

Income statement**(all amounts in Sri Lanka Rupees Thousands)**

	Group		Company	
	Year ended 31 December	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2007	2006	2007	2006
	Audited	Audited	Audited	Audited
Revenue	32,516,842	25,679,492	31,129,193	25,149,307
Direct costs	(13,402,937)	(8,821,778)	(11,881,600)	(8,536,151)
Gross margin	19,113,905	16,857,714	19,247,593	16,613,156
Other operating income	379,859	123,322	325,649	83,489
Administrative expenses	(6,076,609)	(3,064,260)	(5,426,048)	(2,981,573)
Distribution costs	(3,774,676)	(3,066,000)	(3,490,535)	(3,057,288)
Operating profit	9,642,479	10,850,776	10,656,659	10,657,784
Finance costs	(630,018)	(657,309)	(485,059)	(552,911)
Profit before tax	9,012,461	10,193,467	10,171,600	10,104,873
Tax	(45,302)	(74,574)	(45,086)	(56,207)
Profit for the year	8,967,159	10,118,893	10,126,514	10,048,666
Attributable to:				
Equity holders of the Company	8,967,159	10,118,893	10,126,514	10,048,666
Minority interest	Nil	Nil	Nil	Nil
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Rs per share)				
- basic	1.15	1.38	1.30	1.37
- diluted	1.14	1.38	1.29	1.37

The notes on page 7 form an integral part of these condensed consolidated interim financial statements

Income statement**(all amounts in Sri Lanka Rupees Thousands)**

	Group Three months ended 31 December		Company Three months ended 31 December	
	2007	2006	2007	2006
Revenue	8,600,880	6,789,119	8,098,867	6,649,222
Direct costs	(3,971,069)	(2,295,801)	(3,490,798)	(2,204,257)
Gross margin	4,629,811	4,493,318	4,608,069	4,444,965
Other operating income	166,392	40,505	187,632	21,035
Administrative expenses	(1,985,597)	(967,154)	(1,705,268)	(907,683)
Distribution costs	(1,312,195)	(764,449)	(1,157,495)	(765,110)
Operating profit	1,498,411	2,802,220	1,932,938	2,793,207
Finance income/ (costs)	136,905	(240,960)	165,562	(218,065)
Profit before tax	1,635,316	2,561,260	2,098,500	2,575,142
Tax	27,977	8,689	44,752	14,530
Profit for the period	1,663,293	2,569,949	2,143,252	2,589,672

Attributable to:

Equity holders of the Company	1,663,293	2,569,949	2,143,252	2,589,672
Minority interest	Nil	Nil	Nil	Nil

Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in Rs per share)

- basic	0.21	0.36	0.27	0.35
- diluted	0.20	0.35	0.27	0.35

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Balance sheet

(all amounts in Sri Lanka Rupees Thousands)

	Group		Company	
	31 December		31 December	
	2007	2006	2007	2006
	Audited	Audited	Audited	Audited
ASSETS				
Non-current assets				
Property, plant and equipment	50,418,567	30,031,500	45,955,975	28,029,423
Intangible assets	3,919,177	3,602,737	1,236,106	1,004,362
Investments in subsidiaries	Nil	Nil	2,335,510	2,295,844
	54,337,744	33,634,237	49,527,591	31,329,629
Current assets				
Inventories	954,385	580,215	704,194	519,063
Trade and other receivables	10,090,263	6,910,094	13,612,888	7,709,931
Cash and cash equivalents	6,343,121	2,301,422	6,062,156	2,237,455
	17,387,769	9,791,731	20,379,238	10,466,449
Total assets	71,725,513	43,425,968	69,906,829	41,796,078
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Stated capital	33,056,413	12,680,378	33,056,413	12,680,378
ESOS Trust shares	(2,000,439)	(1,925,226)	(2,000,439)	(1,925,226)
Dividend reserve - ESOS	172,722	70,309	172,722	70,309
Revaluation reserve	20,377	20,840	20,377	20,840
Retained earnings	19,096,588	14,206,808	20,130,681	14,136,581
	50,345,661	25,053,109	51,379,754	24,982,882
Minority interest in equity	Nil	(72)	Nil	Nil
Total equity	50,345,661	25,053,037	51,379,754	24,982,882
LIABILITIES				
Non-current liabilities				
Subscription in advance	306	1,235	306	1,235
Borrowings	5,172,921	8,057,847	4,751,593	7,338,450
Deferred tax liability	140,084	39,717	119,823	39,717
Retirement benefit obligations	211,916	111,997	201,554	102,635
Provision for other liabilities	142,978	86,666	142,979	86,666
	5,668,205	8,297,462	5,216,255	7,568,703
Current liabilities				
Trade and other payables	14,812,319	8,795,818	13,118,538	8,142,897
Current income tax liabilities	19,914	63,491	19,344	44,624
Borrowings	879,414	1,216,160	172,938	1,056,972
	15,711,647	10,075,469	13,310,820	9,244,493
Total liabilities	21,379,852	18,372,931	18,527,075	16,813,196
Total equity and liabilities	71,725,513	43,425,968	69,906,829	41,796,078
Net asset per share (Rs)	6.17	3.08	6.30	3.07

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors on 18th February 2008.

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

SIGNED

.....
Dr. S S H Wijayasuriya
Director/ Group Chief Executive

SIGNED

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M R Prelis
Director

SIGNED

.....
Wan Zaidan Wan Mahyudin
Group Chief Financial Officer

The notes on page 7 form an integral part of these condensed consolidated interim financial statements

Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Group	Attributable to equity holders of the Company							Total
	Stated* capital	Rated cumulative redeemable preference share capital	Shares in ESOS trust	Revaluation reserve	Retained earnings	Dividend reserve	Minority interest	
Balance at 1 January 2006	12,680,378	Nil	(2,385,320)	4,896	6,900,917	Nil	Nil	17,200,871
Net profit	Nil	Nil	Nil	Nil	10,118,893	Nil	Nil	10,118,893
Dividend paid	Nil	Nil	Nil	Nil	(2,813,305)	Nil	Nil	(2,813,305)
Dividend received - ESOS	Nil	Nil	Nil	Nil	Nil	70,309	Nil	70,309
Revaluation of buildings	Nil	Nil	Nil	16,247	Nil	Nil	Nil	16,247
Depreciation transfer	Nil	Nil	Nil	(303)	303	Nil	Nil	Nil
Shares exercised - ESOS	Nil	Nil	461,329	Nil	Nil	Nil	Nil	461,329
Subscription in advance	Nil	Nil	(1,235)	Nil	Nil	Nil	Nil	(1,235)
Minority interest arising on business acquisition	Nil	Nil	Nil	Nil	Nil	Nil	(72)	(72)
Balance at 31 December 2006	12,680,378	Nil	(1,925,226)	20,840	14,206,808	70,309	(72)	25,053,037
Balance at 1 January 2007	12,680,378	Nil	(1,925,226)	20,840	14,206,808	70,309	(72)	25,053,037
Net Profit	Nil	Nil	Nil	Nil	8,967,159	Nil	Nil	8,967,159
Issue of shares	15,376,035	Nil	Nil	Nil	Nil	Nil	Nil	15,376,035
Dividend paid - ordinary shares	Nil	Nil	Nil	Nil	(4,071,889)	Nil	Nil	(4,071,889)
Dividend paid - preference shares	Nil	Nil	Nil	Nil	(60,988)	Nil	Nil	(60,988)
Dividend received ESOS	Nil	Nil	Nil	Nil	Nil	102,413	Nil	102,413
Issue of preference shares	Nil	5,000,000	Nil	Nil	Nil	Nil	Nil	5,000,000
Depreciation transfer	Nil	Nil	Nil	(463)	463	Nil	Nil	Nil
Purchase shares - ESOS	Nil	Nil	(205,452)	Nil	Nil	Nil	Nil	(205,452)
Shares exercised - ESOS	Nil	Nil	130,545	Nil	Nil	Nil	Nil	130,545
Subscription in advance	Nil	Nil	(306)	Nil	Nil	Nil	Nil	(306)
Transfer of minority interest	Nil	Nil	Nil	Nil	55,035	Nil	72	55,107
Balance at 31 December 2007	28,056,413	5,000,000	(2,000,439)	20,377	19,096,588	172,722	Nil	50,345,661

* stated capital includes amounts previously reported under ordinary share capital and share premium as required by the Companies act No. 7 of 2007.

The notes on page 7 form an integral part of these condensed consolidated interim financial statements

Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Company	Attributable to equity holders of the Company						Total
	Stated* capital	Rated cumulative redeemable preference share capital	Shares in ESOS trust	Revaluation reserve	Retained earnings	Dividend reserve	
Balance at 1 January 2006	12,680,378	Nil	(2,385,320)	4,896	6,900,917	Nil	17,200,871
Net profit	Nil	Nil	Nil	Nil	10,048,666	Nil	10,048,666
Dividend paid	Nil	Nil	Nil	Nil	(2,813,305)	Nil	(2,813,305)
Dividend received ESOS	Nil	Nil	Nil	Nil	Nil	70,309	70,309
Revaluation of buildings	Nil	Nil	Nil	16,247	Nil	Nil	16,247
Depreciation transfer	Nil	Nil	Nil	(303)	303	Nil	Nil
Shares exercised - ESOS	Nil	Nil	461,329	Nil	Nil	Nil	461,329
Subscription in advance	Nil	Nil	(1,235)	Nil	Nil	Nil	(1,235)
Balance at 31 December 2006	12,680,378	Nil	(1,925,226)	20,840	14,136,581	70,309	24,982,882
Balance at 1 January 2007	12,680,378	Nil	(1,925,226)	20,840	14,136,581	70,309	24,982,882
Net profit	Nil	Nil	Nil	Nil	10,126,514	Nil	10,126,514
Issue of shares	15,376,035	Nil	Nil	Nil	Nil	Nil	15,376,035
Dividend paid - ordinary shares	Nil	Nil	Nil	Nil	(4,071,889)	Nil	(4,071,889)
Dividend paid - preference shares	Nil	Nil	Nil	Nil	(60,988)	Nil	(60,988)
Dividend received ESOS	Nil	Nil	Nil	Nil	Nil	102,413	102,413
Issue of preference shares	Nil	5,000,000	Nil	Nil	Nil	Nil	5,000,000
Depreciation transfer	Nil	Nil	Nil	(463)	463	Nil	Nil
Purchase shares - ESOS	Nil	Nil	(205,452)	Nil	Nil	Nil	(205,452)
Shares exercised - ESOS	Nil	Nil	130,545	Nil	Nil	Nil	130,545
Subscription in advance	Nil	Nil	(306)	Nil	Nil	Nil	(306)
Balance at 31 December 2007	28,056,413	5,000,000	(2,000,439)	20,377	20,130,681	172,722	51,379,754

* stated capital includes amounts previously reported under ordinary share capital and share premium as required by the Companies act No. 7 of 2007.

The notes on page 7 form an integral part of these condensed consolidated interim financial statements

Cash flow statement

(all amounts in Sri Lanka Rupees Thousands)

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2007	2006	2007	2006
	Audited	Audited	Audited	Audited
Cash flows from operating activities				
Cash generated from operations	16,805,407	12,590,889	16,844,218	12,448,014
Interest received	161,375	242,294	160,202	242,296
Interest paid	(774,823)	(731,338)	(618,028)	(633,630)
Tax / ESC paid	(61,482)	(7,961)	(60,220)	(7,626)
Retirement benefit obligations paid	(2,403)	(3,804)	(2,007)	(3,022)
Net cash generated from operating activities	16,128,074	12,090,080	16,324,165	12,046,032
Cash flows from investing activities				
Purchases of property, plant and equipment	(404,165)	(185,746)	(193,946)	(141,601)
Purchase of intangible assets	(186,865)	(503,050)	(142,353)	(503,050)
Amounts owed by subsidiary undertakings	Nil	Nil	(3,130,476)	(913,596)
Expenditure incurred on capital work-in-progress	(24,488,034)	(11,692,401)	(21,793,825)	(11,135,832)
Acquisition of subsidiary, net of cash acquired	(39,666)	(849,444)	(39,666)	(325,079)
Proceeds from sale of property, plant and equipment	76,721	18,735	30,036	15,313
Dividend received - ESOS	102,413	Nil	102,413	Nil
Net cash used in investing activities	(24,939,596)	(13,211,906)	(25,167,817)	(13,003,845)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	15,376,035	Nil	15,376,035	Nil
Proceeds from treasury shares - ESOS	129,308	461,329	129,308	461,329
Purchase of treasury shares - ESOS	(205,452)	Nil	(205,452)	Nil
Proceeds from issuance of rated cumulative redeemable preference shares	5,000,000	Nil	5,000,000	Nil
Repayment of finance leases	(43,705)	(22,864)	(18,656)	(19,259)
Repayment of borrowings	(12,197,706)	(1,151,041)	(11,265,833)	(1,057,685)
Proceeds from borrowings	8,793,324	142,700	7,785,828	Nil
Dividends paid to Company's shareholders	(4,071,889)	(2,813,305)	(4,071,889)	(2,813,305)
Dividends paid to holders of rated cumulative redeemable preference shares	(60,988)	Nil	(60,988)	Nil
Net cash generated from / (used in) financing activities	12,718,927	(3,383,181)	12,668,353	(3,428,920)
Net increase / (decrease) in cash and cash equivalents	3,907,405	(4,505,007)	3,824,701	(4,386,733)
Movement in cash and cash equivalents				
At start of year	2,184,664	6,689,671	2,237,455	6,624,188
Increase / (decrease)	3,907,405	(4,505,007)	3,824,701	(4,386,733)
At end of year	6,092,069	2,184,664	6,062,156	2,237,455

The notes on page 7 form an integral part of these condensed consolidated interim financial statements

Notes to the financial statements

1 General information

Dialog Telekom PLC (the “Company”) and its subsidiaries (together “the Group”) provide Communication (Mobile, Internet, International, Data and Backbone, Fixed wireless and Transmission infrastructure) and Media related services.

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

Issued ordinary shares of the Company have been listed on the Colombo Stock Exchange since 28 July 2005.

2 Basis of preparation

The condensed interim consolidated financial information of Dialog Telekom PLC for the year ended 31 December 2007 has been prepared in accordance with Sri Lanka Accounting Standard 35 “Interim Financial Reporting”. The interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

4 Issuance of Rated Cumulative Redeemable Preference Shares

The Company issued 5 billion Rated Cumulative Redeemable Preference Shares at Rs 1 per share on 23 October 2007. The shares are mandatorily redeemable on 31 May 2012 at Rs 1 per share. The preference share dividend is payable semi annually, at AWPLR minus 0.9%, on 31 March and 30 September.

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

2008	-	10%
2009	-	15%
2010	-	25%
2011	-	25%
2012	-	25%

5 Market price per share

For the three months ended 31 December:

	2007 Rs	2006 Rs
- Highest	24.50	29.75
- Lowest	19.75	21.50
- Last traded	20.00	26.50