

MTN NETWORKS (PRIVATE) LIMITED**Income statement****(all amounts in Sri Lanka Rupees Thousands)**

	3 Months ended 31 March	Year ended 31 December
	2005	2004
Sales	3,852,646	11,406,685
Cost of sales	(1,320,656)	(3,931,917)
Gross profit	2,531,990	7,474,768
Other operating income	7,568	30,092
Administrative expenses	(350,317)	(1,597,415)
Distribution costs	(457,255)	(1,555,080)
Operating profit	1,731,986	4,352,365
Finance cost	7,705	(212,464)
Profit before tax	1,739,691	4,139,901
Tax	(17,877)	(39,382)
Net profit	1,721,814	4,100,519

The notes on pages 123 and 125 form an integral part of these financial statements.

MTN NETWORKS (PRIVATE) LIMITED

Balance sheet - 31 March 2005

(all amounts in Sri Lanka Rupees Thousands)

	3 Months ended 31 March 2005	Year ended 31 December 2004
ASSETS		
Non - current assets		
Capital work-in-progress	1,554,628	1,650,328
Property, plant and equipment	12,448,492	11,733,264
Intangible assets	96,635	82,300
	14,099,755	13,465,892
Current assets		
Inventories	237,199	229,410
Receivables and prepayments	2,508,833	2,268,281
Cash and cash equivalents	1,529,598	3,190,744
	4,275,630	5,688,435
Total assets	18,375,385	19,154,327
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shares	370,000	370,000
Preference shares	1,268,979	1,268,979
Retained earnings	5,931,159	7,068,281
Revaluation reserve	4,896	4,896
	7,575,034	8,712,156
Non - current liabilities		
Subscription in advance	3,414,190	3,414,190
Borrowings	3,058,045	3,137,717
Retirement benefit obligations	54,479	48,497
	6,526,714	6,600,404
Current liabilities		
Trade and other payables	3,862,544	3,483,757
Current tax liabilities	43,825	32,854
Borrowings	367,268	325,156
	4,273,637	3,841,767
Total liabilities	10,800,351	10,442,171
Total equity and liabilities	18,375,385	19,154,327

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

These financial statements were approved by the Board on 16 June 2005

..... Signed
 Directors
 Signed

MTN NETWORKS (PRIVATE) LIMITED**Statement of changes in equity****(all amounts in Sri Lanka Rupees Thousands)**

	Ordinary Share Capital	Revaluation Reserve	Retained Earnings	Total
Balance at 1 January 2004	370,000	5,117	3,833,826	4,208,943
Depreciation transfer	Nil	(221)	221	Nil
Net profit	Nil	Nil	4,100,519	4,100,519
Dividend paid	Nil	Nil	(866,285)	(866,285)
Balance at 31 December 2004	370,000	4,896	7,068,281	7,443,177
Balance at 1 January 2005	370,000	4,896	7,068,281	7,443,177
Depreciation transfer	Nil	Nil	Nil	Nil
Net Profit	Nil	Nil	1,721,814	1,721,814
Dividend paid	Nil	Nil	(2,858,936)	(2,858,936)
Balance at 31 March 2005	370,000	4,896	5,931,159	6,306,055

The notes on pages 35 and 37 form an integral part of these financial statements.

MTN NETWORKS (PRIVATE) LIMITED

Cash flow statement

(all amounts in Sri Lanka Rupees Thousands)

	3 Months Ended 31 March	Year Ended 31 December
	2005	2004
Operating activities		
Cash generated from operations	2,357,319	7,151,974
Interest received	39,385	100,914
Interest paid	(52,342)	(276,112)
Tax paid	Nil	(6,528)
Retirement benefit obligations paid	(18)	(165)
Net cash from operating activities	2,344,344	6,970,083
Investing activities		
Purchase of property, plant and equipment	(1,102,941)	(645,310)
Purchase of intangible assets	Nil	(136,830)
Expenditure incurred on capital work-in-progress	Nil	(3,285,736)
Proceeds from sale of property, plant and equipment	826	7,248
Net cash used in investing activities	(1,102,115)	(4,060,628)
Financing activities		
Repayment of finance leases	(6,491)	(18,564)
Repayment of long term borrowings	(83,000)	(424,498)
Proceeds from long term borrowings	Nil	1,054,737
Dividend paid	(2,858,936)	(866,285)
Net cash used in financing activities	(2,948,427)	(254,610)
(Decrease) / increase in cash and cash equivalents	(1,706,198)	2,654,845
Movement in cash and cash equivalents		
At start of year	3,170,335	515,490
(Decrease) / increase	(1,706,198)	2,654,845
At end of year	1,464,137	3,170,335

The notes on pages 123 and 125 form an integral part of these financial statements.

MTN NETWORKS (PRIVATE) LIMITED

Notes to the Financial Statements

1. Accounting policies

The financial statements of Dialog Telekom Limited for the 3 months ended 31 March 2005 have been prepared under the historical cost convention and are in accordance with Generally Accepted Accounting Principles and the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The accounting policies have been followed consistently from one accounting period to another. There have been no significant changes in the accounting policies adopted during the 3 months ended 31 March 2005.

2. Preference dividends

Preference dividends of Rs 5.10 per share amounting to Rs 107,863,195, in respect of the year ended 31 December 2004, was declared and paid during the 3 months ended 31 March 2005.

3. Events occurring after the balance sheet date

3.1 Conversion of preference shares to ordinary shares

Redeemable, cumulative and convertible preference share capital amounting to Rs 1,268,978,760 (21,149,646 shares of Rs 60 each) were converted to 190,346,814 ordinary shares of Rs 10 each on 20 May 2005, i.e. by the issue of 9 ordinary shares for each preference share held as at the date.

3.2 Issue of bonus shares

368,581,000 ordinary shares of Rs 10 each, amounting to Rs 3,685,810,000, were issued to TM International (L) Limited as bonus shares through capitalisation of Rs 3,685,810,000 of the retained earnings as on 20 May 2005.

3.3 Issue of new ordinary shares

Ordinary shares amounting to Rs 954,190,000 (95,419,000 shares of Rs 10 each at par) were issued to TM International Sdn.Bhd on 20 May 2005 against the subscription in advance of Rs 3,414,190,000, received from TM International Sdn.Bhd. These shares amounting to Rs. 954,190,000 held by TM International Sdn.Bhd. has since been transferred to TM International (L) Limited.

3.4 Subscription in advance.

On the same date the Board resolved to refund the balance in the subscription in advance account amounting to Rs 2,460,000,000 following the issue of ordinary shares to TM International Sdn.Bhd referred to in 3.3 above, by obtaining facilities from a commercial bank.

3.5 Increase of authorised share capital

The Authorised Share Capital of the Company, amounting to Rs. 6,000,000,000 (469,442,124 ordinary shares of Rs. 10 each and 21,759,646 preference shares of Rs 60 each) was increased to Rs 10,000,000,000 (1,000,000,000 Ordinary shares of Rs 10 each).

3.6. Sub division of ordinary shares of Rs 10 each to ordinary shares of Rs 1 each.

The authorised share capital of 1,000,000,000 shares having a par value of Rs 10 each was subdivided into 10,000,000,000 shares of Rs 1 each.

3.7 Conversion of the Company to a public company and the change of the Company name.

Subsequent to the balance sheet date, the Company, MTN Networks (Private) Limited was converted into a public company and the name changed to "Dialog Telekom Limited".

3.8 Facilities and guarantees

The Standard Chartered Bank which has granted facilities to the Company on the strength of a corporate guarantee received from Telekom Malaysia has now released the guarantee and agreed to give all facilities on a 'clean basis'.

The International Finance Corporation (IFC) has approved a USD 50,000,000 facility to the Company as at the date of this prospectus and no draw downs have been made by the Company, as at the date of its prospect.

3.9 Earnings per share

Before the capital restructuring

Basic earning per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares of Rs 10 each in issue during the period/year.

	3 months ended 31 March 2005 (Rs 000')	Year ended 31 December 2004 (Rs 000')
Net profit attributable to ordinary shareholders	1,721,814	3,992,656
Weighted average number of ordinary shares in issue (thousands)	37,000	37,000
Basic earnings per share (Rs)	46.53	107.90

Subsequent to the capital restructuring

Basic earning per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares of Rs 1 each in issue.

	3 months ended 31 March 2005 (Rs 000')	Year ended 31 December 2004 (Rs 000')
Net profit attributable to ordinary shareholders	1,721,814	4,100,519
Weighted average number of ordinary shares in issue (thousands)	6,913,468	6,913,468
Basic earnings per share (Rs)	0.23	0.57