

Sri Lanka Telecom PLC



Condensed Consolidated Interim Financial Statements

For the Quarter ended

31 March 2019

Statement of Profit or Loss and other Comprehensive Income

(All amounts in LKR Millions)

	Group		Company	
	Jan - Mar		Jan - Mar	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Revenue	21,329	19,762	12,240	11,519
Direct costs	(11,568)	(11,280)	(6,670)	(6,858)
Gross Profit	9,761	8,482	5,570	4,661
Sales and marketing cost	(2,333)	(2,354)	(788)	(949)
Administrative cost	(4,924)	(4,544)	(3,408)	(3,210)
Operating profit	2,504	1,584	1,374	502
Other income	67	125	160	120
Interest expenses and finance cost	(209)	(32)	(140)	(7)
Foreign exchange (loss) /gain	172	(294)	20	(233)
Interest income	280	171	146	119
Share of Profit from associates company	24		24	
Profit before tax	2,838	1,554	1,584	501
Income tax expenses	(641)	(378)	(430)	(169)
Profit for the Period	2,197	1,176	1,154	332
Other comprehensive income				
Net movement in Cash flow hedges	145	-	145	-
Defined benefit plan actuarial (losses) gain	22	138	21	138
Tax on other comprehensive income	(6)	(39)	(6)	(39)
Other comprehensive income for the period (net of tax)	161	99	160	99
Total Comprehensive Income for the Period	2,358	1,275	1,314	431
Profit Attributable to :				
Owners of the company	2,197	1,176	1,154	332
Total Comprehensive Income attributable to:				
Owners of the company	2,358	1,275	1,314	431
Earnings per share				
Basic (Rs.)	1.22	0.65	0.64	0.18

Statement of Financial Position
(All amounts in LKR Millions)

	Group		Company	
	31 Mar 2019 (Reviewed)	31 Dec 2018 (Audited)	31 Mar 2019 (Reviewed)	31 Dec 2018 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	125,504	123,850	97,599	96,047
Right of use assets	69	-	69	-
Intangible assets and goodwill	7,458	7,652	1,151	1,124
Investments in subsidiaries	-	-	14,366	14,366
Investments in associates	24	-	24	-
Deferred tax assets	149	148	-	-
Contract assets	495	438	106	113
Other receivables	2,962	2,970	2,926	2,938
Total Non-current Assets	136,661	135,058	116,241	114,588
Current Assets				
Inventories	1,931	2,173	1,178	1,440
Trade and other receivables	30,400	27,340	18,938	17,541
Current tax receivables	672	613	672	613
Contract assets	541	497	103	103
Other investments	3,060	3,665	2,934	3,569
Cash and cash equivalents	10,826	11,089	1,645	671
Total Current Assets	47,430	45,377	25,470	23,937
Total Assets	184,091	180,435	141,711	138,525
Equity and Liabilities				
Equity				
Stated capital	18,049	18,049	18,049	18,049
Insurance reserve	816	791	816	791
Hedging reserve	(527)	(672)	(527)	(672)
Retained earnings	57,644	55,456	41,116	39,972
Equity attributable to equity share holders of the company	75,982	73,624	59,454	58,140
Non controlling Interest	96	96	-	-
Total Equity	76,078	73,720	59,454	58,140
Non Current Liabilities				
Borrowings	43,494	38,886	36,786	30,928
Lease Liability	70	-	70	-
Deferred income	2,154	2,186	2,123	2,155
Contract liabilities	539	548	525	533
Deferred tax liabilities	6,963	6,537	6,950	6,525
Employee benefits	4,337	4,239	3,677	3,598
Trade and other payables	1,740	1,941	416	456
Total Non Current Liabilities	59,297	54,337	50,547	44,195
Current Liabilities				
Borrowings	12,455	16,949	9,973	15,104
Deferred income	2,413	2,469	353	385
Contract liabilities	554	565	468	471
Current tax liabilities	399	412	-	-
Trade and other payables	32,895	31,983	20,916	20,230
Total Current Liabilities	48,716	52,378	31,710	36,190
Total Liabilities	108,013	106,715	82,257	80,385
Total Equity and Liabilities	184,091	180,435	141,711	138,525

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

Signed
Sanjeeva Samaranyake
Group Chief Financial Officer

The Board of Directors is responsible for these financial statements. These financial statements were approved by the Board of Directors on 15 May 2019.

Signed for and behalf of the Board.

Signed
P.G Kumarasinghe Sirisena
Chairman

Signed
Kanishka Senanayake
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						Total equity
	Stated capital	Insurance reserve	Hedging reserve	Retained earnings	Total	Non controlling interest	
Balance as at 1 January 2018	18,049	691	-	52,569	71,309	95	71,404
SLFRS 15 Adjustment	-	-	-	(467)	(467)	-	(467)
Non Controlling interest	-	-	-	-	-	1	-
Total comprehensive income for the period	-	-	-	-	-	-	-
Net profit for the period	-	-	-	1,176	1,176	-	1,176
Other comprehensive income	-	-	-	-	-	-	-
Defined benefit plan actuarial (loss)/gain, net of tax	-	-	-	99	99	-	99
Total comprehensive income for the period	-	-	-	1,275	1,275	1	1,276
Transactions with owners, recorded directly in equity contribution by and distribution to owners						-	-
Insurance reserve							
-Transferred to insurance reserve	-	21	-	(21)	-	-	-
Balance as at 31 March 2018	18,049	712		53,356	72,117	96	72,213
Balance as at 1 April 2018	18,049	712		53,356	72,117	96	72,213
Total comprehensive income for the period							-
Non Controlling interest	-	-	-	-	-	-	-
Total comprehensive income for the period							-
Net profit for the period	-	-	-	3,772	3,772	-	3,772
Other comprehensive income							-
Net movement on cash flow hedges	-	-	(672)	-	(672)	-	(672)
Defined benefit plan actuarial (losses)/gain, net of tax	-	-	-	13	13	-	13
Total comprehensive income for the period	-	-	(672)	3,785	3,113	-	3,113
Transactions with owners, recorded directly in equity Contribution by and distribution to owners							
Dividends to equity share holders	-	-	-	(1,606)	(1,606)	-	(1,606)
Insurance reserve							
-Transferred to insurance reserve	-	79	-	(79)	-	-	-
Balance as at 31 December 2018	18,049	791	(672)	55,456	73,624	96	73,720
Balance as at 1 January 2019	18,049	791	(672)	55,456	73,624	96	73,720
Non controlling interest	-	-	-	-	-	-	-
Total comprehensive income for the period							-
Net profit for the period	-	-	-	2,197	2,197	-	2,197
Other comprehensive income							-
Net movement on cash flow hedges	-	-	145	-	145	-	145
Defined benefit plan actuarial (losses)/gain, net of tax	-	-	-	16	16	-	16
Total comprehensive income for the period	-	-	145	2,213	2,358	-	2,358
Transactions with owners, recorded directly in equity contribution by and distribution to owners							
Insurance reserve							
-Transferred to insurance reserve	-	25	-	(25)	-	-	-
Balance as at 31 March 2019	18,049	816	(527)	57,644	75,982	96	76,078

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	Hedging reserve	Retained earnings	Total
Balance as at 1 January 2018	18,049	691	-	40,480	59,220
Total comprehensive income for the period					
SLFRS Adjustment-Contract liability	-	-	-	(770)	(770)
Net profit for the period	-	-	-	332	332
Other comprehensive income					
Defined benefit plan actuarial (loss)/gain, net of tax	-	-	-	99	99
Total comprehensive income for the period	-	-	-	431	431
Transactions with owners, recorded directly in equity contribution by and distribution to owners					
Insurance reserve					
-Transferred to insurance reserve	-	21	-	(21)	-
Balance as at 31 March 2018	18,049	712	-	40,120	58,881
Balance as at 1 April 2018	18,049	712	-	40,120	58,881
Total comprehensive income for the period					
Net profit for the period	-	-	-	1,574	1,574
Other comprehensive income					
Net movement on cash flow hedges	-	-	(672)	-	(672)
Defined benefit plan actuarial (loss)/gain, net of tax	-	-	-	(37)	(37)
Total comprehensive income for the period	-	-	(672)	1,537	865
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	-	79	-	(79)	-
Balance as at 31 December 2018	18,049	791	(672)	39,972	58,140
Balance as at 1 January 2019	18,049	791	(672)	39,972	58,140
Total comprehensive income for the period					
Net profit for the period	-	-	-	1,154	1,154
Other comprehensive income					
Net movement on cash flow hedges	-	-	145	-	145
Defined benefit plan actuarial (loss)/gain, net of tax	-	-	-	15	15
Total comprehensive income for the period	-	-	145	1,169	1,314
Transactions with owners, recorded directly in equity contribution by and distribution to owners					
Insurance reserve					
-Transferred to insurance reserve	-	25	-	(25)	-
Balance as at 31 March 2019	18,049	816	(527)	41,116	59,454

Statement of Cash Flows for 3 months ended 31 March
(All amounts in LKR Millions)

	GROUP		COMPANY	
	2019	2018	2019	2018
Operating activities				
Cash generated from operations	4,167	3,348	3,114	3,139
Interest received	297	192	163	140
Interest paid	(1,409)	(600)	(1,260)	(599)
Tax paid	(294)	(262)	(70)	(46)
Gratuity paid	(126)	(152)	(116)	(148)
Net cash generated from operating activities	2,635	2,526	1,831	2,486
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(3,753)	(3,488)	(2,219)	(2,882)
Acquisition of intangible assets	(113)	(162)	(101)	(154)
Proceeds from disposal of property, plant and equipment	54	27	52	27
Proceeds /(Purchase) of short term investments	579	507	609	684
Investments in subsidiaries	-	-	-	(160)
Net cash used in investing activities	(3,233)	(3,116)	(1,659)	(2,485)
Cash flows from Financing activities				
Proceeds from borrowings	13,481	12,095	13,350	11,890
Finance lease principal re-payments	(11)	(22)	(1)	(15)
Re-payment on borrowings	(10,578)	(7,120)	(10,111)	(6,588)
Net cash generated/(used) from financing activities	2,892	4,953	3,238	5,287
Increase/(Decrease) in cash and cash equivalents	2,294	4,363	3,410	5,288
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	4,629	(9,046)	(4,967)	(11,610)
Effect on exchange fluctuation on cash and cash equivalents	-	1	-	1
	4,629	(9,045)	(4,967)	(11,609)
Increase/(Decrease) in cash and cash equivalents	2,294	4,363	3,410	5,288
Cash and cash equivalents at 31 March (Note 1)	6,923	(4,682)	(1,557)	(6,321)
Note 1				
Cash and cash equivalents	10,826	3,463	1,645	798
Bank overdraft	(3,903)	(8,145)	(3,202)	(7,119)
	6,923	(4,682)	(1,557)	(6,321)

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 31 March 2019 and for the three months ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is primarily involved in providing a 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 public listed on the Colombo Stock Exchange.

II. Basis of accounting

These condensed consolidated interim financial statements have been prepared in accordance with Sri Lanka Accounting Standard - LKAS 34, 'Interim Financial Reporting' and 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 for an understanding of the changes in the Group's financial position and performance since the last audited financial statements as at 31 December 2018 and for the year ended 31 December 2018.

These financial statements were authorized for issue by the Board of Directors on 15 May 2019.

III. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the audited financial statement as at 31 December 2018 and for the year ended 31 December 2018 except for changes required due to adoption of the following standards with effective from 01 January 2019.

The Group applies SLFRS 16 - Operating Leases.

SLFRS 16 –Leases

The group has adopted SLFRS 16 - Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

As required by LKAS 34, the nature and effect of these changes are disclosed in Note VIII.

IV. Use of Judgments and estimates

The 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 when preparing these interim financial statements. 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 were the same as those applied to the audited financial statements as at 31 December 2018 and for the year ended 31 December 2018.

V. Operating segments

Information relevant to the operating segments are presented in a method consistent with the management reporting provided to those charged with governance.

(a) Information about reportable segments

(All amounts are in Rs.Mn)

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Total	
	31 Mar		31 Mar		31 Mar		31 Mar	
	2019	2018	2019	2018	2019	2018	2019	2018
External revenues	11,296	10,495	9,611	8,946	422	321	21,329	19,762
Inter-segment revenue	944	1,024	520	578	561	504	2,025	2,106
Reportable segment revenue	12,240	11,519	10,131	9,524	983	825	23,354	21,868
Reportable segment Profit before tax	1,584	501	1,336	1,060	(69)	16	2,851	1,577
Interest revenue	146	119	127	44	7	8	280	171
Interest expenses	(140)	(7)	(60)	(19)	(9)	(6)	(209)	(32)
Depreciation and Amortization	(2,873)	(2,952)	(1,651)	(1,548)	(14)	(8)	(4,538)	(4,508)

Revenues	2019 Rs. Mn	2018 Rs. Mn
Total revenue for reportable segments	22,371	21,043
Revenue for other segments	983	825
Reportable segment revenue	23,354	21,868
Elimination of inter-segment revenue	(2,025)	(2,106)
Consolidated revenue	21,329	19,762
Profit or loss		
Total Profit or loss for reportable segments	2,920	1,561
Profit or loss for other segments	(69)	16
Reportable segment Profit before tax	2,851	1,577
Elimination of inter-segment profits	(13)	(23)
Consolidated profit before tax	2,838	1,554

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Elimination of inter segment balances		Consolidated assets and liabilities	
	31 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Reportable segment assets	141,711	138,525	57,283	56,395	2,932	2,982	(17,835)	(17,467)	184,091	180,435
Reportable segment liabilities	82,257	80,385	27,290	27,524	2,247	2,235	(3,781)	(3,429)	108,013	106,715

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 2019.

VIII. Changes in accounting policies

SLFRS 16 - Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified Retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption SLFRS 16 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 31 March 2019:

Assets	Rs Mn
Right of use assets	69
Liabilities	
Lease liabilities	70

Impact on the statement of Profit or Loss (increase/(decrease)) as at 31 March 2019:

	Rs Mn
Amortization expense	(10)
Finance cost	(2)

Impact on the statement of cash flows (increase/ (decrease)) as at 31 March 2019:

	Rs Mn
Net cash flows from operating activities	(1)

IX. Property Plant and equipment

(a) Acquisitions and disposals

During the three months ended 31 March 2019, the Group acquired assets at a cost of Rs. 2,351 Mn (three months ended 31 March 2018 Rs. 1,772 Mn).

Assets with a Nil net book value were disposed during the three months ended 31 March 2019 (three months ended 31 March 2018 Rs. Nil), resulting in a gain on disposal of Rs. 54 Mn (three months ended 31 March 2018: gain of Rs. 27 Mn), which was included in 'other income' in the condensed consolidated statement of profit or loss and other comprehensive income.

(b) Capital commitments

	Group (Rs. Mn)		Company (Rs. Mn)	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Property, plant and equipment				
Approved but not contracted	16,575	2,582	16,575	2,582
Approved and contracted	18,375	13,085	8,700	4,742

X. Capital and reserve

(a) Stated Capital

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

XI. Loans and Borrowings

Material addition to loans and borrowing at Group level for the period is under review:

Additions	Currency	Amount (Rs.Mn)
Bank loan – 31 Mar 2019	LKR	13,481

Material repayment of loans and borrowings at Group level for the period is under review:

Repayments	Currency	Amount (Rs.Mn)
Bank loan – 31 Mar 2019	LKR	10,578

XII. Contingencies

On 18.07.2017 DBN filed a Case against SLT under Case Number on 18.07.2017 DBN filed a case bearing number HC Civil 23/2017 against SLT regarding violation of Intellectual Property Rights in the Commercial High Court and an ex-parte interim injunction was issued on 19.07.2017 requiring SLT to disclose the source/party who revealed the RFP and to furnish the original under the provisions of Intellectual Property Act. Further permanent injunction and damages of Rs.7, 800,000,000/- is prayed under the petition.

SLT filed revocation paper on 10.08.2017 and supported its application for the Preliminary Objections and the order was delivered in favour of SLT on 08.08.2018.

Subsequently Dialog Broad Band Network (Pvt) Ltd appealed to the Supreme Court under the case bearing number (SC/HC/LA 82/2018) S.C. Appeal number 139/2018 against the aforesaid order. Dialog supported the matter in court to obtain leave to proceed with their application and Leave was granted in a limited manner with regard to legal points. This means the case will proceed further to argue certain points of law leaving the original order given under the High Court intact. Both parties filed written submissions and the case fixed for arguments on 28 October 2019.

XIII. Related Parties

Material related party transactions during the quarter under review;

Company	Nature of Transaction	Transaction value (Rs. Mn)		Amount due (to)/ from related parties (Rs.Mn)	
		31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Dec 2018
Mobitel (Private) Limited	Sale of goods and services	933	1,001	1,078	1,277
	Purchase of goods and services	484	497	(490)	(53)

XIV. Events after the Reporting date

No material events have arisen since the date of the statement of financial position up to the date of this report which require changes to, or disclosure in the financial statements.

Sri Lanka Telecom PLC
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Investor Information

Ratios

	Group		Company	
	31 Mar. 2019	31 Dec. 2018	31 Mar. 2019	31 Dec. 2018
Net asset value per share (Rs)	42.15	40.85	32.94	32.21
Gearing ratio -Number of times	0.42	0.43	0.44	0.44
Quick asset ratio - Number of times	0.93	0.82	0.77	0.62

	For 3 months ended		For 3 months ended	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
Interest cover - Number of times	2.38	1.77	1.42	0.58

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 31 Mar 2019	3 Months to 31 Mar 2018
-Highest	27.50	30.00
-Lowest	20.50	26.50
-Last Traded price	21.40	27.00

Share trading from 1 January to 31 March 2019

	3 Months to 31 Mar 2019
-No of Transactions	778
- No of Shares Traded	345,391
-Value of Shares Traded (Rs)	7,848,552

Sri Lanka Telecom PLC

Company Registration No. PQ 7

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1) 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.	18,654,133	1.03
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	1,544,867	0.09
10 The Incorporated Trustees of the Church of Ceylon	223,590	0.01
11 Bank of Ceylon No 1 Account	214,000	0.01
12 Pinnacle Trust (Pvt) Limited	183,984	0.01
13 Ceylon Biscuits Limited	161,825	0.01
14 People's Leasing & Finance PLC / C.N Jayasooriya	150,000	0.01
15 Sampath Bank PLC /Mr D.K.L Chanadrasena	125,983	0.01
16 Sinharaja Hills Plantation Pvt Limited	107,491	0.01
17 Mrs.Edirisinghe	100,000	0.01
18 Mr Tanaka	100,000	0.01
19 Mr Van Starrex	76,537	0.00
20 Elgin Investment Limited	71,809	0.00
	1,788,418,062	99.09

- 2) Percentage of public holding as at 31 March 2019 5.52%
- 3) Number of shareholders representing the public holding - 12,368
- 3) Directors' Holding None
Chief Executive Officer's (CEO) holding in shares 1563
CEO's Spouse and Children under 18 in shares 2126
- 4) Number of shares representing the Entity's stated capital - 1,804,860,000 Ordinary shares issued at Rs.10 per share.