

Sri Lanka Telecom PLC



Condensed Interim Financial Statements

For the Quarter ended

30 September 2016



KPMG
(Chartered Accountants)
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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 30 September 2016, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 9 months 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 30 September 2015 were not reviewed by us.

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 Standard 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 30 September 2016 is not prepared, in all material respects, in accordance with LKAS 34, 'Interim Financial Reporting'.

Chartered Accountants
Colombo

03 November 2016

Statement of Profit or Loss and other Comprehensive Income

(All amounts in LKR Millions)

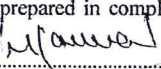
	Group		Company		Group		Company	
	July-Sep		July-Sep		Jan - Sep.		Jan - Sep.	
	2016 (Reviewed)	2015 (Not Reviewed)	2016 (Reviewed)	2015 (Not Reviewed)	2016 (Reviewed)	2015 (Not Reviewed)	2016 (Reviewed)	2015 (Not Reviewed)
Revenue	18,980	17,313	11,064	10,314	55,668	50,840	32,391	30,223
Operating costs	(13,558)	(11,785)	(8,372)	(7,537)	(39,654)	(34,421)	(24,327)	(21,964)
Operating profit before depreciation and amortization	5,422	5,528	2,692	2,777	16,014	16,419	8,064	8,259
Depreciation	(3,462)	(3,167)	(2,138)	(1,894)	(10,003)	(9,374)	(6,057)	(5,619)
Amortisation of intangible assets	(157)	(161)	(55)	(61)	(469)	(491)	(172)	(188)
Operating profit	1,803	2,200	499	822	5,542	6,554	1,835	2,452
Other income	358	101	350	80	560	216	516	157
Interest expenses and finance cost	(46)	(120)	14	(36)	(207)	(338)	(15)	(120)
Foreign exchange (loss) /gain	48	(1,405)	17	(670)	(524)	(1,768)	(217)	(752)
Interest income	252	252	105	146	695	746	289	497
Profit before tax	2,415	1,028	985	342	6,066	5,410	2,408	2,234
Income tax expenses	(572)	(398)	(334)	(214)	(1,400)	(1,303)	(758)	(781)
Profit for the Period	1,843	630	651	128	4,666	4,107	1,650	1,453
Other comprehensive income								
Defined benefit plan actuarial (loss)/gain	(1)	(109)	(1)	(109)	(3)	(327)	(3)	(327)
Tax on other comprehensive income	1	31	1	31	1	92	1	92
Other comprehensive income for the period (net of tax)	-	(78)	-	(78)	(2)	(235)	(2)	(235)
Total Comprehensive Income for the Period	1,843	552	651	50	4,664	3,872	1,648	1,218
Profit Attributable to :								
Owners of the company	1,843	630	651	128	4,666	4,107	1,650	1,453
Total Comprehensive Income attributable to:								
Owners of the company	1,843	552	651	50	4,664	3,872	1,648	1,218
Earnings per share								
Basic (Rs.)	1.02	0.35	0.36	0.07	2.59	2.28	0.91	0.81

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

Statement of Financial Position
(All amounts in LKR Millions)

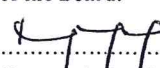
	Group		Company	
	30-Sep-16 (Reviewed)	31-Dec-15 (Audited)	30-Sep-16 (Reviewed)	31-Dec-15 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	106,444	99,283	78,986	70,081
Intangible assets and goodwill	3,297	2,891	918	1,084
Advance against investment	642	-	-	-
Investments in subsidiaries	-	-	14,220	14,220
Deferred tax assets	35	37	-	-
Other receivables	3,186	2,908	3,175	2,908
Total Non-current Assets	113,604	105,119	97,299	88,293
Current Assets				
Inventories	688	874	343	561
Trade and other receivables	17,356	14,033	13,967	13,091
Current tax receivables	427	1	426	-
Other investments	725	1,043	671	641
Cash and cash equivalents	5,839	5,475	224	475
Total Current Assets	25,035	21,426	15,631	14,768
Total Assets	138,639	126,545	112,930	103,061
Equity and Liabilities				
Equity				
Stated capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Insurance reserve	667	605	667	605
Retained earnings	49,582	46,586	40,028	40,048
Total Equity	68,298	65,240	58,744	58,702
Non Current Liabilities				
Grants	11	16	11	16
Borrowings	17,043	14,949	15,125	12,025
Deferred income	2,373	2,370	2,318	2,315
Deferred tax liabilities	4,689	3,600	4,682	3,594
Employee benefits	4,950	4,353	4,464	3,892
Trade and other payables	2,739	2,935	250	252
Total Non Current Liabilities	31,805	28,223	26,850	22,094
Current Liabilities				
Borrowings	12,732	9,446	9,276	4,147
Deferred income	2,083	2,027	638	661
Current tax liabilities	446	447	-	15
Trade and other payables	23,275	21,162	17,422	17,442
Total Current Liabilities	38,536	33,082	27,336	22,265
Total Liabilities	70,341	61,305	54,186	44,359
Total Equity and Liabilities	138,639	126,545	112,930	103,061

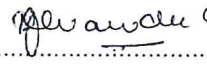
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.


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 03 November 2016.

Signed for and behalf of the Board.


P.G. Kumarsinghe Sirisena
Chairman


Chandra Ekanayake
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 Equity
Balance as at 1 January 2015	18,049	560	44,522	63,131
Total comprehensive income for the period				
Net profit for the period			4,107	4,107
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			(235)	(235)
Total comprehensive income for the period	-	-	3,872	3,872
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Dividends to equity share holders			(1,606)	(1,606)
Insurance reserve				
-Transferred to insurance reserve		32	(32)	-
Balance as at 30 September 2015	18,049	592	46,756	65,397
Balance as at 1 October 2015	18,049	592	46,756	65,397
Total comprehensive income for the period				
Net profit for the period			(383)	(383)
Other comprehensive income				
Defined benefit plan actuarial (losses)/gain, net of tax			226	226
Total comprehensive income for the period	-	-	(157)	(157)
Transactions with owners, recorded directly in equity Contribution by and distribution to owners				
Insurance reserve				-
-Transferred to insurance reserve		13	(13)	-
Balance as at 31 December 2015	18,049	605	46,586	65,240
Balance as at 1 January 2016	18,049	605	46,586	65,240
Total comprehensive income for the period				
Net profit for the period			4,666	4,666
Other comprehensive income				
Defined benefit plan actuarial (losses)/gain, net of tax			(2)	(2)
Total comprehensive income for the period	-	-	4,664	4,664
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Dividends to equity share holders			(1,606)	(1,606)
Insurance reserve				
-Transferred to insurance reserve		62	(62)	-
Balance as at 30 September 2016	18,049	667	49,582	68,298

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 Equity
Balance as at 1 January 2015	18,049	560	39,968	58,577
Total comprehensive income for the period				
Net profit for the period			1,453	1,453
Other comprehensive income				-
Defined benefit plan actuarial (loss)/gain, net of tax			(235)	(235)
Total comprehensive income for the period	-	-	1,218	1,218
Transactions with owners, recorded directly in equity				
contribution by and distribution to owners				
Dividends to equity share holders			(1,606)	(1,606)
Insurance reserve				
-Transferred to insurance reserve		32	(32)	-
Balance as at 30 September 2015	18,049	592	39,548	58,189
Balance as at 1 October 2015	18,049	592	39,548	58,189
Total comprehensive income for the period				
Net profit for the period			275	275
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			238	238
Total comprehensive income for the period	-	-	513	513
Transactions with owners, recorded directly in equity				
contribution by and distribution to owners				
Insurance reserve				
-Transferred to insurance reserve		13	(13)	-
Balance as at 31 December 2015	18,049	605	40,048	58,702
Balance as at 1 January 2016	18,049	605	40,048	58,702
Total comprehensive income for the period				
Net profit for the period			1,650	1,650
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			(2)	(2)
Total comprehensive income for the period	-	-	1,648	1,648
Transactions with owners, recorded directly in equity				
contribution by and distribution to owners				
Dividends to equity share holders			(1,606)	(1,606)
Insurance reserve				
-Transferred to insurance reserve		62	(62)	
Balance as at 30 September 2016	18,049	667	40,028	58,744

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

Statement of Cash Flows
(All amounts in LKR Millions)

	Group		Company	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
For the 9 months ended				
Operating activities				
Cash generated from operations	13,722	17,514	6,441	8,730
Interest received	705	781	299	532
Interest paid	(1,073)	(785)	(898)	(687)
Tax paid	(735)	(626)	(110)	(77)
Gratuity paid	(163)	(121)	(148)	(110)
Net cash generated from operating activities	12,456	16,763	5,584	8,388
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(14,723)	(13,249)	(12,521)	(9,915)
Acquisition of intangible assets	(807)	(28)	(6)	(4)
Proceeds from disposal of property, plant and equipment	290	39	279	20
Advance against investments	(642)	-	-	(25)
Proceeds /(Purchase) of short term investments	378	6,230	30	5,931
Net cash used in investing activities	(15,504)	(7,008)	(12,218)	(3,993)
Cash flows from Financing activities				
Proceeds from borrowings	9,031	420	8,524	-
Finance lease principal re-payments	(56)	(68)	(38)	(52)
Re-Payment on borrowings	(7,226)	(5,637)	(3,628)	(2,947)
Dividend paid to equity share holders	(1,606)	(1,606)	(1,606)	(1,606)
Net cash generated/(used) from financing activities	143	(6,891)	3,252	(4,605)
Increase/(Decrease) in cash and cash equivalents	(2,905)	2,864	(3,382)	(210)
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	4,620	3,774	223	1,002
Effect on exchange fluctuation on cash and cash equivalents	1	28	1	28
	4,621	3,802	224	1,030
Increase/(Decrease) in cash and cash equivalents	(2,905)	2,864	(3,382)	(210)
Cash and cash equivalents at 30 Sep (Note 1)	1,716	6,666	(3,158)	820
Note 1				
Cash and cash equivalents	5,839	7,394	224	820
Bank overdraft	(4,123)	(728)	(3,382)	-
	1,716	6,666	(3,158)	820

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 nine months ended 30 September 2016 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, directory publishing service, education and property management. 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 2015.

These interim financial statements were authorized for issue by the Company's Board of Directors on 03 November 2016.

III. Use of Judgments 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 expense. 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 2015.

IV. Operating segments

(a) Information about reportable segments

(All amounts are in Rs.Mn)

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Total	
	30 Sep		30 Sep		30 Sep		30 Sep	
	2016	2015	2016	2015	2016	2015	2016	2015
External revenues	29,883	27,647	25,193	22,703	592	490	55,668	50,840
Inter-segment revenue	2,508	2,576	1,740	1,743	1,675	1,441	5,923	5,760
Reportable segment revenue	32,391	30,223	26,933	24,446	2,267	1,931	61,591	56,600
Reportable segment Profit before tax	2,408	2,234	3,686	3,176	66	92	6,160	5,502
Interest revenue	289	497	381	229	25	20	695	746
Interest expenses	(15)	(120)	(179)	(210)	(13)	(8)	(207)	(338)
Depreciation and Amortization	(6,229)	(5,807)	(4,181)	(3,999)	(62)	(59)	(10,472)	(9,865)

Revenues	2016	2015
Total revenue for reportable segments	59,324	54,669
Revenue for other segments	2,267	1,931
Reportable segment revenue	61,591	56,600
Elimination of inter-segment revenue	(5,923)	(5,760)
Consolidated revenue	55,668	50,840
Profit or loss		
Total Profit or loss for reportable segments	6,094	5,410
Profit or loss for other segments	66	92
Reportable segment Profit before tax	6,160	5,502
Elimination of inter-segment profits	(94)	(92)
Consolidated profit before tax	6,066	5,410

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Elimination of inter segment balances		Consolidated assets and liabilities	
	30-Sep 2016	31-Dec 2015	30-Sep 2016	31-Dec 2015	30-Sep 2016	31-Dec 2015	30-Sep 2016	31-Dec 2015	30-Sep 2016	31-Dec 2015
Reportable segment assets	112,930	103,061	45,348	42,606	1,875	1,940	(21,514)	(21,062)	138,639	126,545
Reportable segment liabilities	54,186	44,359	22,581	22,936	1,406	1,462	(7,832)	(7,452)	70,341	61,305

V. Seasonal or cyclical factors

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

VI. 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 or the period ended 30 September 2016.

VII. Property Plant and equipment

(a) Acquisitions and disposals

During the nine months ended 30 September 2016, the Group acquired assets with a cost of Rs.16, 637mn (nine months ended 30 September 2015: Rs.7, 604mn). This amount excludes capitalized borrowing costs.

Assets with a carrying amount of Rs.Nil were disposed (fully depreciated) of during the nine months ended 30 September 2016 (nine months ended 30 September 2015: Rs.Nil), resulting in a gain on disposal of Rs.288mn (nine months ended 30 September 2015: gain of Rs.61mn), 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)	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
Property plant and equipment				
Approved but not contracted	32,522	28,468	32,522	28,468
Approved and contracted	20,400	13,724	20,052	11,838

VIII. Capital and reserve

(a) Stated Capital

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

(b) Dividends

No dividend was declared by the company for the quarter ended 30 September 2016.

IX. 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 – 30 Sep 2016	LKR	7,226

Material additions to Loans and Borrowings at group level for the period is as follows.

Additions	Currency	Amount (Rs.Mn)
Bank loan – 30 Sep 2016	LKR	9,031

X. 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 2015.

XI. 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)	
		30 Sep 2016	30 Sep 2015	30 Sep 2016	31 Dec 2015
Mobitel (Private) Limited	Sale of goods and services	2,498	2,556	3,236	3,266
	Purchase of goods and services	1,732	1,824	(3,071)	(2,372)

XII. Events after the reporting period

Mobitel (Private) Limited made a voluntary offer to acquire E-Channeling on 14 September 2016. The banker to this offer was NDB to whom the funds were transferred in advance by Mobitel. The voluntary offer was closed on 5 of October 2016 and 87.5% of the acquired shares were transferred to the CDS account of Mobitel on 18 October 2016. The funds so advanced by Mobitel is reflected as “Advance against investment” in the Statement of Financial Position as at 30 September 2016.

XIII. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the financial statement as at and for the year ended 31 December 2015.

Investor Information**Ratios**

	Group		Company	
	30-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
Net asset value per share (Rs)	37.84	36.15	32.55	32.52
Gearing ratio -Number of times	0.30	0.27	0.29	0.22
Quick asset ratio - Number of times	0.63	0.62	0.56	0.64

	For the period ended		For the period ended	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
Interest cover - Number of times	6.02	7.23	2.85	4.08

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

	3 Months to 30-Sep-16	3 Months to 30-Sep-15
-Highest	39.80	50.90
-Lowest	35.80	43.00
-Last Traded price	38.60	48.70

Dividend Payment

First and Final dividend for the year 2015-Rs 0.89 per share paid on 24 May 2016.

Share trading from 1 July 2016 to 30 September 2016

	3 Months to 30-Sep-16
-No of Transactions	902
- No of Shares Traded	406,590
-Value of Shares Traded (Rs)	15,121,155

Notes to the Condensed Interim Financial Statements

List of 20 Major Shareholders

	<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.	17,924,092	0.99
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	1,385,297	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 Mr.Tanaka	169,980	0.01
14 Ceylon Biscuits Limited	162,000	0.01
15 Pinnacle Trust (Pvt) Limited	160,000	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
	<u>1,787,767,962</u>	<u>99.05</u>

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Percentage of public holding as at 30 September 2016 5.52%

Number of shareholders representing the public holding - 12,208

Directors' holding & Chief Executive Officers's holding in shares of the equity - None of the Directors and the CEO held shares of the company.

Number of shares representing the Entity's stated capital - 1,804,860,000 Ordinary shares