Financial Statements

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

The Board of Directors ('the Board') of Dialog Axiata PLC ('DAP' or 'the Company') is pleased to present herewith the Annual Report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as 'the Group') for the financial year ended 31 December 2015 as set out on pages 60 to 127.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange (CSE) and is guided by recommended best practices.

Formation

The Company is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. The registered office of the Company is located at No. 475, Union Place, Colombo 2.

The Company was incorporated in Sri Lanka on 27 August 1993, under the Companies Act, No.17 of 1982, as a private limited liability company bearing the name MTN Networks (Private) Limited.

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

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

Principal Activities

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

Financial Statements

The financial statements which include the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes to the financial statements of the Company and the Group for the year ended 31 December 2015 are set out on pages 60 to 127.

Independent Auditor's Report

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

Accounting Policies

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Accounting Standards (LKASs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC).The significant accounting policies adopted in the preparation of financial statements are given on pages 65 to 81.

Statement of Directors' Responsibility

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

Review of Business

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

Property, Plant and Equipment

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

Market Value of Properties

The Directors are of the view that the carrying values of properties stated in note 8 to the financial statements reflect their fair value.

Reserves

The aggregate values of reserves and their composition are set out in the statements of changes in equity of the Company and the Group on pages 62 and 63 to the financial statements.

Substantial Shareholdings

The parent company, Axiata Investments (Labuan) Limited, held 83.32 percent of the ordinary shares in issue of the Company as at 31 December 2015. The main shareholders of the Company and the corresponding holding percentages are set out below:

Directors

The Directors of the Company as at 31 December 2015 were;

Datuk Azzat Kamaludin (Chairman)
Dr. Hansa Wijayasuriya (Group Chief Executive Officer)
Mr. Moksevi Prelis
Mr. Mohamed Muhsin
Mr. James Maclaurin
Mr. Darke Mohamed Sani
Deshamanya Mahesh Amalean
Mr. Thandalam Veeravalli Thirumala Chari (Chari TVT)
Dato' Sri Jamaludin Ibrahim (Alternate Director to Mr.Darke Mohamed Sani)

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

		2015		2014	
	Name of Shareholders	No. of Shares	% Holding	No. of Shares	% Holding
1	Axiata Investments (Labuan) Limited	6,785,252,765	83.32%	6,785,252,765	83.32%
2	HSBC INTL Nom Limited-BBH Genesis Smaller Companies	174,203,166	2.14%	178,669,912	2.19%
3	Employees Provident Fund	146,232,203	1.79%	177,494,055	2.18%
4	HSBC INTL Nom Limited-SSBT-National Westminster Bank PLC as depositary of first state Indian subcontinent fund a sub fund of first state investments ICVC	98,119,100	1.20%	76,876,900	0.94%
5	CB NY S/A International Finance Corporation	64,086,800	0.79%	64,086,800	0.79%
6	CITI Bank New York S/A Norges Bank Account 2	63,720,806	0.78%	-	-
7	BNY-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	57,314,300	0.70%	44,314,300	0.54%
8	HSBC International Nominees Limited-BBH-Genesis Emerging Markets Opportunities Fund Limited	55,345,900	0.68%	55,345,900	0.68%
9	HSBC INTL Nom Limited-SSBT-Wasatch Frontier Emerging Small Countries Fund	53,229,209	0.65%	137,412,700	1.69%
10	HSBC INTL Nominees Limited-JPMCB-Scottish ORL SML TR GTI 6018	47,472,121	0.58%	68,851,821	0.85%

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

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

Directors (Contd.)

Mr. Moksevi Prelis, who attained the age of 79 years on 2 July 2015, Mr. Mohamed Muhsin, who attained the age of 72 years on 16 October 2015 and Datuk Azzat Kamaludin who attained the age of 70 years on 8 September 2015 retire pursuant to Section 210 of the Companies Act and resolutions that the age limit of 70 years referred to in Section 210 of the Companies Act shall not be applicable to Mr. Moksevi Prelis, Mr.Mohamed Muhsin and Datuk Azzat Kamaludin will be proposed at the forthcoming Annual General Meeting.

Interests Register

The Company has maintained an interests register as required by the Companies Act. The names of the Directors who were directly or indirectly interested in a contract or a proposed transaction with the Company or the Group during the year are given in note 35 to the financial statements.

Remuneration and Other Benefits of Directors

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

Employee Share Option Scheme

The details of the Employee Share Option Scheme are given in note16 to the financial statements.

Directors' Interests in Shares of the Company

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

	As at December	
	2015	2014
Dr. Hansa Wijayasuriya	43,010	43,010
Mr. Moksevi Prelis	18,480	18,480
Mr. Mohamed Muhsin	18,040	18,040

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

Amounts Payable to the Firm Holding Office as Independent Auditor

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

Stated Capital

The stated capital of the Company as at 31 December 2015 was Rs. 28,103,913,434 comprising 8,143,778,405 ordinary shares.

Corporate Governance

The Directors place great emphasis on instituting and maintaining internationally accepted corporate governance practices and principles with respect to the management and operations of the Company and the Group, in order to develop and nurture long-term relationships with key stakeholders. The Directors confirm that the Company is in compliance with Section 7.10 of the Listing Rules of the Colombo Stock Exchange on corporate governance.

Statutory Payments

The Directors confirm that, to the best of their knowledge having made adequate inquiries from management, all taxes, duties, levies and statutory payments payable by the Company and the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group as at the date of the statement of financial position have been duly paid, or where relevant provided for, except as disclosed in note 32 to the financial statements.

Risk Management and Internal Controls

The Directors are responsible for the Company's and the Group's system of internal controls covering financial operations and risk management activities and review its effectiveness, in accordance with the provisions of the corporate governance framework. The Directors consider that the system is appropriately designed to manage the risk and to provide reasonable assurance against material misstatement or loss. The Directors further confirm that there is an on-going process to identify, evaluate and manage significant business risks.

Environmental Protection

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

Donations

The total donations made by the Company during the year amounted to Rs. 60,122,546 (2014 - Rs. 40,876,453).

Going Concern

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

Future Developments

In line with its corporate vision to be a leader in multi-sensory connectivity as manifested in a quadruple play business and technology formulation, the Group will continue to be aggressive in establishing customer facing technology and service delivery infrastructures spanning mobile, fixed line, broadband, digital television and digital services sectors. The Company and the Group will employ an up-to-date portfolio of access and core network technologies in keeping with a dynamic and regularly reviewed technology and service delivery roadmap architected in keeping with global best practices and technology evolution. The Company will also continue to develop and consolidate its service delivery capability footprint across Sri Lanka in terms of the establishment of basic physical infrastructures such as submarine International fibre optic cable and landing station, domestic fibre optic transmission backbone, transmission towers and Internet Protocol (IP) transport networks capable of supporting the delivery of the multiple and converged connectivity services provided by the Group.

The Group will continue to deliver a superlative data connectivity experience across Sri Lanka by deploying the latest access technologies and also driving the affordability and adoption of smart phones and other empowering connectivity devices across all segments of society through the furthering of strategic device partnerships. This will in turn further empower Sri Lankan citizens and businesses with parity access to information, knowledge and entertainment.

Independent Auditor

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

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

Events After the Reporting Period

No other material events have occurred since the date of the statement of financial position which requires adjustments to, or disclosures in the financial statements other than those disclosed in note 38 to the financial statements.

By Order of the Board

Dr. Hans Wijayasuriya
Director

Mr. Moksevi Prelis
Director

Ms. Viranthi Attygalle
Group Company Secretary

Colombo
16 Feburary 2016

The Statement of Directors' Responsibility

The responsibility of the Directors in relation to the financial statements of the Company and the Group is set out in the following statement. The responsibility of the independent Auditor in relation to the financial statements prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 ('the Act'), is set out in the independent Auditor's Report on page 59.

The financial statements comprise:

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

- the statements of financial position, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.

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

- appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;

- all applicable accounting standards, as relevant, have been followed;

- reasonable and prudent judgments and estimates have been made; and

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

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

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

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the date of the statement of financial position have been paid, or where relevant provided for, except as disclosed in note 32 to the financial statements covering contingent liabilities.

By Order of the Board

Ms. Viranthi Attygalle
Group Company Secretary

Colombo
16 Feburary 2016

Independent Auditor's Report

pwc

To the shareholders of Dialog Axiata PLC

Report on the financial statements

1 We have audited the accompanying financial statements of Dialog Axiata PLC ("the Company"), the consolidated financial statements of the Company and its subsidiaries ("the Group), which comprise the statements of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out in pages 60 to 127.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

6 In our opinion, the financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial positions of the Company and the Group as at 31 December 2015, and of their financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards.

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS

16 February 2016
Colombo

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
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Statements of Financial Position

(all amounts in Sri Lanka Rupees thousands)

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

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

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

Ms. Lucy Tan
Group Chief Financial Officer

16 February 2016

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

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

Dr. Hans Wijayasuriya
Director

16 February 2016

Mr. Moksevi Prelis
Director

16 February 2016

Statements of Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

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

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

Consolidated Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Note	Attributable to owners of the Company				
		Stated capital	Shares in ESOS Trust	Reserves	Non-controlling interest	Total
Balance at 1 January 2015		28,103,913	-	16,728,377	-	44,832,290
Adjustment for super gain tax	37 (a)	-	-	(1,796,789)	-	(1,796,789)
Adjusted balance at 1 January 2015		28,103,913	-	14,931,588	-	43,035,501
Profit/(loss) for the year		-	-	5,188,023	(697)	5,187,326
Other comprehensive income		-	-	152,819	-	152,819
Total comprehensive income/ (expense) for the year		**-**	**-**	**5,340,842**	**(697)**	**5,340,145**
Dividends to equity shareholders		-	-	(1,058,691)	-	(1,058,691)
Balance at 31 December 2015		**28,103,913**	**-**	**19,213,739**	**(697)**	**47,316,955**
Balance at 1 January 2014		28,103,913	(1,990,921)	13,622,578	-	39,735,570
Profit for the year		-	-	6,097,750	-	6,097,750
Other comprehensive expense		-	-	(225,500)	-	(225,500)
Total comprehensive income for the year		**-**	**-**	**5,872,250**	**-**	**5,872,250**
Dividends to equity shareholders		-	-	(2,361,696)	-	(2,361,696)
Dividends received by ESOS Trust		-	-	45,986	-	45,986
Effect of disposal of shares in ESOS Trust		-	1,990,921	(21,001)	-	1,969,920
Transfer of dividend reserve - ESOS Trust		-	-	(429,740)	-	(429,740)
Balance at 31 December 2014		**28,103,913**	**-**	**16,728,377**	**-**	**44,832,290**

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

Company Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Note	Attributable to owners of the Company			
		Stated capital	Shares in ESOS Trust	Reserves	Total
Balance at 1 January 2015		28,103,913	-	27,713,534	55,817,447
Adjustment for super gain tax	37 (a)	-	-	(1,793,855)	(1,793,855)
Adjusted balance at 1 January 2015		28,103,913	-	25,919,679	54,023,592
Profit for the year		-	-	5,747,393	5,747,393
Other comprehensive income		-	-	128,730	128,730
Total comprehensive income for the year		**-**	**-**	**5,876,123**	**5,876,123**
Dividends to equity shareholders		-	-	(1,058,691)	(1,058,691)
Balance at 31 December 2015		**28,103,913**	**-**	**30,737,111**	**58,841,024**
Balance at 1 January 2014		28,103,913	(1,990,921)	23,702,833	49,815,825
Profit for the year		-	-	6,953,924	6,953,924
Other comprehensive expense		-	-	(176,772)	(176,772)
Total comprehensive income for the year		**-**	**-**	**6,777,152**	**6,777,152**
Dividends to equity shareholders		-	-	(2,361,696)	(2,361,696)
Dividends received by ESOS Trust		-	-	45,986	45,986
Effect of disposal of shares in ESOS Trust		-	1,990,921	(21,001)	1,969,920
Transfer of dividend reserve - ESOS Trust		-	-	(429,740)	(429,740)
Balance at 31 December 2014		**28,103,913**	**-**	**27,713,534**	**55,817,447**

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

Statements of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

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

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

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

Notes to the Financial Statements

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

1 Corporate information

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

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

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

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

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

2 Summary of significant accounting policies (Contd.)

2.1 Basis of preparation (Contd.)

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

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

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

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

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

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

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

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

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

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

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

(ii) SLFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service, and a new five-step process must be applied before revenue can be recognised. SLFRS 15 replaces LKAS 18 'Revenue' and LKAS 11 'Construction Contracts' and related interpretations. The standard was originally effective for annual periods beginning on or after 1 January 2017. However, the International Accounting Standard Board ("IASB") deferred the effective date of SLFRS 15 by one year to 1 January 2018 in September 2015. Entities will have a choice of full retrospective application, or prospective application with additional disclosures and earlier application is permitted.

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

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

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

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

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

2 Summary of significant accounting policies (Contd.)

2.1 Basis of preparation (Contd.)

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

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

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

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

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

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

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

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

2.2 Consolidation

(a) Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any Non-Controlling Interest ("NCI") in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the NCI's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

When initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in the financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from such remeasurement is recognised in the profit or loss.

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

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

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

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

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

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

(b) Associates

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

2 Summary of significant accounting policies (Contd.)

2.2 Consolidation (Contd.)

(b) Associates (Contd.)

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

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, amounts reported by associates have been adjusted to conform with the Group's accounting policies. Equity accounting is discontinued when the Group ceases to have significant influence over the associates.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the profit or loss where appropriate. The cost of acquiring an additional stake in an associate is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not remeasured. Dilution gain or loss arising in investments in associates is recognised in the consolidated profit or loss.

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

2.3 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2.4 Property, plant and equipment (PPE)

(a) Measurement

PPE are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

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

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the profit or loss.

(b) Asset exchange transaction

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

- the exchange transaction lacks commercial substance; or

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

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

2 Summary of significant accounting policies (Contd.)

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

(c) Repairs and maintenance

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

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under intangible assets.

Goodwill is allocated to 'Cash-Generating Units' (CGU) for the purpose of impairment testing. Each CGU or a group of CGUs represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination. Goodwill acquired in a business combination is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired and carried at less than costs less accumulated impairment losses. Impairment losses on goodwill are not reversed.

(b) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives which is between five (5) to ten (10) years.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of two (2) years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group are recognised as intangible assets when the criteria are met.

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

Costs recognised as intangible assets are amortised over their estimated useful lives, which do not exceed two (2) years. Costs relating to development of software are carried in capital work in progress until the software is available for use.

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

(d) Other intangibles

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

2.6 Investments in subsidiaries and associates

In the Company's separate financial statements, investments in subsidiaries and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of an investment, the difference between the disposal proceeds and its carrying amount is recognised in the profit or loss. Disposal related costs are expensed as incurred.

2.7 Impairment of non-financial assets

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

2.8 Financial assets

(a) Classification

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

(i) Financial assets at FVTPL

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

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

(ii) Loans and receivables

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

(iii) HTM financial assets

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

(iv) AFS financial assets

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

(b) Recognition and initial measurement

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the profit or loss.

(c) Subsequent measurement - gains and losses

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

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation are recognised in the profit or loss in the period in which the changes arise.

2 Summary of significant accounting policies (Contd.)

2.8 Financial assets (Contd.)

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

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

(d) Subsequent measurement - impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

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

(ii) Assets classified as AFS

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

For debt securities, the Company and the Group use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above.

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

(e) Derecognition

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

(f) Offsetting financial instruments

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

(g) Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

2 Summary of significant accounting policies (Contd.)

2.8 Financial assets (Contd.)

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

(ii) Cash flow hedge (Contd.)

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

(iii) Net investment hedge

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

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

2.9 Inventories

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

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one (1) year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.11 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three (3) months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.12 Stated capital

(a) Classification

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

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

(b) Share issue expenses

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

(c) Dividends to shareholders of the Company

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

2.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.14 Borrowings

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

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

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

2.15 Borrowing cost

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

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

2.16 Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2 Summary of significant accounting policies (Contd.)

2.16 Current and deferred income taxes (Contd.)

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

2.17 Employee benefits

(a) Defined benefit plan-gratuity

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

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

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise and will not be reclassified to the profit or loss. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

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

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

(b) Defined contribution plans

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

(c) Short-term employee benefits

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

(d) Termination benefits

Termination benefits are payable whenever the employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognise termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits that is within the scope of LKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to present value.

(e) Share-based compensation

The Company and the Group operate an equity-settled, share-based compensation plan for its employees. Employee services received in exchange for the grant of the shares are recognised as an expense in the profit or loss over the vesting period of the grant, with a corresponding increase in equity.

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

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

Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At the end of reporting period, the Company and the Group revise estimates of the number of shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

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

2.18 Deferred revenue

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

2.19 Subscriber acquisition costs

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

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

2.20 Provisions

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

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

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

2.21 Contingent liabilities and contingent assets

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

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

2 Summary of significant accounting policies (Contd.)

2.21 Contingent liabilities and contingent assets (Contd.)

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any NCI. The Group recognises separately the contingent liabilities of the acquiree's as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisition. Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of LKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with LKAS18 "Revenue".

2.22 Government grants

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

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

(a) Finance leases

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

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

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

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

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

(b) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged as an expense to the profit or loss on a straight-line basis over the lease period.

2.24 Revenue recognition

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

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

(a) Domestic and international service revenue and rental income

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

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

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

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

(b) Revenue from other network operators and international settlements

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

(c) Connection fees

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

(d) Lease of passive infrastructure

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

(e) Equipment revenue

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

(f) Award credits

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

(g) Interest income

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

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

(h) Dividend income

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

(i) Other revenues

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

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk consists of:

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

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

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

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

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

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

(a) Market risks

(i) Foreign currency exchange risk

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

If LKR fluctuates by 1% against United States dollar ("USD") as at 31 December 2015, with all other variables held constant, it will result in a net foreign exchange difference of Rs.279Mn on translation of USD denominated balances in the Group.

(ii) Cash flow and fair value interest rate risk

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

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

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

(b) Credit risk

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

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

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

(c) Liquidity risk (funding risk)

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

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

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

Group	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2015					
Borrowings	5,432,800	4,089,143	5,841,633	9,692,838	471,183
Trade and other payables	27,129,600	7,578,134	-	-	-
Net-settled derivative financial liabilities	27,685	40,896	4,766	(5,591)	-
At 31 December 2014					
Borrowings	2,037,607	2,495,325	4,990,651	20,655,373	-
Trade and other payables	19,820,963	9,883,125	-	-	-
Net-settled derivative financial liabilities	36,100	85,976	21,240	(78,133)	-

Company	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2015					
Borrowings	5,091,715	4,089,143	5,841,633	9,692,838	471,183
Trade and other payables	20,496,139	1,151,770	-	-	-
Net-settled derivative financial liabilities	27,685	40,896	4,766	(5,591)	-
At 31 December 2014					
Borrowings	1,631,767	2,495,325	4,990,651	20,655,373	-
Trade and other payables	17,159,950	3,764,771	-	-	-
Net-settled derivative financial liabilities	36,100	85,976	21,240	(78,133)	-

3.2 Capital risk management

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

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

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

The gearing ratios as at 31 December are as follows:

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

4 Fair value measurement

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

Level 1: Quoted market price (unadjusted) at the end of the reporting period in an active market for an identical instrument;

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

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

The following table represents the fair value level of the financial assets and liabilities that are measured at fair value at the end of the reporting period.

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

(a) Financial instruments in level 2

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

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

(b) Financial instruments in level 3

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

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

5 Critical accounting estimates and judgments

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

The Company and the Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment assessment of goodwill

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

5 Critical accounting estimates and judgments (Contd.)

(b) Estimated useful lives of PPE

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

(c) Taxation

(i) Income taxes

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

(ii) Deferred income tax assets

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

(d) Fair value of derivatives and other financial instruments

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

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

(e) Impairment of non-current assets

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

(f) Defined benefit plan

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

(g) Asset retirement obligations (ARO)

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

(h) Provisions

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

(i) Contingent liabilities

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

(j) Impairment of trade receivables

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

6 Segment information

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

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

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

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

6 Segment information (Contd.)

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

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

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

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

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

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

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

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

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

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

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

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

7 Intangible assets

(a) Group

	Goodwill	Licenses	Computer software	Others	Total
At 1 January 2015					
Cost	8,629,569	9,210,099	4,271,947	1,180,955	23,292,570
Accumulated amortisation	-	(2,718,692)	(3,772,096)	(581,368)	(7,072,156)
Net book amount	**8,629,569**	**6,491,407**	**499,851**	**599,587**	**16,220,414**
Year ended 31 December 2015					
Opening net book amount	8,629,569	6,491,407	499,851	599,587	16,220,414
Additions	-	1,354,167	800,897	9,893	2,164,957
Acquisition through business combination [Note 34 (c)]	660,329	-	754	-	661,083
Disposals	-	-	-	(2,394)	(2,394)
Amortisation charge (Note 31)	-	(972,319)	(635,957)	(94,371)	(1,702,647)
Closing net book amount	**9,289,898**	**6,873,255**	**665,545**	**512,715**	**17,341,413**
At 31 December 2015					
Cost	9,289,898	10,564,266	5,073,598	1,182,191	26,109,953
Accumulated amortisation	-	(3,691,011)	(4,408,053)	(669,476)	(8,768,540)
Net book amount	**9,289,898**	**6,873,255**	**665,545**	**512,715**	**17,314,413**
Year ended 31 December 2014					
Opening net book amount	8,629,569	7,434,269	576,295	678,604	17,318,737
Additions	-	10,432	526,002	13,360	549,794
Disposals	-	-	-	(338)	(338)
Amortisation charge (Note 31)	-	(927,477)	(602,446)	(91,880)	(1,621,803)
Assets written off (Note 31)	-	(25,817)	-	(159)	(25,976)
Closing net book amount	**8,629,569**	**6,491,407**	**499,851**	**599,587**	**16,220,414**
At 31 December 2014					
Cost	8,629,569	9,210,099	4,271,947	1,180,955	23,292,570
Accumulated amortisation	-	(2,718,692)	(3,772,096)	(581,368)	(7,072,156)
Net book amount	**8,629,569**	**6,491,407**	**499,851**	**599,587**	**16,220,414**

(b) Company

	Licenses	Computer software	Others	Total
At 1 January 2015				
Cost	5,884,660	4,010,790	1,180,954	11,076,404
Accumulated amortisation	(1,419,704)	(3,514,186)	(581,367)	(5,515,257)
Net book amount	**4,464,956**	**496,604**	**599,587**	**5,561,147**
Year ended 31 December 2015				
Opening net book amount	4,464,956	496,604	599,587	5,561,147
Additions	-	790,973	9,892	800,865
Disposals	-	-	(2,394)	(2,394)
Amortisation charge (Note 31)	(579,312)	(629,616)	(94,371)	(1,303,299)
Closing net book amount	**3,885,644**	**657,961**	**512,714**	**5,056,319**
At 31 December 2015				
Cost	5,884,660	4,801,763	1,182,189	11,868,612
Accumulated amortisation	(1,999,016)	(4,143,802)	(669,475)	(6,812,293)
Net book amount	**3,885,644**	**657,961**	**512,714**	**5,056,319**
Year ended 31 December 2014				
Opening net book amount	5,070,934	568,824	678,605	6,318,363
Additions	-	521,182	13,359	534,541
Disposals	-	-	(338)	(338)
Amortisation charge (Note 31)	(580,161)	(593,402)	(91,880)	(1,265,443)
Assets written off (Note 31)	(25,817)	-	(159)	(25,976)
Closing net book amount	**4,464,956**	**496,604**	**599,587**	**5,561,147**
At 31 December 2014				
Cost	5,884,660	4,010,790	1,180,954	11,076,404
Accumulated amortisation	(1,419,704)	(3,514,186)	(581,367)	(5,515,257)
Net book amount	**4,464,956**	**496,604**	**599,587**	**5,561,147**

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

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

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

7 Intangible assets (Contd.)

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

(f) Impairment tests for goodwill

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

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

	2015	2014
Television operation	1,504,455	1,504,455
Fixed telephony and broadband operation	7,125,114	7,125,114
Digital commerce operation	660,329	-
	9,289,898	8,629,569

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

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

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

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

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

(i) EBITDA margin

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

(ii) Free cash flow (FCF)

FCF projections are based on EBITDA and Capital expenditure (Capex) projections. The expansion of fixed Long Term Evolution (LTE) network and investments in Internet Data Centre (IDC) drives the higher Capex (in comparison to revenue) over next three years. Year-on-year EBITDA growth and Capex (in comparison to revenue) stabilise post 2018.

(iii) Pre-tax discount rate

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

(iv) Terminal growth rate

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

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

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

Based on the impairment test performed, the recoverable amounts exceeded the carrying value. Hence no provision for impairment of goodwill was recognised as of 31 December 2015.

(g) Impact of possible changes in key assumptions

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

8 Property, plant and equipment

(a) Group

	Land and buildings	Computer systems and telecom equipment	Furniture, fittings and other equipment	Motor vehicles	Capital Work-In Progress (CWIP)	Total
At 1 January 2015						
Cost	1,601,342	127,240,977	6,306,049	400,684	12,247,370	147,796,422
Accumulated depreciation / provision for impairment	(641,509)	(69,194,489)	(4,626,018)	(395,138)	(1,674,698)	(76,531,852)
Net book amount	**959,833**	**58,046,488**	**1,680,031**	**5,546**	**10,572,672**	**71,264,570**
Year ended 31 December 2015						
Opening net book amount	959,833	58,046,488	1,680,031	5,546	10,572,672	71,264,570
Additions	-	23,532	45,534	1,196	20,647,137	20,717,399
Transferred from CWIP	1,941,420	14,121,426	1,171,715	-	(17,234,561)	-
Acquisition through business combination [Note 34 (c)]	-	1,652	1,641	440	1,179	4,912
Disposals	-	(4,987)	(7,062)	-	(257,586)	(269,635)
Impairment (provision) / reversal and assets written off (Note 31)	-	(90,989)	(14,254)	-	479	(104,764)
Depreciation charge (Note 31)	(92,553)	(11,711,077)	(743,863)	(4,714)	-	(12,552,207)
Closing net book amount	**2,808,700**	**60,386,045**	**2,133,742**	**2,468**	**13,729,320**	**79,060,275**
At 31 December 2015						
Cost	3,542,762	139,893,081	7,520,221	402,378	15,385,976	166,744,418
Accumulated depreciation / provision for impairment	(734,062)	(79,507,036)	(5,386,479)	(399,910)	(1,656,656)	(87,684,143)
Net book amount	**2,808,700**	**60,386,045**	**2,133,742**	**2,468**	**13,729,320**	**79,060,275**
Year ended 31 December 2014						
Opening net book amount	952,257	59,013,563	1,220,699	13,873	7,250,531	68,450,923
Additions	-	-	12,084	-	14,636,326	14,648,410
Transferred from CWIP	49,626	10,555,713	980,857	-	(11,586,196)	-
Disposals	-	(3,828)	(4,133)	(2,219)	-	(10,180)
Reversal of provision for ARO	-	(489,892)	-	-	-	(489,892)
Impairment (provision) / reversal and assets written off (Note 31)	(9)	58,658	44,304	-	267,696	370,649
Reclassification to trading inventory	-	-	-	-	4,315	4,315
Depreciation charge (Note 31)	(42,041)	(11,087,726)	(573,780)	(6,108)	-	(11,709,655)
Closing net book amount	**959,833**	**58,046,488**	**1,680,031**	**5,546**	**10,572,672**	**71,264,570**
At 31 December 2014						
Cost	1,601,342	127,240,977	6,306,049	400,684	12,247,370	147,796,422
Accumulated depreciation / provision for impairment	(641,509)	(69,194,489)	(4,626,018)	(395,138)	(1,674,698)	(76,531,852)
Net book amount	**959,833**	**58,046,488**	**1,680,031**	**5,546**	**10,572,672**	**71,264,570**

(b) Company

	Land and buildings	Computer systems and telecom equipment	Furniture, fittings and other equipment	Motor vehicles	Capital Work-In Progress (CWIP)	Total
At 1 January 2015						
Cost	1,142,176	85,050,835	1,272,024	325,042	9,841,534	97,631,611
Accumulated depreciation / provision for impairment	(635,147)	(42,988,593)	(1,132,981)	(319,501)	(1,112,750)	(46,188,972)
Net book amount	**507,029**	**42,062,242**	**139,043**	**5,541**	**8,728,784**	**51,442,639**
Year ended 31 December 2015						
Opening net book amount	507,029	42,062,242	139,043	5,541	8,728,784	51,442,639
Additions	-	19,329	44,635	1,196	12,910,785	12,975,945
Transferred from CWIP	1,909,863	9,368,337	358,060	-	(11,636,260)	-
Disposals	-	(3,007)	(7,062)	-	(257,586)	(267,655)
Impairment provision and assets written off (Note 31)	-	(302,018)	-	-	(10,816)	(312,834)
Depreciation charge (Note 31)	(86,754)	(8,789,919)	(109,011)	(4,645)	-	(8,990,329)
Closing net book amount	**2,330,138**	**42,354,964**	**425,665**	**2,092**	**9,734,907**	**54,847,766**
At 31 December 2015						
Cost	3,052,039	93,315,955	1,660,865	326,238	10,858,473	109,213,570
Accumulated depreciation / provision for impairment	(721,901)	(50,960,991)	(1,235,200)	(324,146)	(1,123,566)	(54,365,804)
Net book amount	**2,330,138**	**42,354,964**	**425,665**	**2,092**	**9,734,907**	**54,847,766**
Year ended 31 December 2014						
Opening net book amount	533,728	44,753,663	127,068	13,862	5,340,320	50,768,641
Additions	-	-	25,918	-	9,626,382	9,652,300
Transferred from CWIP	13,550	6,365,116	45,533	-	(6,424,199)	-
Disposals	-	(3,800)	(4,133)	(2,219)	-	(10,152)
Reversal of provision for ARO	-	(445,916)	-	-	-	(445,916)
Impairment (provision) / reversal and assets written off (Note 31)	(9)	(229,277)	-	-	192,085	(37,201)
Reclassification to trading inventory	-	-	-	-	(5,804)	(5,804)
Depreciation charge (Note 31)	(40,240)	(8,377,544)	(55,343)	(6,102)	-	(8,479,229)
Closing net book amount	**507,029**	**42,062,242**	**139,043**	**5,541**	**8,728,784**	**51,442,639**
At 31 December 2014						
Cost	1,142,176	85,050,835	1,272,024	325,042	9,841,534	97,631,611
Accumulated depreciation / provision for impairment	(635,147)	(42,988,593)	(1,132,981)	(319,501)	(1,112,750)	(46,188,972)
Net book amount	**507,029**	**42,062,242**	**139,043**	**5,541**	**8,728,784**	**51,442,639**

8 Property, plant and equipment (Contd.)

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

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

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

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

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

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

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

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

9 Investment in subsidiaries

Name of the subsidiary	% Holding	2015	2014
Dialog Television (Private) Limited (DTV)	100	3,864,746	3,864,746
Dialog Broadband Networks (Private) Limited (DBN)	100	14,961,264	14,961,264
Digital Holdings Lanka (Private) Limited (DHL)	100	-	-
Digital Commerce Lanka (Private) Limited (DCL)	100	394,719	-
Digital Health (Private) Limited (DH)	70	-	-
		19,220,729	18,826,010

	2015	2014
At 1 January	18,826,010	18,826,010
Transfers from investment in associates [Note 10 (b)]	394,719	-
At 31 December	**19,220,729**	**18,826,010**

Name of the subsidiary	Principal activities	Country of incorporation and place of business
Dialog Television (Private) Limited	Television broadcasting services and direct-to-home satellite pay television service.	Sri Lanka
Dialog Broadband Networks (Private) Limited	Data and backbone, fixed wireless and transmission infrastructure.	Sri Lanka
Digital Holdings Lanka (Private) Limited	Investment holding company for new business areas of Dialog Group.	Sri Lanka
Digital Commerce Lanka (Private) Limited	eCommerce and digital marketing services.	Sri Lanka
Digital Health (Private) Limited	Developing and operating a state-of-the-art electronic commerce infrastructure for the healthcare sector.	Sri Lanka

10 Investment in associates

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

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

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

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

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

10 Investment in associates (Contd.)

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

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

11 (a) Financial instruments by category

Group

	Available-for-sale	Loans and receivables	Total
Assets as per the statement of financial position			
Non-current financial assets (Note 12)	40,000	-	40,000
Trade and other receivables (excluding prepayments)	-	11,553,050	11,553,050
Cash and cash equivalents (Note 15)	-	6,992,782	6,992,782
31 December 2015	**40,000**	**18,545,832**	**18,585,832**

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

	Available-for-sale	Loans and receivables	Total
Assets as per the statement of financial position			
Non-current financial assets (Note 12)	40,000	75,000	115,000
Trade and other receivables (excluding prepayments)	-	11,089,130	11,089,130
Cash and cash equivalents (Note 15)	-	10,774,042	10,774,042
31 December 2014	**40,000**	**21,938,172**	**21,978,172**

	Financial liabilities at FVTPL	Other financial liabilities at amortised cost	Total
Liabilities as per the statement of financial position			
Borrowings	-	29,911,528	29,911,528
Trade and other payables (excluding non-financial liabilities)	-	29,764,679	29,764,679
Derivative financial instrument	64,927	-	64,927
31 December 2014	**64,927**	**59,676,207**	**59,741,134**

Company

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

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

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

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

	Financial liabilities at FVTPL	Other financial liabilities at amortised cost	Total
Liabilities as per the statement of financial position			
Borrowings	-	29,505,688	29,505,688
Trade and other payables (excluding non-financial liabilities)	-	21,779,463	21,779,463
Derivative financial instrument	64,927	-	64,927
31 December 2014	**64,927**	**51,285,151**	**51,350,078**

11 (b) Credit quality of financial assets

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

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

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

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

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

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

12 Financial assets

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

(a) Available-for-sale financial assets

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

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

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

12 Financial assets (Contd.)

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

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

(b) Loans and receivables

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

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

13 Inventories

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

14 Trade and other receivables

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

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

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

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

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

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

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

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

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

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

14 Trade and other receivables (Contd.)

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

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

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

15 Cash and cash equivalents

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

Cash and cash equivalents as at 31 December 2015 of the Group include a restricted amount of Rs.737,760,000. These comprise cash deposited at Standard Chartered Bank (Sri Lankan Branch) who acted as the escrow agent for the purpose of purchasing shares of Suntel Limited amounting to Rs.522,760,000 and Hatton National Bank PLC in custodian accounts to facilitate Ez cash operation amounting to Rs.215,000,000.

16 Stated capital

(a)

	Ordinary shares	Stated capital	Shares in ESOS Trust	Stated capital less shares in ESOS Trust
At 1 January 2015	28,103,913	28,103,913	-	28,103,913
At 31 December 2015	**28,103,913**	**28,103,913**	**-**	**28,103,913**
At 1 January 2014	28,103,913	28,103,913	(1,990,921)	26,112,992
Disposal / exercise of ESOS Trust shares	-	-	1,990,921	1,990,921
At 31 December 2014	**28,103,913**	**28,103,913**	**-**	**28,103,913**

(b) Movement in shares

	Number of ordinary shares	Number of shares in ESOS Trust	Total number of shares less shares in ESOS Trust
At 1 January 2015	8,143,778,405	-	8,143,778,405
At 31 December 2015	**8,143,778,405**	**-**	**8,143,778,405**
At 1 January 2014	8,143,778,405	(158,572,462)	7,985,205,943
Disposal / exercise of ESOS Trust shares	-	158,572,462	158,572,462
At 31 December 2014	**8,143,778,405**	**-**	**8,143,778,405**

(c) Employee Share Option Scheme (ESOS)

The Board of Directors of the Company established an Employee Share Option Scheme (ESOS) in 2005, immediately preceding the Initial Public Offering (IPO) of the Company, in order to align the interest of the employees of the Company with those of the shareholders. However, taking into consideration the provisions introduced by the Colombo Stock Exchange in the rules applicable to established employee shares schemes, the ESOS Committee resolved that no further tranches will be granted to employees under the existing ESOS Trust and further resolved to dispose the remaining shares in ESOS Trust with the view of concluding the scheme on 25 October 2014. Furthermore, in 2013 an alternative employee share scheme was approved by the shareholders and has been introduced by the Company. ESOS Trust will be dissolved in the near future in accordance with the provisions of the Deed of Trust.

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

Datuk Azzat Kamaludin - Chairman

Mr. Moksevi Prelis

Mr. Darke Mohamed Sani

Mr. Mohamed Muhsin

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

	2015		2014	
	Average exercise price in Rs. per share	Options (Thousands)	Average exercise price in Rs. per share	Options (Thousands)
As at 1 January	-	-	12	26,295
Options forfeited during the period	-	-	12	(121)
		-		26,174
Unallocated shares in Tranche 0		-		(191)
Number of unexercised options at the end of the period		**-**		**25,983**
Options exercised during the period	-	-	12	(227)
Number of options forfeited to date		-		11,563
Unallocated shares remaining in the Trust		-		111,243
Shares allotted to the ESOS Trust via the rights issue		-		9,783
Shares sold in the open market	-	-	12.50	(158,345)
Total number of shares remaining in the ESOS Trust as at 31 December		**-**		**-**

17 Reserves

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

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

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

The movement of the reserves is as follows:

Group

	Hedging reserve	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2015	(39,337)	-	16,767,714	16,728,377
Adjustment for super gain tax	-	-	(1,796,789)	(1,796,789)
Adjusted balance at 1 January 2015	(39,337)	-	14,970,925	14,931,588
Profit for the year	-	-	5,188,023	5,188,023
Other comprehensive income:				
- net change in cash flow hedge	32,674	-	-	32,674
- remeasurement gain on defined benefit obligation, net of tax	-	-	120,145	120,145
Total comprehensive income for the year	**32,674**	**-**	**5,308,168**	**5,340,842**
Dividends to equity shareholders	-	-	(1,058,691)	(1,058,691)
Balance at 31 December 2015	**(6,663)**	**-**	**19,220,402**	**19,213,739**
Balance at 1 January 2014	-	383,754	13,238,824	13,622,578
Profit for the year	-	-	6,097,750	6,097,750
Other comprehensive expense:				
- net change in cash flow hedge	(39,337)	-	-	(39,337)
- remeasurement loss on defined benefit obligation, net of tax	-	-	(186,163)	(186,163)
Total comprehensive (expense) / income for the year	**(39,337)**	**-**	**5,911,587**	**5,872,250**
Dividends to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividends received by ESOS Trust	-	45,986	-	45,986
Effect of disposal of shares in ESOS Trust	-	-	(21,001)	(21,001)
Transfer of dividend reserve - ESOS Trust	-	(429,740)	-	(429,740)
Balance at 31 December 2014	**(39,337)**	**-**	**16,767,714**	**16,728,377**

Company	Hedging reserve	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2015	(39,337)	-	27,752,871	27,713,534
Adjustment for super gain tax	-	-	(1,793,855)	(1,793,855)
Adjusted balance at 1 January 2015	(39,337)	-	25,959,016	25,919,679
Profit for the year	-	-	5,747,393	5,747,393
Other comprehensive income:				
- net change in cash flow hedge	32,674	-	-	32,674
- remeasurement gain on defined benefit obligation, net of tax	-	-	96,056	96,056
Total comprehensive income for the year	**32,674**	**-**	**5,843,449**	**5,876,123**
Dividends to equity shareholders	-	-	(1,058,691)	(1,058,691)
Balance at 31 December 2015	**(6,663)**	**-**	**30,743,774**	**30,737,111**
Balance at 1 January 2014	-	383,754	23,319,079	23,702,833
Profit for the year	-	-	6,953,924	6,953,924
Other comprehensive expense:				
- net change in cash flow hedge	(39,337)	-	-	(39,337)
- remeasurement loss on defined benefit obligation, net of tax	-	-	(137,435)	(137,435)
Total comprehensive (expense) / income for the year	**(39,337)**	**-**	**6,816,489**	**6,777,152**
Dividends to equity shareholders	-	-	(2,361,696)	(2,361,696)
Dividends received by ESOS Trust	-	45,986	-	45,986
Effect of disposal of shares in ESOS Trust	-	-	(21,001)	(21,001)
Transfer of dividend reserve - ESOS Trust	-	(429,740)	-	(429,740)
Balance at 31 December 2014	**(39,337)**	**-**	**27,752,871**	**27,713,534**

18 Trade and other payables

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

18 Trade and other payables (Contd.)

(a) Other payables of the Group include a provision made as a matter of prudence, for a possible claim amounting to a sum of Rs.4,221,040,185 on account of a judgment delivered against Suntel Limited on 9 March 2012 in HC (Civil) 282/2001(1) in the Commercial High Court of the Western Province in favour of Electroteks Network Services (Private) Limited. Suntel Limited [now amalgamated with Dialog Broadband Networks (Private) Limited], on the basis of legal advice received, has appealed against this judgment to the Supreme Court of Sri Lanka. The matter is fixed for hearing on 19 February 2016.

(b) Pending such appeal, Electroteks Network Services (Private) Limited filed a writ pending appeal application in the Commercial High Court of the Western Province seeking to execute the judgment given in their favour. On 3 March 2014 proceedings in relation to this application was terminated upon Dialog Broadband Networks (Private) Limited keeping a guarantee to cover the judgment in the appeal made to the Supreme Court of Sri Lanka, through its parent company Dialog Axiata PLC, in the form of a Bank Guarantee for the value of Rs.1Bn and a Corporate Guarantee for the value of Rs.3.2Bn.The contingent liability arises from such guarantee is disclosed in note 32 (a) (ii) to the financial statements.

19 Borrowings

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

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

(a) Bank borrowings

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

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

(b) Loan from parent company

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

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

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

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

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

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

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

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

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

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

20 Derivative financial instrument

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

20 Derivative financial instrument (Contd.)

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

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

21 Deferred revenue

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

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

22 Deferred income tax liabilities

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

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

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

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

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

(c) The balance comprises temporary differences attributable to:

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

(d) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The unrecognised deferred income tax assets in respect of losses can be carried forward against future taxable income. Accordingly, deferred income tax asset of Rs.2,011,857,646 (2014 - Rs.2,118,350,871) was not recognised in respect of subsidiaries in the consolidated financial statements.

23 Employee benefit payables

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

23 Employee benefit payables (Contd.)

(a) Defined benefits obligation

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

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

This obligation is not externally funded.

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

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

	Group		Company	
	2015	2014	2015	2014
Discount rate	10.75%	9.60%	10.75%	9.60%
Future salary growth rate	12.00%	12.00%	12.00%	12.00%

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

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

		Impact on defined benefit obligation			
		Group		Company	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 7.82%	Increase by 10.43%	Decrease by 8.67%	Increase by 9.95%
Future salary growth rate	1.00%	Increase by 10.65%	Decrease by 9.40%	Increase by 10.18%	Decrease by 9.03%

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

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

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

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

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

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

24 Provision for other liabilities

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

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

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

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

25 Expenses by nature

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

26 Employee benefit expenses

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

27 Other income

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

28 Finance income and costs

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

29 Income tax

(a)

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

29 Income tax (Contd.)

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

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

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

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

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

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

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

30 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

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

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

31 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

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

32 Contingencies

(a) Pending litigations

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from such legal claims, except for:

(i) Inquiry by Sri Lanka Customs

In August 2008, Sri Lanka Customs (SLC) detained a shipment of CDMA Customers' Premises Equipment (CPE), belonging to DBN and commenced an investigation into the eligibility of these items falling under the duty exemptions granted under the terms and conditions of the agreement with the Board of Investment of Sri Lanka. The shipment was cleared by DBN submitting bank guarantees and thereafter shipments of CPE were cleared by paying duty 'Under protest'. The main contention of SLC was that the CDMA CPE could not be considered a fixed asset. Having completed the investigation, SLC commenced an inquiry into this matter on 30 January 2009. This inquiry was temporarily suspended upon a settlement which was proposed by the Secretary to the Treasury in May 2010. However, SLC have now taken steps to continue with inquiry. The next date of inquiry is yet to be fixed.

No assessment has been made as at the end of the financial reporting period. The Directors are of the opinion that no material liability would result from the inquiry.

(ii) Guarantee given by the Company against pending litigations

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

(b) Guarantees

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

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

33 Commitments

(a) Capital commitments

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

(b) Financial commitments

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

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

34 Incorporations and acquisitions

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

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

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

(b) Incorporation of Digital Health (Private) Limited

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

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

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

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

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

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

34 Incorporations and acquisitions (Contd.)

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

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

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

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

35 Related party transactions

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

	Datuk Azzat Kamaludin	Dr Hansa Wijayasuriya	Mr. Moksevi Prelis	Darke Mohamed Sani	Deshamanya Mahesh Amalean	Chari TVT	Mr. James Maclaurin	Mr. Mohamed Muhsin
Adknowledge Asia Pacific Pte. Ltd	-	x	-	-	-	-	-	-
Amaliya (Private) Limited	-	-	-	-	x	-	-	-
Association for Social Development	-	-	x	-	-	-	-	-
Attune Lanka (Private) Limited	-	-	-	-	x	-	-	-
Axiata Digital Advertising Sdn Bhd	-	x	-	-	-	-	-	-
Axiata Digital Services Sdn Bhd	-	x	-	-	-	x	-	-
Axiata Group Bhd	x	-	-	-	-	-	-	-
Axiata Investments (Cambodia) Limited	-	-	-	-	-	x	-	-
Axiata Investments (Indonesia) Sdn Bhd	-	-	-	-	-	x	-	-
Axiata Investments (Labuan) Limited	-	-	-	-	-	x	-	-
Axiata Investments (Singapore) Limited	-	-	-	-	-	x	-	-

	Datuk Azzat Kamaludin	Dr Hansa Wijayasuriya	Mr. Moksevi Prelis	Darke Mohamed Sani	Deshamanya Mahesh Amalean	Chari TVT	Mr. James Maclaurin	Mr. Mohamed Muhsin
Axiata Investments 1 (India) Limited	-	x	-	-	-	-	-	-
Axiata Investments 2 (India) Limited	-	x	-	-	-	-	-	-
Axiata Lanka (Private) Limited	-	x	-	-	-	x	-	-
Axiata Management Services Sdn Bhd	-	-	-	-	-	x	-	-
Axiata SPV 2 Bhd	-	-	-	-	-	x	-	-
Axiata SPV 1 (Labuan) Limited	-	-	-	-	-	x	-	-
Axiata SPV 4 Bhd	-	-	-	-	-	x	-	-
Bodyline (Private) Limited	-	-	-	-	x	-	-	-
Boustead Heavy Industries Corp. Bhd	x	-	-	-	-	-	-	-
Boustead Holdings Bhd	x	-	-	-	-	-	-	-
Capital Trust Corporate Solutions (Private) Limited	-	-	x	-	-	-	-	-
Capital Trust Financial (Private) Limited	-	-	x	-	-	-	-	-
Capital Trust Securities (Private) Limited	-	-	x	-	-	-	-	-
Capital Trust Treasuries (Private) Limited	-	-	x	-	-	-	-	-
Celcom Resources Bhd	x	-	-	-	-	-	-	-
Celcom Trading Sdn Bhd	x	-	-	-	-	-	-	-
Colombo Stock Exchange Limited	-	-	x	-	-	-	-	-
Colours of Courage Trust (Guarantee) Limited	-	x	-	-	-	-	-	-
Communiq Broadband Network (Private) Limited	-	x	x	-	-	-	-	-
Dialog Axiata Employee Share Option Trust	Trustee	-	Trustee	Trustee	-	-	-	Trustee
Dialog Broadband Networks (Private) Limited	-	x	x	-	-	-	-	-
Dialog Foundation	Trustee	Trustee	-	-	-	-	-	-
Dialog Television (Private) Limited	-	x	x	-	-	-	-	-
Dialog Television Trading (Private) Limited	-	x	x	-	-	-	-	-
Digital Commerce Lanka (Private) Limited	-	x	-	-	-	-	-	-
Digital Holdings Lanka (Private) Limited	-	x	x	-	-	-	-	-
Edotco Group Sdn Bhd	x	-	-	-	-	-	-	-
Firstsource-Dialog Solutions (Private) Limited	-	x	-	-	-	-	-	-
Glaswool Holdings Limited	-	-	-	-	-	x	-	-
Hello Axiata Company Limited	-	-	-	-	-	x	-	-
Idea Cellular Limited (India)	-	x	-	-	-	-	-	-
KPJ Healthcare Bhd	x	-	-	-	-	-	-	-
Linea Aqua (Private) Limited	-	-	-	-	x	-	-	-
Linea Aqua Trading (Private) Limited	-	-	-	-	x	-	-	-
Malaysian Directors Academy	x	-	-	-	-	-	-	-
MAS Active (Private) Limited	-	-	-	-	x	-	-	-
MAS Active Trading (Private) Limited	-	-	-	-	x	-	-	-
MAS Capital (Private) Limited	-	-	-	-	x	-	-	-
MAS Holdings (Private) Limited	-	-	-	-	x	-	-	-

35 Related party transactions (Contd.)

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

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

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

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

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

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

35 Related party transactions (Contd.)

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

	Company 2015	Company 2014
Purchase of service:		
i) Axiata Lanka (Private) Limited		
- Rental charges	7,920	7,920
ii) Dialog Broadband Networks (Private) Limited		
- Lease circuit rental and electricity	70,705	153,318
- Computer HW and SW maintenance	23,400	67,599
- BTS site sharing cost	23,415	109,437
- Last mile and field service	112,681	24,214
- Telephone charges and D-Net	57,691	37,232
- Incoming local access charges and outgoing local access charges	244,653	288,611
- Interconnection charges	65,925	72,772
- Fibre sharing cost	550,586	-
- Office rent	4,600	4,600
iii) Dialog Television (Private) Limited		
- Initial connection fees	1,082	12,197
- Subscription fees	5,583	1,457
- Advertising	25,198	869
iv) Firstsource-Dialog Solutions (Private) Limited		
- Call centre charges	486,341	494,230
v) Telekom Malaysia Berhad		
- Origination cost	19,069	19,505
- Other network cost	27,529	26,497
- Foreign wet for last mile cost	134,861	117,873
vi) Idea Cellular Limited		
- Origination cost	26,504	77,867
vii) M1 Limited (Singapore)		
- Origination cost	650	2,024
viii) PT XL Axiata Tbk		
- Outbound roaming	2,760	-
- Interconnection charges	1,135	2,322
- Foreign wet cost	1,792	289
ix) Hello Axiata Company Limited		
- Origination cost	61	73
x) Celcom Axiata Berhad		
- Origination cost	30,569	15,521
- Outbound roaming	5,405	-
	1,930,115	1,536,427

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

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

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

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

(e) Axiata Investment (Labuan) Limited

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

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

35 Related party transactions (Contd.)

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

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

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

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

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

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

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

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

36 Parent company

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

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

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

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

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

38 Events after the reporting period

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

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

US Dollar Financial Statements

Statement of Financial Position

For information purpose only

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

US Dollar Financial Statements

Statement of Comprehensive Income

For information purpose only

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

This information does not constitute a full set of financial statements in compliance with Sri Lanka Accounting Standards. The financial statements should be read together with the Independent Auditor's Report and Financial Statements from pages 59 to 127.

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

Group Value Added Statement

For the year ended 31 December	2015 Rs.'000	2014 Rs.'000
Value added		
Revenue	73,929,855	67,285,594
Other operating income	32,773	145,378
Interest income	485,307	203,427
	74,447,935	67,634,399
Cost of materials and services bought in	(16,558,883)	(16,451,237)
	57,889,052	51,183,162
Distribution of value added		
To employees		
Salaries and other benefits	6,087,411	5,169,624
To Government		
Taxes, fees and levies	27,564,701	24,424,865
To lenders of capital		
Interest on borrowings	823,070	723,844
To shareholders as dividends		
Dividend to shareholders	1,058,691	2,361,696
Retained in the business		
Profit retained	8,100,325	5,171,675
Depreciation and amortisation	14,254,854	13,331,458
	22,355,179	18,503,133
	57,889,052	51,183,162
Distribution of value added		
To employees	11%	10%
To Government	48%	48%
To lenders of capital	1%	1%
To shareholders as dividends	2%	5%
Retained in the business	38%	36%

Five Year Summary

31 December	2015 Rs.'000	2014 Rs.'000	GROUP 2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
OPERATING RESULTS					
Revenue	73,929,855	67,285,594	63,297,591	56,345,458	45,412,002
EBIT	9,496,779	8,053,788	7,663,957	6,801,177	6,207,093
Finance costs	(2,759,010)	(615,961)	(1,306,489)	(2,727,112)	(768,555)
Share of (loss)/profit from associate	(32,906)	(107,639)	(29,542)	(8,539)	9,681
Profit before tax	6,704,863	7,330,188	6,327,926	4,065,526	5,448,219
Profit after tax	5,187,326	6,097,750	5,201,030	6,030,187	4,869,562
Total comprehensive income	5,340,145	5,872,250	5,194,142	6,021,425	4,888,489
CAPITAL EMPLOYED					
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913	28,103,913
Shares in ESOS Trust	-	-	(1,990,921)	(1,990,921)	(1,990,921)
Dividend reserve - ESOS Trust	-	-	383,754	331,425	291,781
Hedging reserve	(6,663)	(39,337)	-	-	-
Retained earnings	19,220,402	16,767,714	13,238,824	10,737,128	6,789,148
Shareholders fund	47,317,652	44,832,290	39,735,570	37,181,545	33,193,921
Non-controling interest	(697)	-	-	-	-
Total debt	25,407,241	29,911,528	29,357,353	25,049,183	23,072,630
	72,724,196	**74,743,818**	**69,092,923**	**62,230,728**	**56,266,551**
ASSETS EMPLOYED					
Property, plant & equipment	79,060,275	71,264,570	68,450,923	58,946,889	51,127,539
Other non-current assets	17,461,762	16,633,699	17,577,989	10,780,298	3,956,705
Current assets	20,329,223	24,280,875	18,375,237	20,806,549	21,143,035
Liabilities, net of debt	(44,127,064)	(37,435,326)	(35,311,226)	(28,303,008)	(19,960,728)
	72,724,196	**74,743,818**	**69,092,923**	**62,230,728**	**56,266,551**
CASH FLOW					
Net cash generated from operating activities	21,478,374	24,614,465	21,886,696	21,516,145	18,639,876
Net cash used in investing activities	(16,614,148)	(17,004,152)	(27,902,783)	(20,797,336)	(8,651,365)
Net cash (used in) / generated from financing activities	(8,654,251)	(345,790)	635,622	(2,409,089)	(5,095,146)
Net (decrease) / increase in cash and cash equivalents	(3,790,025)	7,264,523	(5,380,465)	(1,690,280)	4,893,365
KEY INDICATORS					
Basic earnings per share (Rs.)	0.64	0.76	0.65	0.76	0.61
Interest cover (No. of times)	28.12	15.48	23.34	28.29	13.05
Adjusted net asset per share (Rs.)	5.81	5.50	4.88	4.57	4.08
Current ratio (No. of Times)	0.41	0.65	0.42	0.54	0.96
Price earnings ratio (Times)	16.72	17.50	13.82	11.07	12.79
Dividend per share (Rs.)	0.32	0.13	0.29	0.33	0.25
Dividend yield	3.0%	1.0%	3.2%	4.0%	0.032
Market price per share (Rs.)	10.70	13.30	9.00	8.30	7.8

Group Real Estate Portfolio

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

Notice of Annual General Meeting

DIALOG AXIATA PLC (PQ 38)

NOTICE IS HEREBY GIVEN THAT THE NINETEENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON TUESDAY, 31ST MAY 2016 AT 3:30 PM AT THE GRAND BALLROOM, WATERS EDGE, NO. 316, ETHUL KOTTE ROAD, BATTARAMULLA.

1. Ordinary Resolution 1

To receive and adopt the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st December 2015 and the Auditors' Report thereon.

2. Ordinary Resolution 2

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

3. Ordinary Resolution 3

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

4. Ordinary Resolution 4

To re-elect as a Director, Datuk Azzat Kamaludin, who attained the age of 70 years on 08th September 2015 and retires pursuant to Section 210 of the Companies Act No. 07 of 2007 and to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Datuk Azzat Kamaludin.

5. Ordinary Resolution 5

To re-elect as a Director, Mr. Moksevi Prelis, who attained the age of 79 years on 02nd July 2015 and retires pursuant to Section 210 of the Companies Act No. 07 of 2007 and to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. Moksevi Prelis.

6. Ordinary Resolution 6

To re-elect as a Director, Mr. Mohamed Muhsin, who attained the age of 72 years on 16th October 2015 and retires pursuant to Section 210 of the Companies Act No. 07 of 2007 and to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. Mohamed Muhsin.

7. Ordinary Resolution 7

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

8. Ordinary Resolution 8

To authorise the Directors to determine and make donations.

By Order of the Board

Ms. Viranthi Attygalle
Group Company Secretary

15 April 2016
Colombo

Notes:

i) Only persons who are shareholders of the Company and whose names appear on the Share Register as at the AGM date will be entitled to attend the above meeting.

ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her place by completing the Form of Proxy enclosed herewith.

iii) A proxy need not be a shareholder of the Company. However the proxy must be above 18 years of age.

iv) Shareholders / Proxy holders are kindly advised to bring along with them their National Identity Card or a similar form of acceptable identity when attending the meeting.

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

Administrative Details for the 19th Annual General Meeting

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

Registration

1. Registration will be from 02:00 PM to 03:30 PM.

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

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

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

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

Help Desk

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

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

Entitlement to Attend and Vote

8. Only persons who are shareholders of the Company and whose names appear on the Share Register as at the AGM date will be entitled to attend the above meeting.

Proxy

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

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

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

12. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Group Company Secretary, Dialog Axiata PLC, No. 475, Union Place, Colombo 2, and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 03:30 PM on 29 May 2016.

Enquiry

13. If you have general queries prior to the meeting, you may contact us on our Shareholder Helpline on +94 773 908 929 or contact Ms. Rochelle Alahakone on +94 777 088 900 during working hours.

Form of Proxy

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

☐ (Name of proxy)..

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

OR failing him/her

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

as my/our proxy to represent me/us and vote on my/our behalf in accordance with the preference as indicated below at the Nineteenth Annual General Meeting of the Company to be held on 31 May 2016 at 03:30 PM and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

Resolutions	For	Against
Ordinary Business:		
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		

(Please indicate with a 'X' in the space provided how your proxy is to vote on each resolution. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Signature(s) of Shareholder(s)	Contact No. of Shareholder/s	Date

Note:
Instructions as to completion of the Form of Proxy are on the reverse hereof.

Notes and Instructions as to completion of Form of Proxy

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

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

3. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Group Company Secretary, Dialog Axiata PLC, No. 475, Union Place, Colombo 2, and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 03:30 PM on 29th May 2016.

4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

5. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.

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

7. If a shareholder has submitted a Form of Proxy prior to the meeting and subsequently decides to attend the meeting him/herself, he/she should take immediate steps to revoke the appointment of proxy.

Corporate Information

Name of Company
Dialog Axiata PLC

Company Registration No.
PQ 38

Registered Address
475, Union Place
Colombo 02
Sri Lanka
Telephone: +94 777 678 700
Website: www.dialog.lk

Legal Form
A public quoted company with limited liability. Incorporated as a private limited liability company on 27th August 1993 and subsequently converted to a public limited liability company on 26th May 2005. Listed on the Colombo Stock Exchange in July 2005.

Stock Exchange Listing
The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

Board of Directors
Datuk Azzat Kamaludin – Chairman
Dr. Hans Wijayasuriya – Group Chief Executive
Mr. Moksevi Prelis
Mr. Mohamed Muhsin
Mr. James Maclaurin
Mr. Darke Mohamed Sani
Deshamanya Mahesh Amalean
Mr. Chari TVT
Dato' Sri Jamaludin Ibrahim – Alternate Director to Mr. Darke Mohamed Sani

Board Audit Committee
Mr. Mohamed Muhsin – Chairman
Mr. Moksevi Prelis
Mr. Chari TVT

Nominating & Remuneration Committee
Datuk Azzat Kamaludin – Chairman
Mr. Mohamed Muhsin
Deshamanya Mahesh Amalean

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

Group Company Secretary
Ms. Viranthi Attygalle

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

Contact for Shareholder Services
Group Corporate Services
Telephone: +94 773 908 929
Fax: +94 117 694 350
E-mail: cosecunit@dialog.lk

Contact for Investor Relations
Group Investor Relations
Telephone: +94 777 080 748
E-mail: ir@dialog.lk

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

Subsidiary Companies
1. Dialog Broadband Networks (Pvt) Ltd – 100%
   - Telecard (Private) Limited – 100%
2. Dialog Television (Pvt) Ltd – 100%
   - Dialog Television Trading (Pvt) Ltd – 100%
   - Communiq Broadband Network (Pvt) Ltd – 100%
3. Digital Holdings Lanka (Private) Limited – 100%
   - Digital Commerce Lanka (Pvt) Ltd – 100% (together with Dialog's shareholding)
   - Digital Health Lanka (Pvt) Ltd – 70%
   - Headstart (Pvt) Ltd – 26%

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

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

Dialog

www.dialog.lk