Dialog Axiata PLC | Annual Report 2013

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Our Vision

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

Our Mission

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

Dialog Values

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

Introduction to the Company

Dialog Axiata PLC, a subsidiary of Axiata Group Berhad (Axiata), operates Sri Lanka's largest and fastest growing mobile telecommunications network. The Company is also one of the largest listed companies on the Colombo Stock Exchange in terms of market capitalisation. Dialog is also Sri Lanka's largest Foreign Direct Investor (FDI) with investments totalling to USD 1.63Bn.

Dialog has been at the forefront of innovation in the mobile industry in Sri Lanka since the late 90's, propelling the nation's mobile telephony infrastructure to a level of advancement on par with the developed world. The Company delivers advanced mobile telephony and high speed mobile broadband services to a subscriber base in excess of 8 Million Sri Lankans, via 2.5G and 3G/3.5G and 4G networks. In April 2013, the Company secured the distinction of becoming the first service provider in South Asia to launch mobile 4G FD-LTE services. The Company was also the first service provider in South Asia to launch 3G services in 2006. Dialog also provides a comprehensive suite of International Roaming Services across a global footprint comprising of more than 200 countries, and operates a wide portfolio of international telecommunication services, including but not limited to retail and wholesale international voice and data services.

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

DBN is Sri Lanka's second largest Fixed Telecommunications provider. DBN serves residential and enterprise customers with voice, broadband, lease lines and customised telecommunication services. DBN has the distinction of being the first telecommunications operator in Sri Lanka to launch 4th Generation LTE High Speed Broadband Services. DBN is also a leading provider of Radio and Optical Fibre based transmission infrastructure facilities.
DTV operates a Direct-to-Home (DTH) Digital Satellite TV service and is the market leader in Sri Lanka's Pay TV sector. DTV supports a broad array of international and local content in both Standard Definition (SD) and High Definition (HD) formats alongside a wide portfolio of Sri Lankan television channels and delivers high quality infotainment to a viewer base of 332,000 Sri Lankan households.

Dialog is an ISO 9001 certified company and has received numerous local and international awards including the National Quality Award, Sri Lanka Business Excellence Award, and 3 successive GSM World Awards. At the SLIM-Nielsen People's Choice Awards 2014, Dialog was voted by Sri Lankan consumers as the Telecom Service Provider of the Year in addition to being named the Internet Service Provider of the Year and Youth Brand of the Year.

Message from the Chairman

Our financial and operational performances have exceeded expectations despite the intense competition in the telecommunications sector, and our service offerings remain the No 1 choice of Sri Lankan consumers in terms of their quality, expansive functionality and affordability.

My dear shareholders,

We have 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. Our financial and operational performances have exceeded expectations despite the intense competition in the telecommunications sector, and our service offerings remain the No 1 choice of Sri Lankan consumers in terms of their quality, expansive functionality and affordability.

Your Company recorded strong revenue growth across Mobile, International, Digital Pay Television, Tele-infrastructure and fixed line businesses to record a consolidated revenue of Rs. 63.3Bn for the year ending 31st December, 2013, demonstrating a significant growth of 12% Year on Year (YoY). Group Net Profit Before Tax (NPBT) was recorded at Rs. 6.3Bn up 56% relative to the previous year. I am happy to report that your Company, having completed its Tax Holiday granted by the Board of Investment of Sri Lanka in lieu of being a Flagship Infrastructure investor, has provided for an income tax of Rs. 1.1Bn. Accordingly, Group NPAT was recorded at Rs. 5.2Bn for FY 2013. Your Company remitted Rs. 6.9Bn to the Government of Sri Lanka (GoSL) in terms of fees, levies and operating taxes. Your Company also collected a further Rs. 10.1Bn in indirect taxes on behalf of the GoSL.

In line with the performance of the Group and taking into account forward investment requirements to serve the nation's demand for Mobile, Fixed, Broadband and Digital Television services, the Board of Directors of Dialog Axiata, is happy to propose for your consideration, a full year dividend of 29 cents per share, representing 45% of disbursable income, a payout ratio which compares on par with the ratio adopted in the previous year. Your Company's business performance is enumerated in more detail in the business review section of this annual report.

At Dialog we believe in the power of plurals. It's not about us, in isolation as a company but distinctively about "ours" as the combine of a service provider and

"Throughout the Year 2013, we endeavoured to deliver our promise, The Future. Today, while being singularly conscious of ensuring that our services are best in terms of quality and reliability. I am happy to report that we were rewarded with a customer growth of over 1Mn."

many million Sri Lankan consumers. Today we are privileged to touch the lives of nearly 50% of Sri Lanka's Population, homes and businesses, and in this respect we are proud to serve over 8.7Mn Mobile customers, and 332,000 and 477,000 Digital Television and Fixed Line consumers respectively.

In 2013 our continuous investments in next generation technologies and network infrastructures paid off. Your Company has the distinction of being the first Country and Service provider to commercially launch 4G (4th Generation) mobile services in the South Asian region, driving the digital age of mobile telephony services. Throughout the Year 2013, we endeavoured to deliver our promise, The Future. Today, while being singularly conscious of ensuring that our services are best in terms of quality and reliability. I am happy to report that we were rewarded with a customer growth of over 1Mn new subscribers during the Year under review.

On the backdrop of market success, our operations continued to grow in terms of Profitability, Efficiency and Productivity. In 2013, EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation) – was recorded at Rs. 19.9Bn, up 7%. Your Company also continued to lead the way as the largest Foreign Direct investor in Sri Lanka. The Dialog Group has recorded a cumulative investment of over 1.63Bn USD since inception. Your Company's consistent and

Message from the Chairman

monumental contribution to Sri Lanka's infrastructure sector stands testimony to the trust and commitment we have placed in the nation's economy, the GoSL and the citizens of Sri Lanka.

During the Year 2013, we continued to build on our sustainability ethos of contributing to the betterment of the community and economy, founded on the overarching corporate ethos of Digital Inclusion. Through the Dialog Foundation, we continued our thrust in digitally empowering Sri Lankan school children from across all regions of Sri Lanka. It gives me great satisfaction to report that the Nenasa Distance Learning Network - delivered in partnership with the Ministry of Education and the National Institute of Education today provides high quality educational content to over 2,000 schools across every district in the island. I would like to invite you to peruse our 2013 Sustainability Report for a fuller elucidation of our commitment to deliver shared value to all our stakeholders through a consistent focus on the delivery of triple bottom line outcomes in terms of Economic, Social and Environmental development on an inclusive and plural basis.

Changes to the Board

On behalf of the Company, I warmly welcome Darke Mohamed Sani and Deshamanya Mahesh Amalean to the Board. Their combined management expertise and insight will be invaluable in guiding the Company in the future. Deshamanya Mahesh Amalean's presence as an Independent Non-Executive Director will strengthen the Board's independence and we are indeed privileged to have him on our Board.

I wish to extend my sincere gratitude to Dato' Sri Jamaludin Ibrahim, who resigned from the Board in February 2014, for his valued contribution, but will continue to serve as an alternate to Mr. Mohamed Sani. I also wish to extend my appreciation, to my fellow board member Jayantha Dhanapala, who will be retiring at the forthcoming AGM and not seeking re-election, for his invaluable contribution, insight, guidance and commitment to Dialog throughout his tenure on the Board.

My Profound Thanks

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 TRCSL 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 2013 such a triumphant year for us.

Datuk Azzat Kamaludin
Chairman of the Board of Directors

16 May 2014

Group Chief Executive's Review of Operations

Sri Lanka and Dialog earned the distinction of being the first Country and Service provider respectively, to launch 4th Generation Mobile Services in the South Asian region.

Group Chief Executive's Review of Operations

In closing my review of operations for the Year 2012, I alluded to my belief that in addition to delivering robust financial returns during the said year, the Company had also seeded several strategic platforms for leadership in the emerging digital era wherein the ICT sector would play an overarching and transformational role in the lives of people and hence in the shaping of the future of our country.

It gives us significant pride that during the Year 2013, Sri Lanka and Dialog earned the distinction of being the first country and service provider respectively, to launch 4th Generation Mobile Services in the South Asian region. I am also happy to report that in addition to leading Sri Lanka into the next generation of high speed connectivity, that your Company continued to consolidate its position as 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 3rd Year in succession. Sri Lankan consumers also voted us the Internet Services Provider of the Year for the 2nd Year in succession.

In my concluding remarks last year, I also espoused our cognisance of the fact that the consolidated outcomes delivered by the Dialog Group are underpinned by the faith and trust of the Sri Lankan consumer. In addition to naming us the No1 Telecommunications and Internet Services Provider, Sri Lankan consumers also voted us the Youth Brand of the Year, evidencing the confluence of Dialog's focus on making next generation ICTs affordable and available on a plural basis with the energy and excitement of progressive Sri Lankan youth segments, who ride the crest of multi-faceted waves of empowerment, delivered by inclusive digital technologies.

During the Year 2013, Sri Lankan consumers rewarded your Company with growth in Market Share across multiple ICT sectors. In addition to significant market gains relative to competition in the mobile telecommunications sector, Dialog also consolidated its leadership in the country's Digital Pay Television, International Telecommunications and Tele-Infrastructure sectors with segment growth rates in excess of 10%. It is also rewarding to note that the Group's Fixed Telecommunications business made penetrative inroads into Enterprise and Small Business Markets, recording Year on Year (YoY) growth of 17%.

It gives me pleasure to report that the Dialog Group was commensurately successful in converting the afore-mentioned market capture into robust financial returns, delivering growth in Group Revenue of 12% and growth in Group Earnings before Interest Depreciation Taxes and Amortisation (EBITDA) of 7%. Group Profit Before Tax normalised for Foreign Exchange gains and losses increased by 7% relative to the previous year.

> "The 'mobile phone' through successive generations of 'Smart Device' technologies will no doubt be the single most transformative driver in manifesting the multi-faceted capabilities of digital services into life changing empowerment."

Leadership in the Digital Era

The emerging digital era is best described as a future in which "digitisation" via a confluence of advanced devices and enabling services would permeate consumer lifestyles as well as business processes at an ever increasing pace. People and Enterprises would then increasingly engage with "Digital Services" to carry out a wide spectrum of tasks including but not limited to the access of information, entertainment and learning, fulfillment of Government or Business to Consumer (G/B2C), Business to Business (B2B) and Consumer to Consumer (C2C) transactions, and the maintenance of social connections and business networks. On this landscape, the "mobile phone" through successive generations of "Smart Device" technologies will no doubt be the single most transformative driver in manifesting the multi-faceted capabilities of digital services into life changing empowerment. A clear focus on the value chain of digital services is hence a crucial tenet within the forward strategy of a Leader in the mobile services sector in particular and the ICT sector in general.

Digital Services – Payments, Commerce and Edutainment

Leading on from its pioneering achievements in establishing Sri Lanka's first Mobile Payments Service, eZ Cash, and establishing penetrative inroads into Sri Lanka's digital commerce landscape through a joint venture with the shareholders of Anything.lk, Dialog has continued to play an aggressive role in the nascent "Digital Services" market in Sri Lanka. During the Year 2013, Dialog extended its leadership in Digital Services through the pioneering of Near Field Communications (NFC) based Cashless Transportation Ticketing Services and the launch of Guru.lk, a digital destination for multi-faceted learning spanning Secondary, Vocational and General Interest Education segments. 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. During the course of 2013 Dialog continued to embark on penetrative forays into the domains of Digital Navigation and the delivery of digital entertainment to mobile and nomadic devices.

While Dialog will continue to push the horizons of digital empowerment through the leverage of emerging technologies, we remain cognisant of the fact that the sustainability of a "digital future" is predicated on the extent to which the resulting empowerment and enablement is made inclusive – i.e. affordable, relevant and available on a plural basis to all Sri Lankan citizens and businesses. In this respect, we remain convinced that delivering affordable and high quality digital connectivity to every region of Sri Lanka is a fundamental tenet of a sustainable leadership strategy in the digital era. We will hence continue to apply undiluted focus as in the past, on the development of a best in class connectivity infrastructure which in turn would enable the bringing together of digital innovation in the services space both locally and globally, with the needs and potential of Sri Lankan citizens and businesses.

Next Generation Infrastructure

During the Year 2013, we continued to focus on the strategic imperative of consolidating the Group's position as a leading high speed broadband provider. Our investment and development focus in this respect spanned both the mobile and fixed telecommunications sectors as well as the imperatives of establishing high speed fibre optic backbone connectivity on a nationwide basis alongside the expansion of International (Sub-Marine) Optical Fibre connectivity to the Global Internet.

During the year under review the Company secured a 10 MHz tranche of Mobile 4G-LTE Spectrum auctioned by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) as a precursor to the launch of South Asia's first Mobile 4G-LTE network which propelled Sri Lanka to a position of technology leadership in the region. We applied equal focus to our Fixed Broadband infrastructure with a focused strategy to deliver high speed broadband to residential consumers and Enterprise and Small Business segments on an affordable and widely available basis. During the course of 2013 we annexed a substantive resource of fixed 4G-LTE spectrum through the acquisition and merger of SKY Television, to complement the expansion of our fixed 4G-LTE network to cover population centres across all 9 provinces of the country. Our Fixed Broadband Infrastructure also laid the foundation for the expansion and consolidation of Sri Lanka's largest Wi-Fi network spanning 2,500 hot spots distributed across the country.

Focusing ahead on the imperative of establishing a robust pipe to the Global Internet with capacity and speed commensurate with the burgeoning demand for Broadband services projected going forward, the

Group Chief Executive's Review of Operations

Company entered into an agreement with the Bay of Bengal Gateway (BBG) Consortium to land a high capacity submarine cable through a Cable Landing Station to be located in Colombo. Dialog's investment in the new high speed submarine cable and cable landing station will trigger the single largest infusion of International Bandwidth to Sri Lanka to date. The submarine cable and cable landing station will be commissioned in the 4th Quarter of 2014. The BBG cable will link Sri Lanka to high capacity Internet hubs in Singapore and India and to onward submarine cable pipes to Europe and the USA.

Dialog's investments in Terrestrial (National) and Submarine (International) Fibre Optic infrastructure will combine with its 4th Generation LTE customer access networks to deliver affordable and widely available High Speed Broadband services to Businesses and Consumers across Sri Lanka.

Devices – Breaking the Affordability Barrier

In the context of the rapid advancements in, and life changing potential of, multi-faceted digital services, we are increasingly cognisant of the fact that the affordability dimension of inclusion is hinged both on the ongoing cost (and benefit) of the services, as well as on the cost of owning a device capable of delivering the desired level of digital empowerment. We were hence driven by the belief that the Minimum Cost of Owning (MCO of) a "Smartphone" or in the broader context a Smart Device such as a "Tablet", could be regarded as the single most transformational pivot which could accelerate the onset of a plural digital era. An inclusive digital era would in turn capture the resultant benefits of citizen and business empowerment in the form of Socio-Economic development and National Competitiveness. Motivate by this rationale, we embarked on a calibrated approach to driving down the MCO of Smart Devices to within the affordability horizon of a vast majority of Sri Lankan consumers.

The Year 2013 saw the aggressive market entry and penetrative proliferation of the "Dialog Smartphone". Driven by the single minded objective of delivering a high quality smart device at a price which beats the Rs. 10,000 affordability barrier, the Dialog Smartphone series continues to set price benchmarks at entry as well as advanced technology/function device categories. The Dialog Smart Device series now includes an entry level tablet as well as a comprehensive choice of smart phones ranging through to a best in class 4G-LTE device with inbuilt NFC capability.

Economy & Industry

During the year under review, the Sri Lankan economy recorded a robust real GDP growth of 7.3% on the backdrop of moderate inflationary pressure and marginal currency devaluation. Interest rates remained largely stable during the year with a graduated reduction by 300 basis points over the 12 month period. During the year, the Government of Sri Lanka (GoSL) displayed policy consistency in continuing its aggressive focus on major infrastructure projects featuring in the main, the development of Highways, road networks and Sea Ports. The GoSL also retained its strategic focus on the development and empowerment of SME and Agricultural sectors. Infrastructure projects continued to demonstrate impressive levels of execution efficacy eliciting confidence in the medium term growth potential of the Sri Lankan economy and presenting a positive case for local and foreign direct investment. Unemployment reached a record low of 4.1% in 2013 and tourist arrivals surpassed the previous year's milestone figure of 1Mn visitors to be recorded at 1.27Mn for the Year 2013. We are confident that on the backdrop of the effective management of macro-economic indicators and the continued improvement of fiscal debt levels, the GoSL's focus on long term investments will lay the foundations of accelerated and sustainable economic growth reaching well into the future.

The Connectivity Sector

The growth in GDP at a per-capita level and the reinvigoration of several key sectors including but not limited to Tourism, Construction and Agriculture, augur well for the growth in adoption and consumption of ICT services. During the course of 2013, mobile subscriptions increased to 20.3Mn, while Fixed Telephone lines decreased to a total of 2.7Mn. Notwithstanding healthy macro and micro-economic fundamentals, industrial costs including but not limited to Fuel, Electricity and the cumulative costs of indirect inputs exhibited substantive increase during the Year 2013. Accordingly, direct and indirect cost expansion placed substantive pressure on operating margins and network development cost structures. Notwithstanding the shift in cost structures, the sector continued to deliver transformational outcomes in terms of Broadband adoption. During the course of 2013, Broadband penetration levels increased from 6.7% to 9.8% underpinned by the expansion of service availability and successive reductions in Broadband tariffs to levels recognised by the International Telecommunication Union (ITU) to be the lowest globally.

Techno-Economics in Structural Transition

While Telecommunications and Broadband service availability, affordability and adoption demonstrate significantly positive indicators relative to regional and even global benchmarks, the capability of the sector to deliver economic returns to shareholders in real terms, may be at risk in the medium term unless structural corrections with respect to industry pricing and cost structures are implemented on an expeditious basis. The origins to the afore-referenced sector risks are founded on the techno-economics of the industry which today evidence a combination of high levels of investment in broadband infrastructure, sub-cost broadband and data pricing and the natural substitution of high margin Voice and SMS services by Voice over IP (VoIP) and Instant Messaging (IM) alternatives, which ride on low margin data and broadband services. It is encouraging that the Telecommunications Regulatory Commission of Sri Lanka continues to espouse and facilitate the consolidation of a sustainable techno-economic industry framework, steering safely away from the value destructive market environments of 2007-9. The forward thinking actions of the regulator in 2010, featuring in the main the floor price and interconnect regimes, continue to protect industry margins on Voice Services. The portfolio of strategies and policies required to guide the sector through the challenging period of Voice to Data Conversion, would no doubt need to target the restoration of margins and profitability of Data and Broadband services. We believe that the principle policy frameworks required to secure data profitability would feature among others, the encouragement of constructs such as network sharing and collaborative investment, in tandem with the enforcement of a rational and cost based pricing environment capable of meeting the dual objectives of consumer affordability and fair returns on investment to service providers.

> "We remain convinced that delivering affordable and high quality digital connectivity to every region of Sri Lanka is a fundamental tenet of a sustainable leadership strategy in the digital era."

Operational Performance

The Dialog Group demonstrated strong revenue growth across Mobile, International, Digital Pay Television, Tele-infrastructure and Fixed Line businesses to record consolidated revenue of Rs. 63.3Bn for FY 2013, delivering an Year on Year ("YoY") growth of 12%. Revenue growth in combine with continued operational improvements led to the Group posting healthy YoY growth in EBITDA of 7%. EBITDA for the Year 2013 was recorded at Rs. 19.9Bn. While EBITDA demonstrated substantial growth in absolute and relative terms, inflation led expansion of key input costs resulted in the contraction of the Group's EBITDA margin by 1.5 percentage points to be recorded at 31.5%. Input cost expansion was driven in the main by tariff increases with respect to Fuel and Electricity and moderate inflation in other direct inputs including

Group Chief Executive's Review of Operations

contracting costs and transportation costs associated with the operation of a 24x7 service on a nationwide basis.

Group Net Profit before Tax (NPBT) for FY 2013 was recorded at Rs. 6.3Bn relative to Rs. 4.1Bn in the previous year, reflecting an increase of 56% YoY. Financials for the Year 2013, included the impact of Non-Cash Foreign Exchange adjustments totalling to Rs. 731Mn. On a comparative basis, the previous year similarly featured several exceptional charges including substantive Non-Cash Foreign Exchange losses and a mitigating reversal of deferred tax provisions. Normalising both periods (FY2012 and FY2013) for exceptional charges, Normalised NPBT for FY 2013 was recorded at Rs. 7.1Bn, an increase of 7% relative to the similarly normalised figure for FY 2012. Following the expiry of the Tax Holiday of Dialog Axiata PLC (DAP) at the end of 2012, the Year 2013 featured a provision for income tax amounting to Rs. 1.1Bn. Post recognition of this maiden income tax provision, NPAT for the Year 2013 was recorded at Rs. 5.2Bn, a decrease of 14% compared to FY 2012 during which a Tax Provision was not recorded in keeping with the terms of the Company's tax holiday.

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 positive performance dynamics accruing at its subsidiaries, Dialog Television (DTV) and Dialog Broadband Networks (DBN).

Mobile & Adjacent Business

Dialog Axiata PLC, featuring the Mobile, International and Tele-Infrastructure business of the Group, continued to leverage its market leading position within Sri Lanka's mobile sector to capture approximately 1 million subscribers during the course of the year, and record a subscriber base of 8.7 million as at the end of FY 2013. The combine of the Mobile, International and Infrastructure businesses recorded under Dialog Axiata PLC., continued to contribute a major share of Group Revenue (88%) and of Group EBITDA (89%). Revenue at Dialog Axiata PLC for FY 2013 was recorded at Rs. 55.4Bn, up 11% relative to FY 2012. Underpinned by strong revenue performance, Company EBITDA for FY 2013 grew by 9% to be recorded at Rs. 17.6Bn translating to an EBITDA margin of 32%. Company NPBT was recorded at Rs. 7.2Bn, an increase of 70% relative to FY2012. As alluded to in the context of consolidated Group results, the company completed its Tax Holiday as at end FY 2012. Post the provision of Rs. 1.1Bn for income tax (for which there is no comparable charge in FY2012), Company NPAT was recorded at Rs. 6.1Bn, representing a contraction of 2% compared to FY 2012 in nominal terms. Normalising financial statements of FY 2012 and FY 2013 for all exceptional charges and reversals Company NPAT exhibits an increase of 6% YoY.

Digital Pay Television Business

Dialog Television (DTV), the Digital Pay Television business of the Dialog Group continued its positive growth momentum recording YoY revenue growth of 21% to reach Rs. 3.6Bn for FY2013. Revenue growth was under-pinned by robust market performance with DTV's Pay Television Subscriber base growing by 26% YoY to be recorded at 332,000 as at the end of FY2013. DTV EBITDA was recorded at Rs. 662Mn for FY 2013, an improvement of 4% YoY underpinned by strong revenue growth. Net Profit for FY 2013 was recorded at a negative Rs. 302Mn, compared to a Net Profit of Rs. 11Mn in FY 2012 due in the main to a one-off and prudent impairment of transmission equipment and customer premise equipment. Normalising for the said one-off impairment, PAT was recorded at Rs. 28Mn, representing a moderate improvement relative to FY2012.

Fixed Telecommunications and Broadband Business

Dialog Broadband Networks (DBN) featuring the Group's Fixed Telecommunications and Broadband Business recorded revenue of Rs. 5.8Bn for FY 2013, representing an YoY increase of 15%. Revenue growth YoY was achieved in the main through the successful consolidation of Suntel Ltd., supplemented by healthy growth in data and voice solutions revenues. The year under review featured the large scale modernisation of the Company's Fixed Wireless Broadband infrastructure, 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 enable high speed backbone facilities for the Group's 3G HSPA+ and 4G High Speed Broadband technologies. In line with the acceleration of network expansion activities, EBITDA contracted by 12% on a YoY basis due to increases in Spectrum Costs and Network Operating Costs. Forward looking expansion of the Group's Fixed Broadband infrastructure also resulted in a commensurate increase in network depreciation charges and 4G Spectrum amortisation charges. DBN's Net Loss for FY 2013 was recorded at Rs. 483Mn relative to the Net Loss of Rs. 120Mn in FY 2012. We are confident that the long terms investments in Fixed Broadband infrastructure will prove to be fundamental to the Broadband leadership aspirations of the Group, and will deliver increasing returns going forward.

Investing in the Digital Future

The Group's strategy with respect to Capital Investment continued to be calibrated to ongoing and future returns while being closely aligned to the forward looking growth strategies of our multiple businesses. Group capital expenditure for FY 2013 was recorded at Rs. 27.9Bn and included exceptional and one-off strategic investments in intangible assets including Mobile and Fixed 4G spectrum acquisition and license renewals totaling to Rs. 7.1Bn, and representing a substantial 25% of total Group Capital Expenditure.

Strategic investments in spectrum assets featured the acquisition of Spectrum for Mobile 4G-LTE services and the payment of spectrum re-farming fees to enable the conversion of Spectrum amalgamated through the acquisition of Sky TV for the purpose of providing fixed 4G-LTE services. Capital expenditure for FY 2013 additionally included investments made on account of the renewal of Dialog's Mobile license which expired following the completion of a 20 Year term during the course of 2013. Overall, Group capital expenditure was focused on the strategic and long term imperative of securing a poll position in Sri Lanka's High Speed Broadband services market.

Notwithstanding the expansion of capital investments, 25% of which could be regarded as one-off in terms of being invested in long term intangibles, the Dialog Group continues to exhibit a structurally robust balance sheet with the Group's Net debt to EBITDA ratio being maintained at a modest level of 1.29x as at end of FY 2013. The liberal head room in terms of Net Debt to EBITDA, enabled the Group to comfortably fund Capital Expenditure albeit recording a negative Free Cash Flow of Rs. 8.0Bn for FY2013. The Dialog Group continued to maintain a National Long-term Rating of 'AAA(lka)' with a 'stable' outlook issued by Sri Lanka's premier credit rating agency, Fitch Ratings Lanka Ltd. Notwithstanding substantive future focused capital investments, I am happy to note that the Board of Directors has recommended for consideration by Shareholders an aggressive payout ratio of 45% representing a healthy dividend yield of 3.2%.

> "The Minimum Cost of Owning (MCO of) a 'Smartphone' or in the broader context a Smart Device such as a 'Tablet', could be regarded as the single most transformational pivot which could accelerate the onset of a plural digital era."

Sharing Value - A Sustainable Contribution to Nation & Society

During the course of business in 2013, your Company contributed Rs. 6.9Bn in taxes, fees and levies to the Government of Sri Lanka. Further, the Group collected

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Rs. 10.1Bn as indirect taxes on behalf of the GoSL during the past year. As espoused earlier in this report, the Dialog Group also invested a total of Rs. 27.9Bn in Sri Lanka's ICT infrastructure during the course of the year. The cumulative investment of the Dialog Group in Sri Lanka's ICT sector stands at Rs. 160.4Bn (USD 1.63Bn) as at end FY 2013. The Dialog Group continues to be recognised by the Board of Investment (BOI) to be the single largest Foreign Direct Investment (FDI) in Sri Lanka.

Downstream of our internal operations, the Dialog Group paid out in excess of Rs. 4.7Bn to Distributors, Retailers and Agents from across all regions of Sri Lanka and Rs. 7.5Bn to local contractors supporting our development activities. Your Company also provides direct employment to 3,000 people and continues to be the largest employer in the mobile telecommunications sector whilst accounting for over 23% of the Telecommunication sector workforce in Sri Lanka.

Our direct contribution to the Sri Lankan economy as set out above, acts as a catalyst to an explosive economic multiplier resulting from the life enhancing value of multi-faceted connectivity spanning dimensions including but not limited to the plural delivery of communication, learning, commerce and entertainment. The Dialog Group continues to be fortunate in being afforded the honour and privilege of connecting and empowering a major proportion of Sri Lankan citizens and homes. As at the end of FY 2013, Dialog's mobile telecommunication service connects in excess of 8.7Mn citizens from across all provinces of Sri Lanka, while its Fixed Telecommunications and Digital Satellite Television Services reached approximately 477,000 and 332,000 Sri Lankan homes respectively. Our recently seeded Mobile Payment Service eZ Cash which delivers the power of electronic transactions to all segments of Sri Lankan society now supports a subscriber base in excess of 1.2Mn customers and transacted a total of Rs. 5.5Bn during the course of 2103.

Dialog is uniquely placed to leave behind life enhancing impacts on the communities in which it operates, through paradigm-setting advancements in the inclusive application of its products and services. In this respect I would like to thank our strategic partners in Government as well as like-minded Non-Government sectors who have worked with us towards maximising the impact we deliver to the communities in which we operate. These partners include the International Finance Corporation, the GSM Association, and the International Telecommunications Union; the Ministries of Education, Health, Disaster Management, and the Presidential Secretariat; the National Blood Transfusion Centre, the National Institute of Education, and the National Disaster Management Centre.

During the course of 2013 the Dialog Group further bolstered its contribution to Sri Lanka's Education sector and also towards National Sports Development. The Satellite based Nenasa Distance Learning Network was expanded to include a second channel and further more connected its 2,000th School, during the course of 2013. Nenasa is a Gift to the Nation's children from Dialog and is jointly operated by the Ministry of Education, National Institute of Education and the Dialog Group, with a vision of delivering best in class educational content to rural schools across Sri Lanka. The Year 2013 also marked the milestone disbursement of the 500th Dialog Scholarship. The Dialog Scholarship has been in operation since 2003 and rewards top performers at Ordinary and Advanced Level from across all 25 districts of Sri Lanka with ongoing monetary support during their course of advanced studies.

Dialog's strategic thrust with respect to National Sports development saw the foundational efforts of previous years being escalated to the Sponsorship of the National Cricket Team and National Rugby team. In addition to these flagship partnerships, we also bolstered our focus on the development of sports on a plural and nationwide basis. Dialog continued its partnership with the National Volleyball Federation for the 10th Year in succession as the Sponsor of the President's Gold Cup featuring the participation of over 4,000 teams from across all provinces of Sri Lanka. The Company also continued its partnership with the National Football Federation and the similarly inclusive Dialog Champions League for the 7th consecutive year.

While our sustainability ethos as well as our contribution to the nation and community at large is more fully espoused in our Sustainability Report for 2013, I would like to reiterate our commitment to the principal of inclusive development towards which we will leverage our core business levers and capabilities, as well as our philanthropic thrust. Overall, plural and inclusive Digital Empowerment will continue to be central to our sustainability ethos and will represent a relentless drive towards bridging socio-economic divides and asymmetries in access to education, knowledge, information, commerce, health and other fundamental levers of socio-economic development.

In Conclusion

In closing my review of operations, it gives me great satisfaction that during the course of 2013, the Dialog team has been successful in delivering robust financial returns simultaneously with consolidating and growing a leadership position in the emerging digital era. We are also humbled by the voice of Sri Lanka's Telecommunications Consumers who have for the 3rd year in succession named us the People's Chosen leader in the ICT sector. It is this trust, confidence and encouragement of Sri Lankan consumers which underpins the business outcomes of the Dialog Group. My management team joins me in thanking our customers for their valued patronage and loyalty.

Importantly, the outcomes of the Year 2013 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.

Sri Lanka is poised at the cusp of accelerated development arising from the rejuvenation of multiple sectors of the economy. It is our belief that the next generation ICTs and empowering Digital Services, if deployed inclusively, will collectively form a pivotal driver of the nation's development. During the year 2013, the Dialog Group has made several beach head and forward looking investments towards our nation's digital infrastructure, and we look forward with excitement to the digital dividend that would accrue to nation, company and citizen alike in the years ahead.

We are singularly cognizant however of the fact that the accretion of a digital dividend will be predicated on the successful navigation of multifarious evolutionary dynamics arising from the techno-economic transformation of connectivity businesses. This transformation will challenge us to re-examine our cost structures and execution efficacy, refresh our views on competition and collaboration, and build new product and revenue strategies based on the rapidly transforming needs of digital consumers.

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 will continue to ensure that we leave in the wake of our aggressive business growth trajectory, equally aggressive strides in converting the potent potential of inclusive digital empowerment into actualised socio-economic development and tangible and sustainable returns to the stakeholders of the Dialog Group.

Dr. Hans Wijayasuriya

Director/Group Chief Executive

16 May 2014

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, and is a partner in the law firm of Azzat & Izzat, Malaysia.

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

Datuk Azzat graduated from the University of Cambridge, United Kingdom, with degrees in Law and in International Law, and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. He was admitted as an advocate and solicitor of the High Court of Malaya in 1979.

Dr. Hans Wijayasuriya

Group Chief Executive / Non-Independent, Executive Director

Dr. Hans Wijayasuriya was appointed to the Board of Dialog Axiata on 19th January 2001. Dr. Wijayasuriya joined the Company in 1994 as a member of the founding management team of the Company, and has functioned in the capacity of the Chief Executive of Dialog Axiata, since 1997.

Dr. Wijayasuriya serves on the boards of several subsidiaries and associates, locally and internationally of the Dialog Group and Axiata Group respectively. Dr. Wijayasuriya also leads the Digital Services operations of the Axiata Group in the capacity of the Chief Executive Officer of Axiata Digital Services. He also serves on the boards of the Sri Lanka Institute of NanoTechnoloy (SLINTEC) and the Ceylon Petroleum Corporation (CPC).

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 is a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association representing 49 Asia Pacific member countries, and has earned the distinction of being included in the GSM 100 Role of Honour for his contribution to GSM in the Asia Pacific Region. He was a recipient of the CIMA-Janashakthi Business Leader of the Year award in its inaugural year of presentation in 2003, and of the coveted 'Sri Lankan of the Year' award in 2008 presented by Sri Lanka's premier business journal, the Lanka Monthly Digest (LMD).

Mr. Moksevi Prelis

Independent, Non-Executive Director

Mr. Moksevi Prelis was appointed to the Board of Dialog Axiata PLC 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 a Director of the Colombo Stock Exchange Ltd and Sinwa Holdings Ltd, Sri Lanka. He is also a Director of the National Research Council of Sri Lanka.

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

Mr. Mohamed Muhsin

Independent, Non-Executive Director

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

Mr. Muhsin's experience includes working as a Strategic Management Consultant and Director on international corporate and Foundation Boards. Prior to his retirement as the Vice President and Chief Information Officer at the World Bank, Mr. Muhsin was responsible for aligning information technology with the organisation's business strategy. He successfully implemented major reforms in global telecommunications, video conferencing, information management and enterprise business systems, and the work he accomplished is featured in a Harvard Business School Case Study.

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

Mr. Muhsin is a Fellow of The Institute of Chartered Accountants of Sri Lanka.

Board of Directors

Mr. Jayantha Dhanapala

Independent, Non-Executive Director

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

He was a career diplomat in the Sri Lanka Foreign Service and the United Nations (UN). He was the Ambassador of Sri Lanka and the Permanent Representative to the UN in Geneva (1984-87), the Ambassador of Sri Lanka to the USA (1995-97) and UN Under-Secretary-General (1998-2003). He served as a member of the UN University Council for a period of seven years.

Mr. Dhanapala is the current President of the 1995 Nobel Peace Prize-winning Pugwash Conferences on Science and World Affairs and sits on the Governing Board of the Stockholm International Peace Research Institute and advisory boards of other international institutes. He has published several books and written articles for international journals. Mr. Dhanapala was named 'Sri Lankan of the Year 2006' by Sri Lanka's premier business magazine, the Lanka Monthly Digest (LMD). He has also received many international awards.

Mr. Dhanapala holds a Bachelor of Arts (Honours) degree majoring in English Literature with French from the University of Peradeniya Sri Lanka and a Master of Arts degree in International Studies from the American University in Washington DC, USA. He was awarded honorary doctorates by the Universities of Peradeniya and Sabaragamuwa, Sri Lanka, the Monterey Institute of International Studies in the USA, the University of Southampton UK and the Dubna International University in the Russian Federation.

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 is presently the CEO of edotco Group Sdn Bhd, a wholly-owned subsidiary of Axiata. Prior to this, he was the Group Chief Financial Officer 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, CFO of UbiNetics, the 3G technology developer and EVP Finance of Marconi, the UK-based telecom vendor. In the mid 90's he worked in Asia and served as the Finance Director of General Electric Co. of Singapore and prior to this he was the Finance Director of the General Electric Co. of Bangladesh. He currently serves on the boards of a number of international public listed and private limited companies within the Axiata Group.

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

Mr. Mohd Khairil Abdullah

Non-Independent, Non-Executive Director

Mr. Mohd Khairil Abdullah was appointed to the Board of Dialog Axiata on the 19th November 2012.

Mr. Khairil Abdullah is presently the Group Chief Marketing & Operations Officer of Axiata. Prior to Axiata, he was a Partner at Bain & Company, Inc., a leading global management consultancy. He was with Bain for more than 15 years and worked out of various offices in the firm, including San Francisco, Munich, Sydney, Tokyo and Shanghai. He has built a strong track record of helping his clients in the telecommunication and other industries and has achieved major improvements to their strategic positions and operational performance. In 2008, he returned to Southeast Asia to help Bain grow its telecommunication practice in the region based out of Singapore.

Prior to joining Bain, he was an operations consultant at Coopers & Lybrand, Management Consulting Services. He also had a stint running a tech start-up based in Southeast Asia.

Mr. Khairil Abdullah holds a BA (Engineering) and MEng from the University of Cambridge, United Kingdom as well as an MBA from INSEAD, France.

Mr. Darke Mohamed Sani

Non- Independent, Non-Executive Director

Mr. Darke Mohamed 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.

Mr. Darke Sani has had over 25 years' experience both in Malaysia and in the South Asia region, in the telecommunication and IT industries and most recently in leadership development and management consulting. He has held several senior positions in multinational companies and large local companies including as Managing Director of South East Asia and India of Apple Computer, 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 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.

Corporate Management Team

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

Sandra De Zoysa

Group Chief Customer Officer

Sandra joined Dialog in 1997 as a member of the Company's Senior Management Team and is the Group Chief Customer Officer and Chairperson of the customer experience excellence group leadership committee of the Company. She counts over two decades of experience in the mobile telecommunication Industry as a pioneer customer service practitioner.

In 2011, Sandra was honoured with the Industry champion award for Sri Lanka at the Contact Centre World top ranking performers conference & awards ceremony. Sandra also ranked among the Top 10 business women in Sri Lanka on the Echelon Top 50 most powerful women in business. Sandra is an avid speaker at Customer Experience Industry forums internationally and locally and is a visiting Lecturer at the University of Colombo, School of Computing on customer experience and CRM. Sandra is also a founding member and a Director of the board of SLASSCOM, the national IT-BPO chamber.

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 19 years of experience in the Telecommunication industry, he has been a key member of Mobile, Fixed, and Transport network rollouts and many other strategic projects and business initiatives. His extensive experience largely covers Designing, Planning, Implementation, Project Management, and Operations & Maintenance of Telecommunication & IT networks and systems.

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

Corporate Management Team

Jeremy Huxtable

Group Chief Officer - Dialog Enterprise

Jeremy leads the Enterprise Business unit of the Dialog Group, and counts over 15 years senior leadership experience in the telecommunications industry 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 a stint close upon 7 years as the Managing Director of Suntel Ltd. Prior to taking the helm at Suntel in 2005, Jerry 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 and Director for Strategy and Planning at Orange Denmark. Prior to joining Orange, Jerry held the position of Vice President at an internet start-up that was listed on the German Neuer Markdt. Jeremy commenced his management journey in the pharmaceutical industry and later went on to take up numerous senior management positions with DHL in Baharain, Saudi Arabia, UK and Pakistan.

Azwan Khan

Group Chief Operating Officer

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

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

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

Shayam Majeed

Group Chief Officer – Group Commercial and Programme Management

Shayam currently holds the position of Group Chief Officer – Commercial & Programme Management of the Organisation. Shayam's portfolio spans Enterprise Programme Management, Supply Chain Management, Quality Systems & Process Management and Legal & Regulatory 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.

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 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 leads the Marketing and Retail Sales functions of the Dialog Group. A renowned marketing professional and business leader, Amali counts over 20 years in senior management postings in Sri Lanka and overseas. An honours graduate from the University of Colombo, Amali commenced her career at Unilever, where she traversed multiple leadership roles leading to her appointment to the Board of the Company in July 2001. Following a six year tenure as a Board Member of Unilever, Amali transitioned to the Telecommunications sector as the first CEO/ Managing Director, of Bharthi Airtel Lanka Ltd. In her role as a Telco CEO, Amali lead from inception, the establishment of a mobile telecommunication business in Sri Lanka and garnered for the company a significant foothold on a fiercely competitive industry landscape. Amali's extensive General Management experience garnered over a 25 year career in MNC environments spans Marketing, Sales, Customer Service, Organizational Development and Operations.

Anthony Rodrigo

Group Chief Information Officer & Chief Digital Services Officer

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

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

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

Lucy Tan

Group Chief Financial Officer

Lucy joined Dialog Axiata in November 2010 as the Group Chief Financial Officer and manages a portfolio spanning Group Corporate Finance, Treasury, Investor Relations, Financial Operations and Facilities Management. Lucy counts over 25 Years multi-sector experience as a Senior Finance Professional.

Prior to joining Dialog, Lucy was the Financial Controller for Maxis Berhad, Malaysia. Lucy commenced her career with Price Waterhouse, Malaysia before leaving to join Sime Darby Berhad Group where she counted an Eight year tenure, 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

2013 proved to be a challenging year as a result of heightened competition in both Mobile and Data space. Despite these trying market conditions Dialog Group continued to be the undisputed leader in Sri Lanka's Mobile telephony sector and also commandeered leadership positions in International Services, Digital Television and Tele infrastructure services. Consolidation in performance was underpinned by double digit growth in revenue as well as diligent financial discipline and concerted cost management efforts executed throughout all aspects of the business.

Dialog Group's performance is derived from consolidating the performance of Dialog Axiata PLC (the Company) and its subsidiaries Dialog Broadband Networks (Pvt.) Ltd (DBN) and Dialog Television (Pvt.) Ltd (DTV).

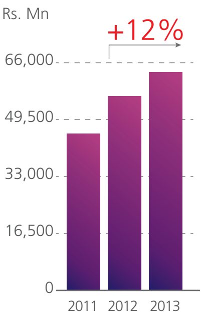
The Group demonstrated a strong revenue growth across Mobile, International, Digital Pay Television, Tele-infrastructure and Fixed Line businesses to record consolidated revenue of Rs. 63.3Bn for FY 2013, significant increase of 12% compared to FY 2012 with Mobile business continuing to be the main contributor to Group revenue.

Group Total cost (excluding depreciation) grew by 15% YoY. The increase was mainly due to higher network cost following the surcharge on electricity tariff as well as the expansion in infrastructure footprint to facilitate data growth.

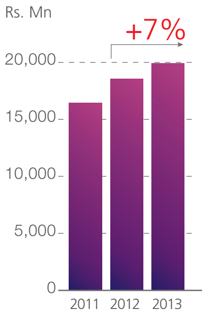
Underpinned by strong revenue performance, Group EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) increased by 7% Year on Year ("YoY") to post at Rs. 19.9Bn. FY 2013 performance is inclusive of recognition of TDC (Telecommunications Development Charge) refund amounting to Rs. 309Mn. Group EBITDA Margin for FY 2013 declined marginally by 1.5 percentage points on YoY basis to 31.5%.

Group Net Profit ("NPAT") for FY 2013 was recorded at Rs. 5.2Bn, a contraction of 14% compared to FY 2012, with NPAT Margin of 8.2%. FY 2013 Group performance is inclusive of a provision for income tax of Rs. 1.1Bn, following the expiry of the Company's 15 year tax holiday as at end of FY 2012, in line with the terms of its Flagship Investor Agreement with the Board of Investment of Sri Lanka.

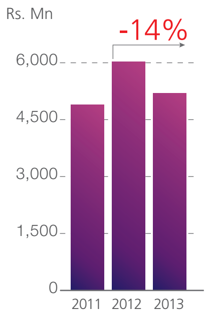
Group Revenue



Group EBITDA



Group PAT

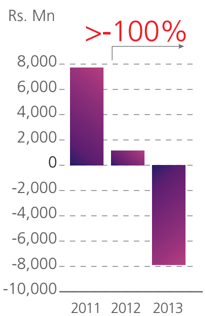


FY 2013 Performance below EBITDA was further impacted by higher depreciation and amortisation charges arising from the expansion in asset base with the increase in network footprint as well as non-cash translational foreign exchange losses amounting to Rs. 731Mn following the depreciation of the SLR relative to the USD by 2.9% YoY. Similarly FY 2012 performance also featured substantial non-cash foreign exchange losses totalling to Rs. 2.2Bn, which were mitigated through the recognition of the reversal of deferred tax provisions amounting to Rs. 2.3Bn. Group NPAT post normalisation for the non-cash foreign exchange loss was recorded at Rs. 5.9Bn for FY 2013, representing a decrease of 5% relative to the FY 2012 on similarly normalised basis.

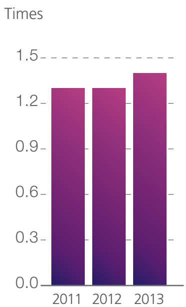
Dialog continued to make aggressive investments in High Speed Broadband Infrastructure and growth capacity to cater for enhanced demand for the multiple ICT services offered. Group capital expenditure for FY 2013 was recorded at Rs. 27.9Bn. Group capital expenditure for FY 2013 included strategic investments in spectrum assets featuring the acquisition of Spectrum for Mobile 4G-LTE services and the payment of spectrum re-farming fees to enable the conversion of Spectrum amalgamated through the acquisition of Sky TV for the purpose of providing fixed 4G-LTE services. Further capital expenditure for FY 2013 included investments made on account of Mobile license and 2G spectrum renewals. Accordingly 25% of Capital expenditure for FY 2013 has been spent on intangibles relating to spectrum acquisition and license renewal.

In line with the significantly higher capital expenditure, the Group recorded a negative Free Cash Flow of Rs. 8.0Bn for FY 2013. Notwithstanding the expansion of capital investments, the Dialog Group continues to exhibit a structurally robust balance sheet with the Group's Gross debt to EBITDA as at end of FY 2013 being maintained at a modest level of 1.39x compared to 1.29x as at end of FY 2012.

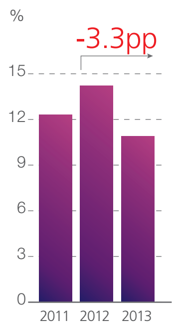
Group Free Cash Flow



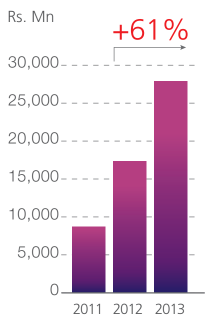
Group Gross Debt to EBITDA



ROIC



Capex



Business and Financial Review

Group Financial Indicators

Rs. Mn.	2013	2012	YoY%
Revenue	63,298	56,345	12%
EBITDA[1]	19,917	18,554	7%
NPAT	5,194	6,021	-14%
Capex	27,915	17,342	61%
Free Cash Flows (FCF)[2]	-7,998	1,212	>-100%

Group Financial Ratios

	2013	2012	YoY
EBITDA margin	31.5%	32.9%	-1.5pp
NPAT margin	8.2%	10.7%	-2.5pp
Capex to revenue	44.1%	30.8%	13.3pp
FCF to revenue	-12.6%	2.21%	-14.8pp
ROIC[3]	10.9%	14.2%	-3.3pp
Debt/Equity ratio	0.69	0.64	0.05

1 EBITDA - Earnings before interest, taxation, depreciation and amortisation

2 FCF - EBITDA - Capex

3 ROIC - EBIT after tax divided by average invested capital

4 Tax - Tax excluding deferred taxation

Dialog Axiata PLC– Business Overview

The operations of Dialog Axiata PLC include Mobile, International, Tele-infrastructure and Digital Service businesses.

Being the undisputed leader of the highly-competitive mobile telecommunication sector, Dialog fortified its position during 2013 with a further one percentage point increase in market share. Mobile customers being served by the Company increased to 8.7Mn from 7.7Mn the previous year.

The Company strengthened its geographical reach by increasing the number of base stations by 12% during the year.

Mobile penetration in the country recorded at 98.8%. However, when the impact of multiple connections used by the same individual is factored in, the real mobile telephony penetration is lower and poses an opportunity for further growth.

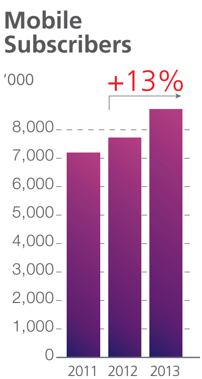
Despite fierce competition, Dialog sustained its ARPU YoY. The Company envisions significant potential for revenue enhancement from the existing customer base of 8.7Mn via market offerings in both core business and adjacencies arising with evolving consumer behaviour.

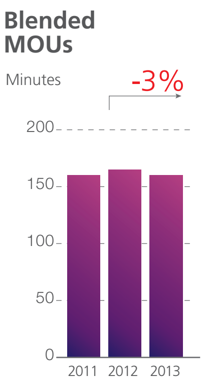
Dialog continued to revolutionise the telecommunications market in the country instilling world-class user experience. In partnership with Global Payments Asia-Pacific Limited, Dialog launched an innovative mobile payment solution that turns a smartphone or tablet into a mobile point-of-sale (mPOS) terminal, the first of its kind in Sri Lanka. This award-winning mobile payment solution enables merchants to accept card payments beyond a counter-top sales environment to wherever business takes them within Sri Lanka. Moreover, Dialog expanded its Near Field Communication (NFC) service portfolio to public transportation by introducing the island's first electronic travel card branded the Touch Travel Pass which allows bus commuters the convenience of cashless payments.

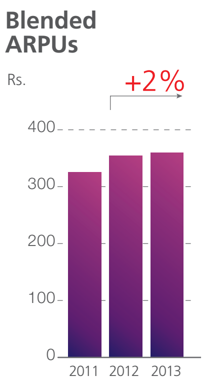
The High-speed mobile broadband service sector demonstrates substantial growth potential considering the relatively low penetration level in the country.

Mobile Broadband subscriber base grew by an astounding 96% during the year, reflecting the traction gained by the Company in the broadband sphere.

Dialog secured a 10 MHz tranche of Mobile 4G-LTE Spectrum auctioned by the Telecommunications Regulatory Commission of Sri Lanka and commenced







Business and Financial Review

Mobile 4G-LTE services. This registered yet another regional first for Dialog, as South Asia's First Mobile FD-LTE service and elevated Dialog's High-Speed Mobile Internet services to further heights. Moreover, the Company upgraded its 3G network to HSPA+ and augmented backhaul to cater to exponential growth in data usage. The Company also expanded the number of 3G and Mobile 4G-LTE base stations by 25 percent YoY, accommodating broadband users around the country.

Dialog also entered into an agreement with the Bay of Bengal Gateway (BBG) Consortium to land a high capacity submarine cable at a Cable Landing Station located in Colombo. This investment in the new high speed submarine cable will trigger the single largest infusion of International Bandwidth to Sri Lanka to date.

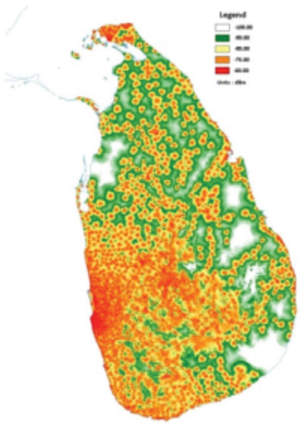


Figure i : 2G coverage

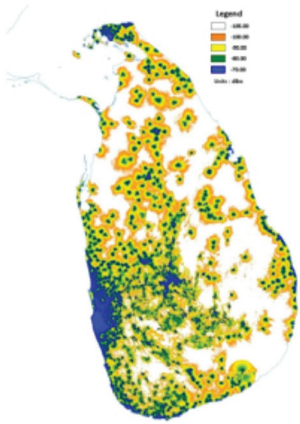


Figure ii : 3G coverage

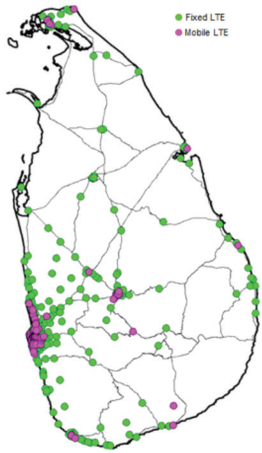


Figure iii: Fastest Expanding LTE Network

Delivering on its commitment to enrich Sri Lankan lives with affordable technology, the Company launched a series of Dialog branded handsets. Dialog became the first mobile operator in Sri Lanka to launch an operator branded handset. The Company believes that this initiative will help drive smartphone penetration in the country.

Dialog was appointed the first and only Authorised Partner and Service Provider for Apple iPhone in Sri Lanka. Accordingly, Dialog's Mobile 4G-LTE has become the only network in the country which enables Apple iPhones to get connected on 4G mode.

Dialog's international roaming network services continued its growth trajectory by reinforcing its presence beyond borders collaborating with 600 operators in 217 countries around the globe. The Company enabled its customers with connectivity at all times, home and away, by expanding 3G, GPRS and pre-paid roaming destinations to 132, 176 and 124 countries and territories respectively.

For the first time in South Asia, Dialog launched LTE Roaming services with MobileOne (M1) Singapore in July 2013. With this service, Dialog roaming customers are able to enjoy high-speed data services akin to which they are currently experiencing in Sri Lanka. The initial foray was followed with expanding services with operators in South Korea, Canada, Hong Kong and Kingdom of Saudi Arabia (KSA).

The Company also enabled post-paid customers to activate Roaming services on their connection through the USSD-based self-care channel.

Dialog expanded its program to cover migrant workers travelling to Qatar, Jordan and Oman in 2013. With this expansion, migrant workers leaving to United Arab Emirates, KSA, Qatar, Jordan and Oman and their friends and family can now enjoy the best calling rates and a number of value added services.

Dialog aspires to become the leader in Sri Lanka's growing digital services industry. Strengthening its digital footprint in the education territory Dialog re-launched the online education portal Guru.lk mainly targeting school curriculum and vocational training.

Expanding its novel offerings in the digital-commerce space the Company launched SMS Vouchers enabling customers to purchase vouchers of numerous merchants through mobile phones.

DTI, the Company's infrastructure arm continued to offer passive infrastructure (tower and ground space) as well as microwave and fiber optic transmission capacity to telecommunication operators and broadcasters. In view of providing high capacity and reliable backhaul transmission services, Dialog expanded its optical fibre network distance by 48% connecting cities around the country.

DTI continues to be in the forefront of active and passive telecommunication infrastructure service providers in Sri Lanka serving the Group's vision of augmenting the core business revenue streams by alternative revenue streams.

Business and Financial Review

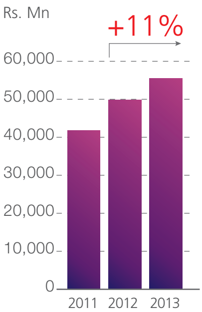
Financial Review

The Company continue to leverage on its position as the undisputed market leader to record a strong 11% YoY increase in revenue with FY 2013 revenue being recorded at Rs. 55.4Bn.

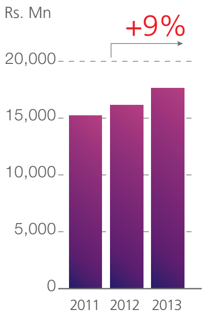
Aided by strong revenue performance Company EBITDA for FY 2013 grew by 9% to be recorded at Rs. 17.6Bn translating to an EBITDA margin of 32%.

Company NPAT for FY 2013 was recorded at Rs. 6.1Bn, representing a contraction of 2% compared to FY 2012, mainly due to the tax provision on the Company completing its tax holiday as at end FY 2012. On normalised basis, Company NPAT increased by 6% on YoY basis relative to FY 2012.

Revenue



EBITDA



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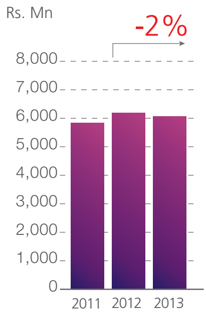


Dialog Broadband Networks – Business Overview

DBN is a strong contender in the Fixed Telecommunication market of Sri Lanka offering multiple services to individuals and corporate clients including Fixed Telephony, Broadband Internet, converged ICT Solutions, VoIP, Hosted PABX offerings and Data Communication.

DBN's subscriber base stood at 477,000 at the end of 2013. Further, DBN fortified its presence in the enterprise sector by being the trusted partner for providing seamless connectivity solutions to enterprises.

Being the pioneer in launching Fixed 4G-LTE technology in the country, DBN expanded its high-speed wireless broadband technology to most of the towns throughout the country. DBN increased its spectrum resources in the 2.3GHz spectrum band by acquiring and amalgamating Sky Television and Radio Network. The enhanced spectrum resources made available with the amalgamation will enable DBN to enhance its Fixed 4G-LTE services in terms of capacity, burst speeds and bandwidth delivered to Sri Lankan homes and enterprises.

Dialog was the official Wi-Fi provider for the delegates of 2013 Commonwealth Heads of Government Meeting (CHOGM). Dialog operates Sri Lanka's largest Wi-Fi network with over 2,500 hotspots spanning hotels, restaurants, educational institutes, hospitals and other public locations.

Business and Financial Review

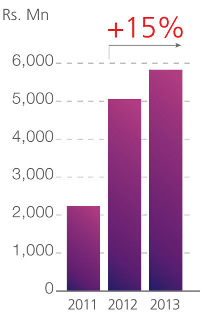
Financial Review

DBN recorded a revenue of Rs. 5.8Bn for FY 2013, representing a YoY increase of 15%. Revenue growth was achieved by 29% YoY increase in voice solutions revenue and 23% YoY increase in broadband revenue, in the wake of DBN launching the country's first fixed 4G-LTE service in December 2012.

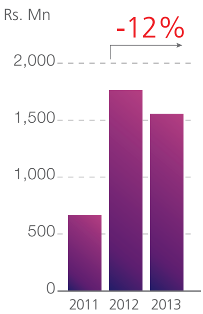
Despite the strong growth in revenue, EBITDA contracted by 12% on a YoY basis due to increases in network cost and frequency fees arising from fixed LTE deployment.

Accordingly, DBN's Net Loss for FY 2013 was recorded at Rs. 483Mn relative to the Net Loss of Rs. 120Mn in FY 2012. Negative NPAT performance is attributed to additional depreciation charges accruing from the network expansion pertaining to Fixed 4G-LTE and the amortisation of spectrum license fees associated with Fixed 4G-LTE spectrum assets.

Revenue



EBITDA



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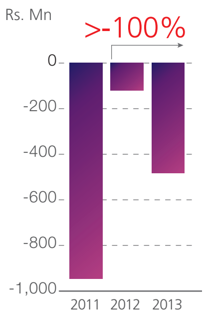
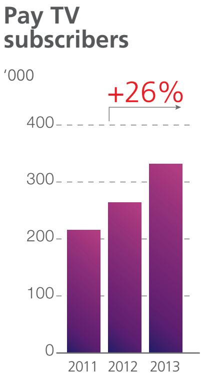


Dialog Television – Business Overview



The Group's Pay Television business Dialog Television (DTV) is the only licensed Direct-to-Home (DTH) satellite service provider operating in Sri Lanka with island wide coverage. It caters the diverse infotainment needs of 332,000 households in the country with an estimated market share of 76%.

DTV's product offerings include an extensive assortment of more than 80 Standard Definition and High Definition (HD) channels including CNN, Star, HBO, Cinemax, AXN, Ten Sports, Discovery HD, Star Movies HD, Nat Geo HD and a bouquet of local content.

The total active subscriber base of DTV grew by 26% YoY, demonstrating substantial future prospects in relatively underpenetrated Sri Lankan Pay TV market, which is currently estimated to be lower than 10%.

DTV is upgrading the customer premises infrastructure from MPEG-2 to MPEG-4 in the view of enhancing the visual quality and offering more channels to its customers.

'Per Day TV', yet another pioneering product launched in the view of making Pay TV affordable to majority of Sri Lankans received unprecedented acceptance during the first year of operation. This product offers packages starting from Rs. 3 per day, stimulating a faster Pay TV penetration in the country.

Nenasa TV, the digital satellite television based Distance Learning Network architected by the Ministry of Education, National Institute of Education and Dialog Axiata, to bridge education enablement gaps between urban and rural Sri Lanka achieved a significant milestone in connecting its 2,000th school under the programme. Also two new channels were launched covering the National Curricula of Grade 10 and Grade 11 respectively.

Business and Financial Review

Financial Review

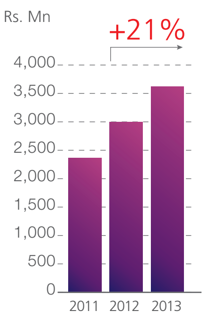
DTV consolidated its growth momentum gained over previous years to record revenue of Rs. 3.6Bn for FY 2013 representing a growth of 21% relative to FY 2012. Strong revenue increase was driven by the growth in subscription revenue as well as higher connection fees arising from the increase in subscriber base. Revenue comprises initial connection fees, subscription rentals and revenues from advertising and miscellaneous services.

DTV's subscribers surpassed the 300,000 milestone during 3rd Quarter of FY 2013 and reached a base of 332,000 subscribers as at end FY 2013.

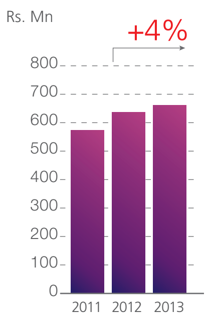
In FY 2013 DTV witnessed an increase in its cost base arising from enhancements made to service offering, including but not limited to the launch of HD services, expansion of channel genres and the launch of prepaid services. Despite the growth in costs, YoY EBITDA grew by 4% to record at Rs. 662Mn for FY 2013, underpinned by the significant revenue increase.

Net Profit for FY 2013 was recorded at negative Rs. 302Mn, compared to a Net Profit of Rs. 11Mn in FY 2012, as a result of one-off prudent impairment of transmission equipment and customer premises equipment assets. Normalised for the said impairment, NPAT was recorded at Rs. 28Mn.

Revenue



EBITDA



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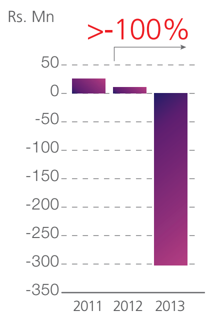


Corporate Governance Report

Introduction

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

The Board confirms that the Company is compliant with the requirements stipulated in the Code, the Rules on Corporate Governance contained in the Listing Rules of the 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 2013.

1. THE BOARD

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

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

The composition of Board of Directors as at 31 December 2013, were as follows-

Name of Director	Date of Appointment to the Board	Position
Datuk Azzat Kamaludin	21 July 2008	Chairman
Dr. Hans Wijayasuriya	19 January 2001	Group Chief Executive Officer/Director
Mr. Moksevi Prelis	15 September 2004	Independent, Non-Executive Director
Mr. Mohamed Muhsin	14 June 2006	Independent, Non-Executive Director
Mr. Jayantha Dhanapala	3 August 2007	Independent, Non-Executive Director
Dato' Sri Jamaludin Ibrahim*	23 March 2011	Non-Executive Director
Mr. James Maclaurin	10 May 2011	Non-Executive Director
Mr. Mohd Khairil Abdullah	19 November 2012	Non-Executive Director

Table 1 – Composition of the Board

* Resigned with effect from 8 February 2014.

Corporate Governance Report

The profiles of each Director are found on pages 14 to 18 of this Report.

- **Composition of the Board and balance**

As at 31st December 2013, the Board comprised of 08 directors, of which 07 are non-executive directors and 01 is an executive director, who is also the Group Chief Executive Officer. 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 two qualified Chartered Accountants who provide the Board with the requisite financial acumen and knowledge on financial matters.

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

- **Board Independence**

Based on the Declarations made annually by each of the non-executive directors in accordance with the requirements set out in the Listing Rules of the CSE, Mr. Mohamed Muhsin and Mr. Jayantha Dhanapala are considered independent. Further, notwithstanding that Mr. Moksevi Prelis has completed more than 9 consecutive years, the Board considers him 'independent' given his objective and unbiased approach to matters of the Board. These directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their judgment.

The Board considers the other 04 non-executive directors, namely Datuk Azzat Kamaludin, Dato' Sri Jamaludin Ibrahim, Mr. James Maclaurin and Mr. Mohd Khairil Abdullah 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 06 meetings were held in 2013, which included 02 special meetings. The attendance of directors at these meetings is set out in the table below:

Name of Director	Attendance
Datuk Azzat Kamaludin	6/6
Dr. Hans Wijayasuriya	6/6
Mr. Moksevi Prelis	6/6
Mr. Mohamed Muhsin	6/6
Mr. Jayantha Dhanapala	6/6
Dato' Sri Jamaludin Ibrahim	5/6
Mr. James Maclaurin	5/6
Mr. Mohd Khairil Abdullah	6/6

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 NRC is responsible for evaluating the Board's performance and the Board's performance evaluation was carried out in 2013.

- **Delegation of Authority and Board Committees**

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

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

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

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

Corporate Governance Report

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 page 40 - 42.

b) Nominating and Remuneration Committee

The role of the Nominating and Remuneration Committee (NRC) is to identify, consider and propose suitable candidates for appointment as directors and to formulate, review, approve and make recommendations to the Board with regard to the remuneration of the executive and non-executive directors and key positions within the Senior Management.

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

The NRC also ensures that it receives quarterly updates from the Group HR Division on staff related matters.

As at 31st December 2013, the NRC comprised of 03 non-executive directors, namely Datuk Azzat Kamaludin (Chairman), Mr. Mohamed Muhsin and Mr. Jayantha Dhanapala was appointed to the NRC in place of Mr. Moksevi Prelis effective 6th December 2013.

The NRC held 04 meetings during the financial year ended 31 December 2013 and the attendance at these meetings is set out below.

Name of Director	Attendance
Datuk Azzat Kamaludin (Chairman)	4/4
Mr. Moksevi Prelis*	4/4
Mr. Mohamed Muhsin	4/4

Table 3 –NRC meeting Attendance

* Resigned as a member w.e.f. 6 December 2013

c) Group Executive Committee

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

The EXCOM comprises of 04 representatives of the Board, namely Mr. James Maclaurin (Chairman), Mr. Mohd Khairil Abdullah, Mr. Mohamed Muhsin and Dr. Hans Wijayasuriya and 03 ex-officio members who are drawn from the membership of the Senior Management of Dialog and Axiata.

The EXCOM held 03 meetings during the financial year ended 31 December 2013.

The above Board committees are supported by a comprehensive and effective internal governance structure, consisting of the Group Senior Management Committee (GSMC), headed by the GCEO, to oversee the overall operations of the Group. Reporting to the GSMC are Group Leadership Committees that oversee the effective management of core functional areas and are headed by senior management members heading the respective functional area.

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

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

The director retiring by rotation and eligible for re-election this year are mentioned in the Notice of the AGM on page 126.

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 2013.

The remuneration of the executive director, in his capacity of an employee, comprises of a salary, bonuses, share options and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Company. Further the performance-related elements of remuneration have been designed to align the interests of the executive director with those of shareholders and link rewards to corporate and individual performance. Thus the variable component of the executive director's remuneration is based on the achievement of two dimensions – company performance against company targets and individual performance against a pre-determined set of Key Performance Indicators (KPI). These 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 LKR 67.93Mn was paid to the Directors as emoluments for the financial year 2013.

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 Chief Financial Officer ("CFO") 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 CEO and CFO provide the BAC with a certificate of compliance confirming compliance with all applicable statutory and regulatory requirements on a quarterly basis.

Corporate Governance Report

- **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 organisation, 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 same to the BAC and Board on a periodic basis or as and when a significant risk arises.

- **Internal Audit**

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

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

In order to ensure independence, objectivity and enhance performance of the internal audit function, a direct reporting line has been created from the internal audit function to the BAC. The BAC recommends to the Board the appointment and dismissal of the Group Chief Internal Auditor. The activities of the Group's internal audit are detailed in the BAC Report on pages 41 - 42.

5. RESPONSIBLE DECISION-MAKING

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

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

6. RESPECT FOR THE RIGHTS OF SHAREHOLDERS

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

- **Communication with shareholders**

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

1. Annual General Meeting

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

2. Announcements to the Colombo Stock Exchange

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

3. Media Releases

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

4. Company website

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

- **Investor Relations**

The Group Investor Relations (IR) Unit proactively disseminates relevant information about the Company to the investor community, specifically the institutional fund managers and analysts. The IR unit maintains close contact with the investor community by means of road shows, company visits, one-on-one meetings, teleconferences and emails etc to ensure that the Group's strategies, operational activities and financial performance are well understood and that such information is made available to them in a timely manner.

In the year 2013, the Company actively participated in 04 overseas investor conferences held in India, the U.S.A., Malaysia and Hong Kong. The Company also took part in a local forum for clients of reputed global financial services institutions. In addition the Company has conducted one-on-one meetings and conference calls with key local and foreign investors on a regular basis.

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

- **Major Transactions**

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

Report of the Board Audit Committee

Role of the Committee

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

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

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 composition meets the requirements stipulated in the Listing Rules of the CSE. The Board Secretary functions as the Secretary to the BAC.

Mr. Moksevi Prelis and Mr. James Maclaurin resigned from the BAC with effect from 05th December 2013. The BAC wishes to place on record its appreciation to Mr. Moksevi Prelis and Mr. James Maclaurin for their valued contribution.

The members of the BAC as at 31 December 2013 were:

1. Mr. Mohamed Muhsin - Independent Non-Executive Director (Chairman)
2. Mr. Jayantha Dhanapala - Independent Non-Executive Director
3. Mr. Mohd Khairil Abdullah - Non-Independent Non-Executive Director

Meetings

The BAC had six meetings during the year 2013 which includes two special meetings. The meeting attendance of the members is given as follows:-

Name of Member	Attendance
Mr. Mohamed Muhsin - Chairman	6/6
Mr. Moksevi Prelis (Resigned w.e.f. 5 December 2013)	6/6
Mr. Jayantha Dhanapala	6/6
Mr. James Maclaurin (Resigned w.e.f. 5 December 2013)	3/6
Mr. Mohd Khairil Abdullah	6/6

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

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

Summary of Principal Activities of the BAC During the year

During the year, besides complying with the ToR, the BAC reviewed risks, control issues and legal risks of emerging businesses and also gave special attention to the progress of the introduction of new information management systems and disaster recovery strategy and implementation.

The following include other key activities carried out by the BAC during 2013:

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 2014.

Internal Audit

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

Report of the Board Audit Committee

detailing control issues and recommendations are reviewed by the BAC and follow up actions in regard to past and present recommendations are monitored.

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

In addition, an external quality assurance review on the Dialog Group Internal Audit Division was carried out by the Institute of Internal Auditors Malaysia ("IIA Malaysia") to assess the efficiency and effectiveness of the internal audit activity and its conformance with the International Standards for the Professional Practice of Internal Auditing (Standards) of the IIA. The result of the review indicated that the Dialog Group Internal Audit Division is in full conformance of the standards and was awarded the "Generally Conform" opinion.

Conclusion

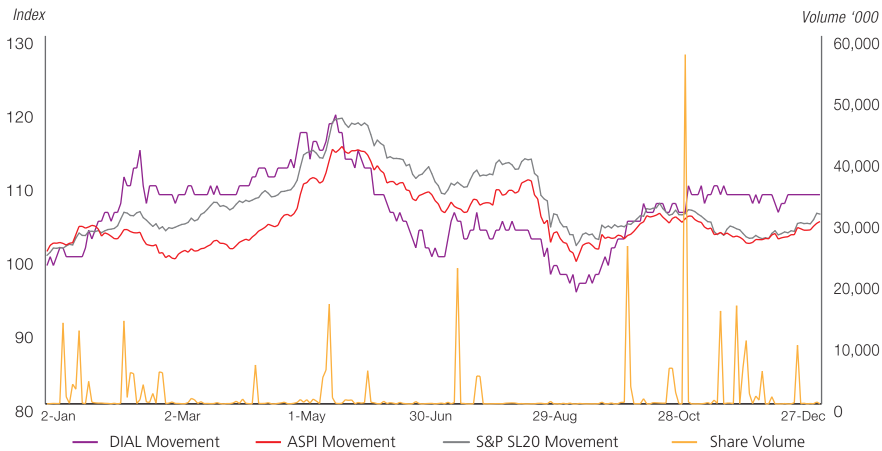
The BAC is satisfied that the Group's accounting policies, internal controls and risk management processes are adequate to provide reasonable assurance that the financial affairs of the Group are managed in accordance with Group policies and accepted accounting standards.

On behalf of the Board Audit Committee.

Mohamed Muhsin, FCA
Chairman, Board Audit Committee

16 May 2014

DIAL Share Information



The DIAL Share

The Colombo Stock Exchange ended the year 2013 on a positive note after two consecutive years of negative returns. ASPI recorded an increase of 4.8% while the newly introduced S&P SL20 index recorded an increase of 5.8%. The market shows signs of rapid increase till the end of 1H 2013 but started to slow down thereafter mainly due to lack of institutional interest and the uncertainty associated with talks of the US trimming down the stimulus programme. However the steep decline in the interest rates towards the end of the year kept the market on positive terrain.DIAL share started the year at Rs. 8.30 and traded between a high of Rs. 9.90 and a low of Rs. 7.90 to close the year at Rs. 9.00. The share price increased by 8.4% compared to 2012. DIAL share outperformed both the ASPI and S&P SL20. Improved performance during the year has translated into positive performance of the share.

Market Capitalisation

The total market capitalisation of the Company increased by 8.4% to Rs. 73.29Bn during the year compared to Rs. 67.59Bn in FY 2012, 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.

DIAL Share Information

	2013	Q4	Q3	Q2	Q1	2012
Share Information						
Highest Price (Rs)	9.90	9.20	8.80	9.90	9.50	9.40
Lowest Price (Rs)	7.90	8.50	7.90	8.30	8.10	5.10
Closing Price (Rs)	9.00	9.00	8.50	8.60	9.00	8.30
Trading Statistics						
Number of Trades'000	7.6	1.4	1.2	2.7	2.2	11.3
% of Total Market Trades	0.5	0.4	0.4	0.5	0.7	0.6
Number of shares traded (mn)	338	171	35	50	82	255
% of Total Shares Traded	3.7	5.8	1.8	2.2	4.2	2.6
% of Public float	28.2	14.2	2.9	4.2	6.8	21.2
Turnover (Rs mn)	3,035	1,529	309	474	723	1,837
Avg. Daily Turnover (Rs mn)	12.5	24.7	5.0	7.8	12.7	7.6
% of Total Market Turnover	1.5	3.5	0.8	0.8	1.3	0.9
Market Capitalisation (Rs mn)	73,294	73,294	69,222	70,036	73,294	67,593
% of Total Market Capitalisation	3.0	3.0	2.9	3.0	3.3	3.1

Table 1: Market information on DIAL share

Dividends

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

The Board has resolved to propose for consideration by the shareholders of the Company, a cash dividend to ordinary shareholders of twenty nine cents (Rs.0.29) for the FY 2013. This translates to a dividend payout amounting to 45% of Group PAT.

The total dividend proposed in FY 2013 is Rs. 2.36Bn compared to Rs. 2.69Bn declared and paid out for the FY 2012, representing a decrease of 12%.

Total shareholder returns

The Total Shareholder Returns (TSR) of the share was 12.4% in 2013 as a result of the 8.4% increase in the share price and the dividend per share of Rs. 0.33 paid during the year. The Market TSR (based on ASPI) increased by 7.8% in 2013, while TSR based on S&P SL20 increased by 9.3%.

Earnings per share

The basic earnings per share (EPS) for the year was Rs. 0.65 compared to the EPS of Rs. 0.76 recorded in FY 2012 a decrease of 14% 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 and excluding ordinary shares held by the Employee Share Option Trust.

Price Earnings Ratio

DIAL share was trading at 13.8 times earnings as at 31 December 2013 compared to 11.1 times as at 31 December 2012 due to the EPS registering a decline while the share price witnessed an increase. Consequently, DIAL share was trading at a lower earnings multiple to the market, which was recorded at 15.9 times as at 31 December 2013.

	2013	2012	2011
Market cap (Rs. Bn)	73.3	67.6	63.5
Market value added (Rs. Bn)	6	4	32
Enterprise value (Rs. Bn)	99	83	76
EV/EBITDA (X)	5.0	4.5	4.6
Basic EPS (Rs)	0.65	0.76	0.61
PER (X)	13.8	11.1	12.8
Price to book (X)	1.8	1.8	1.9
Dividend yield (%)	3.2	4.0	3.2
Dividend payout ratio (%)	45	45	39

Table 2: Trading Multiples

Return on Equity and Return on Invested Capital

The Return on Equity (ROE) for the Group decreased to 13.1% in 2013 from 16.2% in 2012. Return on Invested Capital (ROIC) for the Group declined to 10.9% in 2013 from 14.2% in 2012.

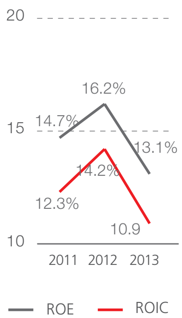


Figure 3: Return on Equity and Return on Invested Capital

Price to Book Ratio

The price to book ratio of the Group as at 31 December 2013 was 1.8 times, same as the previous year.

Composition of Shareholders

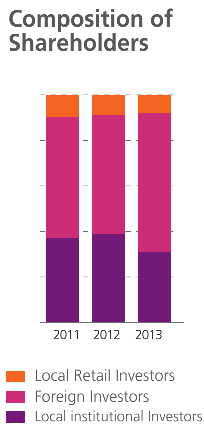


Figure 4: Trend in Composition of Shareholders

The total number of Shareholders of DIAL decreased to 21,344 as at 31 December 2013 compared to 22,194 during the previous year.

The public float of DIAL remained at 14.73% as at 31 December 2013. In terms of composition of the public float, foreign investors held 61% of the float, 31% was held by local institutional investors and 8% by local retail investors.

2013 witnessed renewed foreign investor interest in DIAL, accordingly foreign investor composition increased to 61% in 2013 compared to 52% in the previous year.

DIAL Share Information

Distribution of Shareholders

	31st December 2013				31st December 2012			
	No. of Share-holders	%	No. of Shares Held	%	No. of Share-holders	%	No. of Shares Held	%
1 to 1,000	10,611	49.71	5,601,013	0.07	6,802	30.65	1,856,023	0.02
1,001 to 10,000	9,548	44.73	23,349,680	0.29	13,835	62.34	26,915,630	0.33
10,001 to 100,000	958	4.49	28,416,398	0.35	1,274	5.74	31,856,277	0.39
100,001 to 1,000,000	157	0.74	48,513,310	0.59	210	0.95	53,520,961	0.66
Over 1,000,000	70	0.33	8,037,898,004	98.70	73	0.33	8,029,629,514	98.60
Total	21,344	100.00	8,143,778,405	100.00	22,194	100.00	8,143,778,405	100.00

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

Table 3: Distribution of Shareholders

	Name of Shareholder	No. of Shares As at 31-Dec-13	% of Holding	No. of Shares As at 31-Dec-12	% of Holding
1	Axiata Investments (Labuan) Limited	6,785,252,765	83.32%	6,785,252,765	83.32%
2	Employees Provident Fund	213,735,588	2.62%	177,463,109	2.18%
3	HSBC-BBH Genesis Smaller Companies	181,660,558	2.23%	191,221,640	2.35%
4	Dialog Axiata Employees ESOS Trust	158,572,462	1.95%	158,572,462	1.95%
5	HSBC International Nominees Ltd - Morgan Stanley and Co INTL PLC - Own A/C	92,592,958	1.14%	74,129,958	0.91%
6	CB NY S/A - International Finance Corporation	64,086,800	0.79%	64,086,800	0.79%
7	HSBC INTL Nominees Ltd - JPMCB Scottish ORL SML TR GTI 6018	62,823,900	0.77%	32,207,500	0.40%
8	HSBC-BBH-Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.68%	55,345,900	0.68%
9	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	51,154,800	0.63%	-	-
10	BNY-CF Ruffer Investment Funds : Cf Ruffer Pacific Fund	44,314,300	0.54%	44,314,300	0.54%
11	HSBC INTL Nom Limited - SSBT - National Westminister bank plc as depositary of first state Asia pacific fund a sub fund of first state investments ICVC	43,473,700	0.53%	-	-
12	Associated Electrical Corporation Limited	24,950,600	0.31%	24,450,600	0.30%
13	Northern Trust Co S/A Prince Street Oppertunities Ltd.	22,000,000	0.27%	-	-
14	Nothern Trust Co S/A EDGBASTON Asian Equity Trust	20,255,349	0.25%	3,924,030	0.05%
15	Mellon Bank N.A. - UPS Group Trust	18,880,000	0.23%	18,880,000	0.23%
16	Deutsche Bank AG - National Equity Fund	15,012,327	0.18%	-	-
17	Sri Lanka Insurance Corporation Ltd - Life Fund	12,572,823	0.15%	74,585,920	0.92%
18	Seylan Bank PLC - A/c No. 3	12,459,100	0.15%	17,459,100	0.21%
19	Mercantile Investments and Finance PLC	11,000,000	0.14%	11,000,000	0.14%
20	MAS Capital (Private) Limited	8,450,977	0.10%	8,450,977	0.10%

Table 4: Twenty Largest Shareholders

Financial Statements

Annual Report of the Board of Directors for the year ended 31 December 2013

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 2013 as set out on pages 56 to 120.

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 ("Companies Act") 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 of 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, the Company was re-registered on 19 July 2007 and was accordingly renamed as Dialog Telekom PLC and bears registration number PQ38. 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.

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.

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 2013 are set out on pages 56 to 120.

Independent Auditor's Report

The Independent auditor's report is set out on page 55.

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 61 to 79.

Statement of Directors' Responsibility

The Directors are responsible for preparing and presenting the financial statements of the Company and the Group to reflect a true and fair view of the state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of Sri Lanka Accounting Standards, the Companies Act, and the Listing Rules of the Colombo Stock Exchange. The detail statement of Directors' responsibility is included in page 54.

Review of Business

The state of affairs of the Company and the Group as at 31 December 2013 is set out in the statements of financial position on page 56. An assessment of the financial performance of the Company and the Group is set out in the statements of comprehensive income on page 57.

Property, Plant and Equipment

The movements in property, plant and equipment during the year are set out in note 7 to the financial statements.

Market Value of Properties

The Directors are of the view that the carrying values of properties stated in note 7 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 58 to 59 to the financial statements.

Dividends

The Board of Directors has recommended a tax -free final dividend of Rs. 0.29 per share amounting to Rs. 2,361,695,737 (2012 – Rs. 0.33 per share amounting to Rs. 2,687,446,874), subject to the approval of the shareholders at the Annual General Meeting.

Substantial Shareholdings

The parent company, Axiata Investments (Labuan) Limited, held 83.32 percent of the ordinary shares in issue of the Company at 31 December 2013. The main shareholders of the Company and the corresponding holding percentages are set out below:

Annual Report of the Board of Directors for the year ended 31 December 2013

Substantial Shareholdings (Contd.)

	Name of Shareholders	2013 No. of Shares	2013 % Holding	2012 No. of Shares	2012 % Holding
1	Axiata Investments (Labuan) Limited	6,785,252,765	83.32%	6,785,252,765	83.32%
2	Employees Provident Fund	213,735,588	2.62%	177,463,109	2.18%
3	HSBC INTL NOM LIMITED-BBH Genesis Smaller Companies	181,660,558	2.23%	191,221,640	2.35%
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5	HSBC International Nominees Limited Morgan Stanley and INTL PLC own - A/C	92,592,958	1.14%	74,129,958	0.91%
6	CB NY S/A International Finance Corporation	64,086,800	0.79%	64,086,800	0.79%
7	HSBC INTL Nominees Limited - JPMCB Scottish ORL SML TR GTI 6018	62,823,900	0.77%	32,207,500	0.40%
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-National Westminster Bank PLC as depositary of first state Indian subcontinent fund a sub fund of first state investments ICVC	51,154,800	0.63%	-	-
10	BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	44,314,300	0.54%	44,314,300	0.54%

At 31 December 2013, the public held 14.73 percent (2012 - 14.73 percent) of the ordinary shares in issue of the Company.

Directors

The Directors of the Company as at 31 December 2013 were;

Datuk Azzat Kamaludin (Chairman)
Dr. Hansa Wijayasuriya (Group Chief Executive Officer)
Mr. Moksevi Prelis
Mr. Mohamed Muhsin
Mr. Jayantha Dhanapala
Dato' Sri Jamaludin Ibrahim (Resigned w.e.f. 8 February 2014)
Mr. James Maclaurin
Mr. Mohd Khairil Abdullah

Dato' Sri Jamaludin Ibrahim resigned and Mr. Darke Mohamed Sani was appointed to the Board in place thereof with effect from 8 February 2014. As Mr. Darke Mohamed Sani was appointed to the Board since the last Annual General Meeting, pursuant to Article 109 of the Articles of Association of the Company, Mr. Darke Mohamed Sani will submit himself for re-election at the forthcoming Annual General Meeting.

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

Mr. Moksevi Prelis who attained the age of 77 years on 2 July 2013 and Mr. Mohamed Muhsin, who attained the age of 70 years on 16 October 2013, retires pursuant to Section 210 of the Companies Act, and resolutions that the age limit of 70 years referred to in Section 210 of the Companies Act shall not be applicable to Mr. Moksevi Prelis and Mr. Mohamed Muhsin will be proposed at the forthcoming Annual General Meeting.

Mr. Jayantha Dhanapala also retires pursuant to Section 210 of the Companies Act, and will not seek re-election at the forthcoming Annual General Meeting.

Interests Register

The Company has maintained an interest register as required by the Companies Act. The names of the Directors who were directly or indirectly interested in a contract or a proposed transaction with the Company or the Group during the year are given 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

As at 31 December 2013, out of the total number of share options granted under Tranche 0, 51,103,699 options have been exercised and a total of 11,441,501 options have been forfeited to date. No options have been exercised by the employees during the financial year. Thus, 26,104,700 share options remain unexercised and are exercisable before October 2014.

Directors' Interests in Shares of the Company

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

	As at December	
	2013	2012
Dr. Hansa Wijayasuriya	42,570	42,570
Mr. Moksevi Prelis	18,480	18,480
Mr. Mohamed Muhsin	18,040	18,040

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

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 2013 was Rs. 28,103,913,434 comprising 8,143,778,405 ordinary shares.

Annual Report of the Board of Directors for the year ended 31 December 2013

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

Donations

The total donations made by the Company during the year for charitable purposes amounted to Rs. 67,623,918 (2012 – Rs. 69,993,781).

Going Concern

The Directors are satisfied that the Company and the Group have adequate resources to continue its operations for 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 Independent Auditor of the Company and a resolution to reappoint Messrs PricewaterhouseCoopers as Independent Auditor will be proposed at the forthcoming Annual General Meeting.

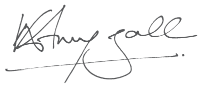
Events After the Reporting Period

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 37 to the financial statements.

By Order of the Board

Dr. Hans Wijayasuriya
Director
COLOMBO

Mr. Moksevi Prelis
Director



Ms. Viranthi Attygalle
Secretary

17 February 2014

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 55.

The financial statements comprise:

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

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

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

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

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

Further, the Directors have recommended a tax-free final dividend of Rs. 0.29 per share amounting to Rs. 2,361,695,737 (2012 – Rs. 0.33 per share amounting to Rs 2,687,446,874), after being satisfied that the Company would satisfy the solvency test immediately after such distribution in accordance with Section 57 of the Act, and have obtained a certificate of solvency from the Independent Auditor.

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
Company Secretary
Colombo
17 February 2014

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, which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in pages 56 to 120.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

6 In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2013 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

7 In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2013 and of the financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers

17 February 2014

COLOMBO

CHARTERED ACCOUNTANTS

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Partners **Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA, S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA**

Statements of Financial Position

(all amounts in Sri Lanka Rupees thousands)

	Note	Group 31 December 2013	Group 31 December 2012	Company 31 December 2013	Company 31 December 2012
ASSETS					
Non-current assets					
Property, plant and equipment	7	68,468,112	58,946,889	50,768,641	44,744,236
Intangible assets	8	17,318,737	10,502,438	6,318,363	1,485,313
Investment in subsidiaries	9	-	-	18,826,010	17,826,010
Investment in associates	10	257,979	242,173	278,694	233,346
Available - for - sale financial asset	12	-	30,596	-	30,596
Amount due from related companies	13	1,273	5,091	13,864,601	9,559,729
		86,046,101	69,727,187	90,056,309	73,879,230
Current assets					
Inventories	14	652,603	284,048	551,256	213,178
Trade and other receivables	13	13,924,290	11,753,145	11,317,192	9,303,756
Cash and cash equivalents	15	3,217,502	8,769,356	2,063,250	7,889,726
		17,794,395	20,806,549	13,931,698	17,406,660
Total assets		103,840,496	90,533,736	103,988,007	91,285,890
EQUITY					
Capital and reserves attributable to equity holders					
Stated capital	16	28,103,913	28,103,913	28,103,913	28,103,913
Shares in ESOS Trust	16	(1,990,921)	(1,990,921)	(1,990,921)	(1,990,921)
Dividend reserve - ESOS Trust	18	383,754	331,425	383,754	331,425
Retained earnings	17	13,238,824	10,737,128	23,319,079	19,948,823
Total equity		39,735,570	37,181,545	49,815,825	46,393,240
LIABILITIES					
Non - current liabilities					
Borrowings	21	17,451,422	12,094,321	17,451,422	12,094,321
Defined benefit obligation	23	717,869	587,030	588,035	481,385
Provision for other liabilities	24	1,564,353	813,874	1,310,468	663,367
Deferred tax liability	22	800	-	-	-
Deferred revenue	20	1,690,733	1,014,129	1,552,055	863,001
		21,425,177	14,509,354	20,901,980	14,102,074
Current liabilities					
Trade and other payables	19	29,655,953	25,863,923	20,764,171	18,113,467
Current income tax liabilities		1,117,865	24,052	1,113,356	15,535
Borrowings	21	11,905,931	12,954,862	11,392,675	12,661,574
		42,679,749	38,842,837	33,270,202	30,790,576
Total liabilities		64,104,926	53,352,191	54,172,182	44,892,650
Total equity and liabilities		103,840,496	90,533,736	103,988,007	91,285,890
Net assets per share (Rs.)		4.88	4.57	6.12	5.70

The notes on pages 61 to 120 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
17 February 2014

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
17 February 2014

Mr. Moksevi Prelis
Director
17 February 2014

Statements of Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

	Note	Group 31 December 2013	Group 31 December 2012	Company 31 December 2013	Company 31 December 2012
Revenue	6	63,297,591	56,345,458	55,445,060	49,802,752
Direct costs		(36,865,917)	(32,216,108)	(31,369,285)	(27,757,545)
Gross profit		26,431,674	24,129,350	24,075,775	22,045,207
Distribution costs		(8,605,198)	(7,600,969)	(7,700,619)	(7,020,384)
Administrative costs		(10,250,423)	(9,865,350)	(8,106,116)	(8,214,754)
Other income		87,904	138,146	77,590	119,637
Operating profit		7,663,957	6,801,177	8,346,630	6,929,706
Finance income	27	113,116	307,022	107,068	270,214
Finance costs	27	(1,419,605)	(3,034,134)	(1,278,276)	(2,983,165)
Finance costs - net	27	(1,306,489)	(2,727,112)	(1,171,208)	(2,712,951)
Share of loss from associates - net of tax	10	(29,542)	(8,539)	-	-
Profit before income tax		6,327,926	4,065,526	7,175,422	4,216,755
Income tax	28	(1,126,896)	1,964,661	(1,113,932)	1,973,509
Profit for the year		5,201,030	6,030,187	6,061,490	6,190,264
Other comprehensive expense, net of tax -					
Remeasurements of defined benefit obligation (Gratuity)		(6,888)	(8,762)	(3,788)	(219)
Total comprehensive income for the year		5,194,142	6,021,425	6,057,702	6,190,045
Attributable to:					
Equity holders of the Company		5,194,142	6,021,425	6,057,702	6,190,045
Basic earnings per share for profit attributable to the ordinary shareholders of the Company (Rs.)	29	0.651	0.755	0.759	0.775

The notes on pages 61 to 120 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Attributable to equity holders of the Company				
	Stated capital	Shares in ESOS Trust	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2013	28,103,913	(1,990,921)	331,425	10,737,128	37,181,545
Profit for the year	-	-	-	5,201,030	5,201,030
Other comprehensive expense	-	-	-	(6,888)	(6,888)
Total comprehensive income for the year	**-**	**-**	**-**	**5,194,142**	**5,194,142**
Dividend received by ESOS Trust	-	-	52,329	-	52,329
Dividend to equity shareholders	-	-	-	(2,687,446)	(2,687,446)
Direct cost on share issue	-	-	-	(5,000)	(5,000)
Balance at 31 December 2013	**28,103,913**	**(1,990,921)**	**383,754**	**13,238,824**	**39,735,570**
Balance at 1 January 2012	28,103,913	(1,990,921)	291,781	6,789,148	33,193,921
Profit for the year	-	-	-	6,030,187	6,030,187
Other comprehensive expense	-	-	-	(8,762)	(8,762)
Total comprehensive income for the year	**-**	**-**	**-**	**6,021,425**	**6,021,425**
Direct cost on share issue	-	-	-	(37,500)	(37,500)
Dividend received by ESOS Trust	-	-	39,644	-	39,644
Dividend to equity shareholders	-	-	-	(2,035,945)	(2,035,945)
Balance at 31 December 2012	**28,103,913**	**(1,990,921)**	**331,425**	**10,737,128**	**37,181,545**

The notes on pages 61 to 120 form an integral part of these financial statements.

Company Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Attributable to equity holders of the Company				
	Stated capital	Shares in ESOS Trust	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2013	28,103,913	(1,990,921)	331,425	19,948,823	46,393,240
Profit for the year	-	-	-	6,061,490	6,061,490
Other comprehensive expense	-	-	-	(3,788)	(3,788)
Total comprehensive income for the year	**-**	**-**	**-**	**6,057,702**	**6,057,702**
Dividend received by ESOS Trust	-	-	52,329	-	52,329
Dividend to equity shareholders	-	-	-	(2,687,446)	(2,687,446)
Balance at 31 December 2013	**28,103,913**	**(1,990,921)**	**383,754**	**23,319,079**	**49,815,825**
Balance at 1 January 2012	28,103,913	(1,990,921)	291,781	15,794,723	42,199,496
Profit for the year	-	-	-	6,190,264	6,190,264
Other comprehensive expense	-	-	-	(219)	(219)
Total comprehensive income for the year	**-**	**-**	**-**	**6,190,045**	**6,190,045**
Dividend received by ESOS Trust	-	-	39,644	-	39,644
Dividend to equity shareholders	-	-	-	(2,035,945)	(2,035,945)
Balance at 31 December 2012	**28,103,913**	**(1,990,921)**	**331,425**	**19,948,823**	**46,393,240**

The notes on pages 61 to 120 form an integral part of these financial statements.

Cash Flow Statements

(all amounts in Sri Lanka Rupees thousands)

	Note	Group		Company	
		31 December		31 December	
		2013	2012	2013	2012
Cash flows from operating activities					
Cash generated from operations	30	20,558,342	21,660,321	19,371,266	20,051,695
Interest received		119,901	347,270	113,853	310,589
Telecommunication development charge refunds received		1,248,397	-	1,223,734	-
Interest paid		(287,971)	(286,202)	(287,095)	(284,506)
Tax paid		(134,806)	(125,513)	(120,000)	(116,755)
Defined benefit obligation paid		(29,000)	(79,731)	(25,085)	(23,799)
Net cash generated from operating activities		21,474,863	21,516,145	20,276,673	19,937,224
Cash flows from investing activities					
Purchase of property, plant and equipment		(19,294,362)	(17,180,981)	(13,140,736)	(12,345,858)
Purchase of intangible assets		(8,620,928)	(160,563)	(6,672,182)	(7,502)
Acquisition of subsidiary, net of cash acquired		-	(3,363,175)	-	-
Investment in associate		(45,348)	(156,000)	(45,348)	(156,000)
Advances to subsidiaries		-	-	(6,954,222)	(3,919,583)
Proceed from sale of property, plant and equipment		57,855	63,383	48,350	47,720
Net cash used in investing activities		(27,902,783)	(20,797,336)	(26,764,138)	(16,381,223)
Cash flows from financing activities					
Repayment of borrowings		(15,816,364)	(3,916,732)	(15,816,364)	(3,916,732)
Repayment of finance leases		(5,129)	(10,668)	-	-
Proceed from borrowings		19,097,232	4,884,750	19,097,232	4,884,750
Redemption of rated cumulative redeemable preference shares		-	(1,250,000)	-	(1,250,000)
Dividend paid to rated cumulative redeemable preference shareholders		-	(82,637)	-	(82,637)
Dividend paid to ordinary shareholders		(2,687,446)	(2,035,945)	(2,687,446)	(2,035,945)
Dividend received – ESOS Trust		52,329	39,643	52,329	39,643
Expenses on share issue		(5,000)	(37,500)	-	-
Net cash generated from / (used in) financing activities		635,622	(2,409,089)	645,751	(2,360,921)
Net (decrease) / increase in cash and cash equivalents		(5,792, 298)	(1,690,280)	(5,841,714)	1,195,080
Movement in cash and cash equivalents					
At start of year		7,368,121	9,406,074	6,776,913	5,929,135
(Decrease) / increase		(5,792,298)	(1,690,280)	(5,841,714)	1,195,080
Effect of exchange rate changes		(128,962)	(347,673)	(129,334)	(347,302)
At end of the year	15	1,446,861	7,368,121	805,865	6,776,913

The notes on pages 61 to 120 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 were authorised for issue by the Board of Directors on 17 February 2014.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

(a) New accounting standards, amendments and interpretations issued and adopted in 2013.

Amendments to LKAS 19, 'Employee Benefit', the Company and the Group adopted the amendment to LKAS 19 which is effective from the financial year beginning on or after 1 January 2013.

Amendments include additional disclosures to explain the characteristics of the Company's and the Group's defined benefit plans, the amounts recognised in the financial statements and the risks arising from defined benefit plans as disclosed in note 23 to the financial statements.

(b) New accounting standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not yet adopted.

(i) SLFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Sri Lanka Accounting Standards. This standard will be effective from 1 January 2014.

2 Summary of significant accounting policies (Contd.)

2.1 Basis of preparation (Contd.)

(b) New accounting standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not yet adopted. (Contd.)

(ii) SLFRS 10, 'Consolidated Financial Statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company and the Group are yet to assess SLFRS 10's full impact. This standard will be effective from 1 January 2014.

(iii) SLFRS 12, 'Disclosures of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company and the Group are yet to assess SLFRS 12's full impact. This standard will be effective from 1 January 2014.

(iv) SLFRS 11, 'Joint Arrangements', focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operators account for its share of the assets, liabilities, revenue and expenses. Joint ventures are accounted for under equity method. Proportional consolidation of joint arrangements is no longer permitted. The Company and the Group are yet to assess the SLFRS 11's full impact. This standard will be effective from 1 January 2014.

(v) SLFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the areas of LKAS 39 which relate to classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified into two measurement categories at initial recognition which are financial assets measured as at fair value and financial assets measured at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains majority of the LKAS 39 requirements. The main change being the fair value option taken as financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income in the statement of comprehensive income, unless this creates an accounting mismatch. The Company and the Group are yet to assess SLFRS 9's full impact. This standard will be effective from 1 January 2015.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

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

Acquisition related costs are expensed as incurred.

When initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in the financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. 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 fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the statement of comprehensive income.

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The financial periods of the subsidiary undertakings are same as that of the Company.

2 Summary of significant accounting policies (Contd.)

2.2 Consolidation (Contd.)

(a) Subsidiaries (Contd.)

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

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

(b) Associates

Associates are companies, partnerships or other entities in which the Group exercises significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is power to participate in financial and operating policy decisions of the associates, but not power to exercise control or jointly control over those policies.

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 Group's share of the post-acquisition results and changes of the associate's reserves in the consolidated statement of comprehensive income after the date of acquisition and net off with any accumulated impairment loss, if any. The Group's investment in associates includes goodwill identified on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

2.3 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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

2.4 Property, plant and equipment (PPE)

(a) Measurement

PPE other than land and buildings are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land and buildings are stated at deemed cost less accumulated depreciation.

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

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

Depreciation of assets begins when it is available for use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

2 Summary of significant accounting policies (Contd.)

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

(a) Measurement (Contd.)

	% per annum
Buildings	2.5
Building - electrical installation	12.5
Building - leasehold property	Over lease period
Computer equipment	20
Telecom equipment	5 to 20
Customers' premises equipment	33 to 100
Office equipment	20
Office equipment- test phones	50
Furniture and fittings	20
Toolkits	10
Motor vehicles	20

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income.

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

(b) Asset exchange transaction

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

- the exchange transaction lacks commercial substance; or

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

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

(c) Repairs and maintenance

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

2.5 Intangible assets

(a) Goodwill

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

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

(b) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives which is between 10 to 15 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 2 years.

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

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

Costs relating to development of software 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 15 years.

2 Summary of significant accounting policies (Contd.)

2.6 Investments

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

(a) Classification

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

(i) Financial assets at FVTPL

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

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

(ii) Loans and receivables

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

(iii) AFS financial assets

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

2.8 Financial assets

(iv) 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.

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement - gains and losses

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

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

(d) Subsequent measurement - impairment of financial assets

(i) Assets carried at amortised cost

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of

2 Summary of significant accounting policies (Contd.)

2.8 Financial assets (Contd.)

(d) Subsequent measurement - impairment of financial assets (Contd.)

(i) Assets carried at amortised cost (Contd.)

the loss is recognised in the statement of comprehensive income. If a loan or HTM investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company and the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(ii) Assets classified as AFS

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

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

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

(e) De-recognition

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

(f) Offsetting financial instruments

Financial assets and liabilities are off set 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.

(g) Derivative financial instruments and hedging activities

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

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

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

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

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

The Company and the Group document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company and the Group also documents its assessment, both at hedge inception and on an 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 hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

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

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

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

(ii) Cash flow hedge

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

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.)

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

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

(iii) Net investment hedge

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

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises all expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

2.10 Trade and other receivables

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

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

2.11 Cash and cash equivalents

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

2.12 Stated capital

(a) Classification

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

(b) Share issue expenses

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

(c) Dividend to shareholders of the Company

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

2.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one (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 recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument or a component part, classified as a liability, is reported within finance cost in the statement of comprehensive income.

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

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

2.15 Borrowing cost

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss under finance cost in the period in which they are incurred.

2 Summary of significant accounting policies (Contd.)

2.16 Current and deferred taxes

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

Deferred 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 tax liabilities are not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

2.17 Employee benefits

(a) Defined benefit plan – gratuity

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

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield rate of long term government bonds that have terms to maturity approximating to the terms of the related retirement benefit obligation.

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

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

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

(b) Defined contribution plans

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

(c) Short term employee benefits

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

(d) Termination benefits

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

(e) Share-based compensation

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

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

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

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

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

2.18 Deferred revenue

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

2.19 Subscriber acquisition costs

Subscriber acquisition costs comprise handset and other subsidies offered under usage contracts in excess of one (1) year. Subscriber acquisition costs are amortised over the contract period and reviewed annually for impairment. Other subscriber acquisition costs under usage contracts less than one (1) year are recognised as an expense in the statement of comprehensive income as incurred.

2 Summary of significant accounting policies (Contd.)

2.20 Provisions

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

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

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

2.21 Contingent liabilities and contingent assets

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

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

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

2.22 Government grants

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

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

(a) Finance leases

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

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables.

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

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

(b) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged as an expense to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.24 Revenue recognition

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

The Company and the Group recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's and the Group's activities as described below. The Company and the Group base its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The revenue is recognised as follows:

(a) Domestic and international service revenue and rental income

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

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

2 Summary of significant accounting policies (Contd.)

2.24 Revenue recognition (Contd.)

(a) Domestic and international service revenue and rental income (Contd.)

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

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

(b) Revenue from other network operators and international settlements

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

(c) Connection fees

Connection fees are recognised as revenue over the subscriber average stay in the network.

(d) Lease of passive infrastructure

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

(e) Equipment revenue

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

(f) Award credits

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

(g) Interest income

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

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

(h) Dividend income

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

2.25 Comparatives

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

3 Financial risk management

3.1 Financial risk factors

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

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

Market risk consists of:

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

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

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

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

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

If LKR fluctuate by 1% against USD as at 31 December 2013, with all other variables held constant, it will result in a net foreign exchange difference of Rs. 240 Mn on translation of USD balances in the Group.

3.2 Cash flow and fair value interest rate risk

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

3 Financial risk management (Contd.)

3.2 Cash flow and fair value interest rate risk (Contd.)

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

3.3 Credit risk

Credit risk is managed on the Company and the Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (net of deposits held). Individual risk limits are set, based on internal or external ratings. The utilisation of credit limits is regularly monitored.

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

3.4 Liquidity risk

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

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

The table below analyses the Company's and the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

Group	Less than 3 months	Between 3 months and year 1	Between year 1 and year 2	Between year 2 and year 5	Over year 5
At 31 December 2013					
Borrowings	2,110,138	9,795,793	-	17,451,422	-
Trade and other payables	11,803,453	17,852,500	-	-	-
At 31 December 2012					
Borrowings	4,159,422	8,795,440	11,066,514	1,027,807	-
Trade and other payables	13,115,395	12,748,528	-	-	-

Company	Less than 3 months	Between 3 months and year 1	Between year 1 and year 2	Between year 2 and year 5	Over year 5
At 31 December 2013					
Borrowings	1,596,882	9,795,793	-	17,451,422	-
Trade and other payables	8,510,433	12,253,738	-	-	-
At 31 December 2012					
Borrowings	3,866,135	8,795,439	11,066,514	1,027,807	-
Trade and other payables	9,895,185	8,218,282	-	-	-

4 Capital management

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

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

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

The gearing ratios as at 31 December are as follows:

	Group		Company	
	2013	2012	2013	2012
Borrowings	27,586,713	23,647,948	27,586,712	23,643,082
Total equity	39,735,570	37,181,545	49,815,825	46,393,240
Gearing ratio	0.69	0.64	0.55	0.51

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 8 to the financial statements.

5 Critical accounting estimates and judgments (Contd.)

(b) Estimated useful lives of PPE

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

(c) Taxation

(i) Income taxes

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

(ii) Deferred tax

Deferred 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 tax asset has been recognised.

(d) Fair value of derivatives and other financial instruments

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

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

(e) Impairment of non-current assets

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

(f) Defined benefit plan - gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company and the Group determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Company and the Group consider the interest yield of long term Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions as disclosed in note 23 to the financial statements.

(g) Asset retirement obligations (ARO)

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

(h) Provisions

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

(i) Contingent liabilities

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

(j) Impairment of trade receivables

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

6 Segment information

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

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

At 31 December 2013, 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 2013 are as follows:

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

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

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

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

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	103,988,007	22,155,162	4,016,576	(11,188,203)	118,971,542
Inter - segment assets	(13,884,042)	(1,249,854)	2,850	-	(15,131,046)
Total assets	**90,103,965**	**20,905,308**	**4,019,426**	**(11,188,203)**	**103,840,496**
Liabilities	54,172,182	21,922,004	3,531,132	-	79,625,318
Inter - segment liabilities	(175,772)	(12,911,277)	(2,433,343)	-	(15,520,392)
Total liabilities	**53,996,410**	**9,010,727**	**1,097,789**	**-**	**64,104,926**
Capital expenditure	19,812,918	7,137,781	964,591	-	27,915,290

The segment results for the year ended 31 December 2012 are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Revenue from external customers	49,123,486	4,246,278	2,975,694	-	56,345,458
Inter - segment revenue	679,266	797,893	16,960	-	1,494,119
Total segmental revenue	**49,802,752**	**5,044,171**	**2,992,654**	**-**	**57,839,577**
Segment operating profit / (loss) for the year	6,929,706	(135,350)	58,208	(51,387)	6,801,177
Finance costs - net					(2,727,112)
Share of profit from associates - net of tax					(8,539)
Profit before income tax					4,065,526
Taxation					1,964,661
Profit for the year					**6,030,187**

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	9,004,359	1,913,640	587,945	50,287	11,556,231

The segment assets and liabilities at 31 December 2012 and capital expenditure for the year then ended are as follows:

	Mobile operation	Fixed telephony and broadband operation	Television operation	Elimination /adjustment	Group
Assets	91,285,890	15,972,197	3,579,178	(10,519,783)	100,317,482
Inter-segment assets	(9,545,524)	(238,222)	-	-	(9,783,746)
Total assets	**81,740,366**	**15,733,975**	**3,579,178**	**(10,519,783)**	**90,533,736**
Liabilities	44,892,650	15,869,425	2,791,403	-	63,553,478
Inter - segment liabilities	(356,817)	(7,934,481)	(1,909,989)	-	(10,201,287)
Total liabilities	**44,535,833**	**7,934,944**	**881,414**	**-**	**53,352,191**
Capital expenditure	12,353,360	4,066,562	921,622	-	17,341,544

7 Property, plant and equipment

(a) Group

	Land and buildings	Computer systems and telecom equipment	Furniture, fittings and other equipment	Motor vehicles	Assets in the course of construction (CWIP)	Total
At 1 January 2013						
Cost	1,351,560	111,037,104	4,855,373	502,773	10,471,595	128,218,405
Accumulated depreciation / provision for impairment	(550,558)	(62,208,261)	(3,559,439)	(481,664)	(2,471,594)	(69,271,516)
Net book amount	**801,002**	**48,828,843**	**1,295,934**	**21,109**	**8,000,001**	**58,946,889**
Year ended 31 December 2013						
Opening net book amount	801,002	48,828,843	1,295,934	21,109	8,000,001	58,946,889
Additions	-	928,331	-	-	20,217,056	21,145,387
Transferred from CWIP	205,023	20,035,615	496,070	2	(20,736,710)	-
Disposals	-	(1,556)	(1,920)	(727)	-	(4,203)
Reversal of provision for ARO	-	(422,185)	-	-	-	(422,185)
Impairment reversal / (provision)	-	106,605	43,252	-	(142,964)	6,893
Reclassification to trading inventory	-	-	-	-	(69,663)	(69,663)
Depreciation charge	(53,768)	(10,462,090)	(612,637)	(6,511)	-	(11,135,006)
Closing net book amount	**952,257**	**59,013,563**	**1,220,699**	**13,873**	**7,267,720**	**68,468,112**
At 31 December 2013						
Cost	1,551,732	123,217,159	5,257,846	439,324	9,595,003	140,061,064
Accumulated depreciation / provision for impairment	(599,475)	(64,203,596)	(4,037,147)	(425,451)	(2,327,283)	(71,592,952)
Net book amount	**952,257**	**59,013,563**	**1,220,699**	**13,873**	**7,267,720**	**68,468,112**
Year ended 31 December 2012						
Opening net book amount	846,810	45,102,247	1,185,826	50,249	3,942,407	51,127,539
Additions	-	276,603	18,241	-	17,060,515	17,355,359
Transferred from CWIP	7,335	11,826,582	762,426	144	(12,596,487)	-
Transferred to intangible assets (Note 8)	-	-	-	-	(460,159)	(460,159)
Acquisition through business combination	22,707	1,796,424	9,707	1,740	105,291	1,935,869
Disposals	-	(6,665)	(4,934)	(205)	-	(11,804)
Reversal of provision for ARO	-	(216,590)	-	-	-	(216,590)
Impairment provision	-	(547,611)	(86,131)	-	(151,637)	(785,379)
Reclassification from trading inventory	-	-	-	-	100,071	100,071
Depreciation charge	(75,850)	(9,402,147)	(589,201)	(30,819)	-	(10,098,017)
Closing net book amount	**801,002**	**48,828,843**	**1,295,934**	**21,109**	**8,000,001**	**58,946,889**
At 31 December 2012						
Cost	1,351,560	111,037,104	4,855,373	502,773	10,471,595	128,218,405
Accumulated depreciation / provision for impairment	(550,558)	(62,208,261)	(3,559,439)	(481,664)	(2,471,594)	(69,271,516)
Net book amount	**801,002**	**48,828,843**	**1,295,934**	**21,109**	**8,000,001**	**58,946,889**

(b) Company

	Land and buildings	Computer systems and telecom equipment	Furniture, fittings and other equipment	Motor vehicles	Assets in the course of construction (CWIP)	Total
At 1 January 2013						
Cost	1,126,286	78,570,579	1,170,313	410,243	7,454,705	88,732,126
Accumulated depreciation / provision for impairment	(546,935)	(40,242,975)	(1,017,211)	(390,050)	(1,790,719)	(43,987,890)
Net book amount	**579,351**	**38,327,604**	**153,102**	**20,193**	**5,663,986**	**44,744,236**
Year ended 31 December 2013						
Opening net book amount	579,351	38,327,604	153,102	20,193	5,663,986	44,744,236
Additions	-	893,179	-	-	14,101,213	14,994,392
Transferred from CWIP	7,207	14,445,599	47,081	2	(14,499,889)	-
Disposals	-	(876)	(1,920)	-	-	(2,796)
Reversal of provision for ARO	-	(422,185)	-	-	-	(422,185)
Impairment reversal / (provision)	-	(70,393)	-	-	144,673	74,280
Reclassification to trading inventory	-	-	-	-	(69,663)	(69,663)
Depreciation charge	(52,830)	(8,419,265)	(71,195)	(6,333)	-	(8,549,623)
Closing net book amount	**533,728**	**44,753,663**	**127,068**	**13,862**	**5,340,320**	**50,768,641**
At 31 December 2013						
Cost	1,128,643	84,984,562	1,208,293	363,682	6,760,620	94,445,800
Accumulated depreciation / provision for impairment	(594,915)	(40,230,899)	(1,081,225)	(349,820)	(1,420,300)	(43,677,159)
Net book amount	**533,728**	**44,753,663**	**127,068**	**13,862**	**5,340,320**	**50,768,641**
Year ended 31 December 2012						
Opening net book amount	647,133	37,243,333	234,511	46,554	3,041,264	41,212,795
Additions	-	226,045	15,156	-	12,250,938	12,492,139
Transferred from CWIP	7,335	9,296,553	23,267	144	(9,327,299)	-
Transferred to intangible assets (Note 8)	-	-	-	-	(391,480)	(391,480)
Disposals	-	(6,651)	(4,934)	-	-	(11,585)
Reversal of provision for ARO	-	(186,596)	-	-	-	(186,596)
Impairment provision	-	(702,826)	-	-	(9,508)	(712,334)
Reclassification from trading inventory	-	-	-	-	100,071	100,071
Depreciation charge	(75,117)	(7,542,254)	(114,898)	(26,505)	-	(7,758,774)
Closing net book amount	**579,351**	**38,327,604**	**153,102**	**20,193**	**5,663,986**	**44,744,236**
At 31 December 2012						
Cost	1,126,286	78,570,579	1,170,313	410,243	7,454,705	88,732,126
Accumulated depreciation / provision for impairment	(546,935)	(40,242,975)	(1,017,211)	(390,050)	(1,790,719)	(43,987,890)
Net book amount	**579,351**	**38,327,604**	**153,102**	**20,193**	**5,663,986**	**44,744,236**

7 Property, plant and equipment (Contd.)

(c) The market value and the historical cost of land and buildings as at 31 December 2013 of the Company and the Group are as follows:

	Group		Company	
	2013	2012	2013	2012
Market value	917,482	917,482	650,274	650,274
Cost	824,474	824,474	619,505	619,505

The market value was determined by means of a valuation by Mr P.M.B Edmund, an independent valuer on September 2012, in reference to market based evidence.

(d) Assets in the course of construction as at 31 December 2013 and 2012 mainly comprise network related assets.

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

	Group		Company	
	2013	2012	2013	2012
Cost - capitalised finance leases	36,529	36,529	-	-
Accumulated depreciation	(36,529)	(36,529)	-	-
Net book value	**-**	**-**	**-**	**-**

The Group leases vehicles under non cancellable finance lease agreements with repayment terms of four to five years.

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

	Group		Company	
	2013	2012	2013	2012
Expense categories:				
Direct costs	9,731,290	8,846,012	8,356,798	7,431,682
Administrative costs	1,403,716	1,252,005	192,825	327,092
	11,135,006	10,098,017	8,549,623	7,758,774

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

	Group		Company	
	2013	2012	2013	2012
Expense categories:				
Direct costs	(6,688)	29,402	-	-
Administrative costs	(205)	755,977	(74,280)	712,334
	(6,893)	785,379	(74,280)	712,334

(h) At 31 December 2013, property, plant and equipment includes fully depreciated assets which are still in use, the cost of which amounted to Rs. 13,854,460,598 (2012 – Rs. 9,915,002,899) and Rs. 31,141,151,276 (2012 – Rs. 26,207,302,887), for the Company and the Group respectively.

(i) During the year, the Company has capitalised borrowing costs amounting to Rs. 2,055,098 (2012 – Rs. Nil) on qualifying assets. Borrowing costs are capitalised at the weighted average rate of its general borrowings of 1.01% per annum.

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

8 Intangible assets

(a) Group

	Goodwill	Licenses	Computer software	Others	Total
At 1 January 2013					
Cost	8,364,880	2,235,336	3,096,563	1,198,437	14,895,216
Accumulated amortisation	-	(1,225,287)	(2,764,001)	(403,490)	(4,392,778)
Net book amount	**8,364,880**	**1,010,049**	**332,562**	**794,947**	**10,502,438**
Year ended 31 December 2013					
Opening net book amount	8,364,880	1,010,049	332,562	794,947	10,502,438
Additions	264,689	7,074,876	651,239	6,590	7,997,394
Amortisation charge	-	(744,975)	(404,869)	(1,045)	(1,150,889)
Impairment provision	-	(30,206)	-	-	(30,206)
Closing net book amount	**8,629,569**	**7,309,744**	**578,932**	**800,492**	**17,318,737**
At 31 December 2013					
Cost	8,629,569	9,263,289	3,745,606	1,205,027	22,843,491
Accumulated amortisation / provision for Impairment	-	(1,953,545)	(3,166,674)	(404,535)	(5,524,754)
Net book amount	**8,629,569**	**7,309,744**	**578,932**	**800,492**	**17,318,737**
Year ended 31 December 2012					
Opening net book amount	1,894,312	861,116	238,615	875,413	3,869,456
Additions	6,470,568	153,061	7,893	-	6,631,522
Acquisition through business combination	-	202,934	11,202	-	214,136
Transferred from CWIP (Note 7)	-	-	452,657	7,502	460,159
Amortisation charge	-	(207,062)	(377,805)	(87,968)	(672,835)
Closing net book amount	**8,364,880**	**1,010,049**	**332,562**	**794,947**	**10,502,438**
At 31 December 2012					
Cost	8,364,880	2,235,336	3,096,563	1,198,437	14,895,216
Accumulated amortisation	-	(1,225,287)	(2,764,001)	(403,490)	(4,392,778)
Net book amount	**8,364,880**	**1,010,049**	**332,562**	**794,947**	**10,502,438**

8 Intangible assets (Contd.)

(b) Company

	Licenses	Computer software	Others	Total
At 1 January 2013				
Cost	944,818	2,868,132	1,198,437	5,011,387
Accumulated amortisation	(532,309)	(2,590,276)	(403,489)	(3,526,074)
Net book amount	**412,509**	**277,856**	**794,948**	**1,485,313**
Year ended 31 December 2013				
Opening net book amount	412,509	277,856	794,948	1,485,313
Additions	5,050,386	647,744	6,590	5,704,720
Amortisation charge	(486,280)	(354,139)	(1,045)	(841,464)
Impairment provision	(30,206)	-	-	(30,206)
Closing net book amount	**4,946,409**	**571,461**	**800,493**	**6,318,363**
At 31 December 2013				
Cost	5,948,281	3,513,680	1,205,027	10,666,988
Accumulated amortisation / provision for impairment	(1,001,872)	(2,942,219)	(404,534)	(4,348,625)
Net book amount	**4,946,409**	**571,461**	**800,493**	**6,318,363**
Year ended 31 December 2012				
Opening net book amount	505,636	238,532	875,414	1,619,582
Additions	-	7,502	-	7,502
Transferred from CWIP (Note 7)	-	383,978	7,502	391,480
Amortisation charge	(93,127)	(352,156)	(87,968)	(533,251)
Closing net book amount	**412,509**	**277,856**	**794,948**	**1,485,313**
At 31 December 2012				
Cost	944,818	2,868,132	1,198,437	5,011,387
Accumulated amortisation	(532,309)	(2,590,276)	(403,489)	(3,526,074)
Net book amount	**412,509**	**277,856**	**794,948**	**1,485,313**

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

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

	Group		Company	
	2013	2012	2013	2012
Expense categories:				
Direct costs	695,734	244,255	487,325	181,095
Administrative costs	455,155	428,580	354,139	352,156
	1,150,889	672,835	841,464	533,251

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

(e) Impairment tests for goodwill

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

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

	2013	2012
Television operation	1,504,455	1,504,455
Fixed telephony and broadband operation	7,125,114	6,743,248
	8,629,569	8,247,703

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) EBIDTA margin

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

(ii) Free cash flow (FCF)

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

(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 and television operation segments' growth potential in Sri Lanka for the foreseeable future.

8 Intangible assets (Contd.)

(e) Impairment tests for goodwill (Contd.)

Given below are the projected variables used for the impairment test for 2013 and 2012:

	Fixed telephony and broadband operation		Television operation	
	2013	2012	2013	2012
EBIDTA margin	26%	27%	22%	28%
EBIDTA growth rate	16%	11%	12%	18%
Capex to revenue ratio	24%	21%	16%	19%
Pre-tax discount rate	14%	15%	14%	15%
Terminal growth rate	3%	3%	3%	3%

Based on the impairment test performed, the recoverable amounts exceeded the carrying value, hence no provision for impairment of goodwill was recognised as of 31 December 2013.

(f) Impact of possible changes in key assumptions

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

9 Investment in subsidiaries

Name of the subsidiary	% Holding	2013	2012
Dialog Television (Private) Limited (DTV)	100	3,864,746	3,864,746
Dialog Broadband Networks (Private) Limited (DBN)	100	14,961,264	13,961,264
		18,826,010	17,826,010

	2013	2012
At 1 January	17,826,010	10,326,010
Issuance of shares against shareholder's loan	1,000,000	7,500,000
At 31 December	18,826,010	17,826,010

On 21 May 2013, DBN converted advances from the Company amounting to Rs. 1,000,000,000 into ordinary shares at the price of Rs. 10 each.

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

10 Investment in associates

	Group		Company	
	2013	2012	2013	2012
At 1 January	242,173	45,108	233,346	27,742
Acquisition of associate	-	205,604	-	205,604
Additional investment	45,348	-	45,348	-
Share of loss (Note 30)	(29,542)	(8,539)	-	-
At 31 December	257,979	242,173	278,694	233,346

Investment in associates represented the ownership of 26% and 28.32% of stated capital of Firstsource Dialog Solutions (Private) Limited and Digital Commerce Lanka (Private) Limited respectively, which are entities incorporated and domiciled in Sri Lanka.

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

	Group	
	2013	2012
Revenue	227,791	132,384
Other Income	649	560
Expenses	(257,982)	(141,688)
Loss before tax	(29,542)	(8,744)
Taxation	-	205
Loss after tax	(29,542)	(8,539)

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

	Group	
	2013	2012
Non-current assets	39,784	32,978
Current assets	57,025	31,504
Non-current liabilities	(524)	-
Current liabilities	(26,585)	(27,576)
Net assets	69,700	36,906
Goodwill	188,279	205,267
	257,979	242,173

11 (a) Financial instruments by category

Group

	Loans and receivables
Assets as per the statement of financial position	
Trade and other receivables (excluding pre-payments)	11,974,581
Cash and cash equivalents (Note 15)	3,217,502
31 December 2013	**15,192,083**

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings (excluding finance lease liabilities)	29,357,353
Trade and other payables (excluding non-financial liabilities)	27,487,192
31 December 2013	**56,844,545**

	Available-for -sale	Loans and receivables	Total
Assets as per the statement of financial position			
Available-for-sale financial asset (Note 12)	30,596	-	30,596
Trade and other receivables (excluding pre-payments)	-	10,154,991	10,154,991
Cash and cash equivalents (Note 15)	-	8,769,356	8,769,356
31 December 2012	**30,596**	**18,924,347**	**18,954,943**

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings (excluding finance lease liabilities)	25,044,317
Finance lease liabilities	4,866
Trade and other payables (excluding non-financial liabilities)	23,605,558
31 December 2012	**48,654,741**

Company

	Loans and receivables
Assets as per the statement of financial position	
Trade and other receivables (excluding pre-payments)	9,706,814
Cash and cash equivalents (Note 15)	2,063,250
31 December 2013	**11,770,064**

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings (excluding finance lease liabilities)	28,844,097
Trade and other payables (excluding non-financial liabilities)	18,891,970
31 December 2013	**48,736,067**

	Available-for -sale	Loans and receivables	Total
Assets as per the statement of financial position			
Available-for-sale financial asset (Note 12)	30,596	-	30,596
Trade and other receivables (excluding pre-payments)	-	8,134,396	8,134,396
Cash and cash equivalents (Note 15)	-	7,889,726	7,889,726
31 December 2012	**30,596**	**16,024,122**	**16,054,718**

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings (excluding finance lease liabilities)	25,755,895
Trade and other payables (excluding non-financial liabilities)	16,130,140
31 December 2012	**41,886,035**

11 (b) Credit qualities of financial assets

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

	Group		Company	
	2013	2012	2013	2012
Trade receivables				
Subscribers				
Individual	1,833,995	1,117,836	1,377,937	836,375
Corporate	1,425,073	898,103	821,143	260,849
Operators				
Domestic	1,717,356	1,968,430	1,234,315	1,534,281
International	2,579,577	2,601,413	2,579,577	2,598,107
Distributors	413,886	589,436	389,396	556,542
	7,969,887	7,175,218	6,402,368	5,786,154

11 (b) Credit qualities of financial assets (Contd.)

	Group		Company	
	2013	2012	2013	2012
Cash at bank and short-term bank deposits				
AAA lka	1,713,558	1,928,777	996,357	1,250,748
AA+ lka	81,569	226,610	65,238	202,457
AA lka	123,338	192,203	78,187	173,272
AA- lka	181,979	1,634,731	170,721	1,609,892
A+lka to A-lka	861,802	4,770,001	510,669	4,641,399
Below A	16,140	12,659	6,817	7,583
Counterparties without external credit rating, cash in hand and foreign currency translation balances	239,116	4,375	235,261	4,375
	3,217,502	8,769,356	2,063,250	7,889,726

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

	Group		Company	
	2013	2012	2013	2012
Cash at bank and short-term bank deposits				
Cash at bank and in hand				
Sri Lankan rupees	2,378,437	2,673,505	1,224,185	1,793,875
United States dollars	577,285	957,813	577,285	957,813
	2,955,722	3,631,318	1,801,470	2,751,688
Short term bank deposits				
Sri Lankan rupees	-	25,000	-	25,000
United States dollars	261,780	5,113,038	261,780	5,113,038
	261,780	5,138,038	261,780	5,138,038

12 Available-for-sale financial asset

	Group/Company	
	2013	2012
At 1 January	30,596	30,596
Investment made during the year	-	-
	30,596	30,596
Provision for impairment (Note 30)	(30,596)	-
At 31 December	-	30,596

The Group has a 10% of interest in Sri Lanka Institute of Nanotechnology (Private) Limited, which is involved in carrying out research on technology developments.

The fair value of the investment is measured at cost in accordance with LKAS 39; Financial Instruments, 'Measurement and Recognition' as its fair value cannot be measured reliably since it does not have a quoted market price in an active market.

The Company made a full provision for impairment in respect of 10% interest in Sri Lanka Nano Technology (Private) Limited, amounting to Rs. 30,595,773 based on the management judgment.

13 Trade and other receivables

	Group 2013	Group 2012	Company 2013	Company 2012
Current				
Trade receivables	11,495,061	9,765,270	8,348,746	7,079,647
Less: provision for impairment of trade receivables	(3,525,174)	(2,590,052)	(1,946,378)	(1,293,493)
Net trade receivables	7,969,887	7,175,218	6,402,368	5,786,154
Receivables from related companies [Note 35 (f)]	382,557	108,223	382,557	108,223
Prepayments	1,949,709	1,598,154	1,610,378	1,169,360
Other receivables	3,622,137	2,871,550	2,921,889	2,240,019
	13,924,290	11,753,145	11,317,192	9,303,756
Non-current				
Receivables from related companies [Note 35 (f)]	1,273	5,091	13,864,601	9,559,729
	1,273	5,091	13,864,601	9,559,729

Other receivables mainly consist of amounts advanced to vendors Rs. 1,244,744,847 (2012 – Rs. 758,515,916) and Rs. 1,377,646,345 (2012 - Rs. 1,034,293,092), Value Added Tax refunds due from the Department of Inland Revenue amounting to Rs. 574,351,297 (2012 – Rs. 592,664,849) and Rs. 633,864,304 (2012 – Rs. 615,317,417) and ESC tax credits amounting to Rs. 522,894,783 (2012 – Rs. 418,914,576) and Rs. 595,525,811 (2012 – Rs. 487,230,734) of the Company and the Group respectively.

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

	Group 2013	Group 2012	Company 2013	Company 2012
Trade receivables	7,969,887	7,175,218	6,402,368	5,786,154
Receivables from related companies [Note 35 (f)]	382,557	108,223	382,557	108,223
Other receivables excluding non-financial assets	3,622,137	2,871,550	2,921,889	2,240,019
	11,974,581	10,154,991	9,706,814	8,134,396

The fair values of loans to related companies are based on the cash flows discounted using a rate based on the borrowings rate of 4.05 % (2012 - 4.05 %).The discount rate equals to the market borrowing rate of the Company which comprise LIBOR plus a premium attributed to appropriate credit rating.

	Group 2013	Group 2012	Company 2013	Company 2012
Neither past due nor impaired	3,650,707	2,821,054	2,899,181	2,327,644
Past due but not impaired	4,319,180	4,354,164	3,503,187	3,458,510
Impaired	3,525,174	2,590,052	1,946,378	1,293,493
	11,495,061	9,765,270	8,348,746	7,079,647

Past due but not impaired balances include trade receivable balance with a carrying amount of Rs. 3,503,131,662 (2012- Rs. 3,458,176,292) and Rs. 4,319,123,980 (2012 – Rs. 4,353,829,632), which are past due at the end of the reporting period but which Company and the Group have not impaired as there has not been a significant change in credit quality and the Directors believe that overdue amounts are fully recoverable.

13 Trade and other receivables (Contd.)

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

	Group		Company	
	2013	2012	2013	2012
Amount overdue:				
1 month to 6 months	4,022,579	3,939,659	3,365,932	3,204,617
6 months to 1 year	119,082	265,525	39,623	192,066
More than 1 year	177,519	148,980	97,632	61,827
	4,319,180	4,354,164	3,503,187	3,458,510

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

	Group		Company	
	2013	2012	2013	2012
At 1 January	2,590,052	1,285,654	1,293,493	1,008,376
Provision for impairment of trade receivables	935,122	1,443,852	652,885	306,472
Receivables written off during the year as uncollectable	-	-	-	-
Unused amount reversed	-	(139,454)	-	(21,355)
At 31 December	3,525,174	2,590,052	1,946,378	1,293,493

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

	Group		Company	
	2013	2012	2013	2012
Sri Lankan rupees	4,988,551	4,401,013	3,822,791	3,015,966
United States dollars	2,981,336	2,774,205	2,579,577	2,770,188
	7,969,887	7,175,218	6,402,368	5,786,154

(e) The creation and release of provision for impaired receivables have been included in 'Distribution costs' in the statement of comprehensive income as disclosed in note 25 to the financial statements.

14 Inventories

	Group		Company	
	2013	2012	2013	2012
Phone stock	385,701	115,650	385,701	115,650
Accessories and consumables	303,002	443,217	224,775	365,189
Goods in transit	99,086	2,899	72,314	2,899
Provision for slow moving inventory	(135,186)	(277,718)	(131,534)	(270,560)
	652,603	284,048	551,256	213,178

15 Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
Cash at bank and in hand	2,955,722	3,631,318	1,801,470	2,751,688
Short term bank deposits	261,780	5,138,038	261,780	5,138,038
	3,217,502	8,769,356	2,063,250	7,889,726

Cash and cash equivalents include the following for the purposes of statement of cash flows:

	Group		Company	
	2013	2012	2013	2012
Cash and cash equivalents	3,217,502	8,769,356	2,063,250	7,889,726
Bank overdrafts (Note 21)	(1,770,641)	(1,401,235)	(1,257,385)	(1,112,813)
	1,446,861	7,368,121	805,865	6,776,913

Cash and cash equivalents as at 31 December 2013 of the Group include a restricted amount of Rs. 702,760,000. 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, Deutsche Bank AG (Sri Lankan Branch) who acted as the escrow agent for the purpose of purchasing shares of Sky Television and Radio Network (Private) Limited amounting to Rs. 40,000,000 and Hatton National Bank PLC in custodian accounts to facilitate Ez cash operation amounting to Rs. 140,000,000.

16 Stated capital

(a)

	Ordinary shares	Stated capital	Shares in ESOS Trust	Stated capital less shares in ESOS Trust
At 1 January 2013	28,103,913	28,103,913	(1,990,921)	26,112,992
Issue of shares	-	-	-	-
At 31 December 2013	**28,103,913**	**28,103,913**	**(1,990,921)**	**26,112,992**
At 1 January 2012	28,103,913	28,103,913	(1,990,921)	26,112,992
Issue of shares	-	-	-	-
At 31 December 2012	**28,103,913**	**28,103,913**	**(1,990,921)**	**26,112,992**

16 Stated capital (Contd.)

(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 2013	8,143,778,405	(158,572,462)	7,985,205,943
Issue of shares	-	-	-
At 31 December 2013	**8,143,778,405**	**(158,572,462)**	**7,985,205,943**
At 1 January 2012	8,143,778,405	(158,572,462)	7,985,205,943
Issue of shares	-	-	-
At 31 December 2012	**8,143,778,405**	**(158,572,462)**	**7,985,205,943**

Issues, repurchases and repayments of debt and equity securities

There are no significant and unusual issues, repurchases and repayments of debt and equity securities during the financial period ended 31 December 2013.

Employee Share Option Scheme [ESOS]

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

The Trustees of the ESOS Trust as at 31 December 2013 were as follows:

Datuk Azzat Kamaludin – Chairman
Mr. Moksevi Prelis
Mr. Arittha Wikramanayake
Mr. Darke Mohamed Sani

Out of the shares which were issued to the ESOS Trust, 88,841,218 shares (44.44%) were allocated to Tranche 0, and the balance 111,051,523 shares (56.6%) were set aside for future allocation to employees as an on-going performance incentive.

88,649,900 options were granted in June 2005 under Tranche 0 to eligible employees at Rs 12 each. The exercise price of the options granted was based on the five (5) days weighted average market price of the Company's shares immediately preceding the offer date for the options, with the ESOS committee having the discretion to set an exercise price up to 10% lower than that of the derived weighted average market price. Eligibility was determined upon an employee satisfying the following:

- attainment of the age of eighteen (18) years;
- been in the full-time employment by and on the payroll of the Company within the Group; and
- been in the employment of the Group for a period of at least one (1) year of continuous service as of the offer date, including service during the probation period.

As at 31 December 2013, out of the total number of share options granted under Tranche 0, 51,103,699 options have been exercised and a total of 11,441,501 options have been forfeited to date. No options have been exercised by the employees during the financial year. Thus, 26,104,700 share options remain unexercised and are exercisable before October 2014.

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

	2013		2012	
	Average exercise price in Rs per share	Options (Thousands)	Average exercise price in Rs per share	Options (Thousands)
As at 1 January	12	26,564	12	28,030
Options forfeited during the year	12	(269)	12	(1,466)
Options exercised during the year		-		-
		26,295		26,564
Unallocated shares in Tranche 0		(191)		(191)
Number of unexercised options as at 31 December		26,104		26,373
Number of options forfeited to date		11,442		11,173
Unallocated shares remaining in the Trust		111,052		111,052
Unallocated shares in Tranche 0		191		191
Shares allotted to the ESOS Trust via the rights issue		9,783		9,783
Total number of shares remaining in the ESOS Trust as at 31 December		158,572		158,572

17 Retained earnings

	Group		Company	
	2013	2012	2013	2012
At 1 January	10,737,128	6,789,148	19,948,823	15,794,723
Total comprehensive income for the year	5,194,142	6,021,425	6,057,702	6,190,045
Direct cost on share Issue	(5,000)	(37,500)	-	-
Dividend to equity holders	(2,687,446)	(2,035,945)	(2,687,446)	(2,035,945)
At 31 December	13,238,824	10,737,128	23,319,079	19,948,823

18 Dividend reserve

	Group		Company	
	2013	2012	2013	2012
At 1 January	331,425	291,781	331,425	291,781
Dividend received by ESOS Trust	52,329	39,644	52,329	39,644
At 31 December	383,754	331,425	383,754	331,425

19 Trade and other payables

	Group		Company	
	2013	2012	2013	2012
Trade payables	4,737,711	4,717,469	2,577,652	2,744,391
Amount due to ultimate parent company [Note 35 (g)]	848,701	902,808	848,701	902,808
Amounts due to related companies [Note 35 (g)]	2,588,043	343,316	2,763,841	700,130
Deferred revenue (Note 20)	2,168,761	2,258,365	1,872,201	1,983,327
Accrued expenses	6,712,745	5,709,807	4,804,478	4,348,391
Customer deposits	1,232,768	1,264,518	1,137,997	1,172,811
Other payables	11,367,224	10,667,640	6,759,301	6,261,609
	29,655,953	25,863,923	20,764,171	18,113,467

(a) Other payables of the Group include a provision made as a matter of prudence, for a possible claim amounting to a sum of Rs. 4,221,040,185 on account of a judgment delivered against Suntel Limited on 9 March 2012 in HC (Civil) 282/2001(1) in the Commercial High Court of the Western Province in favour of Electroteks Network Services (Private) Limited. Suntel Limited [now amalgamated with Dialog Broadband Networks (Private) Limited], on the basis of legal advice received, has appealed against this judgment to the Supreme Court of Sri Lanka. The matter is now fixed for hearing on 6 March 2014.

(b) Pending such appeal, Electroteks Network Services (Private) Limited filed a writ pending appeal application in the Commercial High Court of the Western Province seeking to execute the judgment given in their favour. On 4 December 2013 Electroteks Network Services (Private) Limited agreed not to pursue this writ pending appeal application upon Dialog Broadband Network (Private) Limited agreeing to keep a guarantee to cover the judgment in the appeal made to the Supreme Court of Sri Lanka, through its parent company Dialog Axiata PLC, in the form of a Bank Guarantee for the value of Rs. 1Bn and a Corporate Guarantee for the value of Rs. 3.2Bn. This matter will be called again on 19 February 2014. The contingent liability arises from such guarantee is disclosed in note 32 (a) (ii) to the financial statements.

20 Deferred revenue

	Group 2013	Group 2012	Company 2013	Company 2012
At 1 January	3,272,494	3,180,802	2,846,328	3,016,409
Prepaid revenue	29,316,791	19,705,571	28,276,202	18,693,492
Prepaid revenue acquired through business combination	-	201,746	-	-
TDC disbursement received	1,248,398	-	1,223,734	-
TDC disbursement acquired through business combination	-	191,434	-	-
Released of prepaid revenue to statement of comprehensive income	(29,357,487)	(19,788,786)	(28,359,709)	(18,671,398)
Released of TDC disbursements to statement of comprehensive income (Note 30)	(620,702)	(218,273)	(562,299)	(192,175)
At 31 December	3,859,494	3,272,494	3,424,256	2,846,328

	Group 2013	Group 2012	Company 2013	Company 2012
Current (Note 19)	2,168,761	2,258,365	1,872,201	1,983,327
Non-current	1,690,733	1,014,129	1,552,055	863,001
	3,859,494	3,272,494	3,424,256	2,846,328

Deferred revenue comprises prepaid call time and the amounts disbursed by Telecommunication Regulatory Commission of Sri Lanka (TRC) on account of the disbursement of 2/3rd of Telecommunication Development Charge (TDC) with respect to periods from 2003 to 2009.

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

21 Borrowings

	Group 2013	Group 2012	Company 2013	Company 2012
Current				
Bank overdrafts (Note 15)	1,770,641	1,401,235	1,257,385	1,112,813
Bank borrowings	-	7,534,697	-	7,534,697
Finance lease liabilities	-	4,866	-	-
Loan from parent company [Note 35(e)]	10,135,290	4,014,064	10,135,290	4,014,064
	11,905,931	12,954,862	11,392,675	12,661,574
Non – current				
Bank borrowings	17,451,422	7,878,320	17,451,422	7,878,320
Loan from parent company [35(e)]	-	4,216,001	-	4,216,001
	17,451,422	12,094,321	17,451,422	12,094,321

21 Borrowings (Contd.)

(a) Bank borrowings

On 16 July 2013 the Company entered into a syndicated term loan facility agreement of USD 200Mn with 5 year tenure. The facility will be used to finance the Group's capital expenditure, working capital requirements and refinance an existing debt. The term loan carries an interest rate of USD 3 Months LIBOR + 1.45%, which will mature on 29 July 2018 and has a repayment moratorium period of 24 months.

The term loan obtained from Oversea-Chinese Banking Corporation was pre-paid in full in October 2013 with funds obtained from the syndicated term loan facility.

On 13 January 2014 the Company entered into a fixed Interest Rate Swap (IRS) contract for an amount of USD 120,666,667 with a foreign bank. The IRS contract between the two parties is effective for a period of four and half years expiring on 30 July 2018. The Company and the Group will pay a fixed interest rate of 2.6075% per annum in exchange for receiving USD 3 months LIBOR plus a spread on the amortising outstanding principal amount.

(b) Loan from parent company

Axiata Investments (Labuan) Limited has provided advances amounting to USD 50Mn and Rs. 3.7Bn, during the years of 2008, 2009 and 2013 to meet expenditure related to telecommunication expansion, launch of CDMA and Pay TV services. For the purpose of determining the amortised cost, a repayment period up to quarter two of 2014 has been considered.

The effective interest rate on loans from parent company was 0.5% p.a (2012 - 0.5% p.a).

(c) Finance lease liabilities

Gross finance lease liabilities - minimum lease payment:

	Group		Company	
	2013	2012	2013	2012
Not later than 1 year	-	4,866	-	-
Gross finance lease liabilities	-	4,866	-	-

The present value of finance lease liabilities is as follows:

	Group		Company	
	2013	2012	2013	2012
Not later than 1 year	-	4,866	-	-
Present value of finance lease liabilities	-	4,866	-	-

(d)

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

	Group		Company	
	2013	2012	2013	2012
3 months or less	2,110,138	4,159,422	1,596,882	3,866,135
3 - 6 months	7,582,187	2,765,375	7,582,187	2,765,375
6 - 12 months	2,213,606	6,030,065	2,213,606	6,030,064
1 - 5 years	17,451,422	12,094,321	17,451,422	12,094,321
Over 5 years	-	-	-	-
	29,357,353	25,049,183	28,844,097	24,755,895

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

	Group		Company	
	2013	2012	2013	2012
Sri Lankan rupees	4,203,553	4,784,459	3,690,297	4,491,171
United States dollars	25,153,800	20,264,724	25,153,800	20,264,724
	29,357,353	25,049,183	28,844,097	24,755,895

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

	Group		Company	
	2013	2012	2013	2012
Bank borrowings	17,451,422	7,878,320	17,451,422	7,878,320
Loan from parent company	-	4,216,001	-	4,216,001
	17,451,422	12,094,321	17,451,422	12,094,321

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair value of non-current borrowings are based on cash flows discounted using a rate based on the effective interest rates of between 1.6% - 1.74% floating and 4.05% fixed (2012 - 1.98% - 2.45% floating and 4.05% fixed).

22 Deferred tax liabilities

Deferred taxes are calculated on all temporary differences under the liability method using the applicable tax rates as at the date of the statement of financial position.

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

	Group		Company	
	2013	2012	2013	2012
At 1 January	-	1,972,933	-	1,972,933
Charged to statement of comprehensive income	800	304,084	-	304,084
Credited to statement of comprehensive income	-	(2,277,017)	-	(2,277,017)
At 31 December	800	-	-	-

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

(c) Deferred 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 tax asset of Rs.679,086,913 was not recognised in respect of DBN in the consolidated financial statements.

23 Defined benefit obligation

(a) The table below outlines where the defined benefit obligation amounts and activity are included in the financial statements.

	Group		Company	
	2013	2012	2013	2012
Statement of financial position obligations for:				
- Defined benefit obligation	717,869	587,030	588,035	481,385
Obligation in the statement of financial position	717,869	587,030	588,035	481,385
Statement of comprehensive income charge for:				
- Defined benefit obligation	152,951	119,792	127,947	101,483
Charge included in operating profit	152,951	119,792	127,947	101,483
Remeasurements for:				
- Defined benefit obligation	6,888	8,762	3,788	219
Remeasurements included in other comprehensive income	6,888	8,762	3,788	219

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

	Group		Company	
	2013	2012	2013	2012
At 1 January	587,030	443,731	481,385	403,482
Current service cost	77,937	71,609	65,847	57,100
Interest expense	75,014	48,183	62,100	44,383
	152,951	119,792	127,947	101,483
Remeasurements: -				
- Losses / (gains) from change in financial assumptions	23,818	(43,391)	19,493	(36,611)
- Losses / (gains) from change in demographic assumptions	317	(3,825)	281	(2,535)
- Experience (gains) / losses	(17,247)	55,978	(15,986)	39,365
	6,888	8,762	3,788	219
Acquisition through business combination	-	94,476	-	-
Benefits paid	(29,000)	(79,731)	(25,085)	(23,799)
	(29,000)	14,745	(25,085)	(23,799)
At 31 December	717,869	587,030	588,035	481,385

This obligation is not externally funded.

The gratuity liability of the Group is based on the actuarial valuation performed in December 2013 by Actuaries, Messrs Actuarial & Management Consultants (Private) Limited.

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

	Group		Company	
	2013	2012	2013	2012
Discount rate	11.90%	12.67%	11.90%	12.67%
Future salary growth rate	12.00%	14.00%	12.00%	14.00%

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.

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

		Group		Company	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 8.22%	Increase by 9.43%	Decrease by 7.86%	Increase by 8.97%
Future salary growth rate	1.00%	Increase by 9.79%	Decrease by 8.67%	Increase by 9.34%	Decrease by 8.31%

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.

(e) Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation is 9.36 years and average time to benefit pay out is 9.08 years. The distribution of the timing of benefit payments is as follow:

	Group	Company
	2013	2013
Less than 1 year	5,427	3,310
Between 1 – 2 years	3,963	3,144
Between 2 – 5 years	13,012	6,264
Over 5 years	695,467	575,317
	717,869	588,035

24 Provision for other liabilities

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

	Group		Company	
	2013	2012	2013	2012
At 1 January	813,874	586,660	663,367	574,054
Amounts capitalised	511,594	265,707	893,179	224,519
Adjustment for fully depreciated ARO assets	(3,943)	(226,287)	(425,242)	(198,072)
Acquisition through business combination	-	123,522	-	-
Charged to statement of comprehensive income (Note 27)	242,828	64,272	179,164	62,866
At 31 December	1,564,353	813,874	1,310,468	663,367

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

	Group		Company	
	2013	2012	2013	2012
Inflation	5.60%	9.50%	5.60%	9.50%
Discount rate	10.49%	13.90%	10.49%	13.90%

25 Expenses by nature

	Group		Company	
	2013	2012	2013	2012
Directors' fees	67,930	72,608	67,930	72,608
Independent auditor's remuneration				
- statutory audit	13,359	10,828	7,185	6,642
- other permitted services	4,179	7,671	1,805	6,775
Fees for other professional services	154,743	202,104	125,936	142,650
Depreciation, impairment and amortisation	12,309,208	11,556,231	9,347,013	9,004,359
Provision for impairment of available - for - sale financial asset	30,596	-	30,596	-
Domestic interconnection and international origination cost	6,389,076	5,376,212	6,293,775	5,293,169
Telecommunication development charge	2,908,384	3,085,705	2,966,788	3,116,439
Provision for impairment of trade receivables	935,122	485,459	652,885	291,029
Marketing, advertising and promotion	7,722,126	7,312,378	7,091,716	6,884,042
Rental for site and office premises	3,113,872	2,744,248	2,767,988	2,442,263
Electricity for site and office premises	2,682,880	2,477,127	2,303,766	2,150,894
Annual maintenance (IT and hardware, software)	2,106,841	1,797,241	1,766,156	1,575,563
Staff costs (Note 26)	4,908,644	4,272,122	4,164,489	3,635,306
TRC and loyalty fee	2,726,187	2,436,281	2,093,780	2,023,500
Other operating costs	9,648,391	7,846,212	7,494,212	6,347,444
Total direct costs, administrative costs and distribution costs	55,721,538	49,682,427	47,176,020	42,992,683

26 Employee benefit expenses

	Group		Company	
	2013	2012	2013	2012
Wages and salaries	2,542,714	2,203,403	2,150,640	1,875,908
Social security costs	1,777,811	1,568,457	1,532,206	1,338,020
Pension costs - defined contribution plans	435,168	380,470	353,696	319,895
Pension costs - defined benefit plan (Note 23)	152,951	119,792	127,947	101,483
	4,908,644	4,272,122	4,164,489	3,635,306
Number of persons employed as at 31 December:				
- full time	3,053	2,993	2,325	2,234
	3,053	2,993	2,325	2,234

27 Finance income and costs

	Group		Company	
	2013	2012	2013	2012
Interest income on deposits (Note 30)	113,116	307,022	107,068	270,214
Finance income	113,116	307,022	107,068	270,214
Interest expenses on:				
- bank overdrafts	(3,232)	(137)	(3,178)	(41)
- term loans	(278,563)	(247,865)	(278,563)	(247,865)
- loans from parent company	(158,655)	(241,892)	(158,655)	(241,892)
- finance cost on asset retirement obligations (ARO) (Note 24)	(242,828)	(64,272)	(179,164)	(62,866)
- finance lease	(1,062)	(3,670)	-	-
- dividend on cumulative redeemable preference shares	-	(53,904)	-	(53,904)
Net foreign exchange loss on foreign currency transactions / translations	(735,265)	(2,422,394)	(658,716)	(2,376,597)
Finance costs	(1,419,605)	(3,034,134)	(1,278,276)	(2,983,165)
Finance costs – net	(1,306,489)	(2,727,112)	(1,171,208)	(2,712,951)

28 Income tax

(a)

	Group		Company	
	2013	2012	2013	2012
Current tax	1,119,550	5,956	1,113,930	(2,892)
Economic service charge	6,546	2,316	2	2,316
Deferred tax charged to statement of comprehensive income (Note 22)	800	304,084	-	304,084
Deferred tax credited to statement of comprehensive income (Note 22)	-	(2,277,017)	-	(2,277,017)
	1,126,896	(1,964,661)	1,113,932	(1,973,509)

28 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 Lanka rupees.

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

	Group		Company	
	2013	2012	2013	2012
Profit before tax	6,327,926	4,065,526	7,175,422	4,216,755
Tax at the standard tax rate of 28%	1,771,819	1,138,347	2,009,118	1,180,691
Tax effects on:				
- Income not subject to tax	(13,869)	(624,650)	(13,869)	(624,650)
- Associates results reported net of tax	8,272	2,391	-	-
- Expenses not deductible for tax purposes	68,409	2,679,310	-	2,815,789
- Expenses deductible for tax purposes	-	(3,314,733)	-	(3,314,733)
- Unrecognised deferred tax	88,901	92,143	-	-
- Utilisation of previously unrecognised tax losses	(2,239)	(38,229)	-	(18,336)
- Change in the tax regime (Note b)	(881,893)	-	(881,893)	-
- Rate differentials (Note c and d)	78,395	79,857	-	-
Under / (over) provision for previous years	1,755	(10,475)	574	2,316
Net charge / (reversal) of deferred tax	800	(1,972,933)	-	(1,972,933)
ESC written off	6,546	4,311	2	(41,653)
	1,126,896	(1,964,661)	1,113,932	(1,973,509)

29 Earnings per share

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

	Group		Company	
	2013	2012	2013	2012
Profit for the year	5,201,030	6,030,187	6,061,490	6,190,264
Attributable to ordinary shareholders	5,201,030	6,030,187	6,061,490	6,190,264
Weighted average number of ordinary shares in issue (Thousands)	7,985,206	7,985,206	7,985,206	7,985,206
Earnings per share (Rs.)	0.651	0.755	0.759	0.775

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

30 Cash generated from operations

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

	Group		Company	
	2013	2012	2013	2012
Profit before tax	6,327,926	4,065,526	7,175,422	4,216,755
Adjustments for:				
Unrealised exchange losses	728,811	2,030,459	722,801	2,122,342
Provision for doubtful debts	935,122	454,224	652,885	291,029
Bad debts written back	(52,049)	(196,870)	(43,982)	(154,688)
Profit on sale of property, plant and equipment	(53,652)	(94,291)	(45,554)	(85,738)
Interest expense	441,512	547,468	440,396	543,702
Finance cost on asset retirement obligations (Note 27)	242,828	64,272	179,164	62,866
Interest income (Note 27)	(113,116)	(307,022)	(107,068)	(270,214)
Amortisation charge (Note 8)	1,150,889	672,835	841,464	533,251
Depreciation charge (Note 7)	11,135,006	10,098,017	8,549,623	7,758,774
Impairment (reversal) / provision of property, plant and equipment (Note 7)	(6,893)	785,379	(74,280)	712,334
Impairment provision of intangible assets (Note 8)	30,206	-	30,206	-
Impairment provision of available - for - sale financial assets (Note 12)	30,596	-	30,596	-
Amounts released from deferred revenue (Note 20)	(620,702)	(218,273)	(562,299)	(192,175)
Defined benefit obligation (Note 23)	152,951	119,792	127,947	101,483
Provision for slow moving inventory	45,192	22,725	45,697	18,461
Share of loss from associates (Note 10)	29,542	8,539	-	-
Changes in working capital				
- Trade and other receivables	(2,956,243)	(839,686)	(836,454)	399,638
- Inventories	(341,083)	8,969	(314,112)	70,562
- Payables	3,451,499	4,438,258	2,558,814	3,923,313
Cash generated from operations	20,558,342	21,660,321	19,371,266	20,051,695

(b) Non-cash transactions

On 21 May 2013, DBN converted advances from the Company amounting to Rs. 1,000,000,000 into ordinary shares at the price of Rs. 10 each.

31 Dividends

The Board of Directors has recommended a tax-free final dividend of Rs. 0.29 per share amounting to Rs. 2,361,695,737 (2012 – Rs. 0.33 per share amounting to Rs. 2,687,446,874), subject to the approval of the shareholders at the Annual General Meeting.

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 is now indefinitely postponed until finality is reached in respect of a settlement which was proposed by the Secretary to the Treasury in May 2010.

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

(ii) Guarantee given by the Company against pending litigations

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

(b) Guarantees

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

	Group		Company	
	2013	2012	2013	2012
Corporate guarantees	327,959,015	318,688,027	247,862,189	240,855,379
Bank guarantees	1,955,733,072	204,366,031	1,934,641,890	33,672,168
	2,283,692,087	523,054,058	2,182,504,079	274,527,547

33 Commitments

(a) Capital commitments

	Group		Company	
	2013	2012	2013	2012
Supply of telecommunication equipment	11,174,519	10,861,284	7,244,581	8,200,687

(b) Financial commitments

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

	Amount (Thousands)
Annual fee to the Board of Investment of Sri Lanka	1,429
Rental for site and office premises	2,795,335
Annual maintenance contracts	2,379,133
Rental to Axiata Lanka (Private) Limited	7,920

(c) Other commitments

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

34 Business combinations

Acquisition of Sky Television and Radio Network (Private) Limited

The Company's wholly owned subsidiary, Dialog Broadband Networks (Private) Limited, entered into a Share Purchase Agreement on 23 April 2013 with the shareholders of Sky Television and Radio Network (Private) Limited (Sky TV) to purchase 100 percent equity shares of Sky TV. Sky TV became a wholly owned subsidiary of DBN with effect from 13 May 2013 and accordingly the assets and liabilities of Sky TV were consolidated into the Group. The total consideration for the acquisition of Sky TV was Rs. 800Mn.

Sky TV was amalgamated with DBN, in accordance with provisions of the Companies Act, No. 07 of 2007 ('the Act') with effect from 3 July 2013. Accordingly, Sky TV ceased to exist and was removed from the Register by the Registrar-General of Companies and all the assets, rights, liabilities and obligations of Sky TV were succeeded by DBN in accordance with the Act.

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	Dato' Sri Jamaludin Ibrahim	Mr. Jayantha Dhanapala	Mr. Mohd Khairil Abdullah	Mr. James Maclaurin	Mr. Mohamed Muhsin
Association for Social Development	-	-	x	-	-	-	-	-
Axiata Group Bhd	x	-	-	x	-	-	-	-
Axiata Investments (Indonesia) Sdn Bhd	-	-	-	-	-	-	x	-
Axiata Investments (Labuan) Limited	-	-	-	-	-	-	x	-
Axiata Investments (Singapore) Limited	-	-	-	-	-	-	x	-
Axiata Investments 1 (India) Limited	-	x	-	-	-	-	-	-
Axiata Investments 2 (India) Limited	-	x	-	-	-	-	-	-
Axiata Lanka (Private) Limited	-	x	-	-	-	-	x	-
Axiata Management Services Sdn Bhd	-	-	-	-	-	-	x	-
Axiata SPV1 (Labuan) Limited	-	-	-	-	-	-	x	-
Axiata SPV 2 Bhd	-	-	-	x	-	-	x	-
Boustead Heavy Industries Corp. Bhd	x	-	-	-	-	-	-	-
Boustead Holdings Bhd	x	-	-	-	-	-	-	-
Capital Trust Securities (Private) Limited	-	-	x	-	-	-	-	-
Capital Trust Treasuries (Private) Limited	-	-	x	-	-	-	-	-
Cargills (Ceylon) PLC	-	-	-	-	x	-	-	-
Celcom Axiata Bhd	-	-	-	x	-	-	x	-
Ceylon Petroleum Corporation	-	x	-	-	-	-	-	-
Colombo Stock Exchange Limited	-	-	x	-	-	-	-	-
Communiq Broadband Network (Private) Limited	-	x	x	-	-	-	-	-
Celcom Trading Sdn Bhd (Formerly known as Rego Multi-Trades Sdn Bhd)	x	-	-	-	-	-	-	-
Celcom Resources Bhd (Formerly known as Technology Resources Industries Limited)	x	-	-	-	-	-	-	-
Dialog Axiata Employee Share Option Trust	Trustee	-	Trustee	-	-	-	-	-
Dialog Broadband Networks (Private) Limited	-	x	x	-	-	-	-	-
Digital Commerce Lanka (Private) Limited	x	-	-	-	-	-	-	-
Dialog Foundation	Trustee	Trustee	-	-	Trustee	-	-	-
Dialog Television (Private) Limited	-	x	x	-	-	-	-	-

	Datuk Azzat Kamaludin	Dr Hansa Wijayasuriya	Mr. Moksevi Prelis	Dato' Sri Jamaludin Ibrahim	Mr. Jayantha Dhanapala	Mr. Mohd Khairil Abdullah	Mr. James Maclaurin	Mr. Mohamed Muhsin
Dialog Television Trading (Private) Limited	-	x	x	-	-	-	-	-
edotco Group Sdn Bhd (Formerly known as Axiata SPV 3 Sdn Bhd)	-	-	-	x	-	-	-	-
edotco Malaysia Sdn Bhd	-	-	-	x	-	-	x	-
Escape Axiata Sdn Bhd	-	-	-	x	-	-	x	-
Firstsource-Dialog Solutions (Private) Limited	-	x	-	-	-	-	-	-
Glaswool Holdings Limited	-	-	-	-	-	-	x	-
GSM Association	-	-	-	Board Member	-	-	-	-
Hello Axiata Company Limited	-	-	-	-	-	-	x	-
Idea Cellular Limited (India)	-	x	-	-	-	-	-	-
KPJ Healthcare Bhd	x	-	-	-	-	-	-	-
Malaysian Directors Academy	x	-	-	-	-	-	-	-
M1 Limited	-	-	-	x	-	-	-	-
National Research Council of Sri Lanka	-	-	x	-	-	-	-	-
PT XL Axiata Tbk	-	-	-	Commi-ssioner	-	-	Commi-ssioner	-
PT XL Planet Digitel	-	x	-	-	-	-	-	-
Robi Axiata Limited	-	-	-	-	-	-	x	-
Sigiriya Leisure (Private) Limited	-	x	-	-	-	-	-	-
Sinwa Holdings Limited	-	-	x	-	-	-	-	-
Sri Lanka Institute of Nanotechnology (Private) Limited	-	x	-	-	-	-	-	-
Tangalle Leisure (Private) Limited	-	x	-	-	-	-	-	-
Telecard (Private) Limited	-	x	-	-	-	-	-	-
Visdynamics Holdings Bhd	x	-	-	-	-	-	-	-

As at 31 December 2013, the Group Chief Executive Officer, Dr Hansa Wijayasuriya held options to purchase 5,424,400 ordinary shares under the ESOS. No share options have been granted to the Non-Executive Directors under the ESOS.

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

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:

		Company 2013	Company 2012
	Sale of Service:		
i)	Axiata Lanka (Private) Limited		
	- Rendering of management services	2,700	2,700
ii)	Dialog Broadband Networks (Private) Limited		
	- Site sharing revenue	232,803	221,456
	- International private lease circuits and satellite bandwidth revenue	162,102	181,588
	- Market development, workshop revenue, origination and others	171,900	164,559
	- Local interconnection SMS	117,174	90,261
iii)	Dialog Television (Private) Limited		
	- Satellite bandwidth service	5,623	5,623
iv)	Telekom Malaysia Berhad		
	- International private lease circuits revenue	20,328	19,386
	- Interconnection revenue	259,977	387,820
v)	Multinet Pakistan (Private) Limited		
	- Interconnection revenue	11,482	25,174
vi)	Idea Cellular Limited		
	- Interconnection revenue	818	119,006
vii)	M1 Limited (Singapore)		
	- Interconnection revenue	16,306	17,325
viii)	PT XL Axiata Tbk		
	- Inbound roaming	948	607
	- Axiata roaming services	6,331	6,231
	- Interconnection revenue	1,431	-
ix)	Hello Axiata Company Limited		
	- Interconnection revenue	25,814	20,333
x)	Celcom Axiata Berhad		
	- Interconnection revenue	1,065,734	1,108,693
	- Inbound roaming	8,526	2,396
	- Other revenue	7,751	7,883
xi)	Robi Axiata Limited		
	- Axiata roaming services	6,331	6,231
		2,124,079	2,387,272

		Company 2013	Company 2012
	Purchase of service:		
i)	Axiata Lanka (Private) Limited		
	- Rental charges	7,920	7,920
ii)	Dialog Broadband Networks (Private) Limited		
	- Lease circuit rental and electricity	153,318	150,811
	- Computer HW and SW maintenance	68,320	67,769
	- BTS site sharing cost	109,517	86,907
	- Last mile and field service	24,948	19,229
	- Telephone charges and D Net	18,866	9,568
	- Incoming local access charges, outgoing local access charges and interconnection charges	403,221	346,123
	- Interconnection charges	80,965	67,126
iii)	Telekom Malaysia Berhad		
	- Lease rental	-	80,248
	- Origination cost	43,346	56,873
	- Operation and maintenance charges	-	42,782
	- Local access charges	-	12,645
	- Port and internet charges	-	890
	- Restoration charges	26,338	23,175
	- Voice interconnection charges	105,173	3,862
iv)	Dialog Television (Private) Limited		
	- Cost on initial connection given to DAP staff	13,003	2,120
	- Cost on subscription fees on connection given to DAP staff	4,764	13,779
v)	Multinet Pakistan (Private) Limited		
	- Origination cost	-	50,344
vi)	Idea Cellular Limited		
	- Origination cost	9,446	14,381
vii)	M1 Limited (Singapore)		
	- Origination cost	1,342	1,578
viii)	PT XL Axiata Tbk		
	- Outbound roaming	2,808	2,312
	- Interconnection charges	2,426	-

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	
		2013	2012
	Purchase of service (Contd.)		
ix)	Hello Axiata Company Limited		
	- Origination cost	58	26
x)	Celcom Axiata Berhad		
	- Origination cost	47,614	35,556
	- Outbound roaming	11,783	9,642
xi)	Firstsource-Dialog Solution (Private) Limited		
	- Call centre charges	494,607	488,638
		1,629,783	1,594,304

	Company	
	2013	2012
Funds made available to subsidiaries:		
Dialog Broadband Networks (Private) Limited	5,976,262	3,383,532
Dialog Television (Private) Limited	977,960	536,050
	6,954,222	3,919,582

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

	Company	
	2013	2012
Salaries and short-term employee benefits	316,679	343,698
Defined benefit plans	85,894	76,831
	402,573	420,529

(e) Axiata Investment (Labuan) Limited

	Group		Company	
	2013	2012	2013	2012
Borrowings - Non-current liability (Note 21)	-	4,216,001	-	4,216,001
Borrowings - Current liability (Note 21)	10,135,290	4,014,064	10,135,290	4,014,064
Interest payable	78,596	44,566	78,596	44,566

The borrowings consist of a loan of USD 50Mn which carries an interest rate of 0.50% p.a (2012 - 0.50%) and the balance of Rs. 3.7Bn which is interest free and repayable in the ordinary course of business. The fair values and the effective interest rates of the loans are disclosed in note 21.

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

	Group		Company	
	2013	2012	2013	2012
Non-current receivables (Note 13)				
- Dialog Broadband Networks (Private) Limited	-	-	11,847,851	8,073,482
- Dialog Television (Private) Limited	-	-	2,015,477	1,481,156
- Axiata Lanka (Private) Limited	1,273	5,091	1,273	5,091
	1,273	5,091	13,864,601	9,559,729
Current receivables (Note 13)				
- Multinet Pakistan (Private) Limited	7,570	2,841	7,570	2,841
- M1 Limited (Singapore)	2,235	717	2,235	717
- Idea Cellular Limited	-	32,914	-	32,914
- Celcom Axiata Berhad	216,953	47,652	216,953	47,652
- Hello Axiata Company Limited	16,716	16,334	16,716	16,334
- PT XL Axiata Tbk	3,330	351	3,330	351
- Telekom Malaysia Berhad	115,176	-	115,176	-
- Robi Axiata Limited	16,236	-	16,236	-
- Digital Commerce Lanka (Private) Limited	523	-	523	-
- Axiata Lanka (Private) Limited	3,818	7,414	3,818	7,414
	382,557	108,223	382,557	108,223

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	
	2013	2012	2013	2012
Amount due to ultimate parent company (Note 19)				
- Axiata Group Berhad	848,701	902,808	848,701	902,808
Amounts due to related companies (Note 19)				
- Axiata Investment (Labuan) Limited	2,239,133	-	2,239,133	-
- Axiata Lanka (Private) Limited	26,863	30,149	26,863	30,149
- Telekom Malaysia Berhad	141,455	180,664	141,455	180,664
- PT XL Axiata Tbk	858	-	858	-
- Robi Axiata Limited	85,215	74,560	85,215	74,560
- Firstsource-Dialog Solution (Private) Limited	90,355	57,943	90,355	57,943
- Digital Commerce Lanka (Private) Limited	4,190	-	4,190	-
- Dialog Broadband Networks (Private) Limited	-	-	175,772	356,814
	2,588,069	343,316	2,763,841	700,130

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

35 Related party transactions (Contd.)

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

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

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 Events after the reporting period

The Board of Directors has recommended a tax-free final dividend of Rs. 0.29 per share amounting to Rs. 2,361,695,737 for the financial year 2013, 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

Statements of financial position

For Information Purpose Only

	Group		Company	
	31 December		31 December	
	2013	2012	2013	2012
	USD '000	USD '000	USD '000	USD '000
ASSETS				
Non-current assets				
Property, plant and equipment	523,097	463,455	387,873	351,791
Intangible assets	132,315	82,573	48,272	11,678
Investment in subsidiaries	-	-	143,831	140,153
Investment in associates	1,971	1,904	2,129	1,835
Available-for-sale financial asset	-	241	-	241
Amount due from related companies	9	40	105,926	75,162
	657,392	548,213	688,031	580,860
Current assets				
Inventories	4,986	2,233	4,212	1,676
Trade and other receivables	106,382	92,406	86,463	73,148
Cash and cash equivalents	24,582	68,947	15,763	62,031
	135,950	163,586	106,438	136,855
Total assets	793,342	711,799	794,469	717,715
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	214,714	220,960	214,714	220,960
Shares in ESOS Trust	(15,211)	(15,653)	(15,211)	(15,653)
Dividend reserve - ESOS Trust	2,932	2,606	2,932	2,606
Retained earnings	101,145	84,418	178,158	156,843
Total equity	303,580	292,331	380,593	364,756
LIABILITIES				
Non - current liabilities				
Borrowings	133,329	95,089	133,329	95,090
Retirement benefit obligation	5,485	4,615	4,493	3,785
Provision for other liabilities	11,952	6,399	10,012	5,216
Deffered tax liability	6	-	-	-
Deferred revenue	12,917	7,973	11,858	6,785
	163,689	114,076	159,691	110,876
Current liabilities				
Trade and other payables	226,572	203,349	158,638	142,412
Current income tax liabilities	8,540	189	8,506	122
Borrowings	90,961	101,854	87,040	99,549
	326,073	305,392	254,184	242,083
Total liabilities	489,762	419,468	413,876	352,958
Total equity and liabilities	793,342	711,799	794,469	717,715
Excahnge rate	130.89	127.19	130.89	127.19

US Dollar Financial Statements

Statements of comprehensive income

For Information Purpose Only

	Group		Company	
	31 December		31 December	
	2013 USD '000	2012 USD '000	2013 USD '000	2012 USD '000
Revenue	483,594	443,002	423,600	391,562
Direct costs	(281,656)	(253,291)	(239,661)	(218,237)
Gross profit	201,938	189,711	183,939	173,325
Distribution costs	(65,744)	(59,761)	(58,833)	(55,196)
Administrative costs	(78,313)	(77,564)	(61,931)	(64,586)
Other income	672	1,086	593	941
Operating profit	58,553	53,472	63,768	54,484
Finance income	864	2,414	818	2,124
Finance costs	(10,846)	(23,855)	(9,766)	(23,454)
Finance costs - net	(9,982)	(21,441)	(8,948)	(21,330)
Share of loss from associates - net of tax	(226)	(67)	-	-
Profit before income tax	48,345	31,964	54,820	33,154
Income tax	(8,609)	15,447	(8,510)	15,516
Profit for the year	39,736	47,411	46,310	48,670
Other comprehensive expense, net of tax -				
Remeasurements of defined benefit obligation (Gratuity)	(53)	(69)	(29)	(2)
Total comprehensive income for the year	39,683	47,342	46,281	48,668
Exchange rate	130.89	127.19	130.89	127.19

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 55 to 120.

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	2013 Rs. '000	2012 Rs. '000
Value added		
Revenue	63,297,591	56,345,458
Other operating income	87,904	138,146
Interest income	113,116	307,022
	63,498,611	56,790,626
Cost of materials and services bought in	(17,970,287)	(20,341,965)
	45,528,324	36,448,661
Distribution of value added		
To employees		
Salaries and other benefits	4,908,644	4,272,122
To Government		
Taxes	17,020,177	14,297,490
To lenders of capital		
Interest on borrowings	441,513	547,468
	441,513	547,468
To shareholders as dividends		
Dividend to shareholders	2,687,446	2,035,945
	2,687,446	2,035,945
Retained in the business		
Profit retained	8,184,649	4,524,784
Depreciation and amortisation	12,285,895	10,770,852
	20,470,544	15,295,636
	45,528,324	36,448,661
Distribution of value added		
To employees	11%	12%
Retained in the business	45%	41%
To lenders of capital	1%	2%
To Government	37%	39%
To shareholders as dividends	6%	6%

Five Year Summary

31 December	GROUP 2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2010* Rs.'000	2009** Rs.'000
OPERATING RESULTS					
Turnover	63,297,591	56,345,458	45,412,002	41,170,572	36,001,878
EBIT	7,663,957	6,801,177	6,207,093	5,413,302	(10,032,558)
Finance (cost) / income	(1,306,489)	(2,727,112)	(768,555)	(168,262)	(2,606,342)
Share of (loss) / profit from associate	(29,542)	(8,539)	9,681	-	-
Profit / (loss) before tax	6,327,926	4,065,526	5,448,219	5,245,040	(12,638,900)
Profit / (loss) after tax	5,201,030	6,030,187	4,869,562	4,754,667	(13,066,982)
Total comprehensive income / expense	5,194,142	6,021,425	4,888,489	4,754,667	(13,066,982)
CAPITAL EMPLOYED					
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913	28,103,913
ESOS Trust shares	(1,990,921)	(1,990,921)	(1,990,921)	(1,990,921)	(1,990,921)
Dividend reserve - ESOS Trust	383,754	331,425	291,781	260,067	260,067
Revaluation reserve	-	-	-	-	136,471
Retained earnings	13,238,824	10,737,128	6,789,148	3,529,415	(2,150,201)
Shareholders fund	39,735,570	37,181,545	33,193,921	29,902,474	24,359,329
Minority interest	-	-	-	-	-
Subscription in advance	-	-	-	-	-
Total debt	29,357,353	25,049,183	23,072,630	25,535,437	34,418,878
	69,092,923	62,230,728	56,266,551	55,437,911	58,778,207
ASSETS EMPLOYED					
Property, plant & equipment	68,468,112	58,946,889	51,127,539	53,014,351	55,979,991
Other non current assets	17,577,989	10,780,298	3,956,705	3,805,506	3,876,177
Current assets	17,794,395	20,806,549	21,143,035	15,339,853	15,136,068
Liabilities net of debt	(34,747,573)	(28,303,008)	(19,960,728)	(16,721,799)	(16,214,029)
	69,092,923	62,230,728	56,266,551	55,437,911	58,778,207
CASH FLOW					
Net cash generated from operating activities	21,474,863	21,516,145	18,639,876	14,746,176	6,105,637
Net cash used in investing activities	(27,902,783)	(20,797,336)	(8,651,365)	(6,748,217)	(9,703,630)
Net cash generated from / (used in) financing activities	635,622	(2,409,089)	(5,095,146)	(6,488,379)	7,557,962
Net (decrease) / increase in cash and cash equivalents	(5,792,298)	(1,690,280)	4,893,365	1,509,580	3,959,969
KEY INDICATORS					
Basic earnings per share (Rs.)	0.65	0.76	0.61	0.59	(1.64)
Diluted earnings per share (Rs.)	0.65	0.76	0.61	0.59	(1.65)
Interest cover (No. of times)	23.34	28.29	13.05	6.51	(4.15)
Net asset per share (Rs.)	4.88	4.57	4.08	3.67	2.99
Current ratio (No. of times)	0.42	0.54	0.96	0.82	0.76
Price earnings ratio (Times)***	13.82	11.07	12.79	20.00	NM
Dividend per share (Rs.)	0.29	0.33	0.25	0.20	-
Dividend yeild (%)	3.22%	4.00%	3.21%	1.69%	-
Market price per share (Rs.)	9.00	8.30	7.80	11.80	7.25

NM - Not Meaningful
* Operating results are not SLASs compliant
** Audited figures have been restated to ensure comparability with the current period and are not SLASs compliant
*** Market price per share over diluted earnings per share

Group Real Estate Portfolio

Owning Company and location	Buildings in Sq feet	Land in acres freehold	Net book value 2013 Rs.'000	2012 Rs.'000
Properties in Colombo				
Dialog Axiata PLC				
No.475, Union Place, Colombo 02	74,255		367,313	381,435
No.25,Samarakoon Mawatha,Thumbowila,Piliyandala	22,506		41,777	43,877
Dialog Broadband Networks (Private) Limited				
No.24,Foster Lane, Union place, Colombo 02		38.45P	129,998	129,998
DBN Site, Welivita road,Malabe		3A-3R-2P	153,389	-
No.55/2C ,Old Avissawella Road,Kotikawatta	12,360	1R-36.5P	37,306	38,244
DBN Site, De soysa road, Mount lavinia		26.7P	44,428	-
Kaluandura,Puwakkpitiya,Avissawella		2R-25.56P	931	931
DBN Site, 86/14, 15th lane, Talangama, Battaramulla		10P	1,680	1,680
Kottawa, Mattegoda and Rukmale		21P	2,212	2,212
DBN Site,Imbaulakannda, Gamunu Road, Homagama		15P	779	779
Properties outside Colombo				
Dialog Broadband Networks (Private) Limited				
Saliya Mawatha ,Anuradhapura		1A-3R-27P	7,778	7,778
Punachchiminal Road,Ward 40 ,Batticaloa		1R	4,131	4,131
Thambakanda,Kochchikade		3R-7.5P	1,275	1,275
Kotakanda,Kuda Bingiriya,Madampe		2R-32.7P	1,477	1,477
Walagamageatta ,Browns Hill,Matara		36P	7,088	7,088
Anuradhapura Road,Baristapura ,Puttalam.		2A-1R-11P	7,624	7,624
Ambalankanda,Horana.		20P	400	400
Meekanuwa,Kandy		29.02P	1,403	1,403
Gonawala,Gampaha		19.25P	609	609
Ganemulla ragama,Gampaha		21.45P	400	400
Kendaliyaddapaluwa Ragama,Gampaha		11.1P	531	531
Ekala,Gampaha		20P	1,100	1,100
Seeduwa,Gampaha		20.75P	1,000	1,000
Kattuwa,Negombo		15P	657	657
Pitakanda,Kandy		2R-6.8P	3,500	3,500
Bolawalana,Negombo		16P	1,950	1,950
Hanthana,Kandy		1R	2,133	2,133
Kurana,Negombo		18.4P	1,380	1,380
Ketakelahahawatta,Panadura		17.6P	1,760	1,760
Katugasthota,Kandy		12.77P	1,413	1,413
Pitigala,Galle		10P	200	200
Furnishing and fixtures on leaseholding building			124,635	154,037
Total Land and building			952,257	801,002

Notice of Annual General Meeting

DIALOG AXIATA PLC (PQ 38)

NOTICE IS HEREBY GIVEN THAT THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON TUESDAY, 17TH JUNE 2014 AT 3:30P.M. AT THE GRAND BALLROOM, WATERS EDGE, NO. 316, ETHUL KOTTE ROAD, BATTARAMULLA.

1. Ordinary Resolution 1

To receive and adopt the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st December 2013 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, Datuk Azzat Kamaludin, who retires by rotation pursuant to Article 102 of the Articles of Association of the Company.

4. Ordinary Resolution 4

To re-elect as a Director, Mr. Darke Mohamed Sani who was appointed to the Board since the last Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company.

5. Ordinary Resolution 5

To re-elect as a Director, Deshamanya Mahesh Dayalal Amalean who was appointed to the Board since the last Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company.

6. Ordinary Resolution 6

To re-elect as a Director, Mr. Moksevi Prelis, who attained the age of 77 years on 02nd July 2013 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.

7. Ordinary Resolution 7

To re-elect as a Director, Mr. Mohamed Muhsin, who attained the age of 70 years on 16th October 2013 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.

8. Ordinary Resolution 8

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

9. Ordinary Resolution 9

To authorise the Directors to determine and make donations.

By Order of the Board

Ms. Viranthi Attygalle
Company Secretary

16th May 2014
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 17th Annual General Meeting

DATE : Tuesday, 17 June 2014
TIME : 03:30 PM
VENUE : The Grand Ballroom, Waters Edge,
No. 316, Ethul Kotte Road, Battaramulla.

Registration

1. Registration will be from 2.00 p.m. to 3.30 p.m.

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. You will be given an identification wristband and it will be mandatory that it is worn throughout the event, as no person will be allowed to enter the meeting hall without the wristband. There will be no replacement in the event that you lose or misplace the identification wristband.

5. If you are attending the meeting as a shareholder as well as a proxy for another, you will be given only one identification wristband.

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

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

Help Desk

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

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

Entitlement to Attend and Vote

10. 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

11. 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.

12. 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.

13 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.

14. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Company Secretary, Dialog Axiata PLC, No. 475, Union Place, Colombo 2, and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 03:30 p.m. on 15 June 2014.

Enquiry

15. If you have general queries prior to the meeting, you may contact us on our Shareholder Helpline on +94 773 908 929 or contact the following persons during working hours on the numbers given below -

- Ms. Lakshitha Gunasekara +94 777 087 564
- Ms. Anushka Lewke +94 777 088 900

Notes

Form of Proxy

I/We (name of shareholder/s)..
(Holder of NIC/Passport/Company Registration No./s...)
of (address of shareholder/s)..
being a shareholder/s of **Dialog Axiata PLC**, hereby appoint :

☐ (Name of proxy)...

(Holder of NIC/Passport No/s...)
of (address of proxy) ....

☐ OR failing him/her

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

as my/our proxy to represent me/us and vote on my/our behalf in accordance with the preference as indicated below at the Seventeenth Annual General Meeting of the Company to be held on 17 June 2014 at 3:30 PM and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		

(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

1. A shareholder entitled to attend and vote at the meeting but is unable to attend the meeting, can appoint not more than one proxy to attend and vote at the AGM instead of him/her, by completing the Form of Proxy.

2. Please complete the Form of Proxy by filling in legibly, your full name, address and contact number and thereafter date and sign in the space provided.

3. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Company Secretary, Dialog Axiata PLC, No. 475, Union Place, Colombo 2, and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 03:30 PM on 15th June 2014.

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. Jayantha Dhanapala
Mr. James Maclaurin
Mr. Mohd Khairil Abdullah
Mr. Darke Mohamed Sani (Appointed w.e.f. 8 February 2014)
Deshamanya Mahesh Amalean (Appointed w.e.f. 15 May 2014)

Board Audit Committee
Mr. Mohamed Muhsin - *Chairman*
Mr. Jayantha Dhanapala
Mr. Mohd Khairil Abdullah

Nominating & Remuneration Committee
Datuk Azzat Kamaludin - *Chairman*
Mr. Mohamed Muhsin
Mr. Jayantha Dhanapala

Company Secretary
Ms. Viranthi Attygalle

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

Contact for Shareholder Services
Group Corporate Services
3rd Floor, 57, Dharmapala Mawatha, Colombo 3
Telephone: +94 773 908 929
Fax: +94 117 694 350
E-mail: cosecunit@dialog.lk

Contact For Investor Relations
Group Investor Relations
Telephone: +94 777 080 129
E-mail: ir@dialog.lk

Contact for Media
Group Corporate Communications
Telephone: +94 777 080 221; +94 777 088 412
E-mail: corporate.communications@dialog.lk

Subsidiary Companies
1. Dialog Broadband Networks (Pvt) Ltd - 100%
2. Dialog Television (Pvt) Ltd - 100%
    - Dialog Television Trading (Pvt) Ltd - 100%
    - Communiq Broadband Network (Pvt) Ltd - 100%

Associate Companies
1. Firstsource-Dialog Solutions (Pvt) Ltd - 26%
2. Digital Commerce Lanka (Pvt) Ltd - 28.32%

Designed & produced by emagewise
Digital Plates & Printing by Softwave Printing and Publishing (Pvt) Ltd
Photography by Taprobane Street & Danush De Costa

Dialog

www.dialog.lk