922	1,662	-	-
Total deferred tax liability before offsetting	199,922	1,662	-	-
Offsetting deferred tax asset on:				
- Retirement benefit obligations	(6,907)	(1,582)	-	-
- Unutilised tax losses	(140,338)	-	-	-
Deferred tax liabilities after offsetting	**52,677**	**80**	**-**	**-**

(d) 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.2,011,857,646 (2014 - Rs.2,118,350,871) was not recognised in respect of subsidiaries in the consolidated financial statements.

23 Employee benefit payables

	Note	Group		Company	
		2015	2014	2015	2014
Defined benefits obligation	(a)	1,141,747	1,074,435	933,082	877,762
Other payables	(b)	367,603	367,603	367,603	367,603
		1,509,350	**1,442,038**	**1,300,685**	**1,245,365**

23 Employee benefit payables (Contd.)

(a) Defined benefits obligation

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

	Group		Company	
	2015	2014	2015	2014
At 1 January	1,074,435	717,869	877,762	588,035
Acquisition through business combination [Note 34 (c)]	5,835	-	-	-
Current service cost	113,208	123,592	93,437	101,749
Interest expense	103,146	86,464	84,265	71,017
Total amount recognised in profit or loss (Note 31)	216,354	210,056	177,702	172,766
Remeasurement (gain) / loss:				
- (Gain) / loss from change in financial assumptions	(121,545)	195,390	(96,321)	153,588
- Loss from change in demographic assumptions	-	687	-	571
- Experience adjustments	1,400	(9,914)	265	(16,724)
Total amount recognised in other comprehensive income	(120,145)	186,163	(96,056)	137,435
Benefits paid	(34,732)	(39,653)	(26,326)	(20,474)
At 31 December	**1,141,747**	**1,074,435**	**933,082**	**877,762**

This obligation is not externally funded.

The gratuity liability of the Group is based on the actuarial valuation performed in December 2015 by the Actuaries, Messrs Actuarial & Management Consultants (Private) Limited.

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

	Group		Company	
	2015	2014	2015	2014
Discount rate	10.75%	9.60%	10.75%	9.60%
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.

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

		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 7.82%	Increase by 10.43%	Decrease by 8.67%	Increase by 9.95%
Future salary growth rate	1.00%	Increase by 10.65%	Decrease by 9.40%	Increase by 10.18%	Decrease by 9.03%

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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(iv) **Maturity profile of the defined benefit obligation**

The weighted average duration of the defined benefit obligation is 10.22 (2014 - 10.97) years and average time to benefit pay-out is 10.69 (2014 - 10.60) years for the Company. The distribution of the timing of undiscounted benefit payments is as follow:

	Group 2015	Company 2015
Less than 1 year	52,340	46,105
Between 1-2 years	94,457	77,978
Between 2-5 years	189,047	171,089
Over 5 years	3,038,161	2,311,998
	3,374,005	2,607,170

(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	
	2015	2014	2015	2014
At 1 January	1,135,438	1,564,353	921,130	1,310,468
Amounts capitalised / (reversed)	26,704	(489,892)	22,501	(445,916)
Adjustment for fully depreciated ARO assets	(24,754)	(11,436)	(4,205)	(11,180)
Charged to the profit or loss (Note 28)	9,910	72,413	(9,770)	67,758
At 31 December	**1,147,298**	**1,135,438**	**929,656**	**921,130**

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

	Group		Company	
	2015	2014	2015	2014
Inflation	3.10%	1.50%	3.10%	1.50%
Discount rate	14.30%	12.20%	14.30%	12.20%

25 Expenses by nature

	Group		Company	
	2015	2014	2015	2014
Directors' fees	65,052	79,074	65,052	79,074
Independent Auditor's remuneration				
- statutory audit	16,606	16,626	9,648	9,148
- other permitted services	3,366	550	1,309	550
Fees for other professional services	58,320	134,837	37,519	95,520
Depreciation, impairment and amortisation	14,359,617	12,986,784	10,606,462	9,807,849
Domestic interconnection and international origination cost	5,873,334	5,868,265	5,805,460	5,799,759
Telecommunication development charge	2,519,186	2,322,252	2,559,762	2,369,526
Provision for impairment of trade receivables	869,930	902,156	489,500	437,055
Marketing, advertising and promotion	10,089,330	8,626,406	9,079,359	7,902,334
Rental for site and office premises	3,736,138	3,475,984	3,821,306	3,060,151
Electricity for site and office premises	2,195,481	2,829,341	1,873,670	2,529,871
Annual maintenance services	2,260,632	2,294,019	2,058,788	1,901,729
Staff costs (Note 26)	6,102,282	5,169,624	5,336,952	4,445,655
Telecommunication regulatory charges and royalty fee	2,326,208	2,903,892	1,946,385	2,299,866
Mobile telephone operator levy	250,000	-	250,000	-
Other operating costs	13,740,367	11,767,374	9,264,695	8,579,116
Total direct costs, administrative costs and distribution costs	**64,465,849**	**59,377,184**	**53,205,867**	**49,317,203**

26 Employee benefit expenses

	Group 2015	Group 2014	Company 2015	Company 2014
Wages and salaries	2,942,478	2,786,127	2,520,495	2,386,316
Social security costs	2,413,834	1,689,743	2,198,720	1,489,683
Defined contribution plans	529,616	483,698	440,035	396,890
Defined benefits obligation (Note 23)	216,354	210,056	177,702	172,766
	6,102,282	5,169,624	5,336,952	4,445,655
Number of persons employed as at 31 December:				
- full time	3,084	2,996	2,396	2,286

27 Other income

Other income of the Company and the Group consist of gain / (loss) on disposal of PPE, gain on remeasurement of previously held equity interests and other sundry income.

28 Finance income and costs

	Group 2015	Group 2014	Company 2015	Company 2014
Interest income on deposits (Note 31)	485,307	203,427	485,864	199,170
Finance income	**485,307**	**203,427**	**485,864**	**199,170**
Interest expenses on:				
- bank overdrafts	(2,470)	(334)	(2,414)	(231)
- term loans	(519,218)	(498,116)	(519,068)	(498,116)
- loans from parent company	(301,382)	(225,394)	(301,382)	(225,394)
- finance cost on asset retirement obligations - (ARO) (Note 24)	(9,910)	(72,413)	9,770	(67,758)
Net foreign exchange (losses) / gains on foreign currency transactions / translations	(2,411,337)	(23,131)	(2,288,621)	35,884
Finance costs	**(3,244,317)**	**(819,388)**	**(3,101,715)**	**755,615**
Finance costs - net	**(2,759,010)**	**(615,961)**	**(2,615,851)**	**(556,445)**

29 Income tax

(a)

	Group 2015	Group 2014	Company 2015	Company 2014
Current tax	1,403,311	1,224,391	1,397,087	1,221,989
Economic service charge	61,629	8,767	-	-
Deferred income tax charged to profit or loss	52,597	-	-	-
Deferred income tax credited to profit or loss	-	(720)	-	-
	1,517,537	**1,232,438**	**1,397,087**	**1,221,989**

29 Income tax (Contd.)

(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 Lankan 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	
	2015	2014	2015	2014
Profit before tax	6,704,863	7,330,188	7,144,480	8,175,913
Tax at the standard tax rate of 28%	1,877,362	2,052,453	2,000,454	2,289,256
Tax effects on:				
- Income not subject to tax	(5,982)	(5,269)	(3,778)	(5,269)
- Associates results reported net of tax	9,214	30,139	-	-
- Expenses not deductible for tax purposes	91,737	79,038	-	-
- Unrecognised deferred income tax	77,549	87,908	-	-
- Utilisation of previously unrecognised tax losses	(472)	(1,399)	-	-
- Adjustment for revenue based tax (Note b)	(597,598)	(1,078,620)	(597,598)	(1,078,620)
- Rate differentials (Note c and d)	(51,855)	43,716	-	-
Under / (over) provision for previous years	3,356	16,425	(1,991)	16,622
Net charge / (reversal) of deferred income tax	52,597	(720)	-	-
ESC write off	61,629	8,767	-	-
	1,517,537	1,232,438	1,397,087	1,221,989

30 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.

	Group		Company	
	2015	2014	2015	2014
Profit for the year	5,188,023	6,097,750	5,747,393	6,953,924
Attributable to ordinary shareholders	**5,188,023**	**6,097,750**	**5,747,393**	**6,953,924**
Weighted average number of ordinary shares in issue (Thousands)	8,143,778	8,025,175	8,143,778	8,025,175
Earnings per share (Rs.)	**0.64**	**0.76**	**0.71**	**0.87**

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

31 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2015	2014	2015	2014
Profit before tax	6,704,863	7,330,188	7,144,480	8,175,913
Adjustments for:				
Exchange losses / (gains)	2,274,408	(255,219)	2,293,478	(305,341)
Provision for impairment of trade receivables	869,930	902,155	489,500	437,055
Bad debts written back	(120,850)	(45,309)	(111,711)	(36,874)
Loss / (profit) on sale of property, plant and equipment	5,082	(72,642)	4,640	(20,407)
Interest expense	823,070	723,843	822,864	723,741
Finance cost on asset retirement obligations (Note 28)	9,910	72,413	(9,770)	67,758
Interest income (Note 28)	(485,307)	(203,427)	(485,864)	(199,170)
Amortisation charge (Note 7)	1,702,647	1,621,803	1,303,299	1,265,443
Depreciation charge (Note 8)	12,552,207	11,709,655	8,990,329	8,479,229
Impairment provision / (reversal) and written off of property, plant and equipment (Note 8)	104,764	(370,649)	312,834	37,201
Impairment provision and written off of intangible assets (Note 7)	-	25,976	-	25,976
Grant received less amortisation	(318,726)	291,207	(278,149)	331,486
Site abandonment cost	(19,691)	(10,850)	1,555	(10,592)
Defined benefit obligation (Note 23)	216,354	210,056	177,702	172,766
Provision for slow moving inventory	21,787	83,384	(10,999)	67,892
Remeasurement gain on DCL	(7,870)	-	-	-
Share of loss from associates (Note10)	32,906	107,639	-	-
Changes in working capital				
- Trade and other receivables	(388,273)	(1,559,313)	555,242	512,416
- Inventories	(296,675)	333,123	(23,421)	357,177
- Payables	1,260,290	4,563,386	58,272	3,926,899
Cash generated from operations	**24,940,826**	**25,457,419**	**21,234,281**	**24,008,568**

32 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 was temporarily suspended upon a settlement which was proposed by the Secretary to the Treasury in May 2010. However, SLC have now taken steps to continue with inquiry. The next date of inquiry is yet to be fixed.

No assessment has been made as at the end of the financial reporting period. 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.

(b) Guarantees

Guarantees given by the Company and the Group as at 31 December except as disclosed under 32 (a) (ii) above are as follows:

	Group		Company	
	2015	2014	2015	2014
Corporate guarantees	360,958	330,402	272,802	249,709
Bank guarantees	251,679	1,680,839	74,801	1,650,892
	612,637	2,011,241	347,603	1,900,601

33 Commitments

(a) Capital commitments

	Group		Company	
	2015	2014	2015	2014
Supply of telecommunication equipment	13,650,204	9,188,421	8,123,790	6,568,205

(b) Financial commitments

At the end of the financial reporting period, the Group has the following annual commitments:

	Amount (Thousands)
Annual fees to the Board of Investment of Sri Lanka	1,291
Rental for site and office premises	2,849,104
Annual maintenance contracts	2,618,083
Rental to Axiata Lanka (Private) Limited	23,600

34 Incorporations and acquisitions

(a) Incorporation of Digital Holdings Lanka (Private) Limited

The Company incorporated a wholly owned subsidiary under the name Digital Holdings Lanka (Private) Limited ("DHL") on 24 November 2014, under the Companies Act, No.07 of 2007 with an issued share capital of Rs.10, which consist of one (01) ordinary share. The nature of DHL's business is to act as an investment holding company for new business areas of the Dialog Group. DHL is consolidated as a subsidiary of the Group for the financial year ended 31 December 2015.

The incorporation of DHL has no significant impact to the Group during the financial year.

(b) Incorporation of Digital Health (Private) Limited

Digital Holdings Lanka (Private) Limited, a wholly owned subsidiary of Dialog Axiata PLC and Asiri Hospital Holdings PLC ("Asiri Hospitals") entered into a Memorandum of Understanding ("MoU") to incorporate Digital Health (Private) Limited ("Digital Health") with the objective of developing and operating a state-of-the-art electronic commerce infrastructure for the healthcare sector in Sri Lanka.

Digital Health was incorporated on 14 August 2015 under the Companies Act, No.07 of 2007 with a stated capital of Rs.1,000 which consist of one hundred (100) ordinary shares. DHL and Asiri Hospitals hold 70% and 30% stake of the initial shareholding of Digital Health respectively. Digital Health is consolidated as a subsidiary of the Group for the financial year ended 31 December 2015.

The incorporation of Digital Health has no significant impact to the Group during the financial year.

(c) Acquisition of Digital Commerce Lanka (Private) Limited

Digital Holdings Lanka (Private) Limited, a wholly owned subsidiary of Dialog Axiata PLC acquired 54.29% of the shares in issue of Digital Commerce Lanka (Private) Limited ("DCL"). The acquisition was completed on 15 September 2015 by the transfer of 740,000 ordinary shares in issue to DHL for a total consideration of Rs.247,900,000.

Subsequent to the aforesaid acquisition, DHL and the Company hold 54.29% and 45.71% stake of the shareholding in DCL respectively. Thereby, DCL is consolidated as a fully owned subsidiary of the Group for the financial year ended 31 December 2015.

34 Incorporations and acquisitions (Contd.)

(c) Acquisition of Digital Commerce Lanka (Private) Limited (Contd.)

(i) The following table summarises the consideration paid for DCL, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Rs.000
Net purchase consideration in cash to acquire 54.29%	247,900
Fair value of previously held equity interest of 45.71%	208,722
Total purchase consideration transferred	**456,622**
Fair value of assets acquired and liabilities assumed are as follows:	
Intangible assets (Note 07)	28,943
Property, plant and equipment (Note 08)	4,912
Inventories	12,700
Trade and other receivables	44,417
Cash and cash equivalents	30,030
Borrowings	(170,000)
Defined benefits obligation (Note 23)	(5,835)
Trade and other payables	(120,678)
Current tax liabilities	(7)
Total net assets acquired	**(175,518)**
Goodwill on acquisition (Note 07)	632,140
	456,622

(ii) In conjunction with the remeasurement of the Company's previously held equity interest of 45.71%, a remeasurement gain of Rs.7,869,653 is recognised in the consolidated profit or loss during the year.

35 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	Chari TVT	Mr. James Maclaurin	Mr. Mohamed Muhsin
Adknowledge Asia Pacific Pte. Ltd	-	x	-	-	-	-	-	-
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	-	-	-	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	-	-

	Datuk Azzat Kamaludin	Dr Hansa Wijayasuriya	Mr. Moksevi Prelis	Darke Mohamed Sani	Deshamanya Mahesh Amalean	Chari TVT	Mr. James Maclaurin	Mr. Mohamed Muhsin
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 SPV 1 (Labuan) Limited	-	-	-	-	-	x	-	-
Axiata SPV 4 Bhd	-	-	-	-	-	x	-	-
Bodyline (Private) Limited	-	-	-	-	x	-	-	-
Boustead Heavy Industries Corp. Bhd	x	-	-	-	-	-	-	-
Boustead Holdings Bhd	x	-	-	-	-	-	-	-
Capital Trust Corporate Solutions (Private) Limited	-	-	x	-	-	-	-	-
Capital Trust Financial (Private) Limited	-	-	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	-	-	-	-	-
Colours of Courage Trust (Guarantee) 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	-	-	-	-	-	-	-
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	-	-	-

35 Related party transactions (Contd.)

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

	Datuk Azzat Kamaludin	Dr Hansa Wijayasuriya	Mr. Moksevi Prelis	Darke Mohamed Sani	Deshamanya Mahesh Amalean	Chari TVT	Mr. James Maclaurin	Mr. Mohamed Muhsin
MAS Intimates (Private) Limited	-	-	-	-	x	-	-	-
MAS Intimates Thurulie (Private) Limited	-	-	-	-	x	-	-	-
MAS Investments (Private) Limited	-	-	-	-	x	-	-	-
MAS Research and Innovation (Private) Limited	-	-	-	-	x	-	-	-
National Research Council of Sri Lanka	-	-	x	-	-	-	-	-
Noyon Lanka (Private) Limited	-	-	-	-	x	-	-	-
Prym Intimates Lanka (Private) Limited	-	-	-	-	x	-	-	-
PT XL Axiata Tbk	-	-	-	-	-	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	-	-	-
WSO2. Telco Inc.	-	x	-	-	-	-	-	-

(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.

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

	Company	
	2015	2014
Sale of service:		
i) Axiata Lanka (Private) Limited	2,700	2,700
- Rendering of management services		
ii) Dialog Broadband Networks (Private) Limited		
- Site sharing revenue	332,668	233,595
- International private lease circuits and satellite bandwidth revenue	468,388	265,508
- Voice revenue	122,235	153,343
- Local interconnection SMS revenue	102,920	110,628

	Company 2015	Company 2014
iii) Dialog Television (Private) Limited		
- Satellite bandwidth service	5,623	5,623
iv) Digital Commerce Lanka (Private) Limited		
- Voice and data revenue	961	-
- Other revenue	419	-
v) Telekom Malaysia Berhad		
- International private lease circuits revenue	24,515	22,314
- Interconnection revenue	149,869	123,869
vi) Multinet Pakistan (Private) Limited		
- Interconnection revenue	9,780	14,672
vii) Idea Cellular Limited		
- Interconnection revenue	28,848	25,773
viii) M1 Limited (Singapore)		
- Interconnection revenue	17,618	21,659
ix) PT XL Axiata Tbk		
- Inbound roaming	212	-
- Axiata roaming services	5,501	6,400
- Interconnection revenue	1,023	985
x) Hello Axiata Company Limited		
- Interconnection revenue	5,701	8,364
xi) Celcom Axiata Berhad		
- Interconnection revenue	1,325,497	848,850
- Inbound roaming	1,379	-
- Other revenue	37,256	48,151
xii) Robi Axiata Limited		
- Axiata roaming services	11,966	9,667
	2,655,079	1,902,101

35 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 2015	Company 2014
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	70,705	153,318
- Computer HW and SW maintenance	23,400	67,599
- BTS site sharing cost	23,415	109,437
- Last mile and field service	112,681	24,214
- Telephone charges and D-Net	57,691	37,232
- Incoming local access charges and outgoing local access charges	244,653	288,611
- Interconnection charges	65,925	72,772
- Fibre sharing cost	550,586	-
- Office rent	4,600	4,600
iii) Dialog Television (Private) Limited		
- Initial connection fees	1,082	12,197
- Subscription fees	5,583	1,457
- Advertising	25,198	869
iv) Firstsource-Dialog Solutions (Private) Limited		
- Call centre charges	486,341	494,230
v) Telekom Malaysia Berhad		
- Origination cost	19,069	19,505
- Other network cost	27,529	26,497
- Foreign wet for last mile cost	134,861	117,873
vi) Idea Cellular Limited		
- Origination cost	26,504	77,867
vii) M1 Limited (Singapore)		
- Origination cost	650	2,024
viii) PT XL Axiata Tbk		
- Outbound roaming	2,760	-
- Interconnection charges	1,135	2,322
- Foreign wet cost	1,792	289
ix) Hello Axiata Company Limited		
- Origination cost	61	73
x) Celcom Axiata Berhad		
- Origination cost	30,569	15,521
- Outbound roaming	5,405	-
	1,930,115	1,536,427

	Company	
	2015	2014
Funds made available to subsidiaries:		
Dialog Broadband Networks (Private) Limited	380,026	3,514,200
Dialog Television (Private) Limited	1,962,300	1,019,200
Digital Holdings Lanka (Private) Limited	309,140	-
Digital Commerce Lanka (Private) Limited	25,000	-
Digital Health (Private) Limited	5,000	-
	2,681,466	4,533,400

	Company	
	2015	2014
Funds made available to associates:		
Loans given to Digital Commerce Lanka (Private) Limited	95,000	75,000
Advances given to Digital Commerce Lanka (Private) Limited	-	48,806
	95,000	123,806

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

	Group	
	2015	2014
Salaries and short-term employee benefits	305,466	298,980
Defined benefit plans	87,206	97,164
	392,672	396,144

(e) Axiata Investment (Labuan) Limited

	Group		Company	
	2015	2014	2015	2014
Borrowings - non-current liability (Note 19)	-	10,218,266	-	10,218,266
Borrowings - current liability (Note 19)	1,440,600	-	1,440,600	-
Interest payable	120,411	278,877	120,411	278,877

The borrowings consist of a loan of USD 10Mn (2014 - USD 50Mn), which carries an interest rate of 1.68%p.a. (2014 - 1.68%p.a.) and is repayable in the ordinary course of business. LKR loan balance amounting to Rs.3.7Bn is fully settled during the year which carried an interest rate of 6.75%p.a. The fair values and the effective interest rates of the loans are disclosed in note 19.

35 Related party transactions (Contd.)

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

	Group		Company	
	2015	2014	2015	2014
Non-current receivables (Note 14)				
- Dialog Broadband Networks (Private) Limited	-	-	16,274,215	14,550,766
- Dialog Television (Private) Limited	-	-	2,958,280	2,285,903
- Digital Commerce Lanka (Private) Limited	-	48,806	-	48,806
- Digital Holdings Lanka (Private) Limited	-	-	309,140	-
	-	**48,806**	**19,541,635**	**16,885,475**
Current receivables (Note 14)				
- Multinet Pakistan (Private) Limited	3,563	12,752	3,563	12,752
- M1 Limited (Singapore)	8,245	6,356	8,245	6,356
- Celcom Axiata Berhad	287,256	93,075	287,256	93,075
- Hello Axiata Company Limited	10,756	9,563	10,756	9,563
- PT XL Axiata Tbk	227	190	227	190
- Telekom Malaysia Berhad	20,346	56,938	20,346	56,938
- Robi Axiata Limited	32,857	26,608	32,857	26,608
- Digital Commerce Lanka (Private) Limited	-	16,134	34,989	7,419
- E Dotco Group Berhad	6,100	-	6,100	-
- Axiata Digital Service Sdn Bhd	2,784	-	2,784	-
- Digital Health (Private) Limited	-	-	7,059	-
	372,134	**221,616**	**414,182**	**212,901**

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		Company	
	2015	2014	2015	2014
Amount due to ultimate parent company (Note 18)				
- Axiata Group Berhad	1,408,638	1,280,128	1,408,638	1,280,128
Amounts due to related companies (Note 18)				
- Axiata Investment (Labuan) Limited	-	2,239,133	-	2,239,133
- Axiata Lanka (Private) Limited	29,670	26,167	29,670	26,167
- Telekom Malaysia Berhad	195,883	169,265	195,883	169,265
- Celcom Axiata Berhad	7,310	611	7,310	611
- Hello Axiata Company Limited	23	62	23	62
- PT XL Axiata Tbk	607	928	607	928
- Robi Axiata Limited	64,415	85,215	64,415	85,215
- Firstsource-Dialog Solutions (Private) Limited	42,748	45,847	40,866	44,846
- Digital Commerce Lanka (Private) Limited	-	5,278	5,768	5,278
- Dialog Broadband Networks (Private) Limited	-	-	117,842	213,980
	340,656	**2,572,506**	**462,384**	**2,785,485**

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

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

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

36 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.

37 Impact to the financial statements from amendments to the Finance Act No.10 of 2015

The Finance Act No. 10 of 2015 certified on 30 October 2015 contains the following tax and levy applicable to the Dialog Group.

(a) Super gain tax, a one off tax of Rs.1,796,789,329 at the rate of twenty five per centum (25%) on the taxable income of the year of assessment 2013/2014. According to the Act, the super gain tax shall be deemed to be expenditure in the financial statements relating to the financial year ended 31 December 2014. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment ("SoAT") on accounting for super gain tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015. Accordingly, expense of super gain tax is recorded as an adjustment to the opening retained earnings reported in the statement of changes in equity as at 1 January 2015.

(b) Mobile telephone operator levy, a one off levy of Rs.250,000,000 on every person who is engaged in the business of a licensed mobile telephone operator as at 31 March 2015, is accounted as expenditure incurred during the year.

38 Events after the reporting period

The Board of Directors has recommended a final dividend of Rs.0.32 per share amounting to Rs.2,606,009,090 for the financial year 2015, subject to the approval of the shareholders at the Annual General Meeting.

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

US Dollar Financial Statements

Statement of Financial Position

For information purpose only

	Group		Company	
	31 December		31 December	
	2015	2014	2015	2014
	USD '000	USD '000	USD '000	USD '000
ASSETS				
Non-current assets				
Intangible assets	120,376	123,008	35,099	42,173
Property, plant and equipment	548,801	540,436	380,729	390,116
Investment in subsidiaries	-	-	133,422	142,767
Investment in associates	558	1,892	193	2,865
Amount due from related companies	-	370	135,649	128,051
Financial assets	278	872	1,354	872
	670,013	666,578	686,446	706,844
Current assets				
Inventories	3,861	1,992	1,155	1,000
Trade and other receivables	88,715	100,438	69,117	81,531
Cash and cash equivalents	48,541	81,705	40,119	74,359
	141,117	184,134	110,391	156,890
Total assets	**811,130**	**850,712**	**796,837**	**863,734**
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	195,085	213,126	195,085	213,126
Reserves	133,373	126,860	213,363	210,166
Non-controlling interest	(5)	-	-	-
Total equity	**328,453**	**339,986**	**408,448**	**423,292**
LIABILITIES				
Non-current liabilities				
Borrowings	110,668	193,030	110,668	193,030
Derivative financial instrument	173	423	173	423
Deferred revenue	11,961	14,455	10,673	13,554
Deferred income tax liability	366	1	-	-
Employee benefit payables	10,477	10,936	9,029	9,444
Provision for other liabilities	7,964	8,611	6,453	6,985
	141,609	227,455	136,996	223,436
Current liabilities				
Trade and other payables	269,965	244,628	182,695	181,449
Borrowings	65,698	33,804	63,330	30,726
Derivative financial instrument	84	69	84	69
Current income tax liabilities	5,321	4,769	5,284	4,762
	341,068	283,270	251,393	217,006
Total liabilities	**482,677**	**510,726**	**388,389**	**440,442**
Total equity and liabilities	**811,130**	**850,712**	**796,837**	**863,734**
Exchange rate	144.060	131.865	144.060	131.865

US Dollar Financial Statements

Statement of Comprehensive Income

For information purpose only

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2015	2014	2015	2014
	USD '000	USD '000	USD '000	USD '000
Revenue	513,188	510,261	436,922	439,566
Direct costs	(283,410)	(294,218)	(231,934)	(243,044)
Gross profit	229,778	216,043	204,988	196,522
Distribution costs	(75,235)	(71,880)	(65,647)	(62,962)
Administrative costs	(88,848)	(84,189)	(71,750)	(67,992)
Other income	227	1,102	161	654
Operating profit	65,922	61,076	67,752	66,222
Finance income	3,369	1,543	3,373	1,510
Finance costs	(22,521)	(6,214)	(21,531)	(5,730)
Finance costs - net	(19,152)	(4,671)	(18,158)	(4,220)
Share of loss from associates - net of tax	(228)	(816)	-	-
Profit before income tax	46,542	55,589	49,594	62,002
Income tax	(10,534)	(9,346)	(9,698)	(9,267)
Profit for the year	**36,008**	**46,243**	**39,896**	**52,735**
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss:				
- remeasurement gain/(loss) on defined benefit obligation, net of tax	834	(1,412)	667	(1,042)
Items that may be subsequently reclassified to profit or loss:				
- net change in cash flow hedge	227	(298)	227	(298)
Other comprehensive income/(expense) for the year, net of tax	**1,061**	**(1,710)**	**894**	**(1,340)**
Total comprehensive income for the year	**37,069**	**44,533**	**40,790**	**51,395**
Profit/(loss) for the year is attributable to:				
- owners of the Company	36,013	46,243	39,896	52,735
- non-controlling interest	(5)	-	-	-
Total comprehensive income/(expense) for the year is attributable to:				
- owners of the Company	37,074	44,533	40,790	51,395
- non-controlling interest	(5)	-	-	-
Exchange rate	144.060	131.865	144.060	131.865

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 59 to 127.

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	2015 Rs.'000	2014 Rs.'000
Value added		
Revenue	73,929,855	67,285,594
Other operating income	32,773	145,378
Interest income	485,307	203,427
	74,447,935	67,634,399
Cost of materials and services bought in	(16,558,883)	(16,451,237)
	57,889,052	51,183,162
Distribution of value added		
To employees		
Salaries and other benefits	6,087,411	5,169,624
To Government		
Taxes, fees and levies	27,564,701	24,424,865
To lenders of capital		
Interest on borrowings	823,070	723,844
To shareholders as dividends		
Dividend to shareholders	1,058,691	2,361,696
Retained in the business		
Profit retained	8,100,325	5,171,675
Depreciation and amortisation	14,254,854	13,331,458
	22,355,179	18,503,133
	57,889,052	51,183,162
Distribution of value added		
To employees	11%	10%
To Government	48%	48%
To lenders of capital	1%	1%
To shareholders as dividends	2%	5%
Retained in the business	38%	36%

Five Year Summary

31 December	2015 Rs.'000	2014 Rs.'000	GROUP 2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
OPERATING RESULTS					
Revenue	73,929,855	67,285,594	63,297,591	56,345,458	45,412,002
EBIT	9,496,779	8,053,788	7,663,957	6,801,177	6,207,093
Finance costs	(2,759,010)	(615,961)	(1,306,489)	(2,727,112)	(768,555)
Share of (loss)/profit from associate	(32,906)	(107,639)	(29,542)	(8,539)	9,681
Profit before tax	6,704,863	7,330,188	6,327,926	4,065,526	5,448,219
Profit after tax	5,187,326	6,097,750	5,201,030	6,030,187	4,869,562
Total comprehensive income	5,340,145	5,872,250	5,194,142	6,021,425	4,888,489
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)
Dividend reserve - ESOS Trust	-	-	383,754	331,425	291,781
Hedging reserve	(6,663)	(39,337)	-	-	-
Retained earnings	19,220,402	16,767,714	13,238,824	10,737,128	6,789,148
Shareholders fund	47,317,652	44,832,290	39,735,570	37,181,545	33,193,921
Non-controling interest	(697)	-	-	-	-
Total debt	25,407,241	29,911,528	29,357,353	25,049,183	23,072,630
	72,724,196	**74,743,818**	**69,092,923**	**62,230,728**	**56,266,551**
ASSETS EMPLOYED					
Property, plant & equipment	79,060,275	71,264,570	68,450,923	58,946,889	51,127,539
Other non-current assets	17,461,762	16,633,699	17,577,989	10,780,298	3,956,705
Current assets	20,329,223	24,280,875	18,375,237	20,806,549	21,143,035
Liabilities, net of debt	(44,127,064)	(37,435,326)	(35,311,226)	(28,303,008)	(19,960,728)
	72,724,196	**74,743,818**	**69,092,923**	**62,230,728**	**56,266,551**
CASH FLOW					
Net cash generated from operating activities	21,478,374	24,614,465	21,886,696	21,516,145	18,639,876
Net cash used in investing activities	(16,614,148)	(17,004,152)	(27,902,783)	(20,797,336)	(8,651,365)
Net cash (used in) / generated from financing activities	(8,654,251)	(345,790)	635,622	(2,409,089)	(5,095,146)
Net (decrease) / increase in cash and cash equivalents	(3,790,025)	7,264,523	(5,380,465)	(1,690,280)	4,893,365
KEY INDICATORS					
Basic earnings per share (Rs.)	0.64	0.76	0.65	0.76	0.61
Interest cover (No. of times)	28.12	15.48	23.34	28.29	13.05
Adjusted net asset per share (Rs.)	5.81	5.50	4.88	4.57	4.08
Current ratio (No. of Times)	0.41	0.65	0.42	0.54	0.96
Price earnings ratio (Times)	16.72	17.50	13.82	11.07	12.79
Dividend per share (Rs.)	0.32	0.13	0.29	0.33	0.25
Dividend yield	3.0%	1.0%	3.2%	4.0%	0.032
Market price per share (Rs.)	10.70	13.30	9.00	8.30	7.8

Group Real Estate Portfolio

Owning company and location	Buildings in sq feet	Land in acres freehold	Net book value 2015 Rs.'000	Net book value 2014 Rs.'000
Properties in Colombo				
Dialog Axiata PLC				
No.475, Union Place, Colombo 02	74,255		341,674	354,494
No.25, Samarakoon Mawatha,Thumbowila, Piliyandala	22,506		38,895	40,336
Foster Lane Car Park and Training Centre	61,266		323,742	
No 475, Union Place Colombo 02, New Office Building	147,600		1,476,540	
			2,180,851	
Dialog Broadband Networks (Private) Limited				
No.24, Foster Lane, Union Place, Colombo 02		0.24	129,998	129,998
DBN Site, Welivita Road, Malabe	1,200	3.76	213,311	186,786
No.55/2C, Old Avissawella Road, Kotikawatta	12,360	0.48	35,770	36,538
DBN Site, De Soysa Road, Mount Lavinia		0.17	44,428	44,428
Kaluandura, Puwakkpitiya, Avissawella		0.66	931	931
DBN Site, 86/14, 15th Lane, Talangama, Battaramulla		0.06	1,680	1,680
Kottawa, Mattegoda and Rukmale		0.13	2,212	2,212
DBN Site, Imbaulakannda, Gamunu Road, Homagama		0.09	779	779
DBN Site, Homagama		0.07	1,646	1,646
Properties outside Colombo				
Dialog Broadband Networks (Private) Limited				
Saliya Mawatha, Anuradhapura		1.92	7,778	7,778
Punachchiminal Road,Ward 40, Batticaloa		0.25	4,131	4,131
Thambakanda, Kochchikade		0.80	1,275	1,275
Kotakanda, Kuda Bingiriya,Madampe		0.70	1,477	1,477
Walagamageatta, Browns Hill, Matara		0.23	7,088	7,088
Anuradhapura Road, Baristapura, Puttalam.		2.32	7,624	7,624
Ambalankanda, Horana.		0.13	400	400
Meekanuwa, Kandy		0.18	1,403	1,403
Gonawala, Gampaha		0.12	609	609
Ganemulla Ragama, Gampaha		0.13	400	400
Kendaliyaddapaluwa Ragama, Gampaha		0.07	531	531
Ekala, Gampaha		0.13	1,100	1,100
Seeduwa, Gampaha		0.13	1,000	1,000
Kattuwa, Negombo		0.09	657	657
Pitakanda, Kandy		0.54	3,500	3,500
Bolawalana, Negombo		0.10	1,950	1,950
Hanthana, Kandy		0.25	2,133	2,133
Kurana, Negombo		0.12	1,380	1,380
Ketakelahahawatta, Panadura		0.17	1,960	1,960
Katugasthota, Kandy		0.08	1,413	1,413
Furniture and fixtures in leasehold buildings			149,285	112,196
Total land and building			2,808,700	959,833

Notice of Annual General Meeting

DIALOG AXIATA PLC (PQ 38)

NOTICE IS HEREBY GIVEN THAT THE NINETEENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON TUESDAY, 31ST MAY 2016 AT 3:30 PM 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 2015 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. Darke Mohamed Sani, 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, Datuk Azzat Kamaludin, who attained the age of 70 years on 08th September 2015 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 Datuk Azzat Kamaludin.

5. Ordinary Resolution 5

To re-elect as a Director, Mr. Moksevi Prelis, who attained the age of 79 years on 02nd July 2015 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 72 years on 16th October 2015 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
Group Company Secretary

15 April 2016
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 19th Annual General Meeting

DATE : Tuesday, 31 May 2016
TIME : 03:30 PM
VENUE : The Grand Ballroom, Waters Edge, No. 316, Ethul Kotte Road, Battaramulla

Registration

1. Registration will be from 02:00 PM to 03:30 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 Group 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 29 May 2016.

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. Rochelle Alahakone on +94 777 088 900 during working hours.

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 Nineteenth Annual General Meeting of the Company to be held on 31 May 2016 at 03:30 PM and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

Resolutions	For	Against
Ordinary Business:		
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 Group 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 29th May 2016.

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
Dato' Sri Jamaludin Ibrahim – Alternate Director to Mr. Darke Mohamed Sani

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

Related Party Transactions Review Committee
Mr. Mohamed Muhsin – Chairman
Mr. Moksevi Prelis
Mr. Chari TVT

Group Company Secretary
Ms. Viranthi Attygalle

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

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: +94 777 080 748
E-mail: ir@dialog.lk

Contact for Media
Group Corporate Communications
Telephone: +94 777 080 221
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%
   - Digital Commerce Lanka (Pvt) Ltd – 100% (together with Dialog's shareholding)
   - Digital Health Lanka (Pvt) Ltd – 70%
   - Headstart (Pvt) Ltd – 26%

Associate Company
1. Firstsource-Dialog Solutions (Pvt) Ltd – 26%

Designed & produced by
emagewise
Digital Plates & Printing by
Softwave Printing and Publishing (Pvt) Ltd

Dialog

www.dialog.lk