Dialog

Dialog Axiata PLC | Annual Report 2011

OUR VISION

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

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Introduction to the Company

Dialog Axiata PLC ('Dialog'), a subsidiary of the Axiata Group Berhad, is Sri Lanka's Mobile Telephony Market Leader and is one of the largest companies on the Colombo Stock Exchange in terms of market capitalisation. Dialog operates Sri Lanka's largest telecommunications infrastructure spanning all provinces of the country and extends 2.5G mobile and 3.5G High Speed Broadband services to a subscriber base exceeding 7.5 Mn Sri Lankans. The Company holds the distinction of being the first service provider in South Asia to launch 3G and HSPA+ services. In addition to its core business of mobile telephony, Dialog operates a wide array of International Telecommunications services and is also the country's largest Tele-Infrastructure provider with a service portfolio spanning Passive Infrastructure and Fibre Optic and Radio Based Transport services.

Building on its strengths of leadership in the mobile market and expansive telecommunication infrastructure footprint, Dialog has through wholly-owned subsidiaries Dialog Broadband Networks (DBN) and Dialog Television (DTV), successfully expanded its service portfolio to achieve a Quad-Play formulation spanning Mobile and Fixed Telephony, Broadband and Digital Television Services. DTV is a direct-to-home digital satellite television service which extends a broad array of international and local television content to Sri Lankan households. DBN supports a range of Fixed Telephony and Broadband services and is also a provider of advanced data and networking services.

Axiata's and Dialog's investments in Sri Lanka total to over One Billion USD and have lead to the Company being recognized as the largest Foreign Direct Investor (FDI) in the country. Dialog is an ISO 9001 certified company and has, over the years been decorated with a wide array of local and international awards including but not limited to the National Quality Award, Sri Lanka's Business Excellence Award and 3 successive GSM World Awards. The Company has also earned the distinction of being ranked No. 1 on Sri Lanka's Corporate for Accountability Ratings 3 years in succession, being consistently placed among the Top 3 most respected entities in the country, and being voted by telecommunication consumers as the winner of the Peoples Award for the most preferred telecommunication brand in Sri Lanka.

Company website: www.dialog.lk

Message from the Chairman

My Dear Shareholders,

We entered 2011 following a period of profound change and transformation and an uniquely successful turnaround of financial fortunes. We began this year with a single-minded focus on consolidating our leadership in the market place in tandem with solidifying our re-engineered business processes and structural formulation. I am happy to report that we have achieved both these objectives and that your Company delivered yet another year of excellent performance.

The Group generated a net profit of Rs. 5.4 Bn for the financial year 2011 (Rs. 5.0 Bn in financial year 2010) - a growth of 6% YoY (year on year). This performance translates to earnings per share of 65 cents - up 10% from 59 cents in the previous year. Underlying robust profitability at the bottom line was a stellar performance with respect to turnover (Revenues grew by 10% YoY to be recorded at Rs. 45.6 Bn) and Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) - recorded at Rs. 16.4 Bn for the year 2011 up 9% relative to the previous year. The Dialog Group continues to be the undisputed leader in Sri Lanka's mobile telephony sector and also commandeers leadership positions in Digital Television, International Services and Tele-Infrastructure Services. The Group continues to make robust gains in terms of growth and consumer adoption with respect to fixed telecommunications services.

The Board is happy to propose for your consideration, a full year dividend of 25 cents per share - up 25% from the previous year dividend per share of 20 cents. I am happy to report that our incessant focus on the fundamentals - management of costs, optimising cash and leveraging our competencies to excel in the market place in tandem with an inclusive business credo has delivered results and has led to the further consolidation and strengthening of the Group's Balance Sheet. Further details of the Group's financial performance are set out in the Business Review.

Having strengthened the foundations of our business, we are looking ahead with confidence. Financially, we aim to continue to generate profitable revenue growth and increase our ROIC (Return on Invested Capital). To do this, we need to deepen further our relationships with our most valued asset our customers, ensuring we deliver value through providing best in class services. We shall continue to foster a culture that delivers performance and pursuing efficiencies relentlessly across all areas of our business with a specific focus on returns and risk management across our growing portfolio of ICT businesses.

Whilst with a focus to deliver our valued shareholders' immediate needs, we are also relentlessly planning for the future. Our aggressive investments in core telecommunications infrastructures such as Optical Fibre Networks and Mobile and Fixed High Speed Broadband technologies demonstrates our commitment to propelling Sri Lanka's ICT infrastructure to its next phase of advancement. The recent initiative to further strengthen our Enterprise, Broadband and Fixed Line Business through the acquisition of a fixed line operator bears witness to your Company's determination to consolidate its position as a service provider which meets the multifarious connectivity needs of a wider range of consumer segments with high quality and cutting edge solutions.

We are also singularly determined to embed in our business operations a keen focus on Dialog's long-term sustainability - environmentally and socially, as well as economically. This year, your Company extended its corporate accountability credo by embarking on a ambitious project to connect a further 1,000 schools to *Nenasa* TV, Sri Lanka's first Digital Television and Broadband-based education bridge.

New Board Member

I would like to introduce James Maclaurin who joined our board as a Non-Executive, Non-Independent Director on 10th May 2011. James brings over 18 years experience in the discipline of finance to the Company.

My Profound Thanks

I like to extend my profound gratitude to our shareholders of the Company, our customers and business partners for extending their unstinted support during the past year. I would also like to thank Dr. Hans Wijayasuriya and the senior management team of the Company for leading and guiding 'Team Dialog' through an year that delivered greater triumphs to our Company.
I would also like to take this opportunity to thank my fellow Board members for their encouragement and wisdom, and the Government of Sri Lanka and the regulatory bodies, in particular the TRCSL, for their continued support and guidance.

Datuk Azzat Kamaludin
Chairman

30th March 2012

Group Chief Executive's Review of Operations

We entered the Year 2011 on the crest of a buoyant rebound in corporate performance which in turn was founded on a transformed and rejuvenated Dialog. Encouraged and emboldened by the performance outcomes of the previous year, we were unwavering in our resolve to consolidate our success to yield a robust and reinvigorated platform for growth endowed with sustainability for the future. In line with this aspiration, I am happy to report that your Company registered a growth of 6% in Group earnings to record a Net Profit after Tax (NPAT) of 5.4 Bn for the Financial Year 2011. Robust growth at the bottom line was fuelled by 10% growth in Group revenues (recorded at 45.6 Bn for FY 2011), supplemented by enhanced cost performance, and growth in Group EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) by 9% to reach Rs. 16.4 Bn for FY 2011. The Group EBITDA margin was recorded at 36%.

Our resolve for 2011 transcended that of invigorating the Company's growth trajectory to include that of consolidating and extending our leadership as Sri Lanka's premier connectivity provider, across the multiple ICT sectors in which we operate. I am happy to report that during the course of 2011, Dialog made substantial market gains across all its businesses. A clear leader in Sri Lanka's mobile telephony sector, Dialog delivered robust outcomes with respect to subscriber acquisition, network development and service excellence. Dialog also consolidated its leadership in the country's Digital Pay Television, International Telecommunications and Tele-Infrastructure sectors with segment growth rates in excess of 20%. The Group also consolidated and grew its presence in the Fixed Telecommunications sector making penetrative inroads into Enterprise and Small Business Markets.

Throughout the year 2011, we were steadfast in our commitment to excel in the market place as well as deliver an unparalleled customer experience to Sri Lankan consumers. I am proud to report that consumers of telecommunications services through a nationwide preference survey conducted by AC Nielsen in association with the Sri Lanka Institute of Marketing, voted Dialog as the Telecom Brand of the Year 2011.

Transformation and Innovation

I concluded my review last year alluding to the fact that your Company was powerful but agile, rich with knowledge and experience, but innately welcoming of change and transformation. Accordingly, we concluded the year 2010 deeply committed to continuously transform and reinvent our business ahead of dynamics in the economic and competitive order, and to strive for a level of performance and competence well-beyond that which we had achieved. In line with this statement of resolve we continued to seek out and execute transformation and performance improvement initiatives designed to enhance the capacity of the Company to deliver customer and shareholder value, accelerate development and innovation, and extend our competitive advantage in the market place.

During the First Quarter of 2011, we took to completion a beachhead initiative with respect to the structural transformation of our service delivery process through the launch of Firstsource-Dialog Solutions (FDS). This joint venture with Firstsource - India's largest public listed BPO, served to establish specific focus on the efficacy of our contact centre operations. As an outcome of the structural transformation, Dialog retains 26% of FDS, a Company which is now billed to be among Sri Lanka's largest IT Enabled Service operations, with aggressive growth aspirations looking forward. In tandem with re-engineering contact centre operations, the Company also re-engineered key partner relationships with world class telecommunications infrastructure providers including those with Huawei and Ericsson, to optimise and accelerate the aggressive infrastructure development programmes of the Group. Infrastructure development during 2011 was centred on the build out of a nationwide Fibre Optic Backbone and the expansion of the Group's GSM, 3.5G HSPA, CDMA and WiMAX service footprint across all provinces of the country. Throughout the year, structural transformation and development enablement was supplemented with a keen focus on a wide range of tactical cost rescaling initiatives which collectively and in tandem with structural transformation succeeded in strengthening and consolidating process cost structures, competitive levers and growth drivers of the Group.

In line with our resolve to match our corporate strength and momentum, with agility and innovation as espoused in our brand promise of 'The Future Today', the Dialog Group made aggressive but calculated investments towards the expansion of its market leading portfolio of value added products and services. During the course of 2011, we continued to lever our innate forward-looking organisational culture to deliver a wide range of socially innovative and inclusive ICT services. Dialog's growing portfolio of life enhancing services spanning Mobile, Broadband, Fixed Line and Digital Television service delivery platforms will continue to drive ICT service adoption in Sri Lanka through an ethos of maximising Affordability, Availability, Applicability (Relevance) and Cultural Affinity. Dialog is clearly mindful of the delicate balance that it needs to strike in delivering business growth, whilst simultaneously achieving development outcomes that are ultimately equitable and sustainable. Dialog's new product portfolio and continuous innovation focus is expansive in its coverage of consumer segments ranging from Enterprise and SME solutions, through cutting edge Executive Productivity enablement, to life enhancing services which serve to empower consumer segments spanning the middle and bottom strata of the socioeconomic pyramid.

Driven by the objective of building sustainability for the future, Dialog continued to lead in its focus on establishing a best in class portfolio of Technology, Process and Knowledge platforms to support the ongoing expansion and advancement of its business. In 2011, Dialog secured the distinction of being the first service provider in South Asia to establish a 4G LTE Pilot network. Dialog also made robust progress with respect to the acceleration of its Fibre Optic network build out, ongoing Internet Protocol (IP) transformation programme, and the expansion of International Telecommunications capacities to meet the burgeoning demand for Broadband services.

During the fourth quarter of the year 2011, the Dialog Group set forth to supplement its portfolio of organic growth strategies with a focus on inorganic expansion through the commencement of a process to acquire Suntel Ltd., Sri Lanka's premier provider of Fixed Line and Broadband services. Whilst our Fixed Line, Enterprise and SME businesses had made penetrative progress over the past years, we deemed it a strategic imperative to gain a stronger (2nd Player) foothold in the related market segments on an accelerated basis. We are confident that the combined strengths of Suntel and Dialog in Fixed Telecommunications and Broadband services would put in place a robust platform for growth in the related sectors, in close synergy with the market leading business segments of the Dialog Group.

The Economy and Industry

In the Year 2011, Sri Lanka's 60 billion dollar economy continued to be resilient and somewhat immune to the exigencies of the global environment. The GoSL sustained its focus on the execution of a cohesive and progressive development policy framework making way for large-scale infrastructure and rebuilding projects across the island, strengthening the case for the expansion of local and foreign direct investments. The focus on infrastructure development has been supplemented with a well-founded fiscal management policy which has successfully maintained inflation at moderate levels resulting in the expansion of disposable income available for consumption across telecommunications and infotainment sectors. The enlivening of consumer spending on goods and services has similarly helped the wider corporate sector to achieve sustainable profitability.

We believe that the country's economic resurgence is fundamentally sustainable and that it possesses the momentum to drive catalytic growth well into the future. The resurgence in the corporate sector was captured in the country's forward economic momentum as the economy grew by over 8% in 2011. The Industrial sector recorded growth of 10.5%, while the service sector grew by 8.7% in the first 3 quarters of 2011.

The programme of incremental structural correction with respect to the National Economy was further espoused through the National Budget for FY 2011. The simplification of taxation across multiple sectors attracted wide acclaim. With specific reference to Telecommunications, the Zero Rating of the sector with respect to Value Added Taxation delivered the positive and negative impacts respectively, of eliminating VAT on capital imports, whilst simultaneously triggering a substantial escalation in operating costs due to the non-recoverability of VAT on local inputs. The simplification of consumer taxation with respect to telecommunications services brought with it the reduction in cumulative indirect taxes on telecommunications services from 31.31% to 22.45%. The resulting fillip to the affordability of telecommunications services served to compensate in part, for the expansion of input costs due to the non-recoverability of VAT.

The sector-specific regulatory environment implemented under the aegis of the Telecommunications Regulatory Commission of Sri Lanka continued to enable and facilitate the consolidation of a sustainable techno-economic industry framework, steering safely away from the value destructive market environments of 2007-09. As predicted and opined in my review last year, the portfolio of strategies and policies adopted by the regulator in 2010, featuring in the main the floor price and interconnect regimes, served to deliver consumer as well as sector benefits during the past year. During the course of 2011, mobile subscriptions increased 5.5% to 18.3 Mn, representing a per-capita penetration of 89%. Fixed telephone lines increased by 0.8% to 3.6 Mn. Telecommunications subscriber growth overall was recorded at 4.7% to reach a total subscriber base of 21.9 Mn. Sector revenues grew by an estimated 7.8% Year on Year.

Our Operational Performance

As espoused in my report of last year, we entered 2011 with innate confidence that the financial outcomes of the corporate restructuring and business re-engineering programmes carried out over the past years had indeed re-established a platform for sustainable profitability and growth. The operational results recorded for the year 2011, vindicate this confidence and demonstrate growth and performance consolidation across all our businesses. As reported at the outset of this review, Group Net Profit for the year was recorded at Rs. 5.4 Bn, up 6% relative to 2010, albeit being significantly constrained by a translational foreign exchange loss of Rs. 638 Mn arising from the unprecedented devaluation of the Sri Lanka Rupee during the fourth quarter.

Financial outcomes at Group level were driven by strong operational performance across Dialog Axiata PLC (‘The Company’) and its subsidiaries. The Company (featuring the Mobile, International and Tele-Infrastructure business of the Group) continued to leverage its market leading position within Sri Lanka’s Mobile sector to deliver strong growth in revenue and profitability. The Company recorded revenue of Rs. 41.8 Bn in FY 2011, up 10% relative to the previous year. Company NPAT was recorded at Rs. 6.3 Bn, inclusive of the impact of an exceptional translational foreign exchange loss of Rs 628 Mn, and representing a contraction of earnings by 4% relative to 2010. Core business profitability was driven by the growth in Mobile Voice, Value Added Service, Mobile Broadband, International and Tele-Infrastructure businesses. Growth in company profitability was underpinned by a healthy momentum in EBITDA growth (5% YoY) at a margin of 36%.

Dialog subsidiaries Dialog Television (DTV) and Dialog Broadband Networks (DBN) registered gains YoY at both EBITDA and PAT levels, demonstrating robust traction with respect to the Group’s Fixed Telecommunication and Television businesses. Our Digital Pay Television business DTV continued its growth momentum, recording YoY revenue growth of 18% to reach Rs. 2.4 Bn in 2011. DTV NPAT crossed over into positive terrain for the first time in Q4 2011, recording a bottom line of Rs. 26 Mn for 2011. NPAT turnaround at DTV was underpinned by an aggressive increase in subscriber base and subscription revenues.

DBN, featuring Dialog’s fixed-telecommunications business continued to consolidate its performance, with revenue for 2011 being recorded at Rs. 2.4 Bn, representing a growth of 1% YoY. DBN EBITDA was recorded at Rs. 665 Mn in 2011, a significant improvement of 133% relative to 2010. Despite exceptional depreciation charges with respect to capital inventory and the continued acceleration of depreciation of the Company’s WiMAX network, NPAT for the full year improved by 27% YoY, albeit remaining dilutive to the Group at negative Rs. 945 Mn. As exemplified in the case of DBN, but equally applicable to the Company and DTV, the Group continued to exercise a stringent level of prudence with respect to the treatment of its fixed assets. The Company has consistently enforced close adherence to international best practice with respect to the adoption of depreciation policies which are closely aligned with technology life cycles.

As in the previous year, the Dialog Group supplemented positive gains in profitability, with a diligent focus on working capital management and capital expenditure, to deliver positive Free Cash Flows (FCF) over 8 successive quarters. The Group's strategy with respect to Capital Investment is calibrated to ongoing and future returns while being closely aligned to the forward looking growth strategies of our multiple businesses. Group capital expenditure for 2011 amounted to Rs. 8.7 Bn, and was directed in the main towards strategic investments in High Speed Broadband and Optical Fibre Network (OFN) expansion projects, and the aggressive expansion of Mobile Telephony services to meet growth in subscriber demand across all provinces of the country. Group Free Cash Flows were recorded at Rs. 7.7 Bn for FY 2011. Company cash flows grew by a similar margin, with operating cash flows for 2011 being recorded at Rs. 17.9 Bn, up 25% relative to 2010. In line with the generation of healthy-free cash flows, the Dialog Group continued to maintain a structurally robust balance sheet with the Group's Net Debt to EBITDA ratio improving from 1.41X in 2010 to 0.78X as at end of 2011.

Based on its robust balance sheet and leverage capacity, I am happy to report that your Company maintained a National Long-term Rating of 'AAA(lka)' with a 'stable' outlook issued by Sri Lanka's premier credit rating agency, Fitch Ratings Lanka Limited.

Our Contribution to the Nation and its Economy

As at the end of FY 2011, your Company had secured the honour of playing an empowering role in the lives of well over 7.5 Mn Sri Lankan citizens from across all provinces of the country. Your Company is also privileged to provide a majority of the country's businesses - large and small, with cutting edge ICT enablement. At Dialog, we are collectively committed to ensuring, that the expansive service portfolio we extend to Sri Lankan citizens and enterprises will continue to enhance the lives and businesses of those we serve. Our inclusive approach to the proliferation of advanced ICT services and their application as levers to digitally empower our citizens which we envision, create leap frog routes to the acceleration of socioeconomic development across multiple strata of the socioeconomic pyramid. While our business had been significantly reshaped to be leaner and stronger in terms of cost leadership and growth enablement, we remained astutely committed to excellence in customer experience delivery, and to making a quantum and empowering contribution to the nation's economy and society at large.

In 2011, your Company contributed Rs. 4.8 Bn in taxes, fees and levies to the Government of Sri Lanka. During the past year, the Group collected a further Rs. 5.9 Bn as indirect taxes on behalf of Sri Lanka's Treasury. Your Company provides employment to over 20% of the Telecommunication sector workforce in Sri Lanka. While the year 2011 witnessed the injection of USD 150 Mn in infrastructure investment, your Company has, since the commencement of operations in 1995, invested in excess of USD 1.1 Bn in Sri Lanka's ICT sector, and has been recognised by the BOI to be the single largest Foreign Direct Investment (FDI) in Sri Lanka.

While our contributions to the nation and community at large are more-fully espoused in our Sustainability Report for 2011, I would like to single out our investments in, and focus on, the development of Sri Lanka's future generations through the deployment of ICTs towards bridging prevailing divides in access to knowledge and education. Our distance education solutions which leverage our ubiquitous Digital Television and Broadband access networks continue to transform the quality of education in rural and under-resourced schools. *Nenasa* TV, a state-of-the-art satellite-based distance education platform, was gifted by your company to the people of Sri Lanka and is operated in partnership with the Ministry of Education and the National Institute of Education. *Nenasa*, which broadcasts high quality, curriculum based, tri-lingual educational content, has to date connected in excess of 650 schools and is set to expand its reach to a total of 2,000 schools during the course of 2013. The Company's focus on enabling and motivating excellence among Sri Lanka's future generations, also encompasses the Dialog Scholar Programme which to date, has supported nearly 500 Sri Lankan students from across all 25 districts, through Advance Level and University Level education.

Dialog's Sustainability ethos featuring in the main, the creation of shared value for all stakeholders of the organisation spanning shareholders, customers, employees and the community at large, has lead to your Company being ranked No. 1 on Sri Lanka's Corporate Accountability Ratings, for the 3rd year in succession.

Conclusion

In closing my review of operations, I venture to conclude that your Company has successfully consolidated the transformation driven performance rebound of the past years, and has indelibly crystalised the capability, capacity and agility imbibed, to form an aggressive and sustainable engine for growth looking forward.

I would like to take this opportunity to thank our customers for their valued patronage and loyalty, and our shareholders for their unstinted support and encouragement.
I would also like to express my sincere appreciation for the enablement and facilitation extended to us by the Government of Sri Lanka and its agencies - in particular, the TRCSL (Telecommunications Regulatory Commission of Sri Lanka), the BOI (Board of Investment), the Ministry of Mass Media and Information and the Ministry of Posts and Telecommunications. I also extend herein my gratitude to our Chairman, Datuk Azzat Kamaludin and my fellow Board members for their strategic input, direction and invaluable counsel made available to me at all times.

The performance for the year 2011 stands testimony to the courage, determination and excellence of the Dialog team. It has been an honour and privilege to work alongside them through our journey of transformation, and I wish to extend to them my sincere gratitude. Together we are singularly welcoming of the opportunity to reinvent ourselves year on year - setting new paradigms for others to follow as a leader should, whilst simultaneously creating value for you our valued shareholders, and making a lasting contribution to our country and people.

Dr. Hans Wijayasuriya
Group Chief Executive

30th March 2012

Board of Directors

Datuk Azzat Kamaludin
Chairman/Non-Executive Non-Independent Director

Datuk Azzat Kamaludin was appointed to the Board of Dialog Axiata as Chairman and Director on 21st July 2008.

He is an Independent Non-Executive Director of Axiata Group Berhad. Datuk Azzat Kamaludin is a lawyer by profession and is a partner of the law firm of Azzat & Izzat, Malaysia.

Datuk Azzat Kamaludin graduated from the University of Cambridge, United Kingdom, with degrees in Law and in International Law, and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an administrative and diplomatic officer with the Ministry of Foreign Affairs, Malaysia from 1970 to 1979.

Datuk Azzat Kamaludin is presently a Director of several public listed and private limited companies in Malaysia. He has also served as a member of the Securities Commission, Malaysia from 1993 to 1999.

Dr. Hans Wijayasuriya
Group Chief Executive/ Non-Independent, Executive Director

Dr. Hans Wijayasuriya was appointed to the Board of Dialog Axiata PLC on 19th January 2001.

Dr. Wijayasuriya joined the Company in 1994 as a member of the founding management team of the Company, and has functioned in the capacity of the Chief Executive of Dialog Axiata, since 1997. He counts two decades of experience in technology-related business management. He also serves on the Boards of a number of international subsidiaries of the Axiata Group.

A Fellow of the Institute of Engineering Technology of the UK (IET), Dr. Wijayasuriya is a Chartered Professional Engineer and also a member of the Institution of Electrical and Electronic Engineers (IEEE), USA.
Dr. Wijayasuriya graduated with a Degree in Electrical and Electronic Engineering from the University of Cambridge, UK in 1989.
He subsequently read for and was awarded a PhD in Digital Mobile Communications at the University of Bristol, UK. Dr. Wijayasuriya also holds a Master's in Business Administration from the University of Warwick, UK.

Dr. Wijayasuriya is a past Chairman of GSM Asia Pacific - the regional interest group of the GSM Association representing 49 Asia Pacific member countries, and has earned the distinction of being included in the GSM 100 Role of Honour for his contribution to GSM in the Asia Pacific Region.

Dr. Wijayasuriya was a recipient of the CIMA - Janashakthi Business Leader of the Year award in its inaugural year of presentation in 2003, and of the coveted 'Sri Lankan of the Year' award in 2008 presented by Sri Lanka's premier business journal, the LMD.

Board of Directors (Contd.)

Mr. Moksevi Prelis
Independent, Non-Executive Director

Mr. Prelis was appointed to the Board of Dialog Axiata PLC on 15th September 2004.

He has 27 years experience in the banking sector, out of which 21 years was in the capacity of CEO/Director of the DFCC Bank and the Nations Trust Bank. Prior to this, he has worked for 16 years as an Engineer and a Manager in the automobile manufacturing and steel industries. He has held the posts of Chairman - Ceylon Electricity Board, Chairman - National Institute of Business Management, Chairman - Association of Development Finance Institutions of Asia and Pacific, headquartered in Manila and Chairman - St. John's National Association of Sri Lanka. He has served as a Director on the Boards of 20 companies and five state institutions. He is currently the Chairman of Capital Trust Securities Group and Association for Social Development and a Director of the Colombo Stock Exchange Limited and Sinwa Holdings Limited

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

Mr. Mohamed Muhsin
Independent, Non-Executive Director

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

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

A Chartered Accountant and a Fellow of The Institute of Chartered Accountants of Sri Lanka, Mr. Muhsin also worked in senior positions in the private sector in Sri Lanka and served for several years as the Group Financial Director of Zambia's industrial and mining conglomerate and as advisor on state enterprise reform in the office of the then President of Zambia, Dr. Kenneth Kaunda.

Board of Directors (Contd.)

Mr. Jayantha Dhanapala
Independent, Non-Executive Director

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

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

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

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

Mr. Azwan Khan Osman Khan
Non-Executive, Non-Independent Director

Mr. Azwan Khan was appointed to the Board of Dialog Axiata on 21st July 2008.

He is the Group Chief Strategy Officer of Axiata Group Berhad. His current responsibilities include Group Corporate Strategy, Group Marketing and Product Development, Group Synergies, Strategic Initiatives, Branding and Corporate Communications. He was formerly the Senior Vice-President, Corporate Strategy and Development in Celcom (Malaysia) Bhd ('Celcom'), a position he held since mid-2005.

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

Mr. Azwan Khan is also an active Board member in Axiata Management Services Sdn Bhd, Hello Axiata Company Limited, Sacofa Sdn Bhd and Samart I-Mobile Public Limited Company. He is also a member of the GSMA Chief Strategy Officer Group.

Board of Directors (Contd.)

Dato' Sri Jamaludin Ibrahim
Non-Executive, Non-Independent Director

Dato' Sri Jamaludin was appointed to the Board of Dialog Axiata on 23rd March 2011.

Dato' Sri Jamaludin has worked for about 31 years in the ICT industry - 16 years in IT industry and 15 years in telecommunications industry. He is currently the President and Group Chief Executive Officer of Axiata Group Berhad, which he joined in March 2008. He is also a Board member of Axiata Group.

Prior to that, Dato' Sri Jamaludin was with Maxis Communications Berhad (Malaysia), which he joined in 1997 and was appointed Chief Executive Officer in 1998. In 2006, he was redesignated the Group Chief Executive Officer. He retired from Maxis in July 2007 and continued to be Non-Executive Director until February 2008.

Before joining Maxis, he spent 16 years in the IT Industry. He was Managing Director/Chief Executive Officer of Digital Equipment Malaysia (the Malaysian branch of Digital Equipment, then the second largest IT company worldwide) from 1993 to 1997. Dato' Sri Jamaludin also spent 12 years in IBM (1981-1993), the first five years as Systems Engineer and then in various positions in Sales, Marketing and Management. Prior to IBM, he was a lecturer in Quantitative Methods at California State University, United States in 1980.

Dato' Sri Jamaludin graduated from California State University in 1978 with a B.Sc. in Business Administration and Minor in Mathematics. He obtained his MBA from Portland State University, Oregon in 1980.

Dato' Sri Jamaludin is also the Chairman of Celcom Axiata Berhad (Malaysia), and sits on the Boards of PT XL Axiata Tbk. (Indonesia) and M1 Limited (Singapore). Dato' Sri Jamaludin is also a Board member of FRF (Financial Reporting Foundation, Malaysia) and the GSMA (the Global World GSM Association).

Mr. James Maclaurin
Non-Executive, Non-Independent Director

Mr. James Maclaurin was appointed to the Board of Dialog Axiata on 10th May 2011.

He is the Group Chief Financial Officer of Axiata Group Berhad. Mr. Maclaurin has worked in the telecommunications industry for 15 years and has held a number of senior finance leadership positions including CFO for Africa and Central Europe at Vodafone, Group CFO of Celtel, the pan-African mobile operator, CFO of UbiNetics, the 3G technology developer and EVP Finance of Marconi, the UK-based telecom vendor subsequently sold to Ericsson. In the mid 90's James worked in Asia and served as the Finance Director of General Electric Co. of Singapore and prior to this James was the Finance Director of the General Electric Co. of Bangladesh.

Mr. Maclaurin is a member of the Institute of Chartered Accountants of Scotland and holds degrees in Engineering and Finance from the Universities of Dundee and Heriot Watt in Edinburgh respectively. He currently serves on the Boards of a number of international public listed and private limited companies within the Axiata Group.

Business and Financial Review

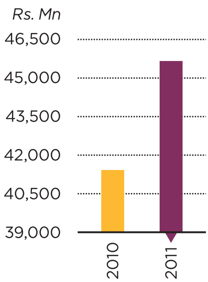
2011 was another successful year for Dialog Group with growth continuing in all financial matrices despite intense competition in the market. After the strong rebound in 2010, Dialog Group continued to demonstrate its resilience by achieving scale in customers, network coverage and Value Added Services in 2011. Consolidation of performance was fuelled by a double digit growth in revenue, concerted efforts in cost management and consistent financial discipline across all aspects of the business.

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

The Group recorded strong revenue growth across all segments to reach Rs. 45.64 Bn for the year 2011, up 10% YoY. Strong revenue growth in combination with continued operational improvements lead to the Group posting a healthy EBITDA of Rs. 16.45 Bn in 2011, up by 9% YoY with Group EBITDA margin remaining at 36%.

Group Revenue

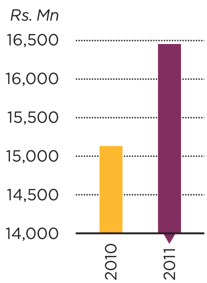
+10%



- Group revenue up 10% YoY, registering 11 consecutive quarters of revenue growth.
- Growth in revenue driven by both voice and non-voice revenues; over 11% YoY increase in voice revenue.
- Data revenue up 29% YoY complemented by 79% YoY growth in mobile broadband revenue.
- Pay TV revenue up 18% YoY driven by growth in subscribers and usage revenues.

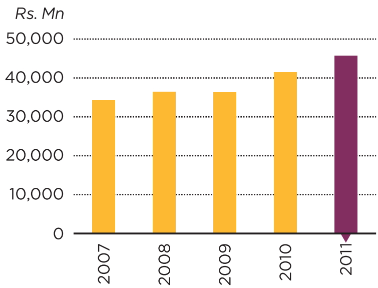
Group EBITDA

+9%

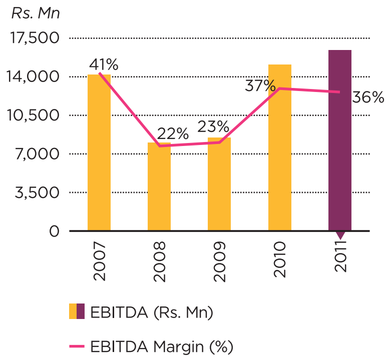


- Improvement in Group EBITDA due to revenue growth and operational efficiency.
- Group EBITDA margin stable at 36% despite cost pressure.
- DBN sustains EBITDA turnaround for the seventh consecutive quarter in Q4 2011. EBITDA margin of 28% in 2011 with over 100% growth in EBITDA YoY.
- DTV recorded EBITDA margin of over 20% for four consecutive quarters with 68% growth in EBITDA YoY.

Group Revenue



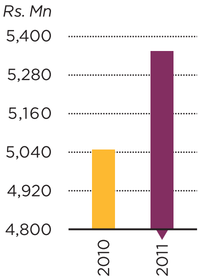
Group EBITDA and EBITDA Margin



Group net profit for the year 2011 was recorded at Rs. 5.35 Bn, up by 6%. Growth in profitability was achieved on the backdrop of one-off translational foreign exchange loss totalling to Rs. 638 Mn resulting from the devaluation of the Sri Lanka Rupee (SLR) in November 2011. Recording a NPAT of Rs. 26 Mn for the year 2011, DTV achieved turnaround in profitability for the first time since its acquisition in 2006, due to strong revenue growth and operational efficiency.

Group NPAT

+6%



- Group PAT impacted by higher depreciation on network and forex losses.
- DTV achieved turnaround in profitability since acquisition.

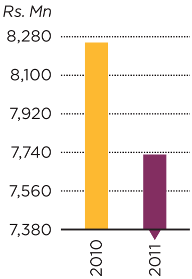
DBN remained dilutive to the Group at Profit level, but registered significant improvements in operational performance due to continued implementation of strategic cost re-scaling initiatives.

Despite DTV NPAT crossing over to positive terrain for the first time in 2011, negative contribution from DBN of Rs. 945 Mn (Rs. 1.30 Bn loss in 2010) resulted in the dilution of the Group earnings by a total of Rs. 960 Mn (inclusive of consolidated adjustments). Accordingly Group net profit was recorded at Rs. 5.35 Bn for 2011.

The Group continued to make aggressive investments towards expanding its nationwide ICT infrastructure footprint and the application of cutting edge technology across its mobile, fixed and broadband businesses in keeping with national policies and vision of providing ICT to the entire nation. Group Capital expenditure for the 2011 amounted to Rs. 8.72 Bn. Capital expenditure was directed in the main towards strategic investments in High Speed Mobile Broadband and Optical Fibre Network (OFN) expansion projects and towards the continued growth and consolidation of the Company's coverage leadership in mobile services.

Group Free Cash Flows (FCF)

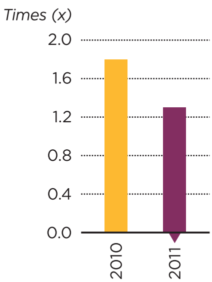
-6%



- Group FCF positive for the eighth consecutive quarter in Q4 2011.
- Rs. 2.0 Bn dividends proposed for 2011 on the back of healthy cash position.
- Dividend payout increased to 39% in 2011 (34% in 2010) with a dividend yield of 3.2%.

Group Gross Debt/EBITDA

+0.5x



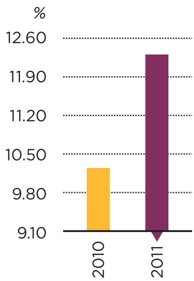
- Group continues to maintain structurally strong Balance Sheet with gross debt/EBITDA at 1.3x in 2011 Vs 1.8x in 2010.
- Net debt/EBITDA at 0.8x.

On the backdrop of increased capital expenditure, free cash flow of the Group for 2011 dropped by 6% compared to 2010 to record at Rs. 7.72 Bn. Healthy EBITDA performance, and repayment of debt, has enabled Dialog to strengthen the Group balance sheet with Gross Debt to EBITDA ratio improving from 1.8x in 2010 to 1.3x in 2011.

Dialog's borrowings comprise Rs. 4.97 Bn of local currency and USD 153.7 Mn of foreign currency debt as at end 2011. Of the local currency borrowings, Rs. 1.25 Bn is in the form of Redeemable Cumulative Preference Shares, whilst the remaining Rs. 3.72 Bn is an interest free advance due to parent Axiata Group Berhad. Dialog has a USD 116.2 Mn outstanding term loan from OCBC, whilst the balance USD 37.5 Mn is due to Axiata Group Berhad which carries a notional interest rate of 0.05% per annum. Repayments made on the OCBC loan during 2011 amounted to USD 28.8 Mn while USD 10 Mn was drawn down in April 2011.

Group ROIC

+2pp



- 2 percentage points improvement in ROIC mainly due to growth in earnings across the Group.

Group Financial Highlights

Group Financial Indicators

	2011 Rs. Mn	2010 Rs. Mn	YoY %
Revenue	45,637	41,423	10
EBITDA[1]	16,448	15,123	9
NPAT	5,354	5,047	6
Capex	8,719	6,872	27
Free Cash Flows (FCF)[2]	7,728	8,251	(6)

Group Financial Ratios

	2011 %	2010 %	YoY
EBITDA margin	36.0	36.5	(0.5pp)
NPAT margin	11.7	12.2	(0.5pp)
Capex to revenue	19.1	16.6	2.5pp
FCF to revenue	16.9	19.9	(3.0pp)
ROIC[3]	12.3	10.2	2.1pp
Debt/Equity (x)	0.77	0.95	(0.18)

1. *EBITDA - Earnings before interest, taxation, depreciation and amortisation*
2. *FCF - EBITDA - Capex*
3. *RoIC - EBITDA after depreciation, amortisation and tax divided by average invested capital*
4. *Tax - Tax excluding deferred taxation*

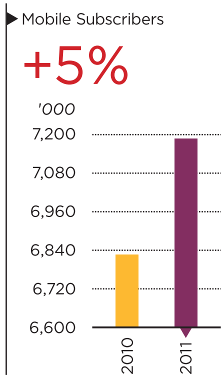
Dialog Axiata PLC - Business Overview

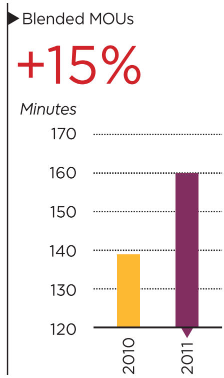
The operations of Dialog Axiata PLC include mobile, international operations and tele-infrastructure businesses (DTI).

Despite another challenging year in a competitive market, the Company was able to sustain its position as the undisputed leader in the mobile telecommunication sector by retaining 55% revenue market share of the mobile industry revenue. The Company extended its geographical reach by increasing the number of base stations by 8% during the year to cater 7.2 Mn pre-and post-paid mobile subscribers island-wide with an array of innovative products and services.

The mobile industry reached 88.6% penetration with room for substantial growth in minutes of usage (MoU). In 2011, Dialog recorded a significant 15% YoY growth in MoUs, while average revenue per user (ARPUs) grew by 5%.

Dialog is a pioneer of innovative telecommunication solutions that provides a world class experience and enhances value to its customers. The Company became the first telecom service provider to initiate 4G (Generation) LTE (Long Term Evolution) pilot network in Sri Lanka. The pilot network presently covers several key zones within Colombo and has demonstrated the delivery of over 100 Mbps in indoor demonstration mode and 40-50 Mbps under outdoor mobile conditions. The Company extended its novelty by initiating South Asia's first satellite navigation on mobile application (app) and became the first corporate entity in Sri Lanka to attain verification by social networking and micro blogging service 'Twitter'.





Driven by an aggressive increase in data usage, 2011 witnessed an accelerated expansion of its 3G network with the number of 3G base stations growing by 40% YoY. High speed mobile broadband service sector demonstrated significant potential with subscribers growing by 143% to reach 485,000 at the end of 2011, overtaking the Fixed Internet industry which grew by 19%. On a YoY basis, the Company's mobile broadband subscriber base grew by 167%, surpassing the industry growth.

The international roaming network continued to reinforce its presence beyond borders collaborating with 572 operators in 213 countries around the globe. The broadening of the 3G, GPRS and Pre-paid roaming destinations to 105, 161 and 92, respectively enabled customers to stay connected with family and friends at all times.

The launch of the co-branded SIM 'Dialog VIZZ Mobile' presented the opportunity for Sri Lankans living in the UK to call Sri Lanka at low calling rates and even instantly top up any Dialog number in any part of Sri Lanka from their mobiles.

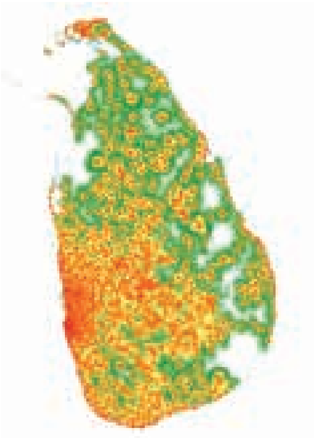


Figure 1: 2G Coverage

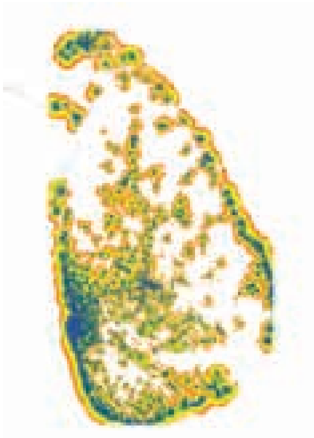


Figure 2: 3G Coverage

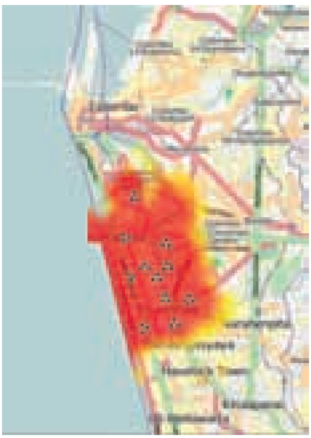


Figure 3: Mobile LT Coverage

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

By end 2011, DTI had close to 1,000 shareable tower sites with an external tenancy ratio of 1.19 times. This is in line with the Group's vision of supplementing the revenue streams of its core business areas by continuing to be the leading provider of active and passive telecommunication infrastructure in Sri Lanka.

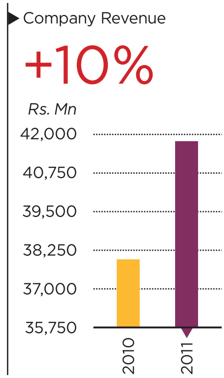
Dialog Axiata PLC - Financial Review

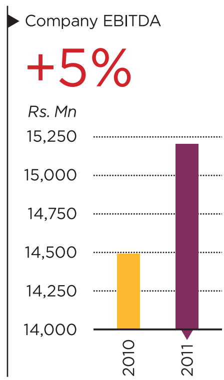
Continuous leverage from the Company's position as the market leader enabled the Company to record a revenue of Rs. 41.78 Bn for the year 2011, a strong increase of 10% YoY. Growth in revenue was driven by an increase in both voice revenue and non-voice revenue primarily consisting of mobile broadband service. Revenue per Minute has stabilised across the mobile industry in 2011, subsequent to the introduction of the floor rate regime in 2010. Price hardening across the industry was evident, with all mobile operators continuing to maintain off net tariffs at Rs. 2.00 per minute despite the regulator reducing off net floor rate from Rs. 2.00 to Rs. 1.50 in July 2011.

Total costs increased by 13% YoY. The rise in cost was primarily driven by revenue-linked costs associated with International origination, roaming and domestic Interconnection charges. On exclusion of the interconnection charge, total costs grew by 10% YoY. Network operating costs also witnessed a 20% YoY increase, in line with the aggressive expansion of the Company's 2G and 3G infrastructure footprint and price hikes with respect to key inputs including electricity and fuel.

Regulatory cost reduced by 31% compared to 2010 mainly due to the reduction in international telecommunications levy from USD 0.038 per minute to USD 0.015 per minute which came into effect from July 2010.

During 2011, the Company received Rs. 1.6 Bn as Telecom Development Fund (TDF) refund from the TRCSL of which Rs. 653 Mn was accounted for as a cost reversal to regulatory cost.

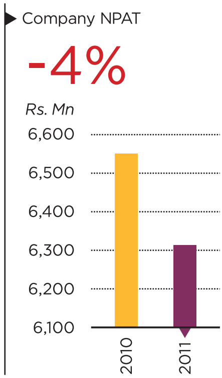


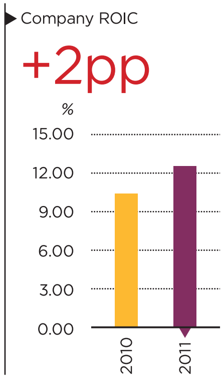


Sales and Marketing costs increased by 17% due to aggressive promotional campaigns in the likes of 'Dialog Lord of the Reload', Sri Lanka's largest subscriber rewards scheme launched to stimulate voice usage. Further in the wake of the telecom industry being declared as Value Added Tax (VAT) exempt since 1st January 2011, VAT which was previously claimable, became a cost to the Company, hence increasing the total cost to revenue ratio by 1 percentage point.

The Company achieved an EBITDA of Rs. 15.21 Bn in 2011, a 5% increase compared to 2010. Notwithstanding the significant growth in revenue, the EBITDA margin contracted by 2 percentage points to 36% in 2011 as a result of expansion of network cost, higher marketing costs and an increase in VAT expenditure.

The Company recorded a NPAT of Rs. 6.31 Bn for 2011 a marginal decline of 4% largely driven by higher network depreciation and forex losses. Translational foreign exchange loss of Rs. 502 Mn was recorded in 2011 compared to a foreign exchange gain of Rs. 686 Mn in the previous year. YoY adverse movement accruing from foreign exchange translation was recorded at Rs. 1.2 Bn. However during 2011, the reduction in borrowings and improvement in cash position resulted in the Company recording a net interest income of Rs. 197 Mn in contrast to a net interest cost of Rs. 443 Mn in 2010.





Dialog Broadband Networks (DBN) - Business Overview

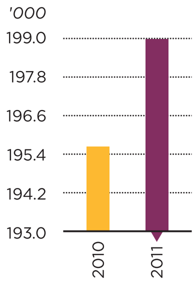
DBN featuring the Fixed Telephony, Fixed Broadband and Data Transmission businesses of the Dialog Group is a key player in the Fixed Telecommunication space, offering a multitude of services to individuals and corporate clients ranging from Fixed Telephony, Broadband Internet, and Converged ICT Solutions including IPVPN, VoIP and Hosted PABX offerings to Data Communication. The Company is in the forefront of ICT infrastructure with a country-wide transmission and data communication network.

DBN's CDMA subscriber base grew by 2% to reach 193,000 as at the end of 2011. Furthermore, DBN strengthened its presence in the enterprise sector by providing seamless connectivity to fulfil diverse requirements of enterprises. Optical Fibre-based access (Metro Ethernet Network) augmented the existing product offerings of the Company, enabling to meet the ever-increasing bandwidth and reliability demands of business customers.

DBN entered into a Share Purchase Agreement (SPA) in December 2011 to acquire 100% of the ordinary shares of wireless fixed line operator Suntel Limited. This would allow the DBN merged entity to widen its portfolio and propel its position to the second largest player in the fixed telecommunication enterprise space.

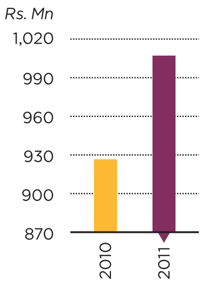
CDMA and Broadband Subscribers

+2%



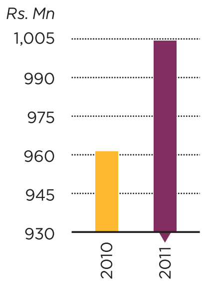
SME and Enterprise Revenue

+9%



DATA and ISP Revenue

+4%



Dialog Broadband Networks (DBN) - Financial Review

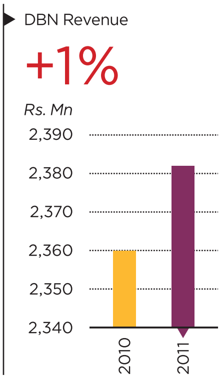
DBN recorded a revenue of Rs. 2.38 Bn in 2011, up 1% relative to 2010. With the Company continuing its sales strategy of focusing on SMEs and Enterprise sectors, 2011 witnessed a drop in revenue from connection fees on acquisition of new retail CDMA subscriber whilst revenue from Corporate and SME voice segments continued to grow.

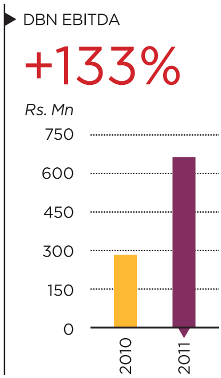
Broadband and ISP revenues grew by 4% YoY, driven by the increase in usage of the corresponding services.

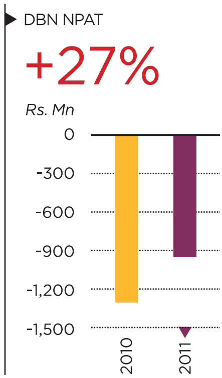
DBN continued to consolidate EBITDA performance trends with EBITDA for 2011 recorded at Rs. 665 Mn a significant 133% increase compared to 2010. Positive EBITDA performance was driven by decrease in direct and operating costs as a result of diligent cost management initiatives implemented.

On the back of ongoing accelerated depreciation of CDMA and WiMAX networks, DBN continued to be NPAT negative in 2011. DBN recorded NPAT of negative Rs. 945 Mn in 2011, an improvement of 27% compared to 2010.

The WiMAX network has been fully depreciated in 2011 while the CDMA network will be fully depreciated by the end of 2012.



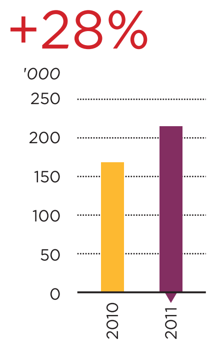




Dialog Television (DTV) - Business Overview

The Group's Pay Television business DTV continued to strengthen its position as the single largest Direct-To-Home (DTH) digital television service provider in Sri Lanka with an estimated market share of 78%. DTV achieved the significant milestone of becoming PAT positive in the year 2011 due to the aggressive increase in the subscriber base driven by the rise in the disposable incomes and continuous cost management. The total active subscriber base grew by 28% YoY, catering to the diverse infotainment needs of over 200,000 households in the country by year end. DTV demonstrates substantial future prospects and is well poised to grow significantly from the relatively underpenetrated Sri Lankan Pay TV market which is currently as low as 5.5%, while 88% of households own a television.

Pay TV Subscribers



DTV endeavoured to enrich viewer experience with a variety of classy entertainment. DTV's product offering encompasses an extensive assortment of international channels including CNN, BBC, Star, HBO, Cinemax, AXN, ESPN, Ten Sports, Discovery, Discovery Turbo, National Geographic Channel, NAT GEO Adventure, MTV (Music Television) and Cartoon Network, complemented with a wide variety of local content. In 2011, DTV expanded its channel portfolio with the inclusion of exquisite Sun bouquet and the elite Setanta Sports channel.

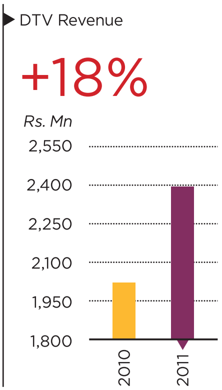
Dialog Television (DTV) - Financial Review

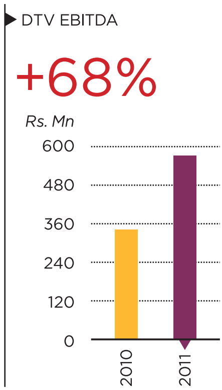
DTV continued its growth momentum recording a significant YoY revenue growth of 18% to reach Rs. 2.40 Bn in 2011. Revenue growth was driven by a 26% YoY increase in subscription revenue and over 47,000 net subscriber additions during 2011.

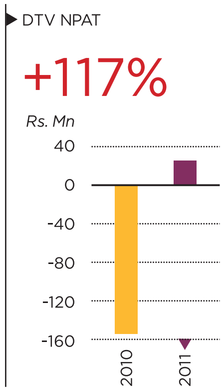
Revenue comprises initial connection fees, subscription rentals and other revenue including revenues from advertising and miscellaneous services. The revenue generated from monthly subscriptions accounted for 83% of the total revenue in 2011 (compared with 78% in 2010).

DTV EBITDA for 2011 was posted at Rs. 574 Mn, a significant increase of 68% compared to 2010. EBITDA growth YoY was fuelled by a strong increase in usage revenues and operational efficiencies.

The growth in revenues and efficient cost management translated to DTV achieving a positive NPAT of Rs. 26 Mn in 2011 compared to a negative NPAT of Rs. 154 Mn recorded in 2010.







Corporate Governance Report

Introduction

The Board believes firmly that integrity, professionalism, excellence and commitment of its people supported by a sound system of policies, practices and internal controls are the hallmarks of a respected and successful entity. Therefore, the Board believes that upholding high standards of corporate governance and business conduct will ensure greater transparency, accountability and protection of shareholder and stakeholder interests, by which the Company is able to create sustainable long-term value, strengthen investor confidence and maximise returns for shareholders.

The Company's Code of Corporate Governance (Code), which is an internally developed document containing requirements in addition to the requirements outlined in the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant regulations, is applicable to the Group and governs the activities of the Board, how the Group conducts its business operations, its relationships with all of its stakeholders while providing for accountability and sound internal control systems.

The Board will continue its efforts to enhance its role in improving governance practices effectively to safeguard the best interests of shareholders and other stakeholders. The Company is compliant with the requirements stipulated in the Code, the Rules on Corporate Governance contained in the Listing Rules of the CSE and the requirements stipulated in the Companies Act, No. 7 of 2007. This Report outlines the Corporate Governance framework, application and practice within the Group for the year 2011.

1. The Board

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

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

The composition of Board of Directors as at 31st December 2011, was as follows-

Composition of Board of Directors as at 31st December 2011

Name of Director	Date of Appointment	Position
Datuk Azzat Kamaludin	21st July 2008	Chairman (Non-Executive/Non-independent)
Dr. Hans Wijayasuriya	19th January 2001	Group Chief Executive Officer (Executive/Non-independent)
Mr. Moksevi Prelis	15th September 2004	Director (Non-Executive/Independent)
Mr. Mohamed Muhsin	14th June 2006	Director (Non-Executive/Independent)
Mr. Jayantha Dhanapala	3rd August 2007	Director (Non-Executive/Independent)
Mr. Azwan Khan Osman Khan	21st July 2008	Director (Non-Executive/Non-independent)
Dato' Sri Jamaludin Ibrahim	23rd March 2011	Director (Non-Executive/Non-independent)
Mr. James Maclaurin	10th May 2011	Director (Non-Executive/Non-independent)

Since the preceding AGM, Mr. James Maclaurin was appointed to the Board in May 2011 as a Nominee Director of Axiata Group Berhad.

The profiles of each Director are found on pages 12 to 15 of this Report.

• Composition of the Board and Balance

The Board comprises of 08 Directors, of which 07 are Non-Executive Directors and 01 is an Executive Director, who is also the Group Chief Executive Officer (GCEO). The composition mix of the Executive and Non-Executive Directors satisfies the requirements of the Listing Rules of the CSE.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences, whilst serving in a variety of public and private companies in various industries. The Board includes two qualified Chartered Accountants who provide the Board with the requisite financial acumen and knowledge on financial matters.

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

• Board Independence

Based on the Declarations made annually by each of the Non-Executive Directors in accordance with the requirements set out in the Listing Rules of the CSE, 03 out of the 07 Non-Executive Directors, namely, Mr. Moksevi Prelis, Mr. Mohamed Muhsin and Mr. Jayantha Dhanapala are considered independent. They are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their judgment.

The Board considers the other 04 Non-Executive Directors, namely Datuk Azzat Kamaludin, Mr. Azwan Khan Osman Khan, Dato' Sri Jamaludin Ibrahim and Mr. James Maclaurin as non-independent, as they are nominees of Axiata Group Berhad, the major shareholder of the Company.

• Division of Responsibilities

The roles of the Chairman and the GCEO are separate with a clear distinction of responsibilities between them, which ensure the balance of accountability and authority between the running of the Board, and the executive's responsibility for the running of the Group's businesses.

The role of the Chairman, Datuk Azzat Kamaludin, is to provide leadership to the Board, for the efficient organisation and conduct of the Board's function, and to ensure the integrity and effectiveness of the relationship between the Non-Executive and Executive Director(s).

The role of the GCEO, Dr. Hans Wijayasuriya is to implement policies and strategies approved by the Board, and develop and recommend to the Board the business plans and budgets that support the Group's long-term strategy and vision that would lead to the maximisation of shareholder value.

• Board Meetings and Attendance

The Board meetings for each financial year are scheduled in advance to enable the Directors and management to plan accordingly and fit the year's Board meetings into their respective calendars. The Board's annual meeting calendar (including Board meetings and Board Committee meetings) is prepared with the consensus of all Directors and is tabled at the Board meeting in the fourth quarter of each preceding year.

To ensure that Board meetings are conducted effectively and efficiently, the time allocation for each agenda item is determined in advance. Members of the management and external advisors are invited as and when required to attend Board meetings to present proposals and provide further clarity to the Board.

The Board meets quarterly with a view to discharging its duties effectively. In addition, special Board meetings are also held whenever necessary to deal with specific matters.

A total of 07 meetings were held in 2011, which included 03 special meetings. The attendance of Directors at these meetings is set out in the table below:

Meeting Attendance of the Members

Name of Director	Attendance
Datuk Azzat Kamaludin	7/7
Dr. Hans Wijayasuriya	7/7
Mr. Moksevi Prelis	7/7
Mr. Mohamed Muhsin	7/7
Mr. Jayantha Dhanapala	7/7
Mr. Azwan Khan Osman Khan	6/7
Dato' Sri Jamaludin Ibrahim	5/6
Mr. James Maclaurin	3/4

• Access to Information

To enable the Board to make informed decisions, the Board is supplied with complete and adequate information in advance of each meeting, which includes an agenda, minutes, board papers with background or explanatory information, financial and operational performance reports. The Board also receives regular review reports and presentations on business development, risk profiles and regulatory updates. Any additional information may be requested by any Director as and when required.

The Board has separate and independent access to the Group's Senior Management. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

The Directors, especially Non-Executive Directors, have access to independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

• Professional Development and Performance Evaluation

Upon appointment to the Board, new directors are provided with a Board Manual and Management briefings to give an understanding on the following;

(a) the Company's financial, strategic, operational and risk management position

(b) the Directors' rights, duties and responsibilities

(c) the role of Board Committees

The Directors are also provided with the opportunity to update and enhance their skills and knowledge through continuous training conducted by both external and in-house facilitators, and are periodically briefed on changes to relevant laws, regulations and accounting standards which impact the Group's business and the Directors.

The NRC is responsible for evaluating the Board's performance and decides how the Board's performance may be evaluated and also proposes the objective performance criteria. The Board performance evaluation for 2011 will be carried out during early 2012.

• Delegation of Authority and Board Committees

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

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

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

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

A brief description of each Board Committee is provided below:

• Board Audit Committee (BAC)

The BAC ensures that the Group complies with applicable financial standards and laws. In addition, it ensures high standards of transparency and corporate disclosure and endeavours to maintain appropriate standards of corporate responsibility, integrity and accountability to the shareholders. The appointed members of the BAC are required to exercise independent judgment in carrying out their functions.

The activities conducted by the BAC are set out in the BAC Report on pages 40 to 43.

• Nominating and Remuneration Committee (NRC)

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

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

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

The NRC comprises of 03 Non-Executive Directors, namely Datuk Azzat Kamaludin (Chairman), Mr. Moksevi Prelis and Mr. Mohamed Muhsin.

The NRC held 04 meetings during the financial year ended 31st December 2011 and the attendance at these meetings is set out below:

NRC Meeting Attendance

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

• Group Executive Committee (EXCOM)

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

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

The EXCOM held 05 meetings during the financial year ended 31st December 2011.

The above Board committees are supported by a comprehensive and effective internal governance structure, consisting of the Group Senior Management Committee (GSMC), headed by the GCEO, to oversee the overall operations of the Group. Reporting to the

GSMC are 08 Group Leadership Committees that oversee the effective management of the following core functional areas:

(1) Service Delivery

(2) Sales and Marketing

(3) Technology

(4) Information Technology

(5) Human Resources

(6) Legal & Compliance

(7) Management Audit

(8) Enterprise Risk Management

• Re-appointment and Re-election

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

The newly appointed Director and the Director retiring by rotation and eligible for re-election this year are mentioned in the Notice of the AGM on page 116.

2. Remuneration

The Company's remuneration policy endeavours to attract, retain and motivate Directors of the quality and experience commensurate with the stature and operational complexity of the Dialog Group. The remuneration policy for Directors is proposed, evaluated and reviewed by the NRC, in keeping with criteria of reasonability.

The remuneration of Non-Executive Directors comprises of a monthly fixed allowance and meeting allowances paid in accordance with the number of meetings attended during the year 2011. During 2011, the remuneration of the Non-Executive Directors was reviewed by the NRC and revised to reflect the increasing level of responsibility, commensurate with the growth in volume and diversity of business of the Group, and to bring remuneration in line with that paid to Non-Executive Directors of comparable companies.

The remuneration of the Executive Director, in his capacity of an employee, comprises of a salary, bonuses, share options and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Company.

Further the performance-related elements of remuneration have been designed to align the interests of the Executive Director with those of shareholders and link rewards to corporate and individual performance. Thus the variable component of the Executive Director's remuneration is based on the achievement of two dimensions - company performance against company targets and individual performance against a pre-determined set of Key Performance Indicators (KPI). These KPIs comprise of qualitative and quantitative targets and the evaluation of the achievement of the KPIs is reviewed by the NRC and the recommendations are tabled for approval of the Board.

A total of Rs. 30.53 Mn was paid to the Directors as emoluments for the financial year 2011.

3. Accountability and Audit

• Financial Reporting

The Board believes that independent verification is necessary to safeguard the integrity of the Group's accounting and financial reporting.

The Board aims to provide and present a balanced and understandable assessment of the Group's position and prospects. Therefore, the Board has established a formal and transparent process to independently verify and safeguard the integrity of the Group's accounting and financial reporting and internal control systems, which are periodically reviewed and monitored to ensure effectiveness.

The GCEO and the Group Chief Financial Officer ('GCFO') declare in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and that operational results are stated in accordance with relevant accounting standards.

4. Recognise and Manage Risk

• Internal Control

The Board acknowledges its overall responsibility in ensuring that a sound system of internal control is maintained to safeguard shareholders' investments and the Group's assets.

The BAC conducts a review of the effectiveness of the Group's system of internal controls and reports its findings to the Board. The review covers all material controls, including financial, operational and compliance controls and risk management systems. Upon receiving confirmation from the heads of units, the GCEO and GCFO provide the BAC with a certificate of compliance confirming compliance with all applicable statutory and regulatory requirements on a quarterly basis.

• Risk Management, Compliance and Control

The Group has established and implemented an Enterprise Risk Management system for identifying, assessing, monitoring and managing material risk throughout the organisation, which includes:

- Oversight of the risk management system;
- Examination of the Company's Risk profile which contains a description of the material risks facing the Company including financial and non-financial matters;
- Assessment of compliance and control;
- Assessment of effectiveness - mechanism to review, at least annually, the effectiveness of the Company's implementation of the risk management system.

The Enterprise Risk Management Group Leadership Committee is responsible for monitoring the risks and reporting the same to the BAC and Board on a periodic basis or as and when a significant risk arises.

• Internal Audit

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

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

In order to ensure independence, objectivity and enhance performance of the internal audit function, a direct reporting line has been created from the internal audit function to the BAC. The BAC recommends to the Board the appointment and dismissal of the Group Chief Internal Auditor. The activities of the Group's internal audit is detailed in the BAC Report on page 43.

5. Responsible Decision-Making

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

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

6. Respect for the Rights of Shareholders

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

• Communication with Shareholders

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

1. Annual General Meeting

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

2. Announcements to the Colombo Stock Exchange

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

3. Media Releases

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

4. Company Website

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

• Investor Relations

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

In the year 2011, the Company actively participated in 06 overseas investor conferences held in Malaysia, Singapore and London including 03 overseas road shows organised by the CSE and the Securities and Exchange Commission of Sri Lanka. The Company also conducted two local forums for clients of reputed global financial services institutions. In addition, the Company also conducts one-on-one meetings with key local and foreign investors on a regular basis.

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

• Major Transactions

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

Report of the Board Audit Committee

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

The primary function of the BAC is to implement, address issues and support the oversight function of the Board in relation to the Group's financial results, audits, corporate risks and internal controls. It ensures compliance with international best practices, applicable local laws and regulations and the requirements of the Listing Rules of the Colombo Stock Exchange (CSE).

The Terms of Reference (ToR) of the BAC, as formulated by the Board, are reviewed annually. They were updated during the year by the Board in order to keep pace with the changing risk profiles of the organisation and were brought in line with appropriate and relevant developments in international corporate governance best practices.

Composition

The BAC comprises of 05 Non-Executive Directors, of whom a majority of 03 are Independent Non-Executive Directors. The composition meets the requirements stipulated in the Listing Rules of the CSE. The Board Secretary functions as the Secretary to the BAC.

During the year, at the initiation of the Chairman of the BAC, Mr. Moksevi Prelis, the BAC adopted a policy that the position of the BAC Chairman be rotated every 5 years as a good governance practice. Accordingly, Mr. Prelis who functioned as the Chairman of the BAC since 2005 stepped down from the post and Mr. Mohamed Muhsin was appointed as the Chairman in May 2011.

Mr. James Maclaurin was appointed as a member of the BAC in May 2011.

The members of the BAC as at 31st December 2011 were:

1. Mr. Mohamed Muhsin - Independent Non-Executive Director (Chairman)
2. Mr. Moksevi Prelis - Independent Non-Executive Director
3. Mr. Jayantha Dhanapala - Independent Non-Executive Director
4. Mr. Azwan Khan Osman Khan - Non-Independent Non-Executive Director
5. Mr. James Maclaurin - Non-Independent Non-Executive Director

Meetings

The BAC had 06 meetings during the year 2011 which includes 02 special meetings. The meeting attendance of the members is as follows:

Meeting Attendance of the Members

Name of Member	Attendance
Mr. Moksevi Prelis (Chairman until May 2011)	6/6
Mr. Mohamed Muhsin (Chairman from May 2011)	6/6
Mr. Jayantha Dhanapala	6/6
Mr. Azwan Khan Osman Khan	4/6
Mr. James Maclaurin	3/4

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

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

Summary of Principal Activities of the BAC During the Year

During the year, besides complying with the ToR, the BAC reviewed emerging business risks and control issues. In particular, as the Group was implementing the renewal of several business processes and systems, special attention was given to change management and ensuring that information systems, billing systems and internal controls were in accord with best practices and helped to address and mitigate risks. In addition, the enhancing of Business Continuity and Disaster Recovery actions and plans received the attention of the BAC. The following include the key activities carried out by the BAC during 2011:

Financial Reporting

In relation to the BAC's primary function to provide assurance on the reliability of financial statements through an independent review of risks, controls and the governance process, it reviewed the quarterly and annual financial statements, in consultation with the External and Internal Auditors, prior to making recommendations to the Board for approval.

Particular consideration was given to -

(a) changes in or implementation of accounting policies and practices;

(b) significant or material adjustments with financial impact arising from the audit;

(c) significant unusual events or exceptional activities;

(d) compliance with relevant accounting standards and other statutory and regulatory requirements.

Risk Management and Internal Control

To enhance stronger governance of risk issues, the Risk Management function now has a dotted reporting relationship to the BAC.

During the year, the BAC reviewed and monitored reports furnished by the Internal Auditors, the External Auditors and the management, including:

- enterprise risk management reports on significant risk exposures and risk mitigation plans;
- Management Audit Group Leadership Committee Reports on the progress of the management actions to resolve significant internal control issues as highlighted by the Internal and External Auditors;
- certificate of compliance confirming compliance with all applicable statutory and regulatory requirements;
- legal and regulatory reports on significant litigation and regulatory issues;
- implementation of the renewal of Information Systems;
- formulating enhanced measures for Business Continuity and Disaster Recovery.

The BAC further reviewed new policy updates, revisions or enhancements of the internal policies and procedures as recommended by the management to ascertain that the improvements made are aligned to best business practices and effective internal control processes.

The BAC also reviewed plans to comply with the provisions of the International Financial Reporting Standards (IFRS) and ensured its implementation.

External Audit

The BAC reviewed the External Audit Plan including the scope and the fee for the annual audit and also had discussions with the External Auditors prior to the year-end audit to discuss their audit approach and procedures, including matters relating to the scope of the audit.

The BAC reviewed the results of the external audit and the recommendations contained in the Management Letters arising from the audits of the quarterly and annual financial statements, and ensured appropriate follow up actions were taken.

The independence and objectivity of the External Auditors were reviewed by the BAC, which held the view that the services outside the scope of the statutory audit provided by the External Auditors have not impaired their independence.

The BAC recommended to the Board that Messrs PricewaterhouseCoopers be reappointed as the External Auditors for the financial year 2012.

Internal Audit

The BAC is supported by the Group Internal Audit Division, which is headed by Mr. Izrin Hashim, the Group Chief Internal Auditor who reports directly to the BAC. The Division has a mix of expertise in the disciplines of Finance, Information Technology and Network Engineering that comprises of 12 qualified audit personnel in those disciplines. A robust training programme is in place. The Division leverages global best practices and has an ongoing knowledge sharing and training programme with the Axiata Group.

The Division's audit plans are reviewed and approved by the BAC and follow up actions are monitored. The performance of the Internal Audit Division is appraised by the BAC on an annual basis against the audit plan and predetermined key performance indicators. The Group Chief Internal Auditor's periodic reports detailing control issues and recommendations are reviewed by the BAC and follow actions in regard to past and present recommendations are monitored.

The Group Internal Audit Division performed 31 audit assignments and highlighted key risk issues with recommendations for action. In addition, the division co-ordinated and updated the follow-up action reviews on external audit issues.

Conclusion

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

On behalf of the Board Audit Committee,

Mohamed Muhsin
Chairman, Board Audit Committee

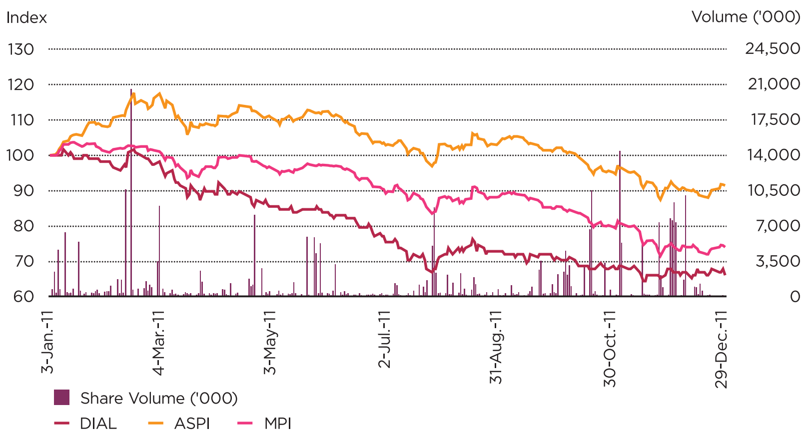
Date: 30th March 2012

DIAL Share Information

Table 1: Market Information on DIAL Share

	2011	Q4	Q3	Q2	Q1	2010
Share Information						
Highest Price (Rs.)	12.20	8.60	11.00	11.00	12.20	13.80
Lowest Price (Rs.)	7.50	7.50	7.80	8.90	10.20	6.50
Closing Price (Rs.)	7.80	7.80	8.40	8.90	10.50	11.80
Trading Statistics						
Number of Trades '000	14.5	2.5	3.2	3.8	5.0	36.0
% of Total Market Trades	0.3	0.4	0.2	0.3	0.4	1.1
Number of Shares Traded (Mn)	311	121	51	51	88	934
% of Total Shares Traded	1.3	4.0	0.7	0.7	1.3	5.7
% of Public Float	26.0	10.1	4.3	4.2	7.4	77.8
Turnover (Rs. Mn)	2,949	975	429	512	1,034	9,304
Avg. Daily Turnover (Rs. Mn)	12.3	16.2	6.8	9.0	17.5	39.1
% of Total Market Turnover	0.5	1.5	0.3	0.4	0.5	1.6
Market Capitalisation (Rs. Mn)	63,521	63,521	68,408	72,480	85,510	96,097
% of Total Market Capitalisation	2.9	2.9	2.8	3.1	3.5	4.3

Figure 1: Share Volumes and Relative Performance vs Market



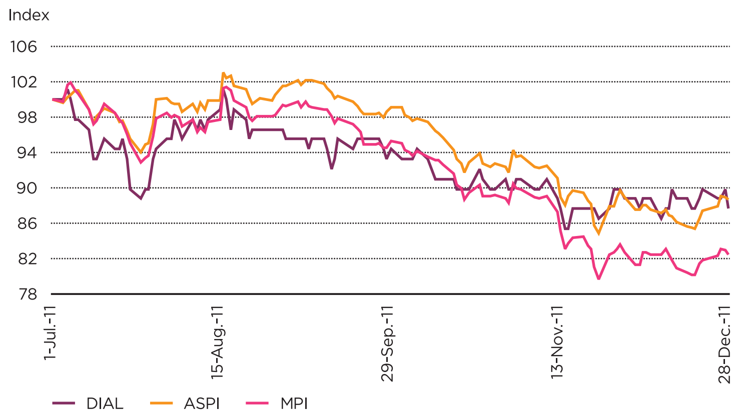
The DIAL Share

Having been among the top performing markets of 2009 and 2010, the Colombo Stock Exchange (CSE) witnessed a correction in 2011. The market experienced a high level of volatility during the year in the face of liquidity constraints (Regulator restricting trading on credit and unprecedented capital raising - Rs. 47 Bn raised through initial public offerings and rights issues), diminishing foreign investor participation, increased trading in speculative counters and unexpected devaluation of the currency in November 2011. Corporate earnings growth nonetheless remained strong, resulting in a sharp correction in valuations. The benchmark All Share Price Index (ASPI) recorded a decrease of 8.5% while the Milanka Price Index (MPI) recorded a decrease of 25.9% in 2011.

DIAL share started the year at Rs. 11.90 and traded between a high of Rs. 12.20 and a low of Rs. 7.50 to close the year at Rs. 7.80. The share price decreased by 33.9% in spite of the continued strong financial performance recorded. DIAL share underperformed both the ASPI and MPI.

However, during the second half of the year, DIAL share outperformed the MPI, while declining in line with the ASPI. DIAL share declined by 12.4% while the ASPI and the MPI decreased by 11.3% and 17.6% respectively during the second half of 2011. This is illustrated in figure 2.

Figure 2: Second Half 2011 - Relative Performance vs Market



Market Capitalisation

The total Market Capitalisation of the Company dropped by 33.9% to Rs. 63.52 Bn during the year compared to Rs. 96.10 Bn in 2010, representing approximately 2.9% of the total market capitaliasation of the CSE. DIAL is among the top ten largest companies on the CSE in terms of Market Capitalisation.

Dividends

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

The Board has resolved to propose for consideration by the shareholders of the Company, a cash dividend to ordinary shareholders of twenty-five cents (Rs. 0.25) for the FY 2011. This translates to a dividend payout amounting to 39% of Group PAT post preference dividend.

The total dividend proposed in FY 2011 is Rs 2.04 Bn compared to Rs 1.63 Bn declared and paid out for the FY 2010, representing an increase of 25%.

Total Shareholder Returns

The Total Shareholder Returns (TSR) of the share was negative 32.2% in 2011 as a result of 33.9% decrease in the share price partly offset by the dividend per share of Rs. 0.20 paid during the year. The Total Return Index (TRI) based on ASPI was negative 6.8% in 2011, while TRI based on MPI was negative 24.6%.

Earnings Per Share

The diluted earnings per share (EPS) for the year was Rs. 0.65 compared to the EPS of Rs. 0.59 recorded in FY 2010. EPS is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year and excluding ordinary shares held by the Employee Share Option Trust.

Price Earnings Ratio

DIAL share was trading at 12.0 times earnings as at 31st December 2011 compared to 20.0 times as at 31st December 2010 mainly due to the decrease in the share price combined with an EPS growth of 10.2%. Consequently, DIAL share was trading at a lower earnings multiple to the market, which was recorded at 15.8 times as at 31st December 2011.

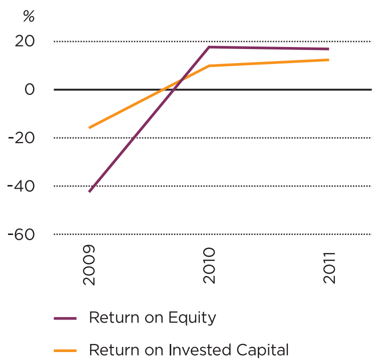
Table 2: Trading Multiples

	2011	2010	2009	2008
Market Cap (Rs. Bn)	64	96	59	49
Market Value Added (Rs. Bn)	(32)	37	10	(114)
Enterprise Value (Rs. Bn)	78	118	87	79
EV/EBITDA (X)	4.8	7.8	9.1	8.7
Diluted EPS (Rs.)	0.7	0.6	(1.7)	(0.5)
PER (X)	12.0	20.0	n.a.	n.a.
Price to Book (X)	1.9	3.3	2.4	1.3
Dividend Yield (%)	3.2	1.7	n.a.	n.a.
Dividend Payout Ratio (%)	39	34	n.a.	n.a.

Return on Equity and Return on Invested Capital

The Return on Equity (ROE) for the Group decreased to 16.8% in 2011 from 17.8% in 2010. Return on Invested Capital (ROIC) for the Group improved to 12.3% in 2011 from 10.2% in 2010 driven by the strong growth in earnings.

Figure 3: Return on Equity and Return on Invested Capital



Price to Book Ratio

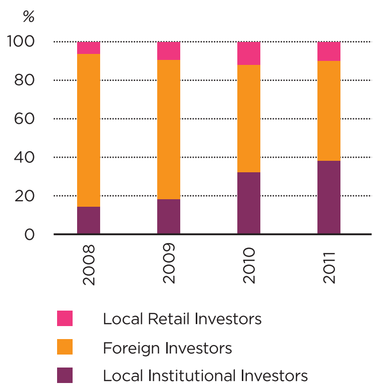
The price to book ratio of the Group as at 31st December 2011 was 1.9 times, compared to 3.3 times in the previous year, a decrease of 41.2% as a result of 33.9% decline in the share price and 12.4% increase in net assets (adjusted to exclude preference share capital).

Liquidity

During the year, 311 Mn shares were traded compared to 934 Mn shares transacted in 2010. The number of shares traded as a percentage of the public float decreased to 26.0% in 2011 compared to 77.8% in 2010.

The average daily turnover of the DIAL share was Rs. 12 Mn in 2011 which amounted to 0.5% of the average daily total market turnover (1.6% in 2010), mainly driven by the decline in foreign participation in the market. Market foreign turnover as a percentage of total market turnover decreased to 10.8% in 2011 from 18.5% in 2010.

Figure 4: Trend in Composition of Shareholders



Composition of Shareholders

The total number of Shareholders of DIAL decreased to 22,744 as at 31st December 2011 compared to 22,931 during the previous year.

The public float of DIAL remained at 14.7% as at 31st December 2011. In terms of composition of the public float, foreign investors held 53% of the float, 37% was held by local institutional investors and 10% by local retail investors.

The year 2011 witnessed an increase in Local Institutional investor interest in the share, as evident from figure 4, the local institutional investor composition increased to 37% in 2011 compared to 32% in the previous year.

Shareholders Profile

Table 3: Distribution of Shareholders

	31st December 2011				31st December 2010			
	No. of Shareholders	**%**	**No. of Shares Held**	**%**	No. of Shareholders	%	No. of Shares Held	%
1 1,000	**10,861**	**47.75**	**6,041,385**	**0.07**	10,607	46.26	6,094,405	0.07
1,001 - 10,000	**10,463**	**46.00**	**26,252,869**	**0.32**	10,801	47.10	27,216,564	0.33
10,001 - 100,000	**1,165**	**5.12**	**34,785,566**	**0.43**	1,212	5.29	37,239,219	0.46
100,001 - 1,000,000	**177**	**0.78**	**50,252,033**	**0.62**	220	0.96	65,624,270	0.81
Over 1,000,000	**78**	**0.34**	**8,026,446,552**	**98.56**	91	0.40	8,007,603,947	98.33
Total	**22,744**	**100.00**	**8,143,778,405**	**100.00**	22,931	100.00	8,143,778,405	100.00

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

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

Twenty Largest Shareholders of the Company

Table 4: Twenty Largest Shareholders

Name of Shareholder	No. of Shares as at 31st December 2011	% of Holding	No. of Shares as at 31st December 2010	% of Holding
1. Axiata Investments (Labuan) Limited	6,785,252,765	83.3	6,785,252,765	83.3
2. HSBC-BBH Genesis Smaller Companies	191,221,640	2.3	191,221,640	2.3
3. Employees Provident Fund	165,411,989	2.0	95,316,289	1.2
4. Dialog Axiata Employee Share Option Trust (formerly known as Dialog Telekom ESOS Trust)	158,572,462	1.9	158,572,462	1.9
5. Sri Lanka Insurance Corporation Limited - Life Fund	74,585,920	0.9	74,585,920	0.9
6. HSBC-SSBT-International Finance Corporation	64,086,800	0.8	64,086,800	0.8
7. HSBC-BBH-Genesis Emerging Markets Opportunities Fund	55,345,900	0.7	55,345,900	0.7
8. HSBC-JPMLU-Morgan Stanley Asset Management	54,985,167	0.7	38,330,452	0.5
9. Browns Investments PLC	44,990,600	0.6	7,042,000	0.1
10. BNY-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	44,314,300	0.5	28,214,300	0.3
11. HSBC-JPMCB-Scottish ORL SML TR GTI 6018	32,207,500	0.4	22,207,500	0.3
12. HSBC-SSBT-The RBS AS DEP of FS India Subcontinent Fund	26,370,100	0.3	17,240,000	0.2
13. Pemberton Asian Opportunities Fund	23,000,000	0.3	12,300,000	0.2
14. Sri Lanka Insurance Corporation Limited - General Fund	22,320,360	0.3	22,320,360	0.3
15. Associated Electrical Corporation Limited	18,450,600	0.2	17,500,000	0.2
16. HSBC-SSBT-Morgan Stanley Frontier Emerging Markets Fund Inc	18,347,188	0.2	15,083,907	0.2
17. Seylan Bank PLC - A/C No. 3	17,459,100	0.2	14,703,100	0.2
18. Mellon Bank N.A. - Florida Retirement System	14,472,600	0.2	-	0.0
19. Northern Trust Fiduciary Services (Ireland) Limited as Trustee to Baring Asean Frontiers Fund	12,904,800	0.2	44,620,900	0.5
20. Mercantile Investments PLC	11,000,000	0.1	11,000,000	0.1

Financial Reports

Dialog Axiata PLC and its subsidiaries

Annual Report of the Board of Directors

Dialog Axiata PLC and Its Subsidiaries

Annual report of the Board for the year ended 31 December 2011

The Board of Directors of Dialog Axiata PLC ('DAP' or 'the Company') is pleased to present herewith their 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 31st December 2011 as set out on pages 60 to 110.

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 and are 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 27th August 1993, under the Companies Act, No. 17 of 1982, as a private limited liability company bearing the name of MTN Networks (Private) Limited.

MTN Networks (Private) Limited changed its name to Dialog Telekom Limited on 26th May 2005 and was listed on the Colombo Stock Exchange on 28th July 2005. Pursuant to the requirements of the Companies Act, No. 07 of 2007, the Company was re-registered on 19th July 2007 and was accordingly renamed as Dialog Telekom PLC and bears registration number PQ 38. The Company and its subsidiaries had entered into number of agreements with the Board of Investment of Sri Lanka (BOI). The Company and the Group enjoy concession under Section 17 of the BOI Act.

Dialog Telekom PLC changed its name to Dialog Axiata PLC on 7th July 2010 in accordance with the provisions of the Section 8 of the Companies Act, No. 07 of 2007.

Principal Activities

The main activities of the Company and its subsidiaries, which remain unchanged since the last year, are to provide communication (Mobile, Internet, International, Data and Backbone, Fixed Wireless and Transmission Infrastructure) and Media-related services (Television broadcasting services and Direct to Home Satellite Pay Television Service).

Financial Statements

The financial statements which include the balance sheet, income statement, cash flow statement, statement of changes in equity, and notes to the financial statements of the Company and the Group for the year ended 31st December 2011 are set out on pages 60 to 110.

Independent Auditor's Report

The Independent Auditor's Report is set out on page 59.

Accounting Policies

There were no changes in the accounting policies adopted by the Company and the Group compared to the previous year. The significant accounting policies adopted in the preparation of financial statements are given on pages 65 to 75.

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 the Sri Lanka Accounting Standards, the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Review of Business

The state of affairs of the Company and the Group as at 31st December 2011 is set out in the balance sheet on page 60. An assessment of the financial performance of the Company and the Group is set out in the income statement on page 61.

Property, Plant and Equipment

The movements in property, plant and equipment during the year are set out in Note 6 to the financial statements.

Market Value of Properties

The Directors are of the opinion that the carrying values of properties stated in Note 6 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 on pages 62 and 63 to the financial statements.

Dividends

The Board of Directors has recommended a withholding tax-free final dividend of Rs. 0.25 per share amounting to Rs. 2,035,944,601/- for the financial year 2011, subject to the approval of the shareholders at the Annual General Meeting.

Substantial Shareholdings

The parent company, Axiata Investments (Labuan) Limited holds 83.32% of the ordinary shares in issue of the Company. As at 31st December 2011 the public shareholding was 14.73% (2010 - 14.73%).

The twenty largest shareholders of the Company and the corresponding percentages held are set out in page 50.

Directors

The Directors of the Company as at 31st December 2011 were;

Datuk Azzat Kamaludin *(Chairman)*
Dr. Hansa Wijayasuriya *(Group Chief Executive Officer)*
Mr. Moksevi Prelis
Mr. Mohamed Muhsin
Mr. Jayantha Dhanapala
Mr. Azwan Khan Osman Khan
Dato' Sri Jamaludin Ibrahim
Mr. James Maclaurin

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

Mr. James Maclaurin was appointed to the Board since the last Annual General Meeting and in terms of the Articles of Association of the Company will submit himself for re-election at the forthcoming Annual General Meeting.

Mr. Moksevi Prelis, who has attained the age of 75 years on 2nd July 2011 and Mr. Jayantha Dhanapala, who has attained the age of 73 years on 30th December 2011, retire pursuant to Section 210 of the Companies Act, No. 07 of 2007, and resolutions that the age limit of 70 years referred to in Section 210 of the Companies Act shall not be applicable to Mr. Moksevi Prelis and Mr. Jayantha Dhanapala will be proposed at the forthcoming Annual General Meeting.

Interests Register

The Company has maintained an interests register as required by the Companies Act, No. 07 of 2007. 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 32 to the financial statements.

Remuneration and Other Benefits of Directors

The remuneration and other benefits of the Directors are given in Note 22 to the financial statements.

Employee Share Option Scheme

The total number of shares granted under Tranche 0 was 88,841,218. As at 31st December 2011, 51,103,699 share options had been exercised and 28,030,318 share options remain unexercised and are exercisable before 25th October 2012. As at 31st December 2011, 9,707,201 options have been forfeited and are available for allocation for subsequent tranches.

No options under the employee share option scheme was exercised during the financial year 2011.

Directors' Interests in Shares of the Company

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

As at December	**2011**	2010
Dr. Hansa Wijayasuriya	**42,570**	42,570
Mr. Moksevi Prelis	**18,480**	18,480
Mr. Mohamed Muhsin	**18,040**	18,040

None of the Directors 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 22 to the financial statements.

Stated Capital

The stated capital of the Company as at 31st December 2011 was Rs. 29,306,113,435/- comprising 8,143,778,405 ordinary shares and 1,250,000,000 rated cumulative redeemable preference 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 its subsidiaries 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 balance sheet date have been duly paid, or where relevant provided for, except as disclosed in Note 30.

Risk Management and Internal Control

The Directors are responsible for 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 environment facing the Company and to provide reasonable assurance against material misstatement or loss. The Directors further confirm that there is an ongoing process allowing for the identification, evaluation and management of significant business risks.

Environmental Protection

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

Donations

The total donations made by the Company during the year for charitable purposes amounted to Rs. 16,849,911/- (2010 – Rs. 51,705,846/-).

Going Concern

The Directors have reviewed the business plans and are satisfied that the Company and the Group have adequate resources to continue as a going concern in the foreseeable future. As such, the financial statements have been prepared on the basis that the Company and the Group being a going concern.

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 and digital television 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 road map 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 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 focus on delivering enhanced levels of empowerment to Sri Lankan citizens and businesses, and will in particular seek to leverage its strengths in technology and research, to deliver parity access to financial services, education, information and entertainment via its portfolio of connectivity services.

Independent Auditor

Messrs PricewaterhouseCoopers, 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, other than as Independent Auditor and tax consultants for income tax compilation.

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

Events after the Balance Sheet date

No other material events have occurred since the balance sheet date which require adjustments to or disclosures in the financial statements other than those disclosed in Note 34 to the financial statements.

By Order of the Board,

Dr. Hans Wijayasuriya *Director*	**Mr. Moksevi Prelis** *Director*	**Ms. Viranthi Attygalle** *Secretary*

Colombo
17th February 2012

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 ['Act'], is set out in the Independent Auditor's Report on page 59.

The financial statements comprise:

- an income statement, which presents a true and fair view of the profit and loss of the Company and the Group for the financial year, and
- a balance sheet, 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.

The Directors are required to ensure that, in preparing these financial statements:

- 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 have been complied with.

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

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

The Directors are required to prepare the financial statements and to provide the Independent Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give the Independent Auditor's opinion.

Further, the Directors have recommended a final dividend of twenty five cents (Rs. 0.25) per share, after being satisfied that the Company would satisfy the solvency test immediately after such distribution in accordance with Section 57 of the Act, and have obtained a certificate of solvency from the Auditor.

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

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the balance sheet date have been paid, or where relevant provided for, except as specified in Note 30 to the financial statements covering contingent liabilities.

By Order of the Board,

Company Secretary

Colombo

17th February 2012

Independent auditor's report

To the shareholders of Dialog Axiata PLC

Report on the Financial Statements

1 We have audited the accompanying financial statements of Dialog Axiata PLC ("the Company"), the consolidated financial statements of the Company and its subsidiaries, which comprise the balance sheets as at 31 December 2011, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in pages 60 to 110.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

6 In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2011 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2011 and of its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

7 In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2011 and of the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on other legal and regulatory requirements

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

17 February 2012 PricewaterhouseCoopers

COLOMBO CHARTERED ACCOUNTANTS

Consolidated Balance Sheet

As at 31st December	Note	Group 2011 Rs. '000	Group 2010 Rs. '000	Company 2011 Rs. '000	Company 2010 Rs. '000
ASSETS					
Non-Current Assets					
Property, plant and equipment	6	**51,100,953**	53,014,351	**41,212,795**	44,348,523
Intangible assets	7	**3,869,456**	3,757,193	**1,619,582**	1,397,140
Investments in subsidiaries	8	**Nil**	Nil	**10,326,010**	10,326,010
Investment in associate	9	**37,100**	Nil	**27,742**	Nil
Other investment	10	**30,596**	30,596	**30,596**	30,596
Amount due from subsidiaries	11	**Nil**	Nil	**13,995,890**	8,771,992
		55,038,105	56,802,140	**67,212,615**	64,874,261
Current Assets					
Inventories	12	**435,743**	271,184	**395,515**	266,159
Trade and other receivables	11	**10,274,922**	9,628,718	**9,016,826**	8,071,307
Cash and cash equivalents	13	**10,452,379**	5,433,770	**6,900,163**	5,079,135
		21,163,044	15,333,672	**16,312,504**	13,416,601
Total assets		**76,201,149**	72,135,812	**83,525,119**	78,290,862
EQUITY					
Capital and Reserves Attributable to Equity Holders					
Stated capital	14	**29,306,113**	30,556,113	**29,306,113**	30,556,113
ESOS trust shares	14	**(1,990,921)**	(1,990,921)	**(1,990,921)**	(1,990,921)
Dividend reserve - ESOS		**291,781**	260,067	**291,781**	260,067
Revaluation reserve	15	**128,469**	131,713	**93,798**	96,820
Retained earnings		**6,233,535**	2,656,318	**15,281,789**	10,744,469
		33,968,977	31,613,290	**42,982,560**	39,666,548
Total equity		**33,968,977**	31,613,290	**42,982,560**	39,666,548
LIABILITIES					
Non-Current Liabilities					
Borrowings	18	**17,488,097**	20,122,753	**17,488,097**	20,122,753
Deferred income tax liabilities	19	**2,013,771**	1,612,510	**2,013,771**	1,612,510
Retirement benefit obligations	20	**443,731**	390,635	**403,482**	358,854
Provision for other liabilities	21	**586,660**	619,876	**574,054**	607,794
Deferred revenue	17	**1,056,654**	285,766	**1,055,174**	285,766
		21,588,913	23,031,540	**21,534,578**	22,987,677
Current liabilities					
Trade and other payables	16	**13,267,684**	12,094,208	**11,710,841**	10,443,631
Current income tax liabilities		**63,825**	14,151	**60,667**	10,898
Borrowings	18	**7,311,750**	5,382,623	**7,236,473**	5,182,108
		20,643,259	17,490,982	**19,007,981**	15,636,637
Total liabilities		**42,232,172**	40,522,522	**40,542,559**	38,624,314
Total equity and liabilities		**76,201,149**	72,135,812	**83,525,119**	78,290,862
Net Asset per Share Rs.		**4.02**	3.57	**5.12**	4.56

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

Lucy Tan
Group Chief Financial Officer
17th February 2012

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
17th February 2012

Mr. Moksevi Prelis
Director
17th February 2012

The notes on pages 65 to 110 form an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31st December	Note	Group **2011** **Rs. '000**	 2010 Rs. '000	Company **2011** **Rs. '000**	 2010 Rs. '000
Revenue	5	**45,637,211**	41,422,783	**41,776,308**	37,954,236
Direct costs		**(25,114,415)**	(23,114,521)	**(22,494,294)**	(20,558,465)
Gross margin		**20,522,796**	18,308,262	**19,282,014**	17,395,771
Other operating income		**75,068**	94,450	**69,961**	81,525
Administrative costs		**(8,054,621)**	(7,574,992)	**(6,260,281)**	(5,727,544)
Distribution costs		**(6,325,231)**	(5,414,418)	**(5,906,107)**	(4,949,144)
Operating profit	22	**6,218,012**	5,413,302	**7,185,587**	6,800,608
Net finance (costs)/income	24	**(295,414)**	124,512	**(305,402)**	242,667
Share of profit from associate	9	**9,681**	Nil	**Nil**	Nil
Profit before tax		**5,932,279**	5,537,814	**6,880,185**	7,043,275
Taxation	25	**(578,657)**	(490,373)	**(566,238)**	(491,322)
Profit for the year		**5,353,622**	5,047,441	**6,313,947**	6,551,953
Attributable to:					
Equity holders of the Company		**5,353,622**	5,047,441	**6,313,947**	6,551,953
Earnings per share for profit attributable to the ordinary shareholders of the Company during the year (expressed in Rupees per share)					
- Basic	26	**0.651**	0.595	**0.772**	0.784
- Diluted	26	**0.651**	0.595	**0.772**	0.784

The notes on pages 65 to 110 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the Group					
Group	Note	Stated capital Rs. '000	Shares in ESOS trust Rs. '000	Dividend reserve Rs. '000	Revaluation reserve Rs. '000	Retained earnings/ (Accumulated losses) Rs. '000	Total Rs. '000
Balance as at 1st January 2010		31,806,113	(1,990,921)	260,067	136,471	(2,102,401)	28,109,329
Net profit		Nil	Nil	Nil	Nil	5,047,441	5,047,441
Deferred tax attributable to revaluation surplus	15	Nil	Nil	Nil	(706)	Nil	(706)
Depreciation transfer	15	Nil	Nil	Nil	(4,052)	4,052	Nil
Dividend to rated cumulative redeemable preference shareholders		Nil	Nil	Nil	Nil	(292,774)	(292,774)
Redemption of rated cumulative redeemable preference shares	14	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Balance as at 31st December 2010		30,556,113	(1,990,921)	260,067	131,713	2,656,318	31,613,290
Balance as at 1st January 2011		**30,556,113**	**(1,990,921)**	**260,067**	**131,713**	**2,656,318**	**31,613,290**
Net profit		Nil	Nil	Nil	Nil	5,353,622	5,353,622
Deferred tax attributable to revaluation surplus	15	Nil	Nil	Nil	822	Nil	822
Depreciation transfer	15	Nil	Nil	Nil	(4,066)	4,066	Nil
Dividend to ordinary shareholders		Nil	Nil	Nil	Nil	(1,628,756)	(1,628,756)
Dividend received ESOS		Nil	Nil	31,714	Nil	Nil	31,714
Dividend to rated cumulative redeemable preference shareholders		Nil	Nil	Nil	Nil	(151,715)	(151,715)
Redemption of rated cumulative redeemable preference shares	14	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Balance as at 31st December 2011		**29,306,113**	**(1,990,921)**	**291,781**	**128,469**	**6,233,535**	**33,968,977**

The notes on pages 65 to 110 form an integral part of these financial statements.

Company	Note	Stated capital Rs. '000	Shares in ESOS trust Rs. '000	Dividend reserve Rs. '000	Revaluation reserve Rs. '000	Retained earnings Rs. '000	Total Rs. '000
		Attributable to equity holders of the Company					
Balance as at 1st January 2010		31,806,113	(1,990,921)	260,067	101,358	4,481,458	34,658,075
Net profit		Nil	Nil	Nil	Nil	6,551,953	6,551,953
Deferred tax attributable to revaluation surplus	15	Nil	Nil	Nil	(706)	Nil	(706)
Depreciation transfer	15	Nil	Nil	Nil	(3,832)	3,832	Nil
Dividend to rated cumulative redeemable preference shareholders		Nil	Nil	Nil	Nil	(292,774)	(292,774)
Redemption of rated cumulative redeemable preference shares	14	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Balance as at 31st December 2010		30,556,113	(1,990,921)	260,067	96,820	10,744,469	39,666,548
Balance as at 1st January 2011		**30,556,113**	**(1,990,921)**	**260,067**	**96,820**	**10,744,469**	**39,666,548**
Net Profit		Nil	Nil	Nil	Nil	6,313,947	6,313,947
Depreciation transfer	15	Nil	Nil	Nil	(3,844)	3,844	Nil
Dividend received ESOS		Nil	Nil	31,714	Nil	Nil	31,714
Deferred tax attributable to revaluation surplus	15	Nil	Nil	Nil	822	Nil	822
Dividend to ordinary shareholders		Nil	Nil	Nil	Nil	(1,628,756)	(1,628,756)
Dividend to rated cumulative redeemable preference shareholders		Nil	Nil	Nil	Nil	(151,715)	(151,715)
Redemption of rated cumulative redeemable preference shares	14	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Balance as at 31st December 2011		**29,306,113**	**(1,990,921)**	**291,781**	**93,798**	**15,281,789**	**42,982,560**

The notes on pages 65 to 110 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December	Note	Group **2011** **Rs. '000**	 2010 Rs. '000	Company **2011** **Rs. '000**	 2010 Rs. '000
Cash Flows from Operating Activities					
Cash generated from operations	28	**16,300,424**	14,788,709	**15,244,315**	14,017,349
Interest received		**383,683**	86,470	**369,157**	83,425
Interest paid		**(354,552)**	(664,914)	**(354,488)**	(523,829)
TDC refund received	17	**1,650,244**	210,260	**1,646,941**	210,260
Tax paid		**(106,404)**	(94,935)	**(101,035)**	(94,090)
Retirement benefit obligations paid	20	**(20,064)**	(43,012)	**(19,471)**	(38,014)
Net cash generated from operating activities		**17,853,331**	14,282,578	**16,785,419**	13,655,101
Cash Flows from Investing Activities					
Purchases of property, plant and equipment		**(8,334,706)**	(6,767,184)	**(6,377,813)**	(4,934,739)
Purchases of intangible assets		**(384,614)**	(23,301)	**(384,614)**	(13,547)
Amount advanced to subsidiaries		**Nil**	Nil	**(4,208,813)**	(2,998,624)
Investment in associate		**(11,440)**	Nil	**(11,440)**	Nil
Purchase of other investment	10	**Nil**	(13,000)	**Nil**	(13,000)
Proceeds from sale of subsidiary		**69,190**	Nil	**69,190**	Nil
Proceeds from sale of property, plant and equipment		**10,205**	55,268	**8,862**	44,857
Net cash used in investing activities		**(8,651,365)**	(6,748,217)	**(10,904,628)**	(7,915,053)
Cash Flows from Financing Activities					
Repayment of finance leases		**(5,755)**	(25,701)	**Nil**	(6,495)
Repayment of borrowings		**(6,069,611)**	(7,898,567)	**(6,069,611)**	(6,409,972)
Proceeds from borrowings		**4,791,206**	3,492,233	**4,791,206**	3,461,553
Redemption of rated cumulative redeemable - preference shares		**(1,250,000)**	(1,250,000)	**(1,250,000)**	(1,250,000)
Dividend paid to ordinary shareholders		**(1,628,756)**	Nil	**(1,628,756)**	Nil
Dividend received - ESOS		**31,714**	Nil	**31,714**	Nil
Dividend paid to rated cumulative redeemable - preference shareholders		**(177,399)**	(342,746)	**(177,399)**	(342,746)
Net cash used in financing activities		**(4,308,601)**	(6,024,781)	**(4,302,846)**	(4,547,660)
Net increase in cash and cash equivalents		**4,893,365**	1,509,580	**1,577,945**	1,192,388
Movement in Cash and Cash Equivalents					
At start of the year		**4,475,738**	3,019,403	**4,314,219**	3,175,077
Increase		**4,893,365**	1,509,580	**1,577,945**	1,192,388
Exchange gains/(losses) on cash and cash equivalents		**36,971**	(53,245)	**36,971**	(53,246)
At end of the year	13	**9,406,074**	4,475,738	**5,929,135**	4,314,219

The notes on pages 65 to 110 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. Corporate Information

Dialog Axiata PLC (the 'Company') and its subsidiaries (together 'the Group') provide communication (mobile, internet, international gateway, data and backbone, fixed wireless and transmission infrastructure) and media-related services (television broadcasting generated services and direct to home satellite pay television service).

Dialog Axiata PLC is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange since 28th July 2005. The Registered Office of the Company is located at No. 475, Union Place, Colombo 2.

The Group consolidated financial statements were authorised for issue by the Board of Directors on 17th February 2012.

All amounts disclosed in notes are shown in Sri Lankan Rupees Thousands, unless otherwise stated.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of Dialog Axiata PLC have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) and the Companies Act, No. 07 of 2007. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The preparation of financial statements in conformity with SLASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Subsequent to the proposed convergence of Sri Lanka Accounting Standards with International Financial Reporting Standards (IFRS), the Council of the Institute of Chartered Accountants of Sri Lanka has adopted a new set of financial reporting standards that would apply for financial periods beginning on or after 1st January 2012.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in preparing the Group accounts. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial periods of the subsidiary undertakings are same as that of the Parent Company.

A listing of the Group's principal subsidiaries is set out in Note 8.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses are recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. 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 or made payments on behalf of the associate.

2.3 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 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 functional and presentation currency.

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the year end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

2.5 Intangible Assets

(a) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Licences

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

(c) Computer Software

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

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

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

Costs relating to development of software are carried in capital work-in-progress until the software is available for use.

Other development expenditures that do not meet the above 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) Customer Acquisition Cost

Costs incurred to acquire customers are recognised in the income statement as incurred.

(e) Other Intangibles

Costs incurred to acquire the indefeasible right of use of SEA-ME-WE, is amortised over its useful life of 15 years.

2.6 Property, Plant and Equipment

(a) Cost and Valuation

Buildings that comprise of office premises are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. 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, direct labour and related directly attributable overheads. Cost of fixed line CDMA network includes customer premises equipments, including handsets. The cost of other property, plant and equipment 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to revaluation reserve under shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve. All other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset is charged to the income statement and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings/accumulated losses.

Depreciation of assets begin 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 or revalued amounts to their residual values over their estimated useful lives, as follows:

	% per annum
Buildings	2.5
Building - Electrical Installation	12.5
Building - Leasehold Property	Over lease period
Computer Equipment	20
Telecom Equipment	5 to 20
Office Equipment	20
Office Equipment- Test Phones	50
Furniture and Fittings	20
Toolkits	10
Motor Vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 in the income statement.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings/accumulated losses.

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

(b) Impairment of Property, Plant and Equipment

The carrying value of property, plant and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognised in the income statement unless it reverses a previous revaluation surplus for the same asset.

2.7 Impairment of Non-Financial Assets

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

2.8 Investments

Investments are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes 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.

Inventories include maintenance spares acquired for the purpose of replacing damaged or faulty plant or spares and supplies used in constructing and maintaining the network.

2.10 Trade Receivables

Trade receivables are recognised at the amounts that they are estimated to realise less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated realisable value. The amount of the provision is recognised in the income statement within distribution costs.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement, in the year in which those amounts are collected. If collection is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets.

2.11 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three month or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Stated Capital

Ordinary shares and rated cumulative redeemable preference shares are classified as stated capital.

Incremental costs directly attributable to the issue of new shares are shown in stated capital, as a deduction, net of tax, from the proceeds.

2.13 Trade and Other Payables

Liabilities classified as trade and other payables in the balance sheet are those which fall due for payment on demand or within one year from the balance sheet date. Items classified as non-current liabilities are those which fall due for payment beyond a period of one year (or in the normal operating cycle of the business if longer) from the balance sheet date.

2.14 Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and Deferred Income Taxes

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

Deferred income tax is provided in full, 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 is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date 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 assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

2.16 Employee Benefits

(a) Defined Benefit Plan - Gratuity

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

The liability recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognised past-service costs. 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 appropriate interest rates by the actuarial valuer.

Past-service costs are recognised immediately in income statement, unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the income statement.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 20 to the financial statements.

(b) Defined Contribution Plans

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

(c) Short-term Employee Benefits

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

(d) Termination Benefits

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

(e) Bonus Plans

The Group recognises a liability and an expense for bonuses on profit-sharing, based on profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

2.18 Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses 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 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 Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquiree's as part of allocating the cost of a business combination where their fair values can be measured reliably. where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

2.19 Government Grants

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

2.20 Accounting for Leases where Group and Company is the Lessee

Leases in which 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 to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property 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 rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset. However, If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

2.21 Dividend Distribution

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

2.22 Revenue Recognition

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

The Group recognises 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 Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates 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 Call Revenue and Rental Income

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

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.

(b) Revenue from Other Network Operators and International Settlements

The revenue received from other network operators, local and international, for the use of 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 relating to Pay TV connections are recognised as revenue over the subscriber churn period. All other connection fees are recognised as revenue in the period in which the connection is activated.

(d) Equipment Revenue

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

(e) Subscription Revenue

Subscription revenue is recognised over the period of which the subscription relates.

(f) Recognising Revenue on Prepaid Call Card or Electronic Reload

Revenue from the sale of prepaid card on Mobile, CDMA and Broadband is deferred until such time as the customer uses the call time, downloadable quota or the credit expires.

(g) Interest income

As it accrues (taking into account the effective yield on the asset), unless collectibility is in doubt.

2.23 Comparatives

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

The adjustments made to comparative figures are given in Note 29 to the financial statements.

3. Financial Risk Management

3.1 Financial Risk Factors

The Group's activities exposed to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse affects on the Group's financial performance.

3.1.1 Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the UK Pound.

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.

3.1.2 Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. The borrowings at variable rates expose the Group to cash flow interest rate risk whilst borrowings at fixed rates exposes the Group to interest rate risk. The Group analyses its interest rate exposure on a dynamic basis.

3.1.3 Credit Risk

Credit risk is managed on 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. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored. Revenue from customers are settled in cash or using major credit cards.

3.1.4 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

4. Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely 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 outlined below:

(a) Estimated Impairment of Non-Current Assets

The Group tests annually the indicators to ascertain whether non-current assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Defined Benefit Plan - Gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Group considers the interest rates of long-term Government bonds and high-quality corporate 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.

(c) Estimation of Useful Life of Telecommunication Equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives of the Group assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their lives, such as changes in technology. Furthermore, network infrastructure is only depreciated over a period that extends beyond the expiry of the associated licence and maintenance under which the operator provides telecommunication services, if there is a reasonable expectation of renewal or an alternative future use for the asset.

(d) Recognition of Deferred Tax Assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgment regarding the future financial performance of the particular legal entity.

(e) Asset Retirement Obligations (ARO)

ARO applies when there is a legal obligation associated with the retirement of a tangible long-lived asset and the liability can be reasonably estimated. Obligations associated with the retirement of these assets require recognition in certain circumstances:

- the present value of a liability and offsetting asset for an ARO
- the subsequent accretion of that liability and depreciation of the asset, and
- the periodic review of the ARO liability estimates and discount rates.

(f) Provisions

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

(g) 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 Group consults with legal counsel on matters related to litigation and other experts both within and outside the Group with respect to matters in the ordinary course of business.

(h) Allowance for Doubtful Debts

The Group assesses at each balance sheet date 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.

5. Segment Information

(a) Primary Reporting Format - Business Segments

At 31st December 2011, the Group is organised into three main business segments:

- Mobile Operations
- Fixed broadband Operations
- Television Operations

The segment results for the year ended 31st December 2011 are as follows:

	Mobile operations Rs. '000	Fixed broadband operations Rs. '000	Television operations Rs. '000	Elimination/ adjustment Rs. '000	Group Rs. '000
Total segmental revenue	41,776,308	2,381,942	2,396,074	39,784	46,594,108
Inter-segment revenue	(447,081)	(453,716)	(16,715)	(39,385)	(956,897)
Revenue from external customers	41,329,227	1,928,226	2,379,359	399	45,637,211
Operating profit/(loss) segment results	7,185,587	(942,567)	26,165	(51,173)	6,218,012
Finance costs - net					(295,414)
Share of profit from associate					9,681
Profit before tax					5,932,279
Taxation					(578,657)
Profit for the year					5,353,622

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

	Mobile operations Rs. '000	Fixed broadband operations Rs. '000	Television operations Rs. '000	Elimination/ adjustment Rs. '000	Group Rs. '000
Depreciation, amortisation and impairment	8,092,473	1,611,901	548,309	52,044	10,304,727

The segment assets and liabilities at 31st December 2011 and capital expenditure for the year then ended are as follows:

	Mobile operations Rs. '000	Fixed broadband operations Rs. '000	Television operations Rs. '000	Elimination/ adjustment Rs. '000	Group Rs. '000
Assets	83,525,119	12,730,168	3,271,278	(9,322,888)	90,203,677
Inter-segment assets	(13,986,531)	(16,008)	11	Nil	(14,002,528)
Total assets					76,201,149
Liabilities	40,542,559	13,616,694	2,494,624	Nil	56,653,877
Inter-segment liabilities	(134,326)	(12,708,505)	(1,578,874)	Nil	(14,421,705)
Total liability					42,232,172
Capital expenditure	6,762,427	1,458,870	498,023	Nil	8,719,320

The segment results for the year ended 31st December 2010 are as follows:

	Mobile operations Rs. '000	Fixed broadband operations Rs. '000	Television operations Rs. '000	Elimination/ adjustment Rs. '000	Group Rs. '000
Total segmental revenue	37,954,236	2,360,434	2,022,759	Nil	42,337,429
Inter-segment revenue	(534,624)	(359,305)	(20,717)	Nil	(914,646)
Revenue from external customers	37,419,612	2,001,129	2,002,042	Nil	41,422,783
Operating profit/(loss) segment results	6,800,608	(1,192,480)	(144,485)	(50,341)	5,413,302
Finance income - net					124,512
Profit before tax					5,537,814
Taxation					(490,373)
Profit for the year					5,047,441

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

	Mobile operations Rs. '000	Fixed broadband operations Rs. '000	Television operations Rs. '000	Elimination/ adjustment Rs. '000	Group Rs. '000
Depreciation, amortisation and impairment	7,776,245	1,491,496	486,416	50,286	9,804,443

The segment assets and liabilities at 31st December 2010 and capital expenditure for the year then ended are as follows:

	Mobile operations Rs. '000	Fixed broadband operations Rs. '000	Television operations Rs. '000	Elimination/ adjustment Rs. '000	Group Rs. '000
Assets	78,290,862	8,487,674	3,408,441	(9,272,604)	80,914,373
Inter-segment assets	(8,769,992)	(8,278)	(291)	Nil	(8,778,561)
Total assets					72,135,812
Liabilities	38,624,314	8,429,555	2,657,593	Nil	49,711,462
Inter-segment liabilities	(23,146)	(7,583,078)	(1,582,716)	Nil	(9,188,940)
Total liability					40,522,522
Capital expenditure	5,029,817	2,201,115	701,490	Nil	7,932,422

(b) Secondary Reporting Format - Geographical Segments

All the Group's business segments operate in one main geographical area, hence they do not qualify for secondary reporting.

6. Property, Plant and Equipment

(a) Group

	Land and buildings Rs. '000	Computer systems and telecom equipment Rs. '000	Furniture, fittings and other equipment Rs. '000	Motor vehicles Rs. '000	Asset in the course of construction (CWIP) Rs. '000	Total Rs. '000
At 1st January 2010						
Cost/valuation	1,280,030	75,697,867	2,868,340	528,658	13,817,968	94,192,863
Accumulated depreciation	(270,829)	(33,338,603)	(1,379,488)	(392,765)	(2,831,187)	(38,212,872)
Net book amount	**1,009,201**	**42,359,264**	**1,488,852**	**135,893**	**10,986,781**	**55,979,991**
Year ended 31st December 2010						
Opening net book amount	1,009,201	42,359,264	1,488,852	135,893	10,986,781	55,979,991
Additions	1,091	155,628	3,297	4	7,749,102	7,909,122
Transferred from CWIP	109,051	10,216,696	484,613	423	(10,810,783)	Nil
Transferred to intangible assets (Note 7)	Nil	Nil	Nil	Nil	(523,933)	(523,933)
Disposals	(4,508)	(10,825)	(5,138)	(2,000)	(8,280)	(30,751)
Adjustments	Nil	(1,070,567)	Nil	Nil	(88,152)	(1,158,719)
Impairment (provision)/reversal (Note 22)	Nil	(346,098)	Nil	Nil	468,537	122,439
Depreciation (Note 22)	(153,007)	(8,429,230)	(637,134)	(64,427)	Nil	(9,283,798)
Closing net book amount	**961,828**	**42,874,868**	**1,334,490**	**69,893**	**7,773,272**	**53,014,351**
At 31st December 2010						
Cost/valuation	1,385,284	74,948,278	3,346,598	482,827	10,115,972	90,278,959
Accumulated depreciation	(423,456)	(32,073,410)	(2,012,108)	(412,934)	(2,342,700)	(37,264,608)
Net book amount	**961,828**	**42,874,868**	**1,334,490**	**69,893**	**7,773,272**	**53,014,351**
Year ended 31st December 2011						
Opening net book amount	961,828	42,874,868	1,334,490	69,893	7,773,272	53,014,351
Additions	Nil	163,682	6,877	Nil	8,278,239	8,448,798
Transferred from CWIP	9,083	10,901,897	528,921	27,619	(11,467,520)	Nil
Transferred to intangible assets (Note 7)	Nil	Nil	Nil	Nil	(332,034)	(332,034)
Acquisition of subsidiary	13,851	30,386	16,676	Nil	Nil	60,913
Disposal of subsidiary	(13,497)	(29,405)	(16,275)	Nil	Nil	(59,177)
Disposals	(19,801)	(40,552)	(21,999)	(133)	Nil	(82,485)
Adjustments	Nil	(14,437)	(13,117)	Nil	(31,699)	(59,253)
Impairment (provision)/reversal (Note 22)	Nil	37,393	Nil	Nil	(117,293)	(79,900)
Reclassification to trading inventory	Nil	Nil	Nil	Nil	(187,144)	(187,144)
Depreciation (Note 22)	(104,654)	(8,827,889)	(643,443)	(47,130)	Nil	(9,623,116)
Closing net book amount	**846,810**	**45,095,943**	**1,192,130**	**50,249**	**3,915,821**	**51,100,953**
At 31st December 2011						
Cost/valuation	1,329,674	83,570,126	3,803,006	506,360	6,644,773	95,853,939
Accumulated depreciation	(482,864)	(38,474,183)	(2,610,876)	(456,111)	(2,728,952)	(44,752,986)
Net book amount	**846,810**	**45,095,943**	**1,192,130**	**50,249**	**3,915,821**	**51,100,953**

(b) Company

	Land and buildings Rs. '000	Computer systems and telecom equipment Rs. '000	Furniture, fittings and other equipment Rs. '000	Motor vehicles Rs. '000	Asset in the course of construction (CWIP) Rs. '000	Total Rs. '000
At 1st January 2010						
Cost/valuation	1,077,463	68,453,073	1,167,545	423,209	10,593,370	81,714,660
Accumulated depreciation	(270,829)	(29,707,536)	(659,690)	(319,970)	(2,555,956)	(33,513,981)
Net book amount	**806,634**	**38,745,537**	**507,855**	**103,239**	**8,037,414**	**48,200,679**
Year ended 31st December 2010						
Opening net book amount	806,634	38,745,537	507,855	103,239	8,037,414	48,200,679
Additions	1,091	152,907	715	4	4,861,553	5,016,270
Transferred from CWIP	109,051	8,615,146	71,497	423	(8,796,117)	Nil
Transferred to intangible assets (Note 7)	Nil	Nil	Nil	Nil	(502,278)	(502,278)
Disposals	(4,508)	(10,674)	(5,138)	(1,152)	(8,280)	(29,752)
Adjustments	Nil	(1,077,228)	Nil	Nil	Nil	(1,077,228)
Impairment (provision)/reversal (Note 22)	Nil	(307,531)	Nil	Nil	622,918	315,387
Depreciation (Note 22)	(150,962)	(7,190,385)	(184,300)	(48,908)	Nil	(7,574,555)
Closing net book amount	**761,306**	**38,927,772**	**390,629**	**53,606**	**4,215,210**	**44,348,523**
At 31st December 2010						
Cost/valuation	1,182,717	66,736,969	1,230,105	386,504	6,069,428	75,605,723
Accumulated depreciation	(421,411)	(27,809,197)	(839,476)	(332,898)	(1,854,218)	(31,257,200)
Net book amount	**761,306**	**38,927,772**	**390,629**	**53,606**	**4,215,210**	**44,348,523**
Year ended 31st December 2011						
Opening net book amount	761,306	38,927,772	390,629	53,606	4,215,210	44,348,523
Additions	Nil	161,049	6,706	Nil	6,370,659	6,538,414
Transferred from CWIP	9,083	6,909,874	17,422	27,619	(6,963,998)	Nil
Transferred to intangible assets (Note 7)	Nil	Nil	Nil	Nil	(330,735)	(330,735)
Disposals	(19,801)	(40,378)	(21,999)	(128)	Nil	(82,306)
Assets transfers to DBN	Nil	(1,499,951)	Nil	Nil	(48,235)	(1,548,186)
Adjustments	Nil	72,432	Nil	Nil	4,059	76,491
Impairment (provision)/reversal (Note 22)	Nil	23,587	Nil	Nil	(18,552)	5,035
Reclassification to trading inventory	Nil	Nil	Nil	Nil	(187,144)	(187,144)
Depreciation (Note 22)	(103,455)	(7,311,052)	(158,247)	(34,543)	Nil	(7,607,297)
Closing net book amount	**647,133**	**37,243,333**	**234,511**	**46,554**	**3,041,264**	**41,212,795**
At 31st December 2011						
Cost/valuation	1,127,107	69,866,589	1,174,848	410,099	5,145,354	77,723,997
Accumulated depreciation	(479,974)	(32,623,256)	(940,337)	(363,545)	(2,104,090)	(36,511,202)
Net book amount	**647,133**	**37,243,333**	**234,511**	**46,554**	**3,041,264**	**41,212,795**

(c) If the buildings were stated on the historical cost basis, the Impact on this financial statements would be as follows:

	Group		Company	
For the year ended 31st December	**2011 Rs. '000**	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Cost	**1,020,081**	1,075,691	**982,985**	1,038,595
Accumulated depreciation	**(489,413)**	(432,471)	**(470,795)**	(415,838)
Net book amount	**530,668**	643,220	**512,190**	622,757

(d) Land and buildings were last revalued on 6th December 2009 by an independent valuer. The surplus arising on revaluation was credited to 'Revaluation reserve' under shareholders' equity (Note 15).

(e) The Group leases various vehicles under non-cancellable finance lease agreements with repayment terms of four to five years.

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

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Cost	128,620	190,567	108,334	109,491
Accumulated depreciation	(128,620)	(171,426)	(108,334)	(106,254)
Net book value	Nil	19,141	Nil	3,237

(g) At 31st December 2011, property, plant and equipment includes fully-depreciated assets still in use, the cost of which amounted to Rs. 8,504,570,460/- (2010 - Rs. 5,326,364,705/-) and Rs. 11,664,971,726/- (2010 - Rs. 6,879,755,516/-), for the Company and the Group, respectively.

(h) No borrowing costs were capitalised during the years 2011 and 2010.

7. Intangible Assets

(a) Group

	Goodwill Rs. '000	Licences Rs. '000	Computer software Rs. '000	Others Rs. '000	Total Rs. '000
At 1st January 2010					
Cost	1,894,312	1,556,416	2,049,739	890,290	6,390,757
Accumulated amortisation	Nil	(627,366)	(1,787,753)	(128,461)	(2,543,580)
Net book amount	**1,894,312**	**929,050**	**261,986**	**761,829**	**3,847,177**
Year ended 31st December 2010					
Opening net book amount	1,894,312	929,050	261,986	761,829	3,847,177
Additions	Nil	5,255	18,046	Nil	23,301
Transferred from CWIP (Note 6)	Nil	Nil	285,723	238,210	523,933
Amortisation charge (Note 22)	Nil	(154,341)	(373,821)	(103,519)	(631,681)
Disposals	Nil	Nil	(5,537)	Nil	(5,537)
Closing net book amount	**1,894,312**	**779,964**	**186,397**	**896,520**	**3,757,193**
At 31st December 2010					
Cost	1,894,312	1,561,671	2,334,865	1,128,500	6,919,348
Accumulated amortisation	Nil	(781,707)	(2,148,468)	(231,980)	(3,162,155)
Net book amount	**1,894,312**	**779,964**	**186,397**	**896,520**	**3,757,193**
Year ended 31st December 2011					
Opening net book amount	1,894,312	779,964	186,397	896,520	3,757,193
Additions	Nil	317,670	66,944	Nil	384,614
Acquisition of subsidiary	Nil	Nil	51	Nil	51
Disposal of subsidiary	Nil	Nil	(29)	Nil	(29)
Transferred from CWIP (Note 6)	Nil	Nil	269,599	62,435	332,034
Amortisation charge (Note 22)	Nil	(236,518)	(281,651)	(83,542)	(601,711)
Disposals	Nil	Nil	(2,696)	Nil	(2,696)
Closing net book amount	**1,894,312**	**861,116**	**238,615**	**875,413**	**3,869,456**
At 31st December 2011					
Cost	1,894,312	1,879,341	2,624,811	1,190,935	7,589,399
Accumulated amortisation	Nil	(1,018,225)	(2,386,196)	(315,522)	(3,719,943)
Net book amount	**1,894,312**	**861,116**	**238,615**	**875,413**	**3,869,456**

(b) Company

	Licences Rs. '000	Computer software Rs. '000	Others Rs. '000	Total Rs. '000
At 1st January 2010				
Cost	621,892	1,916,457	890,290	3,428,639
Accumulated amortisation	(233,580)	(1,679,264)	(128,460)	(2,041,304)
Net book amount	**388,312**	**237,193**	**761,830**	**1,387,335**
Year ended 31st December 2010				
Opening net book amount	388,312	237,193	761,830	1,387,335
Additions	5,255	8,291	Nil	13,546
Transferred from CWIP (Note 6)	Nil	264,068	238,210	502,278
Amortisation charge (Note 22)	(61,644)	(340,510)	(103,519)	(505,673)
Disposals	Nil	(346)	Nil	(346)
Closing net book amount	**331,923**	**168,696**	**896,521**	**1,397,140**
At 31st December 2010				
Cost	627,147	2,188,005	1,128,500	3,943,652
Accumulated amortisation	(295,224)	(2,019,309)	(231,979)	(2,546,512)
Net book amount	**331,923**	**168,696**	**896,521**	**1,397,140**
Year ended 31st December 2011				
Opening net book amount	331,923	168,696	896,521	1,397,140
Additions	317,671	66,943	Nil	384,614
Transferred from CWIP (Note 6)	Nil	268,300	62,435	330,735
Amortisation charge (Note 22)	(143,958)	(262,711)	(83,542)	(490,211)
Disposals	Nil	(2,696)	Nil	(2,696)
Closing net book amount	**505,636**	**238,532**	**875,414**	**1,619,582**
At 31st December 2011				
Cost	944,818	2,476,652	1,190,935	4,612,405
Accumulated amortisation	(439,182)	(2,238,120)	(315,521)	(2,992,823)
Net book amount	**505,636**	**238,532**	**875,414**	**1,619,582**

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

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.

For the year ended 31st December	**2011 Rs. '000**	2010 Rs. '000
Entertainment and Media [Dialog Television (Private) Limited]	**1,504,455**	1,504,455
Transmission and Infrastructure/Fixed Telephony and Data [Dialog Broadband Networks (Private) Limited]	**389,857**	389,857
	1,894,312	1,894,312

The amount of goodwill initially recognised is dependent upon the allocation of purchase price for the fair value of identifiable assets acquired and liabilities assumed. The determination of the fair value of the assets and the liabilities is based, to a considerable extent, on management's judgment.

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

The VIU calculations apply Discounted Cash Flow Model using cash flow projections based on the forecasts and projections approved by the management covering a nine year period. Cash flows beyond the nine year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceeds the long-term average growth rate for the business in which the CGU operates.

In the Discounted Cash Flow (DCF) model, the free cash flows (EBITDA less capital expenditure) have been discounted by the Weighted Average Cost of Capital (WACC).

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

The following assumptions were applied in the value in use computation:

1. EBITDA Margin

Projected EBITDA margin is determined based on expectation of market development.

2. Free Cash Flow (FCF) Growth Rate

FCF growth for the period is determined based on expectation of market development and cost structure.

3. Pre-Tax Discount Rate

Weighted average cost of capital of the Group is used as pre-tax discount rate for cash flow projections.

4. Terminal Growth Rate

Weighted average growth rate of FCF used to extrapolate cash flows beyond the projection period.

Given below are the actual data for above variables for 2011 and 2010:

	DBN		DTV	
	2011	2010	**2011**	2010
EBITDA Margin (1)	**28%**	18%	**24%**	11%
Free Cash Flow Growth Rate (2)	**2%**	84%	**121%**	11%
Pre-tax Discount Rate (3)	**12%**	17%	**12%**	17%
Terminal Growth Rate (4)	**2%**	2%	**2%**	4%

Based on the impairment test performed, the recoverable amounts exceed the carrying value, hence no provision for impairment of goodwill as of 31st December 2011.

Impact of Possible Change 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. Investments in Subsidiaries

	Holding %	Company Market value/ Directors' valuation	
		2011 Rs. '000	2010 Rs. '000
Dialog Television (Private) Limited	100	**3,864,746**	3,864,746
Dialog Broadband Network (Private) Limited	100	**6,461,264**	6,461,264
		10,326,010	10,326,010
At 1st January		**10,326,010**	10,326,010
Acquisition of Dialog Business Services (Private) Limited	100	**62,700**	Nil
Disposal of Dialog Business Services (Private) Limited	100	**(62,700)**	Nil
At 31st December		**10,326,010**	10,326,010

The Directors' valuations of unquoted investments in subsidiaries amount to Rs. 10,326,009,631/- (2010 - Rs. 10,326,010,631/-)

The Company signed a business agreement with Firstsource Solutions Limited (FSL), a listed company in India, on 3rd May 2011. This is in respect of Dialog Business Services (Private) Limited (DBS), incorporated on 21st January 2011 for the purpose of carrying out IT enabled services. DBS commenced its commercial operations from 1st April 2011 and it was a fully-owned subsidiary of the Company. As per the agreement with FSL, the Company transferred 74% of its stake in DBS to FSL and holds 26% with effect from 13th May 2011. On 6th June 2011, DBS was named as Firstsource-Dialog Solutions (Private) Limited (FDS) and it is considered to be an associate of the Company and the Group with effect from 13th May 2011.

9. Investment in Associate

	Group		Company	
	2011	2010	**2011**	2010
	Rs. '000	Rs. '000	**Rs. '000**	Rs. '000
Acquisition of associate	**16,302**	Nil	**16,302**	Nil
Additional investment	**11,440**	Nil	**11,440**	Nil
Share of profit	**9,681**	Nil	**Nil**	Nil
Share of loss adjustment on disposal	**(323)**	Nil	**Nil**	Nil
At 31st December	**37,100**	Nil	**27,742**	Nil

The Directors' valuations of unquoted associate investments amount to Rs. 37,100,190/- (2010 - Nil) and Rs. 27,742,000/- (2010 - Nil) for the Group and the Company respectively.

This investment in associates represents the ownership of 26% stated capital of Firstsource-Dialog Solutions (Private) Limited.

The Group's share of the revenue and results of the associate is as follows:

	Group	
	2011	2010
	Rs. '000	Rs. '000
Revenue	**78,796**	Nil
Other income	**78**	Nil
Expenses	**(68,973)**	Nil
Profit before tax	**9,901**	Nil
Taxation	**(220)**	Nil
Profit after tax	**9,681**	Nil

The Group's share of the assets and liabilities of the associate is as follows:

	Group	
	2011	2010
	Rs. '000	Rs. '000
Non-current assets	**11,694**	Nil
Current assets	**34,679**	Nil
Current liabilities	**(9,273)**	Nil
	37,100	Nil

10. Other Investment

	Holding %	Group/Company Market Value/ Directors' Valuation 2011 Rs. '000	2010 Rs. '000
At 1st January	10%	**30,596**	29,000
Investment made during the year		**Nil**	13,000
		30,596	42,000
Provision for impairment (Note 22)		**Nil**	(11,404)
At 31st December		**30,596**	30,596

The Directors' valuations of unquoted other investments for the Group and the Company amount to Rs. 30,595,773/- (2010 - Rs. 30,595,773/-).

The Group has a 10% of interest in Sri Lanka Institute of Nanotechnology (Private) Limited [formerly known as Nanco (Private) Limited], which is involved in carrying out research on technology developments. Nanco (Private) Limited changed its name to Sri Lanka Institute of Nanotechnology (Private) Limited with effect from 30th November 2011.

11. Trade and Other Receivables

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Net trade receivables	**5,914,636**	5,473,174	**5,183,592**	4,714,665
Amounts due from related companies [Note 32 (f)]	**151,206**	41,637	**151,206**	41,637
Prepayments	**1,379,549**	712,252	**1,118,946**	406,567
Other receivables	**2,829,531**	3,401,655	**2,563,082**	2,908,438
	10,274,922	9,628,718	**9,016,826**	8,071,307
The amounts due from related companies are classified as follows [Note 32 (f)]				
- Non-Current	**Nil**	Nil	**13,995,890**	8,771,992
- Current	**151,206**	41,637	**151,206**	41,637
	151,206	41,637	**14,147,096**	8,813,629

Other receivables of the Group and the Company mainly consist of Value Added Tax refunds due from the Department of Inland Revenue amounting to Rs. 1,053,126,721/- (2010 - Rs. 1,066,022,733/-) and Rs. 1,048,832,272/- (2010 - Rs. 1,062,290,937/-), respectively.

12. Inventories

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Phone stock	**128,945**	117,978	**128,945**	117,978
Accessories and consumables	**460,269**	256,926	**411,717**	248,421
Goods in transit	**15,638**	19,703	**15,638**	19,703
Provision for slow moving inventory	**(169,109)**	(123,423)	**(160,785)**	(119,943)
	435,743	271,184	**395,515**	266,159

13. Cash and Cash Equivalents

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Cash at bank and in hand	**5,172,060**	2,890,681	**1,619,844**	2,536,439
Short term bank deposits	**5,280,319**	2,543,089	**5,280,319**	2,542,696
	10,452,379	5,433,770	**6,900,163**	5,079,135

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

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Cash and bank balances	**10,452,379**	5,433,770	**6,900,163**	5,079,135
Bank overdrafts (Note 18)	**(1,046,305)**	(958,032)	**(971,028)**	(764,916)
	9,406,074	4,475,738	**5,929,135**	4,314,219

Cash and cash equivalents as at 31st December 2011 includes, Rs. 3,183,434,306/-, an amount deposited in Escrow accounts with Standard Chartered Bank (Sri Lankan Branch) who acted as the Escrow agent for the purpose of purchasing shares of Suntel Limited.

14. Stated Capital

(a)

	Number of ordinary shares	Number of preference shares	Stated capital	Shares in ESOS Trust	Total
At 1st January 2010	**28,056,113**	**3,750,000**	**31,806,113**	**(1,990,921)**	**29,815,192**
Redemption of preference shares	Nil	(1,250,000)	(1,250,000)	Nil	(1,250,000)
At 31st December 2010	**28,056,113**	**2,500,000**	**30,556,113**	**(1,990,921)**	**28,565,192**
At 1st January 2011	**28,056,113**	**2,500,000**	**30,556,113**	**(1,990,921)**	**28,565,192**
Redemption of preference shares	Nil	(1,250,000)	(1,250,000)	Nil	(1,250,000)
At 31st December 2011	**28,056,113**	**1,250,000**	**29,306,113**	**(1,990,921)**	**27,315,192**

(b) Movement in Shares

	Number of ordinary shares	Number of preference shares	Total number of shares	Shares in ESOS Trust	Total
At 1st January 2010	**8,143,778**	**3,750,000**	**11,893,778**	**(158,572)**	**11,735,206**
Redemption of preference shares	Nil	(1,250,000)	(1,250,000)	Nil	(1,250,000)
At 31st December 2010	**8,143,778**	**2,500,000**	**10,643,778**	**(158,572)**	**10,485,206**
At 1st January 2011	**8,143,778**	**2,500,000**	**10,643,778**	**(158,572)**	**10,485,206**
Redemption of preference shares	Nil	(1,250,000)	(1,250,000)	Nil	(1,250,000)
At 31st December 2011	**8,143,778**	**1,250,000**	**9,393,778**	**(158,572)**	**9,235,206**

The parent company, Axiata Investments (Labuan) Limited held 83.32% (2010 - 83.32%) of the ordinary shares in issue as at the balance sheet date.

The rated cumulative redeemable preference shares of Rs. 1/- each issued by the Company during 2007 are mandatorily redeemable prior to 31st May 2012 at Rs. 1/- per share. The rated cumulative preference share dividend is payable semi-annually, at Average Weighted Prime Lending Rate (AWPLR) minus 0.9%, on 31st March and 30th September each year.

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

2007 - 10%

2008 - 15%

2010 - 25%

2011 - 25%

2012 - 25%

Employee Share Option Scheme (ESOS)

The Board of Directors of the Company at the meeting held on 8th June 2005 resolved and created an Employee Share Option Scheme (ESOS) Trust in order to align the interest of the employees of the Company with those of the shareholders. On 11th July 2005, the Board resolved and issued 199,892,741 ordinary shares of the Company at the IPO price to the ESOS, being 2.7% of the ordinary share capital of the Company.

Of the total ESOS shares that was allotted to the ESOS Trust, 88,841,218 shares (44.44%) were allocated to 'Tranche 0', at the point of the IPO. The balance 111,051,523 shares (56.6%) shall be allocated to employees as an ongoing performance incentive. The ESOS Trust entitlement via the rights issue was 15,452,020 shares. From the total entitlement, 5,668,600 shares were sold in the stock market. On Trustees' approval, the remaining rights entitlement amounting to 9,783,420 shares was exercised by the ESOS Trust.

The Trustees of the ESOS Trust as at 31st December 2011 were as follows:

Datuk Azzat Kamaludin - Chairman

Mr. Moksevi Prelis

Mr. Arittha Wikramanayake

ESOS shares are granted to eligible employees. The exercise price of the granted ESOS shares will be based on the five (5) days weighted average market price of the Company's shares immediately preceding the offer date for options, with the ESOS committee having the discretion to set an exercise price up to 10% lower than that of the derived weighted average market price. Options are conditional on an employee satisfying the following:

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

Out of the total number of share options granted under Tranche 0, 51,103,699 share options have been exercised and 28,030,318 share options remain unexercised and are exercisable before October 2012. No share options have been exercised by the employees during the 2011 financial year. As at 31st December 2011, 9,707,201 options have been forfeited and are available for allocation for subsequent tranches.

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

	2011		2010	
	Average exercise price in Rs. per share	**Options (thousands)**	Average exercise price in Rs. per share	Options (thousands)
At 1st January	**12**	**28,335**	12	29,124
Forfeited	**12**	**(305)**	12	(789)
Exercised		**Nil**		Nil
At 31st December		**28,030**		28,335
Forfeited shares to be reallocated to subsequent tranches		**9,707**		9,402
Available for subsequent tranches		**111,052**		111,052
At 31st December		**148,789**		148,789
Shares allotted to the ESOS Trust via the rights issue		**9,783**		9,783
Total number of shares remaining in the ESOS Trust		**158,572**		158,572

15. Revaluation Reserve on Land and Buildings

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
At 1st January	**131,713**	136,471	**96,820**	101,358
Deferred tax on revaluation	**822**	(706)	**822**	(706)
Depreciation transfer to retained earnings	**(4,066)**	(4,052)	**(3,844)**	(3,832)
At 31st December	**128,469**	131,713	**93,798**	96,820

The revaluation reserve is a non-distributable reserve.

16. Trade and Other Payables

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Trade payables	**2,184,355**	2,849,359	**1,609,967**	2,433,688
Amount due to ultimate parent company [Note 32 (g)]	**308,112**	362,244	**308,112**	362,244
Amount due to related parties [Note 32 (g)]	**854,812**	677,378	**854,812**	677,378
Deferred revenue (Note 17)	**2,124,148**	1,479,391	**1,961,235**	1,329,409
Accrued expenses	**4,201,367**	2,534,320	**3,613,182**	3,115,140
Customer deposits	**1,219,892**	1,235,588	**1,141,915**	1,155,630
Other payables	**2,374,998**	2,955,928	**2,221,618**	1,370,142
	13,267,684	12,094,208	**11,710,841**	10,443,631

17. Deferred Revenue

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
TDC Disbursement				
At 1st January	**350,376**	265,738	**350,376**	265,738
TDC disbursement received	**1,650,244**	210,260	**1,646,941**	210,260
Released to the income statement (Note 22)	**(751,524)**	(125,622)	**(749,967)**	(125,622)
At 31st December	**1,249,096**	350,376	**1,247,350**	350,376
Others	**1,931,706**	1,414,781	**1,769,059**	1,264,799
At 31st December	**3,180,802**	1,765,157	**3,016,409**	1,615,175
Current (Note 16)	**2,124,148**	1,479,391	**1,961,235**	1,329,409
Non-current	**1,056,654**	285,766	**1,055,174**	285,766
	3,180,802	1,765,157	**3,016,409**	1,615,175

Deferred revenue comprises prepaid airtime and the amounts disbursed by Telecommunication Regulatory Commission of Sri Lanka (TRC) on account of the disbursement of 2/3rd of Telecommunication Development Charge (TDC) relating to periods 2003, 2004, 2005, 2006, 2007 and 2008.

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

18. Borrowings

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Current				
Bank overdrafts (Note 13)	**1,046,305**	958,032	**971,028**	764,916
Bank borrowings	**6,265,445**	4,417,178	**6,265,445**	4,417,178
Finance lease liabilities	**Nil**	7,413	**Nil**	14
	7,311,750	5,382,623	**7,236,473**	5,182,108
Non-current				
Bank borrowings	**9,507,750**	12,142,406	**9,507,750**	12,142,406
Loan from Axiata Investments (Labuan) Limited [Note 32 (e)]	**7,980,347**	7,980,347	**7,980,347**	7,980,347
	17,488,097	20,122,753	**17,488,097**	20,122,753
Maturity of non-current Bank Borrowings				
Between 1 and 2 years	**5,778,530**	7,305,736	**5,778,530**	7,305,736
Between 2 and 5 years	**3,729,220**	4,836,670	**3,729,220**	4,836,670
	9,507,750	12,142,406	**9,507,750**	12,142,406

Total borrowings as at 31st December 2011 include secured liabilities of USD 145 Mn (Term loan) and USD 37.5 Mn (Shareholders Advance).

The Group has the following undrawn borrowing facilities:

	2011	2010
Expiring within one year	**USD 55 Mn**	USD 65 Mn

The Company obtained a term loan facility of USD 100 Mn from Overseas - Chinese Banking Corporation Limited, Labuan Branch Malaysia (OCBC), for the purposes of capital expenditure and general working capital requirements of the Group. The loan was drawn in full in March 2009. An additional term loan facility amounting to USD 100 Mn was offered by OCBC, of which the Company drew USD 25 Mn in December 2009, USD 10 Mn in May 2010 and USD 10 Mn in June 2011. Both term loans are secured by a Corporate Guarantee by Axiata Group Berhad.

Axiata Investments (Labuan) Limited has provided advances amounting to USD 47.5 Mn and LKR 3.7 Bn, within the years of 2008 and 2009, to meet expenditure relating to telecommunication expansion, launch of CDMA and Pay TV services. Out of USD 47.5 Mn advanced, the Company repaid USD 10 Mn in December 2010.

Gross finance lease liabilities - minimum lease payment:

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Not later than 1 year	**Nil**	7,644	**Nil**	14
Future finance charges on finance leases	**Nil**	(231)	**Nil**	Nil
Present value of finance lease liabilities	**Nil**	7,413	**Nil**	14
The present value of finance lease liabilities is as follows:				
Not later than 1 year	**Nil**	7,413	**Nil**	14
	Nil	7,413	**Nil**	14

19. Deferred Income Tax Liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rates as at the balance sheet date.

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
At 1st January	**1,612,510**	1,133,676	**1,612,510**	1,131,288
Deferred tax attributable to revaluation surplus	**(822)**	706	**(822)**	706
Income statement charge (Note 25)	**402,083**	478,128	**402,083**	480,516
At 31st December	**2,013,771**	1,612,510	**2,013,771**	1,612,510

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

20. Retirement Benefit Obligations

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Balance Sheet Obligations for:				
Retirement benefits - Gratuity	**443,731**	390,635	**403,482**	358,854
Income Statement Charge for (Note 23):				
Retirement benefits - Gratuity	**80,045**	39,107	**70,984**	34,544
The movement in the defined benefit obligation over the year is as follows:				
At 1st January	**390,635**	394,540	**358,854**	362,324
Current service cost	**58,709**	57,817	**51,052**	51,509
Interest cost	**40,263**	43,399	**37,680**	39,856
Actuarial gains	**(18,927)**	(62,109)	**(17,748)**	(56,821)
Income statement charge	**80,045**	39,107	**70,984**	34,544
Transfers to DBS	**(6,885)**	Nil	**(6,885)**	Nil
Benefits paid	**(20,064)**	(43,012)	**(19,471)**	(38,014)
At 31st December	**443,731**	390,635	**403,482**	358,854

This obligation is not externally funded.

The gratuity liability of the Company is based on the actuarial valuation performed in December 2011 by Actuaries, Messrs Actuarial and Management Consultants (Private) Limited. The principal actuarial valuation assumptions used were as follows:

	Group		Company	
	2011	2010	**2011**	2010
Discount rate	**11%**	10.50%	**11%**	10.50%
Future salary increase	**12%**	12%	**12%**	12%

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 67/70 mortality table) had also been used in the valuation.

21. Provision for Other Liabilities

Provision for other liabilities comprises the amounts provided for Asset Retirement Obligations (ARO).

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
At 1st January	**619,876**	534,858	**607,794**	520,554
Amounts capitalised	**160,601**	69,416	**160,601**	69,415
Adjustment for fully depreciated ARO assets	**19,743**	Nil	**19,743**	Nil
Income statement (credit)/charge (Note 24)	**(213,560)**	15,602	**(214,084)**	17,825
At 31st December	**586,660**	619,876	**574,054**	607,794

22. Operating Profit

The following items have been charged/(credited) in arriving at operating profit/(loss):

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Directors' fees	**30,531**	14,777	**30,531**	14,777
Independent Auditor's remuneration				
– Audit	**9,730**	7,015	**6,552**	4,735
– Non-audit	**5,181**	395	**3,852**	363
Fees for other professional services	**222,388**	236,272	**218,994**	231,624
Amortisation of intangible assets (Note 7)	**601,711**	631,681	**490,211**	505,673
Depreciation on property, plant and equipment (Note 6)	**9,623,116**	9,283,798	**7,607,297**	7,574,555
Impairment and provisions				
- Impairment provision/(reversal) (Note 6)	**79,900**	(122,439)	**(5,035)**	(315,387)
- Investment impairment (Note 10)	**Nil**	11,404	**Nil**	11,404
Repair and maintenance expenditure on property, plant and equipment	**1,342,254**	1,357,957	**1,231,794**	1,142,114
Provision for doubtful debts	**508,123**	310,041	**327,226**	125,977
Operating Lease Rentals				
– Office	**470,551**	543,140	**424,359**	497,997
– Base stations and lease circuits	**2,237,297**	1,340,487	**2,169,617**	1,459,286
Cost of inventories (included in 'direct costs')	**679,102**	582,424	**679,102**	582,241
Employee benefit expense (Note 23)	**3,238,423**	2,942,997	**2,974,522**	2,546,638
Profit on disposal on investment	**(22,469)**	Nil	**(22,792)**	Nil
Loss/(profit) on sale of property, plant and equipment	**7,818**	(28,069)	**10,736**	(23,848)
Provision for slow moving inventory	**76,384**	39,317	**64,478**	39,313
Amounts released from deferred revenue (Note 17)	**(751,524)**	(125,622)	**(749,967)**	(125,622)

23. Employee Benefit Expense

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Wages and salaries	**1,877,058**	2,022,300	**1,744,440**	1,734,894
Social security costs	**969,501**	875,388	**876,971**	838,931
Pension costs - defined contribution plans	**311,819**	302,794	**282,127**	267,026
Pension costs - defined benefit plan (Note 20)	**80,045**	39,107	**70,984**	34,544
Voluntary Resignation Scheme	**Nil**	(296,592)	**Nil**	(328,757)
	3,238,423	2,942,997	**2,974,522**	2,546,638
Number of persons employed as at 31st December:				
– Full time	**2,544**	2,871	**2,146**	2,432
– Part time	**Nil**	51	**Nil**	51
	2,544	2,922	**2,146**	2,483

24. Finance Income and Costs

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Interest income on deposits	**423,855**	100,115	**408,860**	95,292
Interest expense on:				
- Bank overdrafts	**(59)**	(6,013)	**(106)**	(142)
- term loans	**(405,374)**	(630,270)	**(405,371)**	(520,105)
- shareholders advance	**(20,666)**	Nil	**(20,666)**	Nil
- finance income/(cost) on asset retirement obligations (ARO) (Note 21)	**213,560**	(15,602)	**214,084**	(17,825)
- finance lease	**(328)**	(3,036)	**Nil**	(461)
	(212,867)	**(654,921)**	**(212,059)**	(538,533)
Net foreign exchange (loss)/gain on foreign currency transactions/balances	**(506,402)**	679,318	**(502,203)**	685,908
	(295,414)	124,512	**(305,402)**	242,667

25. Tax

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Year ended 31st December				
Current tax	**51,393**	12,245	**49,770**	10,806
Economic service charge	**125,181**	Nil	**114,385**	Nil
Deferred tax charge (Note 19)	**402,083**	478,128	**402,083**	480,516
	578,657	490,373	**566,238**	491,322

Under the agreement entered into between the Company and the Board of Investment of Sri Lanka (BOI), the main source of income of the Company is exempt from income tax for fifteen years (initial tax exemption period of seven years was extended to fifteen years as per the amendment made to BOI agreement on 17th April 2003) commencing either from the year in which it first makes a profit, or in the fifth year subsequent to the start of commercial operations, whichever is earlier. The Company commenced commercial operations during 1995 and profits were first recorded during the year ended 31st December 1998. Accordingly, the tax exemption period commenced from 1st January 1998 and ends on 31st December 2012. The Company is currently liable to pay income tax only on the interest income earned from fixed and call deposits maintained in Sri Lanka Rupees.

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Year ended 31st December				
Profit before tax	**5,932,279**	5,537,814	**6,880,185**	7,043,275
Add: Amortisation of increase in fair value of licences	**50,286**	50,286	**Nil**	Nil
Other consolidation adjustments	**(8,794)**	57	**Nil**	Nil
	5,973,771	5,588,157	**6,880,185**	7,043,275
Tax at the applicable rate	**1,672,688**	1,955,855	**1,926,452**	2,465,146
Tax effects of:				
- Income not subject to tax	**(799,762)**	(5,164,582)	**(1,279,833)**	(4,647,669)
- Expenses not deductible for tax purposes	**952,925**	2,631,335	**279,038**	1,879,143
- Temporary differences not resulting in a deferred tax asset/liability	**(1,343,921)**	1,063,585	**(447,925)**	788,549
- ESC write off	**125,181**	Nil	**114,385**	Nil
- Utilisation of previously unrecognised tax losses	**(16,210)**	4,180	**(15,072)**	6,153
Over provision of tax	**(12,244)**	Nil	**(10,807)**	Nil
	578,657	490,373	**566,238**	491,322

Tax losses available for carry forward to the year of assessment 2012/13 amount to Rs. 783,872,655/-. Accordingly, the Company is entitled to set off 35% of the statutory income of any year of assessment excluding income that does not form a part of the assessable income from the aforementioned brought forward losses. Any losses not utilised over the current period could be carried forward to future years.

The applicable tax rate for the Group was 28% (2010 - 35%).

26. Earnings Per Share

(a) Basic

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, excluding ordinary shares held by the ESOS Trust (Note 14).

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Net profit after tax	**5,353,622**	5,047,441	**6,313,947**	6,551,953
Less: Preference share dividend paid	**(151,715)**	(292,774)	**(151,715)**	(292,774)
Net profit attributable to ordinary shareholders	**5,201,907**	4,754,667	**6,162,232**	6,259,179
Weighted average number of ordinary shares in issue (thousands)	**7,985,206**	7,985,206	**7,985,206**	7,985,206
Basic earnings per share (Rs.)	**0.651**	0.595	**0.772**	0.784

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. The Company has share options (ESOS) which has potential for dilution. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares), based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Net profit after tax	**5,353,622**	5,047,441	**6,313,947**	6,551,953
Less: Preference share dividend paid	**(151,715)**	(292,774)	**(151,715)**	(292,774)
Net profit attributable to ordinary shareholders	**5,201,907**	4,754,667	**6,162,232**	6,259,179
Weighted average number of ordinary shares in issue (thousands)	**7,985,206**	7,985,206	**7,985,206**	7,985,206
Adjustments for:				
- Share options (thousands)	**Nil**	7,479	**Nil**	7,479
Weighted average number of ordinary shares for diluted earning per share(thousands)	**7,985,206**	7,992,685	**7,985,206**	7,992,685
Diluted earnings per share (Rs)	**0.651**	0.595	**0.772**	0.784

27. Dividends

The Directors have recommended a withholding tax-free final dividend of Rs. 0.25 (2010 - Rs. 0.20) per share amounting to Rs. 2,035,944,601/- (2010 - Rs. 1,628,755,681/-) for the financial year 2011 subject to the approval of the shareholders at the Annual General Meeting.

28. Cash Generated from Operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Profit before tax	**5,932,279**	5,537,814	**6,880,185**	7,043,275
Adjustments for:				
Unreleased exchange loss/(gain)	**334,693**	(742,278)	**336,755**	(736,536)
Provision for doubtful debts (Note 22)	**508,123**	310,041	**327,226**	125,977
Bad debts written back	**(233,055)**	(764,600)	**(233,055)**	(764,600)
Profit on sale of property, plant and equipment (Note 22)	**7,818**	(28,069)	**10,736**	(23,848)
Profit on disposal on investment (Note 22)	**(22,469)**	Nil	**(22,792)**	Nil
Interest expense (Note 24)	**426,427**	639,319	**426,143**	520,708
Finance (income)/cost on asset retirement obligations (Note 24)	**(213,560)**	15,602	**(214,084)**	17,825
Interest income (Note 24)	**(423,855)**	(100,115)	**(408,860)**	(95,292)
SRL Expenses	**Nil**	163	**Nil**	161
Amortisation (Note 7)	**601,711**	631,681	**490,211**	505,673
Depreciation (Note 6)	**9,623,116**	9,283,798	**7,607,297**	7,574,555
Adjustments to assets under construction	**26,951**	88,152	**Nil**	Nil
Impairment and provisions				
- Impairment provision/(reversal) (Note 6)	**79,900**	(122,439)	**(5,035)**	(315,387)
- Investment impairment (Note 10)	**Nil**	11,404	**Nil**	11,404
Amounts released from deferred revenue (Note 17)	**(751,524)**	(125,622)	**(749,967)**	(125,622)
Retirement benefit obligation (Note 20)	**80,045**	39,107	**70,984**	34,544
Provision for slow moving inventory (Note 22)	**76,384**	39,317	**64,478**	39,313
Share of associate profit (Note 9)	**(9,681)**	Nil	**Nil**	Nil
Changes in working capital				
- trade and other receivables	**(1,040,297)**	(512,741)	**(346,320)**	(177,985)
- inventories	**(229,408)**	(98,553)	**(193,938)**	(97,884)
- payables	**1,526,826**	686,728	**1,204,351**	481,068
Cash generated from operations	**16,300,424**	14,788,709	**15,244,315**	14,017,349

29. Reclassification of Comparatives

		As reported previously Rs.		Current Presentation Rs.	
	Note	Group	Company	Group	Company
Income Statement	Reference	2010	2010	2010	2010
Direct costs	a	(23,600,325)	(20,972,057)	(23,114,521)	(20,558,465)
Other operating income	b	134,160	121,235	94,450	81,525
Administrative costs	a	(7,111,741)	(5,313,952)	(7,574,992)	(5,727,544)
Distribution costs	b	(5,431,575)	(4,988,854)	(5,414,418)	(4,949,144)

(a) Maintenance computer HW & SW, IT and call centre expenses and staff cost related to Dialog Broadband Networks (Private) Limited which was included in direct cost in the previous year were reclassified under Administrative costs during the current year for a better presentation of the financial statements.

(b) Bad debts written back which were included in other income in the previous year were reclassified during the current year under distribution costs for a better presentation of the financial statements.

30. Contingencies

(a) Pending litigation

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 the legal cases, nor are additional payments anticipated as of date. Accordingly, no provision has been made for legal claims in the financial statements.

(b) Assessment in Respect of Value Added Tax (VAT)

Value Added Tax (VAT) assessments issued by Department of Inland Revenue (DIR) in respect of year of assessment 2006/2007 have been determined by the Commissioner General of the Department of Inland Revenue (CGDIR) on 28th January 2011. Subsequent to the determination of CGDIR, on 31st January 2011, it was concluded that VAT refund of Rs. 928,127,301/- is due to Dialog Axiata PLC which will be refunded in due cause.

Further, DIR has started full VAT audit for the years of assessment 2008 – 2010, based on the outcome so far, total VAT exposure on disallowable input credits is amounting to Rs. 104,000,000/- which is fully provided in the financial statements as at 31st December 2011.

Value Added Tax (VAT) assessments has been issued by the Department of Inland Revenue in respect of year of assessment 2009/2010 for Dialog Television (Private) Limited for a value of Rs. 6,850,290/- on 20th December 2011 for which full provision has been made in the financial statements as at 31st December 2011.

(c) Inquiry by Sri Lanka Customs

In August 2008, Sri Lanka Customs (SLC) detained a shipment of CDMA Customer Premises Equipment (CPE), belonging to its subsidiary company Dialog Broadband Networks (Private) Limited and commenced an investigation into the eligibility of these items falling under the duty exemptions granted under the terms and conditions of the Agreement which the subsidiary has entered into with the Board of Investment of Sri Lanka. The shipment was cleared by 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 of the subsidiary. Having completed the investigation, SLC commenced an inquiry into this matter on 30th January 2009 and this inquiry is still in progress.

No assessment has been made on the subsidiary as at the date of the balance sheet. The Directors are of the opinion that no material liability would result from the inquiry, and accordingly no provision has been made in the financial statements.

(d) Guarantees

Guarantees given by the Company as at 31st December 2011 is amounting to Rs. 639,691,915/-.

31. Commitments

(a) Capital commitments

Capital commitments that were approved and contracted for the supply of telecommunication equipment and services are as follows:

Capital expenditure contracted for at the balance sheet date but not yet incurred:

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Supply of telecommunication equipment	**1,349,257**	2,588,953	**948,418**	1,772,539

(b) Financial commitments

The Group has the following annual commitments;

	Currency	Amount ('000)
Annual fee to the Board of Investment of Sri Lanka	USD	13
Site rental for telecommunication equipment	LKR	1,686,000
Annual maintenance contract	LKR	1,272,000
Rental to Axiata Lanka (Private) Limited	LKR	7,920

(c) Other commitments

On 14th December 2011, Dialog Broadband Networks (Private) Limited has entered into a Share Purchase Agreement with the shareholders of Suntel Limited to purchase 100% equity shares of Suntel. Pursuant to the signing of the Share Purchase Agreement, Dialog deposited a sum of USD 27,956,870 in Escrow accounts with Standard Chartered Bank (Sri Lankan Branch) who acted as the Escrow Agent in the arrangement as the preliminary purchase price, in exchange for 349,403,257 shares representing 100% equity interest in Suntel. The amount deposited in the Escrow accounts is included in cash and cash equivalents in the financial statements.

There were no other material financial commitments outstanding at the balance sheet date.

32. Related Party Transactions

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

	Datuk Azzat Kamaludin	Dr. Hansa Wijayasuriya	Mr. Moksevi Prelis	Dato' Sri Jamaludin Ibrahim	Mr. Jayantha Dhanapala	Mr. Azwan Khan Osman Khan	Mr. James Maclaurin	Mr. Mohomed Vazir Muhsin
Asia Commerce Holdings (Private) Limited	–	–	x	–	–	–	–	–
Association for Social Development	–	–	x	–	–	–	–	–
Axiata Group Berhad	x	–	–	x	–	–	–	–
Axiata Investments (Indonesia) Sdn Berhad	–	–	–	–	–	–	x	–
Axiata Investments (Labuan) Limited	–	–	–	–	–	–	x	–
Axiata Investments (Mauritius) Limited	–	–	–	–	–	–	x	–
Axiata Investments (Singapore) Limited	–	–	–	–	–	–	x	–
Axiata Investments 1 (India) Limited	–	x	–	–	–	–	x	–
Axiata Investments 2 (India) Limited	–	x	–	–	–	–	x	–
Axiata Lanka (Private) Limited	–	x	–	–	–	–	x	–
Axiata Management Services Sdn Berhad	–	–	–	–	–	x	x	–
Axiata SPV1 (Labuan) Limited	–	–	–	–	–	–	x	–
Boustead Heavy Industries Corp. Berhad	x	–	–	–	–	–	–	–
Boustead Holdings Berhad	x	–	–	–	–	–	–	–
Capital Trust Asset Management (Private) Limited	–	–	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	–	–	–	–	–
Cargills (Ceylon) Limited	–	–	–	–	x	–	–	–
CBN Sat (Private) Limited	–	x	x	–	–	–	–	–
Celcom Axiata Berhad	–	–	–	x	–	–	x	–
Celcom Mobile Sdn. Berhad	x	–	–	–	–	–	–	–

	Datuk Azzat Kamaludin	Dr. Hansa Wijayasuriya	Mr. Moksevi Prelis	Dato' Sri Jamaludin Ibrahim	Mr. Jayantha Dhanapala	Mr. Azwan Khan Osman Khan	Mr. James Maclaurin	Mr. Mohomed Vazir Muhsin
Change Trust Fund	–	T	T	–	T	–	–	–
Colombo Stock Exchange Limited	–	–	x	–	–	–	–	–
Communiq Broadband Network (Private) Limited	–	x	x	–	–	–	–	–
Dialog Axiata Employee Share Option Trust	T	–	T	–	–	–	–	–
Dialog Broadband Networks (Private) Limited	–	x	x	–	–	–	–	–
Dialog Television (Private) Limited	–	x	x	–	–	–	–	–
Firstsource-Dialog Solutions (Private) Limited	–	x	–	–	–	–	–	–
GSM Association	–	–	–	BM	–	–	–	–
Hello Axiata Company Limited	–	–	–	–	–	x	x	–
Idea Cellular Limited, (India)	–	AD	–	–	–	–	–	–
KPJ Healthcare Berhad	x	–	–	–	–	–	–	–
Malaysian Directors Academy	x	–	–	–	–	–	–	–
M1 Limited	–	–	–	x	–	–	–	–
Multimedia Development Corporation Malaysia	–	–	–	x	–	–	–	–
Sri Lanka Institute of Nanotechnology (Private) Limited [Formerly known as Nanco (Private) Limited]	–	x	–	–	–	–	–	–
National Research Council of Sri Lanka	–	–	x	–	–	–	–	–
PT XL Axiata Tbk	–	–	–	C	–	–	C	–
Pulai Springs Resort Berhad	x	–	–	–	–	–	–	–
Rego Multi-Trades Sdn Berhad	x	–	–	–	–	–	–	–
Robi Axiata Limited	–	–	–	–	–	–	x	–
Sacofa Sdn Berhad	–	–	–	–	–	x	–	–
Samart I-Mobile Public Co. Limited	–	–	–	–	–	x	–	–
Sigiriya Leisure (Private) Limited	–	x	–	–	–	–	–	–
Sinwa Holdings	–	–	x	–	–	–	–	–
Tangalle Leisure (Private) Limited	–	x	–	–	–	–	–	–
Technology Resources Industries Limited	x	–	–	–	–	–	–	–
Universiti Tun Abdul Razak Sdn Berhad	–	–	–	x	–	–	–	–
Visdynamics Holdings Berhad	x	–	–	–	–	–	–	–

T - Trustee, BM - Board Member, C - Commissioner, x - Director, AD - Alternate Director.

The Board of Trustees of the Change Trust Fund resolved to dissolve the Trust on 25th August 2010. The steps for dissolution of the Trust is being effected, and subscriber contributions have been discontinued. Upon ascertaining the balance funds, the same will be donated to a charity decided by the Trustees.

As at 31st December 2011, the Group Chief Executive Officer, Dr. Hansa Wijayasuriya held options to purchase 5,424,400 ordinary shares under ESOS.

The Company invested in Sri Lanka Institute of Nanotechnology (Private) Limited (Formerly known as Nanco (Private) Limited); a company set up for carrying out research on technology developments. The carrying value of the investment as at 31st December 2011 is Rs. 30,595,773/- (Note 10).

No share options have been granted to the non-executive members of the Board of Directors under the employee share option plan.

(b) The Company is controlled by Axiata Investments (Labuan) Limited, which owns 83.32% of the total number of shares in issue. 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 Dialog Axiata PLC had transactions in the ordinary course of business are set out below:

		2011 Rs. '000	2010 Rs. '000
	Sale of Service to –		
i)	Axiata Lanka (Private) Limited		
	- Rendering of management services	**2,700**	2,700
ii)	Dialog Broadband Networks (Private) Limited		
	- Site sharing revenue	**202,705**	202,705
	- International bandwidth revenue	**Nil**	(180)
	- IPLC and satellite bandwidth revenue	**103,503**	188,189
	- Market development, workshop revenue, origination and others	**94,724**	94,296
	- Local Interconnection SMS	**37,567**	22,024
	- Revenue from call centre	**513**	1,248
	- Local call revenue	**377**	3,586
iii)	Dialog Television (Private) Limited		
	- Revenue from call centre agent fee	**1,913**	14,700
	- Satellite bandwidth service	**5,623**	5,723
	- Local call revenue	**357**	2,175
iv)	Telekom Malaysia Berhad		
	- IPLC revenue	**21,993**	17,962
	- Interconnection revenue	**199,454**	278,915
v)	Multinet Pakistan (Private) Limited		
	- Interconnection revenue	**153,894**	143,083
vi)	Spice Communications Limited		
	- Interconnection revenue	**448,211**	430,511
vii)	M1 Limited (Singapore)		
	- Interconnection revenue	**6,294**	13,490

		2011 Rs. '000	2010 Rs. '000
	Sale of Service to –		
viii)	Celcom Mobile Sdn Berhad		
	- Inbound roaming	**2,823**	18,018
ix)	PT XL Axiata Tbk		
	- Inbound roaming	**464**	1,341
	- Axiata roaming services	**3,597**	Nil
x)	Telekom Malaysia (USA) Inc.		
	- Interconnection revenue	**6,752**	33
xi)	Hello Axiata Company Limited		
	- Interconnection revenue	**4,679**	247
xii)	Celcom Axiata Berhad		
	- SAP implementation revenue	**Nil**	146,675
	- Interconnection revenue	**380,681**	Nil
	- Other revenue	**4,573**	Nil
xiv)	Robi Axiata Limited		
	- Share of Inbound roaming revenue	**539**	Nil
	- Axiata roaming services	**3,597**	Nil
		1,687,533	1,587,441

		2011 Rs. '000	2010 Rs. '000
Purchase of Service from -			
i)	Axiata Lanka (Private) Limited		
	- Rental charges	**7,920**	7,920
ii)	Dialog Broadband Networks (Private) Limited		
	- Lease circuit rental and electricity	**150,767**	147,872
	- Computer HW/SW maintenance	**58,126**	60,130
	- BTS site sharing cost	**49,451**	49,451
	- Last mile and field service	**12,565**	4,357
	- Telephone charges and D Net	**6,286**	7,680
	- ILAC, OLAC and IC	**136,181**	66,385
	- Interconnection Charges	**35,882**	18,813

		2011 Rs. '000	2010 Rs. '000
Purchase of Service from -			
iii)	Telekom Malaysia Berhad		
	- Lease rental	**29,152**	7,112
	- TMCH charges	**54,787**	40,592
	- Operation & maintenance charges	**41,662**	82,038
	- Local access charges	**43,839**	35,082
	- Port & internet charges	**2,615**	4,043
	- Restoration charges	**26,023**	32,497
	- Voice interconnection charges	**3,319**	3,392
iv)	Dialog Television (Private) Limited		
	- Cost on initial connection given to DAP staff	**1,170**	8,823
	- Cost on subscription fees on connection given to DAP staff	**14,509**	8,963
	- Advertising expenses	**Nil**	1,721
v)	Multinet Pakistan (Private) Limited		
	- Origination cost	**548,536**	309,713
vi)	Spice Communications Limited		
	- Origination cost	**6,595**	6,011
vii)	M1 Limited (Singapore)		
	- Origination cost	**1,397**	1,078
viii)	Celcom Mobile Sdn Berhad		
	- Outbound roaming	**7,536**	6,011
ix)	PT XL Axiata Tbk		
	- Outbound roaming	**1,572**	Nil
x)	Telekom Malaysia (USA) Inc.		
	- Acquisition cost of indefeasible right of use of SEE-ME-WE	**Nil**	168
	- Local access charges/port and internet charges	**1,845**	8,618
xi)	Telekom Malaysia (UK) Limited		
	- Local access charges	**58,460**	75,771
	- Interconnection charges	**1,553**	Nil
	- Port and internet charges	**Nil**	3,462
xii)	Hello Axiata Company Limited		
	- Origination cost	**33**	23

		2011 Rs. '000	2010 Rs. '000
Purchase of Service from -			
xiii)	Celcom Axiata Berhad		
	- Origination cost	**30,152**	11,252
xiv)	Telekom Malaysia (HK) Limited		
	- Local access charges	**12,308**	15,467
xv)	Firstsource Dialog Solution (Private) Limited		
	- Call centre charges	**312,180**	Nil
		1,656,421	1,024,445

Funds made available to subsidiaries:			
	Dialog Broadband Networks (Private) Limited	**4,148,813**	2,413,604
	Dialog Television (Private) Limited	**60,000**	585,020
		4,208,813	2,998,624

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

Key management compensation:

		2011 Rs. '000	2010 Rs. '000
	Salaries and short-term employee benefits	**291,290**	228,173
	Termination benefits	**Nil**	15,969
	Post-employment benefits	**69,361**	56,861
		360,651	301,003
(e)	Axiata Investment (Labuan) Limited		
	Borrowings (Note 18)	**7,980,347**	7,980,347
	Interest payable	**20,666**	Nil

The loans consist of a USD 37.5 Mn advance which carries an interest rate of 0.05% p.a and LKR 3.7 Bn which is interest free and repayable in the ordinary course of business.

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

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Non-current receivables (Note 11)				
- Dialog Broadband Networks (Private) Limited	**Nil**	Nil	**12,843,786**	7,608,766
- Dialog Television (Private) Limited	**Nil**	Nil	**1,152,104**	1,163,226
	Nil	Nil	**13,995,890**	8,771,992
Current receivables (Note 11)				
- Change Trust Fund	**269**	(149,473)	**269**	(149,473)
- Multinet Pakistan (Private) Limited	**Nil**	39,575	**Nil**	39,575
- M1 Limited (Singapore)	**836**	1,822	**836**	1,822
- Spice Communications Limited	**36,814**	88,141	**36,814**	88,141
- Celcom Axiata Berhad	**110,339**	61,380	**110,339**	61,380
- Telekom Malaysia (USA) Inc.	**456**	32	**456**	32
- Hello Axiata Company Limited	**2,068**	160	**2,068**	160
- PT XL Axiata Tbk	**424**	Nil	**424**	Nil
	151,206	41,637	**151,206**	41,637

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

(g) Outstanding payable balances arising from inter-company transactions:

	Group		Company	
	2011 Rs. '000	2010 Rs. '000	**2011 Rs. '000**	2010 Rs. '000
Amount due to Ultimate Parent Company (Note 16)				
– Axiata Group Berhad	**308,112**	362,244	**308,112**	362,244
Amounts due to related companies (Note 16)				
– Axiata Lanka (Private) Limited	**12,423**	8,609	**12,423**	8,609
– Telekom Malaysia Berhad	**638,334**	568,329	**638,334**	568,329
– Multinet Pakistan (Private) Limited	**68,704**	Nil	**68,704**	Nil
– Telekom Malaysia (USA) Inc.	**1,065**	1,843	**1,065**	1,843
– Telekom Malaysia (UK) Limited	**16,134**	26,537	**16,134**	26,537
– PT XL Axiata Tbk	**Nil**	213	**Nil**	213
– Telekom Malaysia (HK) Limited	**3,082**	4,281	**3,082**	4,281
– Robi Axiata Limited	**69,271**	67,566	**69,271**	67,566
– Firstsource Dialog Solution (Private) Limited	**45,799**	Nil	**45,799**	Nil
	854,812	677,378	**854,812**	677,378

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

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

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

33. Parent Company

Axiata Investments (Labuan) Limited is the parent company of Dialog Axiata PLC. 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.

34. Events after the Balance Sheet Date

The Board of Directors has recommended a withholding tax-free final dividend of Rs. 0.25 per share amounting to Rs. 2,035,944,601/- for the financial year 2011, subject to the approval of the shareholders at the Annual General Meeting.

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

US Dollar Financial Statements

Balance Sheet

For information purpose only

As at 31st December	Group 2011 USD '000	Group 2010 USD '000	Company 2011 USD '000	Company 2010 USD '000
ASSETS				
Non-current assets				
Property, plant and equipment	**449,239**	478,901	**362,310**	400,619
Intangible assets	**34,017**	33,940	**14,238**	12,621
Investments in subsidiaries	**Nil**	Nil	**90,778**	93,279
Investment in associate	**326**	Nil	**244**	Nil
Other investment	**269**	276	**269**	276
Amount due from subsidiaries	**Nil**	Nil	**123,041**	79,241
	483,851	513,117	**590,880**	586,036
Current assets				
Inventories	**3,831**	2,450	**3,477**	2,404
Trade and other receivables	**90,329**	86,980	**79,269**	72,912
Cash and cash equivalents	**91,889**	49,086	**60,661**	45,882
	186,049	138,516	**143,407**	121,198
Total assets	**669,900**	651,633	**734,287**	707,234
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	**257,636**	276,026	**257,636**	276,026
ESOS trust shares	**(17,503)**	(17,985)	**(17,503)**	(17,985)
Dividend reserve - ESOS	**2,565**	2,349	**2,565**	2,349
Revaluation reserve	**1,130**	1,190	**825**	875
Retained earnings	**54,800**	23,996	**134,345**	97,059
Total equity	**298,628**	285,576	**377,868**	358,324
LIABILITIES				
Non-current liabilities				
Borrowings	**153,742**	181,777	**153,742**	181,777
Deferred income tax liabilities	**17,703**	14,566	**17,703**	14,566
Retirement benefit obligations	**3,901**	3,529	**3,547**	3,242
Provision for other liabilities	**5,157**	5,600	**5,047**	5,490
Deferred revenue	**9,289**	2,581	**9,276**	2,581
	189,792	208,053	**189,315**	207,656
Current liabilities				
Trade and other payables	**116,640**	109,252	**102,953**	94,343
Current income tax liabilities	**561**	128	**534**	98
Borrowings	**64,279**	48,624	**63,617**	46,813
	181,480	158,004	**167,104**	141,254
Total liabilities	**371,272**	366,057	**356,419**	348,910
Total equity and liabilities	**669,900**	651,633	**734,287**	707,234
Exchange Rates (Rs.)	**113.75**	110.70	**113.75**	110.70

Income Statement

For information purpose only	Group		Company	
Year ended 31st December	**2011 USD '000**	2010 USD '000	**2011 USD '000**	2010 USD '000
Revenue	**401,206**	374,190	**367,264**	342,857
Direct costs	**(220,786)**	(208,803)	**(197,752)**	(185,713)
Gross margin	**180,420**	165,386	**169,512**	157,143
Other operating income	**660**	853	**615**	736
Administrative costs	**(70,810)**	(68,428)	**(55,035)**	(51,739)
Distribution costs	**(55,606)**	(48,911)	**(51,922)**	(44,708)
Operating profit	**54,664**	48,901	**63,170**	61,433
Finance (costs)/income - net	**(2,597)**	1,125	**(2,685)**	2,192
Share of profit from associate	**85**	Nil	**Nil**	Nil
Profit before tax	**52,152**	50,025	**60,485**	63,625
Taxation	**(5,087)**	(4,430)	**(4,978)**	(4,438)
Profit for the year	**47,065**	45,596	**55,507**	59,187
Exchange Rates (Rs.)	**113.75**	110.70	**113.75**	110.70

Group Value Added Statement

For the year ended 31st December	**2011** Rs. '000	2010 Rs. '000
Value added		
Revenue	**45,637,211**	41,422,783
Other operating income	**75,068**	94,450
Interest income	**423,855**	100,115
	46,136,134	42,617,348
Cost of materials and services bought in	**(15,276,190)**	(12,808,267)
	30,859,944	28,809,081
Distribution of value added		
To Employees		
Salaries and other benefits	**3,238,423**	2,942,997
To Government		
Taxes	**10,754,827**	10,437,189
To Lenders of capital		
Minority interest	**Nil**	Nil
Interest on borrowings	**426,426**	636,319
	426,426	636,319
To Shareholders as dividends		
Dividend to shareholders	**1,628,756**	Nil
Dividend to rated cumulative redeemable preference shareholders	**151,715**	292,774
	1,780,471	292,774
Retained in the business		
Profit retained	**4,434,970**	4,584,323
Depreciation	**10,224,827**	9,915,479
	14,659,797	14,499,802
	30,859,943	28,809,081

Distribution of Value Added

	2011 %	2010 %
To employees	**10**	10
Retained in the business	**48**	50
To lenders of capital	**1**	2
To Government	**35**	36
To shareholders as dividends	**6**	1

Five Year Summary

31st December	GROUP 2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Restated Rs. '000
OPERATING RESULTS					
Turnover	**45,637,211**	41,222,783	36,246,014	36,419,952	34,206,610
EBIT	**6,218,012**	5,413,302	(10,032,558)	(368,512)	9,582,173
Finance (cost)/income	**(295,414)**	124,512	(1,747,583)	(2,003,761)	(630,018)
Profit/(loss) before tax	**5,932,279**	5,537,814	(11,780,141)	(2,372,273)	8,952,155
Profit/(loss) after tax	**5,353,622**	5,047,441	(12,208,223)	(2,879,341)	8,906,853
CAPITAL EMPLOYED					
Stated capital	**29,306,113**	30,556,113	31,806,113	32,556,113	33,056,413
ESOS trust shares	**(1,990,921)**	(1,990,921)	(1,990,921)	(1,990,921)	(2,000,439)
Dividend reserve - ESOS	**291,781**	260,067	260,067	260,067	172,722
Revaluation reserve	**128,469**	131,713	136,471	19,913	20,377
Retained earnings	**6,233,535**	2,656,318	(2,102,401)	10,964,118	19,036,282
Shareholders fund	**33,968,977**	31,613,290	28,109,329	41,809,290	50,285,355
Minority interest	**NIL**	NIL	NIL	NIL	NIL
Subscription in advance	**NIL**	NIL	NIL	NIL	306
Total debt	**24,799,847**	25,505,376	31,965,400	27,723,232	10,490,553
	58,768,824	57,118,666	60,074,729	69,532,522	60,776,214
ASSETS EMPLOYED					
Property, plant and equipment	**51,100,953**	53,014,351	55,979,991	64,698,584	50,665,921
Other non-current assets	**3,937,152**	3,787,789	3,876,177	3,917,887	3,919,177
Current assets	**21,163,044**	15,333,672	15,136,068	12,821,020	17,140,415
Liabilities net of debt	**(17,432,325)**	(15,017,146)	(14,917,507)	(11,904,969)	(10,949,299)
	58,768,824	57,118,666	60,074,729	69,532,522	60,776,214
CASH FLOW					
Net cash generated from operating activities	**17,853,331**	14,282,578	10,815,052	6,791,920	12,534,433
Net cash used in investing activities	**(8,651,365)**	(6,748,217)	(9,703,630)	(23,025,988)	(25,498,939)
Net cash (used)/generated from financing activities	**(4,308,601)**	(6,024,781)	2,848,547	9,094,470	16,764,275
Net increase/(decrease) in cash and cash equivalents	**4,893,365**	1,509,580	3,959,969	(7,139,598)	3,799,769
KEY INDICATORS					
Basic earnings per share (Rs.)	**0.65**	0.59	(1.64)	(0.45)	1.15
Diluted earnings per share (Rs.)	**0.65**	0.59	(1.65)	(0.45)	1.13
Interest cover***	**NM**	9.75	(5.74)	(0.18)	15.21
Adjusted net asset per share (Rs.)*	**4.02**	3.57	2.99	4.58	5.56
Current ratio	**1.03**	0.88	0.76	0.51	1.09
Price earnings ratio**	**11.98**	20.00	NM	NM	17.70
Dividend per share (Rs.)	**0.25**	0.20	NIL	NIL	0.55
Dividend yield (%)	**3.21**	1.69	NIL	NIL	2.80
Market price per share (Rs.)	**7.80**	11.80	7.25	6.00	20.00

NM - Not Meaningful.

** Adjusted to exclude the preference share capital.*

*** Market price per share over diluted earnings per share.*

**** Group recorded a net interest income of Rs. 211 Mn in 2011.*

Group Real Estate Portfolio

Owning Company and location	Buildings in Sq. Feet	Land in Acres Freehold	Net Book Value 2011 Rs.	2010 Rs.
Properties in Colombo				
Dialog Axiata PLC				
No. 475, Union Place, Colombo 02.	76,855		392,234,674	398,060,839
No. 21, Samarakoon Mawatha, Gangarama, Piliyandala	22,106		44,185,826	45,611,303
Dialog Broadband Networks (Private) Limited				
No. 24, Foster Lane, Union place, Colombo 02		0.240	129,997,500	129,997,500
No. 55/2C, Old Avissawella Road, Kotikawatte	12,360	0.478	38,976,748	39,821,896
Kaluandura, Puwakpitiya, Avissawella		0.660	930,900	930,900
Properties outside Colombo				
Dialog Broadband Networks (Private) Limited				
Saliya Mawatha, Anuradhapura		1.919	7,777,510	7,777,510
Punachchiminai Road, Ward 40, Batticaloa.		0.250	4,131,000	4,131,000
Thambakanda, Kochchikade		0.797	1,275,000	1,275,000
Kotakanda, Kuda Bingiriya, Madampe.		0.704	1,476,685	1,476,685
Walagamageatta, Browns Hill, Matara		0.225	7,087,700	7,087,700
Anuradhapura Road, Baristapura, Puttalam		2.319	7,624,345	7,624,345
Ambalankanda, Horana		0.125	400,000	400,000
Furnishing and fixtures on leasehold building			210,712,414	317,633,316
Total land and building			846,810,302	961,827,994

Notice of Annual General Meeting

DIALOG AXIATA PLC (PQ 38)

NOTICE IS HEREBY GIVEN THAT THE FIFTEENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON WEDNESDAY, 9TH MAY 2012 AT 3.30 P.M. AT THE GRAND BALLROOM, WATERS EDGE, NO. 316, ETHUL KOTTE ROAD, BATTARAMULLA.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st December 2011 and the Auditors' Report thereon.
2. To declare a final dividend as recommended by the Board of Directors.
3. To re-elect as a Director, Mr. Mohamed Vazir Muhsin, who retires by rotation pursuant to Article 102 of the Articles of Association of the Company.
4. To re-elect as a Director, Mr. James Carl Grinwis Maclaurin who was appointed to the Board since the last Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company.
5. To re-elect as a Director, Mr. Moksevi Rasingh Prelis, who attained the age of 75 years on 2nd July 2011 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 Rasingh Prelis.
6. To re-elect as a Director, Mr. Jayantha Cudah Bandara Dhanapala, who attained the age of 73 years on 30th December 2011 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. Jayantha Cudah Bandara Dhanapala.
7. To reappoint Messrs PricewaterhouseCoopers, Chartered Accountants, as Auditors to the Company and to authorise the Directors to determine their remuneration.
8. To authorise the Directors to determine and make donations.
9. To consider any other business of which due notice has been given.

By Order of the Board,

Ms. Viranthi Attygalle
Company Secretary

30th March 2012
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 15th Annual General Meeting

DATE : Wednesday, 9th May 2012

TIME : 3.30 P.M.

VENUE : The Grand Ballroom, Waters Edge, No. 316, Ethul Kotte Road, Battaramulla.

REGISTRATION

1. Registration will be from 2.00 p.m. to 3.30 p.m.
2. Please produce your National Identity Card (NIC) to the registration staff for verification.
3. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.
4. You will be given an identification wristband and it will be mandatory that it is worn throughout the event as no person will be allowed to enter the meeting hall or refreshments area without the wristband. There will be no replacement in the event that you lose or misplace the identification wristband.
5. If you are attending the meeting as a shareholder as well as a proxy for another, you will be given only one identification wristband.
6. After registration, please leave the registration area immediately and proceed to the meeting hall.
7. The registration counters will handle only verification of identity and registration.

HELP DESK

8. Please proceed to the Help Desk for any clarification or queries.
9. The Help Desk will also handle revocation of proxy's appointment.

ENTITLEMENT TO ATTEND AND VOTE

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

PROXY

11. A shareholder entitled, as set out above, to attend and vote at the meeting but is unable to attend the meeting, is entitled to appoint a proxy to attend and vote at the AGM instead of him/her by completing the Form of Proxy enclosed herewith.
12. The Form of Proxy should only be used for the purpose of appointing a proxy to attend and vote on your behalf at the meeting in the event you are unable to attend the meeting, and should not be used to confirm participation at the AGM.
13. If you have submitted your Form of Proxy prior to the meeting and subsequently decide to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy. You will not be allowed to attend the meeting together with a proxy appointed by you.
14. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Company Secretary, Dialog Axiata PLC, No. 475, Union Place, Colombo 2, and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 3.30 p.m. on 7th May 2012.

ENQUIRY

15. If you have general queries prior to the meeting, you may contact us on our Shareholder Helpline on +94 773 908 929 or contact the following persons during working hours on the numbers given below:
    - Ms. Anushka Lewke +94 117 102 235
    - Ms. Nuwanthi Ruberu +94 777 087 564

Notes

Form of Proxy

I/We (name of shareholder/s) ....

(Holder of NIC/Passport/Company Registration No./s..)

of (address of shareholder/s)...

being a shareholder/s of **Dialog Axiata PLC**, hereby appoint-

☐ (Name of proxy) ....

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

(address of proxy) ....

OR failing him/her

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

as my/our proxy to represent me/us and vote on my/our behalf in accordance with the preference as indicated below at the Fifteenth Annual General Meeting of the Company to be held on **9th May 2012** at 3.30 P.M. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
Resolution 1 To receive and adopt the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st December 2011 and the Auditors' Report thereon.	☐	☐
Resolution 2 To declare a final dividend as recommended by the Board of Directors.	☐	☐
Resolution 3 To re-elect as a Director, Mr. Mohamed Vazir Muhsin, who retires by rotation pursuant to Article 102 of the Articles of Association of the Company.	☐	☐
Resolution 4 To re-elect as a Director, Mr. James Carl Grinwis Maclaurin, who was appointed to the Board since the last Annual General Meeting pursuant to Article 109 of the Articles of Association of the Company.	☐	☐
Resolution 5 To re-elect as a Director, Mr. Moksevi Rasingh Prelis, who attained the age of 75 years on 2nd July 2011 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 Rasingh Prelis.	☐	☐
Resolution 6 To re-elect as a Director, Mr. Jayantha Cudah Bandara Dhanapala, who attained the age of 73 years on 30th December 2011 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. Jayantha Cudah Bandara Dhanapala.	☐	☐
Resolution 7 To reappoint Messrs PricewaterhouseCoopers, Chartered Accountants, as Auditors to the Company and to authorise the Directors to determine their remuneration.	☐	☐
Resolution 8 To authorise the Directors to determine and make donations.	☐	☐

(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

Date

Contact No. of Shareholder/s

Note:
Instructions as to completion of the Form of Proxy are noted 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 and address, signing in the space provided and filling in the date of signature and contact number.
3. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Company Secretary, Dialog Axiata PLC, No. 475, Union Place, Colombo 2, and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 3.30 p.m. on 7th May 2012.
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, please take steps to revoke the appointment of proxy immediately.

Corporate Information

NAME OF COMPANY
Dialog Axiata PLC

COMPANY REGISTRATION NO.
PQ 38

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

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

STOCK EXCHANGE LISTING
The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

BOARD OF DIRECTORS
Datuk Azzat Kamaludin - *Chairman*
Dr. Hans Wijayasuriya - *Group Chief Executive*
Mr. Moksevi Prelis
Mr. Mohamed Muhsin
Mr. Jayantha Dhanapala
Mr. Azwan Khan Osman Khan
Dato' Sri Jamaludin Ibrahim
Mr. James Maclaurin

BOARD AUDIT COMMITTEE
Mr. Mohamed Muhsin - *Chairman*
Mr. Moksevi Prelis
Mr. Jayantha Dhanapala
Mr. Azwan Khan Osman Khan
Mr. James Maclaurin

NOMINATING & REMUNERATION COMMITTEE
Datuk Azzat Kamaludin - *Chairman*
Mr. Moksevi Prelis
Mr. Mohamed Muhsin

COMPANY SECRETARY
Ms. Viranthi Attygalle

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

BANKERS
Bank of Ceylon
Citibank N.A.
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Vardhana Bank Ltd.
Hatton National Bank PLC
Hongkong and Shanghai Banking Corporation Ltd.
National Savings Bank
Nations Trust Bank PLC
NDB Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Public Bank Berhad
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank Ltd.
Union Bank of Colombo Ltd.

CONTACT FOR SHAREHOLDER SERVICES
Group Corporate Services
3rd Floor,
57, Dharmapala Mawatha, Colombo 3
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