

Sri Lanka Telecom PLC and its Subsidiaries

Registration No. - PQ 7

Interim Financial Report 1 st Quarter 2017

OUR VISION

All Sri Lankans seamlessly connected with world class information, communication and entertainment services.

OUR MISSION

Your trusted and proven partner for innovative and exciting communication experiences delivered with passion, quality and commitment.



Sri Lanka Telecom

One Country. One Voice.



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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

REVIEW REPORT TO THE SHAREHOLDERS OF SRI LANKA TELECOM PLC

Introduction

We have reviewed the accompanying condensed statement of financial position of Sri Lanka Telecom PLC as at 31 March 2017, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the condensed interim financial information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with LKAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The corresponding figures presented for the period ended 31 March 2016 are based on the reviewed financial statements.

Scope of Review

We conducted our review in accordance with the Sri Lanka Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Sri Lanka Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 31 March 2017 is not prepared, in all material respects, in accordance with LKAS 34, 'Interim Financial Reporting'.

Chartered Accountants
Colombo

12 May 2017

Sri Lanka Telecom PLC

Company Registration No. PQ 7

Condensed Interim Financial Statements

Statement of Profit or Loss and other Comprehensive Income

(All amounts in LKR Millions)

	Group		Company	
	Jan - Mar		Jan - Mar	
	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)
Revenue	18,667	18,405	11,208	10,821
Operating costs	(13,054)	(12,712)	(8,157)	(7,934)
Operating profit before depreciation and amortization	5,613	5,693	3,051	2,887
Depreciation	(3,868)	(3,231)	(2,518)	(1,931)
Amortisation of intangible assets	(128)	(157)	(49)	(59)
Operating profit	1,617	2,305	484	897
Other income	286	104	285	90
Interest expenses and finance cost	(47)	(90)	(3)	(19)
Foreign exchange (loss) /gain	(364)	(307)	(257)	(64)
Interest income	275	203	118	84
Profit before tax	1,767	2,215	627	988
Income tax expenses	(315)	(490)	(82)	(284)
Profit for the Period	1,452	1,725	545	704
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain	63	(1)	60	(1)
Tax on other comprehensive income	(18)	-	(17)	-
Other comprehensive income for the period (net of tax)	45	(1)	43	(1)
Total Comprehensive Income for the Period	1,497	1,724	588	703
Profit Attributable to :				
Owners of the company	1,452	1,725	545	704
Total Comprehensive Income attributable to:				
Owners of the company	1,497	1,724	588	703
Earnings per share				
Basic (Rs.)	0.80	0.96	0.30	0.39

Statement of Financial Position
(All amounts in LKR Millions)

	Group		Company	
	31 Mar 2017 (Reviewed)	31-Dec-16 (Audited)	31 Mar 2017 (Reviewed)	31-Dec-16 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	109,685	108,649	83,608	81,524
Intangible assets and goodwill	3,692	3,713	856	879
Investments in subsidiaries	-	-	14,220	14,220
Deferred tax assets	51	51	-	-
Other receivables	3,075	3,033	3,062	3,021
Total Non-current Assets	116,503	115,446	101,746	99,644
Current Assets				
Inventories	3,054	1,585	2,344	1,146
Trade and other receivables	20,794	18,287	17,729	16,162
Current tax receivables	64	146	64	146
Other investments	711	764	600	705
Cash and cash equivalents	7,491	6,682	1,231	314
Total Current Assets	32,114	27,464	21,968	18,473
Total Assets	148,617	142,910	123,714	118,117
Equity and Liabilities				
Equity				
Stated capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Insurance reserve	708	680	708	680
Retained earnings	51,327	49,858	40,831	40,271
Equity attributable to equity share holders of the company	70,084	68,587	59,588	59,000
Non controlling Interest	92	91	-	-
Total Equity	70,176	68,678	59,588	59,000
Non Current Liabilities				
Grants	7	9	7	9
Borrowings	20,493	14,859	19,628	13,809
Deferred income	2,288	2,340	2,245	2,297
Deferred tax liabilities	4,477	4,517	4,466	4,507
Employee benefits	4,676	4,538	4,111	3,984
Trade and other payables	2,767	2,743	252	252
Total Non Current Liabilities	34,708	29,006	30,709	24,858
Current Liabilities				
Borrowings	15,617	18,081	12,743	14,726
Deferred income	1,167	1,435	577	576
Current tax liabilities	477	413	-	-
Trade and other payables	26,472	25,297	20,097	18,957
Total Current Liabilities	43,733	45,226	33,417	34,259
Total Liabilities	78,441	74,232	64,126	59,117
Total Equity and Liabilities	148,617	142,910	123,714	118,117

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

Signed

Udeni Samararatne
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors on 12th May 2017.

Signed for and behalf of the Board.

Signed
Chandra Ekanayake
Director

Signed
Nilanthi Pieris
Director

Sri Lanka Telecom PLC
Company Registration No. PQ 7
Condensed Interim Financial Statements

Statement of Changes in Equity

(All amounts in LKR Millions)

Group	Attributable to owners of the Company					
	Stated Capital	Insurance Reserve	Retained Earnings	Total	Non controlling interest	Total Equity
Balance as at 1 January 2016	18,049	605	46,586	65,240	-	65,240
Total comprehensive income for the period					-	-
Net profit for the period			1,725	1,725	-	1,725
Other comprehensive income					-	-
Defined benefit plan actuarial (loss)/gain, net of tax			(1)	(1)	-	(1)
Total comprehensive income for the period	-	-	1,724	1,724	-	1,724
Insurance reserve						
-Transferred to insurance reserve		12	(12)	-	-	-
Balance as at 31 March 2016	18,049	617	48,298	66,964	-	66,964
Balance as at 1 April 2016	18,049	617	48,298	66,964	-	66,964
Non Controlling interest					91	-
Total comprehensive income for the period						
Net profit for the period			3,065	3,065		3,065
Other comprehensive income						-
-Foreign currency translation differences						-
Defined benefit plan actuarial (losses)/gain, net of tax			164	164		164
Total comprehensive income for the period	-	-	3,229	3,229	91	3,229
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Dividend to equity shareholders			(1,606)	(1,606)		(1,606)
Insurance reserve						
-Transferred to insurance reserve		63	(63)	-	-	-
Balance as at 31 December 2016	18,049	680	49,858	68,587	91	68,678
Balance as at 1 January 2017	18,049	680	49,858	68,587	91	68,678
Non controlling interest					1	1
Total comprehensive income for the period						-
Net profit for the period			1,452	1,452		1,452
Other comprehensive income						
Defined benefit plan actuarial (losses)/gain, net of tax			45	45		45
Total comprehensive income for the period	-	-	1,497	1,497		1,497
Insurance reserve						
-Transferred to insurance reserve		28	(28)	-		-
Balance as at 31 March 2017	18,049	708	51,327	70,084	92	70,176

Sri Lanka Telecom PLC
Company Registration No. PQ 7
Condensed Interim Financial Statements

Statement of Changes in Equity
(All amounts in LKR Millions)

Company	Attributable to owners of the Company			
	Stated Capital	Insurance Reserve	Retained Earnings	Total
Balance as at 1 January 2016	18,049	605	40,048	58,702
Total comprehensive income for the period				
Net profit for the period			704	704
Other comprehensive income				-
Defined benefit plan actuarial (loss)/gain, net of tax			(1)	(1)
Total comprehensive income for the period	-	-	703	703
Insurance reserve				
-Transferred to insurance reserve		12	(12)	-
Balance as at 31 March 2016	18,049	617	40,739	59,405
Balance as at 1 April 2016	18,049	617	40,739	59,405
Total comprehensive income for the period				
Net profit for the period			1,021	1,021
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			180	180
Total comprehensive income for the period	-	-	1,201	1,201
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Dividend to equity shareholders			(1,606)	(1,606)
Insurance reserve				
-Transferred to insurance reserve		63	(63)	
Balance as at 31 December 2016	18,049	680	40,271	59,000
Balance as at 1 January 2017	18,049	680	40,271	59,000
Total comprehensive income for the period				
Net profit for the period			545	545
Other comprehensive income				
- Fair value reserve reclassified to profit or loss				
Defined benefit plan actuarial (loss)/gain, net of tax			43	43
Total comprehensive income for the period	-	-	588	588
Insurance reserve				
-Transferred to insurance reserve		28	(28)	
Balance as at 31 March 2017	18,049	708	40,831	59,588

Sri Lanka Telecom PLC
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Condensed Interim Financial Statements

Statement of Cash Flows for the Year ended 31 March
(All amounts in LKR Millions)

	GROUP		COMPANY	
	2017	2016	2017	2016
Operating activities				
Cash generated from operations	2,691	4,121	1,618	1,190
Interest received	304	225	147	106
Interest paid	(477)	(408)	(450)	(348)
Tax paid	(227)	(235)	(58)	(27)
Gratuity paid	(57)	(47)	(53)	(43)
Net cash generated from operating activities	2,234	3,656	1,204	878
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(4,417)	(3,850)	(4,115)	(3,320)
Acquisition of intangible assets	(107)	(9)	(26)	(5)
Proceeds from disposal of property, plant and equipment	242	45	240	44
Proceeds /(Purchase) of short term investments	39	397	89	3
Net cash used in investing activities	(4,243)	(3,417)	(3,812)	(3,278)
Cash flows from Financing activities				
Proceeds from borrowings	7,545	3,183	7,523	2,875
Finance lease principal re-payments	(18)	(20)	(13)	(13)
Re-payment on borrowings	(2,723)	(3,094)	(2,532)	(1,809)
Net cash generated/(used) from financing activities	4,804	69	4,978	1,053
Increase/(Decrease) in cash and cash equivalents	2,795	308	2,370	(1,347)
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	(616)	4,620	(6,234)	223
Effect on exchange fluctuation on cash and cash equivalents	5	(3)	5	(3)
	(611)	4,617	(6,229)	220
Increase/(Decrease) in cash and cash equivalents	2,795	308	2,370	(1,347)
Cash and cash equivalents at 31 March (Note 1)	2,184	4,925	(3,859)	(1,127)
Note 1				
Cash and cash equivalents	7,491	7,706	1,231	577
Bank overdraft	(5,307)	(2,781)	(5,090)	(1,704)
	2,184	4,925	(3,859)	(1,127)

I. Reporting Entity

Sri Lanka Telecom PLC (the 'Company') is a company domiciled in Sri Lanka. The address of the Company's registered office is Lotus Road, Colombo 1. The condensed separate interim financial statements relates to Sri Lanka Telecom PLC. These condensed consolidated interim financial statements ('interim financial statements') as at and for the three months ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is primarily involved in providing broad portfolio of telecommunication services across Sri Lanka. In addition, the range of services provided by the Group include, inter-alia, internet services, data services, domestic and international leased circuits, broadband, satellite uplink, maritime transmission, IPTV service and directory publishing service. The Company is a quoted public Company which has its listing on the Colombo Stock Exchange.

II. Basis of Accounting

These interim financial statements have been prepared in accordance with LKAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of SLFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2016.

These interim financial statements were authorized for issue by the Company's Board of Directors on 12 May 2017.

III. Significant Accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied in the financial statements as at and for the year ended 31 December 2016.

IV. Use of Judgment and Estimates

In preparing these interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2016.

V. Operating Segments

(a) Information about reportable segments
(All amounts are in Rs.Mn)

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Total	
	31 March		31 March		31 March		31 March	
	2017	2016	2017	2016	2017	2016	2017	2016
External revenues	10,306	9,994	8,070	8,287	291	124	18,667	18,405
Inter-segment revenue	902	827	772	562	354	539	2,028	1,928
Reportable segment revenue	11,208	10,821	8,842	8,849	645	663	20,695	20,333
Reportable segment Profit before tax	627	988	1,121	1,244	59	8	1,807	2,240
Interest revenue	118	84	151	113	6	6	275	203
Interest expenses	(3)	(19)	(39)	(67)	(5)	(4)	(47)	(90)
Depreciation and Amortization	(2,567)	(1,990)	(1,410)	(1,377)	(19)	(21)	(3,996)	(3,388)

	2017	2016
Revenue		
Total revenue for reportable segments	20,050	19,670
Revenue for other segments	645	663
Reportable segment revenue	20,695	20,333
Elimination of inter-segment revenue	(2,028)	(1,928)
Consolidated revenue	18,667	18,405
Profit or loss		
Total Profit or loss for reportable segments	1,748	2,232
Profit or loss for other segments	59	8
Reportable segment Profit before tax	1,807	2,240
Elimination of inter-segment profits	(40)	(25)
Consolidated profit before tax	1,767	2,215

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Elimination of inter segment balances		Consolidated assets and liabilities	
	31-Mar 2017	31-Dec 2016	31-Mar 2017	31-Dec 2016	31-Mar 2017	31-Dec 2016	31-Mar 2017	31-Dec 2016	31-Mar 2017	31-Dec 2016
Reportable segment assets	123,714	118,117	46,422	45,464	1,975	1,868	(23,494)	(22,539)	148,617	142,910
Reportable segment liabilities	64,126	59,117	22,371	22,335	1,707	1,617	(9,763)	(8,837)	78,441	74,232

VI. Seasonal or Cyclical Factors

The operations of the Group were not significantly affected by any seasonal or cyclical factors

VII. Significant unusual items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 31 March 2017.

VIII. Property Plant and Equipment

(a) Acquisitions and disposals

During the three months ended 31 March 2017, the Group acquired assets with a cost of Rs 3,031 mn (three months ended 31 March 2016: Rs 2,968 mn). This amount excludes capitalized borrowing costs.

Assets with a carrying amount of Rs Nil were disposed of three months ended 31 March 2017 (three months ended 31 March 2016: Rs Nil), resulting in a gain on disposal of Rs 242 mn (three months ended 31 March 2016: gain of Rs 45 mn), which was included in 'other income' in the condensed statement of profit or loss and OCI.

(b) Capital commitments

	Group (Rs. Mn)		Company (Rs. Mn)	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
Property plant and equipment				
Approved but not contracted	20,224	19,261	20,224	19,261
Approved and contracted	13,877	13,229	13,506	12,863

IX. Capital and Reserves

(a) Stated Capital

Stated capital of the Company consists of 1,804,860,000 ordinary shares.

X. Loans and Borrowings

Material repayment of Loans and Borrowings at group level for the period is as follows:

Repayments	Currency	Amount (Rs.Mn)
Bank loan – 31 Mar 2017	LKR	2,723

Material addition to Loans and Borrowings at group level for the period is as follows:

Additions	Currency	Amount (Rs.Mn)
Bank loan – 31 Mar 2017	LKR	7,545

XI. Contingencies

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the audited financial statements for the year ended 31 December 2016.

XII. Related Parties

Material related party transactions during the quarter are as follows;

Company	Nature of Transaction	Transaction value (Rs.Mn)		Amount due (to)/ from related parties (Rs.Mn)	
		31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
Mobitel (Private) Limited	Sale of goods and services	895	824	4,364	3,861
	Purchase of goods and services	652	625	(3,804)	(3,389)

XIII. Events after the Reporting Date

The Board of Directors of the company have recommended a first and final dividend of Rs.0.89 per share (2015 – Rs.0.89) on voting shares of the company by way of cash dividend for the financial year ended 31 December 2016. Further, the dividend is to be approved at the Annual General Meeting to be held on the 24th of May 2017.

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

Investor Information

Ratios

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
Net asset value per share (Rs)	38.88	38.05	33.02	32.69
Gearing ratio -Number of times	0.34	0.32	0.35	0.33
Quick asset ratio - Number of times	0.66	0.57	0.59	0.51

	For the Quarter ended		For the Quarter ended	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
Interest cover - Number of times	3.40	8.15	1.29	4.75

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)

	3 Months to 31 Mar 2017	3 Months to 31 Mar 2016
-Highest	36.70	46.40
-Lowest	32.10	31.20
-Last Traded price	33.30	38.80

Share trading from 1 January to 31 March 2017

	3 Months to 31 Mar 2017
-No of Transactions	639
- No of Shares Traded	219,670
-Value of Shares Traded (Rs)	7,536,938

Sri Lanka Telecom PLC**Company Registration No. PQ 7****Condensed Interim Financial Statements**

List of 20 Major Shareholders

<u>Name & Address</u>	<u>Share Holding</u>	<u>Percentage %</u>
1 Secretary to the Treasury	893,405,709	49.50
2 Global Telecommunications Holdings NV	811,757,869	44.98
3 Employees Provident Fund	25,324,104	1.40
4 Bank of Ceylon A/C Ceybank Unit Trust.	18,089,587	1.00
5 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
6 National Savings Bank	13,158,700	0.73
7 Employees Trust Fund Board	3,302,188	0.18
8 Sri Lanka Insurance Corporation Ltd-General Fund	2,041,538	0.11
9 Bank of Ceylon A/C Ceybank Century Growth Fund	1,457,636	0.08
10 Mr.Vandrevala	231,500	0.01
11 The Incorporated Trustees of the Church of Ceylon	223,590	0.01
12 Bank of Ceylon No 1 Account	214,000	0.01
13 Ceylon Biscuits Limited	162,000	0.01
14 Pinnacle Trust (Pvt) Limited	160,000	0.01
15 Mr.Tanaka	154,920	0.01
16 People's Leasing & Finance PLC / C.N Jayasooriya	150,000	0.01
17 Mrs.Edirisinghe	145,000	0.01
18 Sinharaja Hills Plantation Pvt Limited	107,491	0.01
19 Mr Van Starrex	97,638	0.01
20 Elgin Investment Limited	93,531	0.01
	1,787,990,736	99.07

- 2) Percentage of public holding as at 31 March 2016 5.52%
- 3) Number of shareholders representing the public holding - 12,205
- 3) Directors' holding & Chief Executive Officers's holding in shares of the equity - None of the Directors and the CEO held shares of the company.
- 4) Number of shares representing the Entity's stated capital - 1,804,860,000 Ordinary shares issued at Rs.10 per share.