

Sri Lanka Telecom PLC and its Subsidiaries

Registration No - PQ 7

Interim Financial Report

For the 3 months ended 31 March 2008



OUR VISION

To lead Sri Lanka to become the hub of telecommunications in South Asia.

OUR MISSION

To anticipate and fulfil the communication requirements of all sectors of the nation,

in a service oriented work ethic which will provide total customer satisfaction

through the most modern telecommunication facilities.



Sri Lanka Telecom PLC and its Subsidiaries

Company Registration No. PQ 7

Quarterly Interim Financial Report as of 31 March 2008

Consolidated Income Statement as specified

(All amounts in LKR Millions)

	Group			Company		
	Jan-March		change	Jan-March		change
	2008	2007	%	2008	2007	%
Revenue (Note 1)	11,600	10,965	6	9,389	9,634	(3)
Operating costs	(5,572)	(4,557)	22	(4,375)	(3,777)	16
Operating profit before depreciation and Amortization	6,028	6,408	(6)	5,014	5,857	(14)
Depreciation	(2,625)	(2,567)	2	(2,204)	(2,268)	(3)
Amortisation of intangible assets International Telecommunication operators' Levy-(ITL)	(91)	(35)	160	(28)	(26)	8
	(771)	(683)	13	(720)	(667)	8
Operating profit	2,541	3,123	(19)	2,062	2,896	(29)
Other income	46	55	(16)	45	54	(17)
Interest expenses and related charges	(565)	(499)	13	(362)	(288)	26
Interest income	307	287	7	278	267	4
Profit before tax	2,329	2,966	(21)	2,023	2,929	(31)
Taxation	(666)	(986)	(32)	(660)	(979)	(33)
Net profit for the period	1,663	1,980	(16)	1,363	1,950	(30)
Earnings per share (Rs)						
-Basic	0.92	1.10		0.76	1.08	
-Annualized	3.69	4.39		3.02	4.32	

The above figures are provisional and unaudited

Note -1

Appeal on the Judgment given on tariff revision implemented in 2003.

An estimated amount of Rs 450 mn being the reversal of revenue due to the above case, had not been reflected in revenue for the 3 months ended 31 March 2007, since Supreme Court had not given the final decision on the above case at the time of publishing the interim accounts for the said period.

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2008

Consolidated Balance Sheet

(All amounts in LKR Millions)

	Group		Company	
	Un-Audited as at 31 Mar 2008	Audited as at 31 Dec. 2007	Un-Audited as at 31 Mar 2008	Audited as at 31 Dec. 2007
Assets				
Non-Current Assets				
Property, plant and equipment	53,533	53,881	40,274	41,350
Intangible assets	1,587	1,614	409	376
Investments in subsidiaries	-	-	8,282	7,782
Non-current receivables	1,356	1,268	1,356	1,268
	56,476	56,763	50,321	50,776
Current Assets				
Inventories	2,099	1,476	1,997	1,373
Receivables and prepayments	12,357	9,938	12,529	10,064
Cash and cash equivalents	15,924	17,195	15,364	16,689
	30,380	28,609	29,890	28,126
Total Assets	86,856	85,372	80,211	78,902
Equity and Liabilities				
Capital and Reserves				
Stated Capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Hedging reserve	(40)	(58)	(40)	(58)
Insurance reserve	226	204	226	204
Retained earnings	23,563	23,705	25,846	26,288
	41,798	41,900	44,081	44,483
Deferred income	6,296	6,429	6,296	6,429
Non Current Liabilities				
Grants	66	68	66	68
Deferred tax liabilities	2,164	2,777	2,164	2,777
Borrowings	16,522	16,660	12,236	12,366
Retirement benefit obligation	1,449	1,329	1,374	1,272
Trade and other payables	287	279	287	279
	20,488	21,113	16,127	16,762
Current Liabilities				
Trade and other payables	13,812	11,409	11,424	8,537
Current tax liabilities	1,870	1,896	1,844	1,858
Borrowings	2,592	2,625	439	833
	18,274	15,930	13,707	11,228
Total Equity and Liabilities	86,856	85,372	80,211	78,902

Signed on behalf of the Board.

Leisha De silva Chandrasena
Chairman
23-May-2008

P.A Abeysekara
Director
23 -May-2008

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Statement of Changes in Equity - 1st Jan 2007 to 31st March 2008-Group

(All amounts in LKR Millions)

	Stated Capital	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
3 Months ended 31 March 2007					
Balance at 1 January 2007	18,049	(236)	183	19,870	37,866
Cash flow hedges					
-Foreign currency translation difference		(14)			(14)
-Charged to income		15			15
Insurance reserve -charged to income			15		15
Dividend in respect of 2006				(1,805)	(1,805)
Profit for the period				1,980	1,980
Balance at 31 March 2007	18,049	(235)	198	20,045	38,057
9 Months ended 31 December 2007					
Balance at 1 April 2007	18,049	(235)	198	20,045	38,057
Cash flow hedges					
-Foreign currency translation difference		(3)			(3)
-Charged to income		180			180
Insurance Reserve- charged to income			6		6
Profit for the period				3,660	3,660
Balance at 31 December 2007	18,049	(58)	204	23,705	41,900
3 Months ended 31 March 2008					
Balance at 1 January 2008	18,049	(58)	204	23,705	41,900
Cash flow hedges					
-Foreign currency translation difference		3			3
-Charged to income		15			15
Insurance Reserve- charged to income			22		22
Dividend in respect of 2007				(1,805)	(1,805)
Profit for the period				1,663	1,663
Balance at 31 March 2008	18,049	(40)	226	23,563	41,798

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Company Registration No. PQ 7
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Statement of Changes in Equity - 1st Jan 2007 to 31st March 2008-Company

(All amounts in LKR Millions)

	Stated Capital	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
3 Months ended 31 March 2007					
Balance at 1 January 2007	18,049	(236)	183	22,705	40,701
Cash flow hedges					
-Foreign currency translation difference		(14)			(14)
-Charged to income		15			15
Insurance Reserve- charged to income			15		15
Dividend in respect of 2006				(1,805)	(1,805)
Profit for the period				1,950	1,950
Balance at 31 March 2007	18,049	(235)	198	22,850	40,862
9 Months ended 31 December 2007					
Balance at 1 April 2007	18,049	(235)	198	22,850	40,862
Cash flow hedges					
-Foreign currency translation differenc		(3)			(3)
-Charged to income		180			180
Insurance reserve -charged to income			6		6
Profit for the period				3,438	3,438
Balance at 31 December 2007	18,049	(58)	204	26,288	44,483
3 Months ended 31 March 2008					
Balance at 1 January 2008	18,049	(58)	204	26,288	44,483
Cash flow hedges					
-Foreign currency translation difference		3			3
-Charged to income		15			15
Insurance Reserve- charged to income			22		22
Dividend in respect of 2007				(1,805)	(1,805)
Profit for the period				1,363	1,363
Balance at 31 March 2008	18,049	(40)	226	25,846	44,081

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Consolidated Cash Flow Statement for the 3 months ended 31 March

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2008	2007	2008	2007
Operating activities				
Cash generated from operations	2,701	4,415	2,159	3,821
Interest received	272	548	243	528
Interest paid	(391)	(419)	(188)	(209)
Tax paid	(1,304)	(807)	(1,287)	(803)
Net cash generated from operating activities	1,278	3,737	927	3,337
Investing activities				
Acquisition of property, plant and equipment	(2,277)	(2,114)	(1,128)	(1,310)
Acquisition of intangible assets	(64)	-	(61)	-
Proceeds from disposal of property, plant and equipment	-	4	-	4
Investments in subsidiary	-	-	(500)	-
Net cash used in investing activities	(2,341)	(2,110)	(1,689)	(1,306)
Financing activities				
Proceeds from borrowings	-	100	-	-
Finance lease principal payment	(1)	-	(1)	-
Re-Payment of borrowings	(378)	(376)	(378)	(361)
Net cash used in financing activities	(379)	(276)	(379)	(361)
Increase/(Decrease) in cash and cash equivalents	(1,442)	1,351	(1,141)	1,670
Movement in Cash and cash equivalents				
Cash and cash equivalents at 1 January	16,920	14,623	16,689	14,390
Effect on exchange fluctuation on cash and cash equivalents	(184)	144	(184)	144
	16,736	14,479	16,505	14,534
Increase / (Decrease)	(1,442)	1,351	(1,141)	1,670
Cash and cash equivalents at 31 March	15,294	15,830	15,364	16,204

Notes to the Financial Statement

1. Accounting Policies

These Financial Statements are in compliance with Sri Lanka Accounting Standards 35- Interim Financial Reporting.

The Company and Group have adopted consistent accounting policies as disclosed in the Annual Report for the financial year ended 31 December 2007.

2. International Telecommunication Operators' Levy

As in the previous year, the Company continues to recognize the expense arising on International Telecommunication Operator's Levy (ITL) as an expense in arriving at the results for the year. The Gazette notification of 31 March 2005 provides that each domestic PSTN operator may claim two thirds of the Telecommunications Development Charge (TDC) funds, for the development of their telecommunications network in unserved and underserved areas of Sri Lanka as may be determined by the Telecommunications Regulatory Commission (TRC) within a period of three years.

The documentation supporting the Network roll out in unserved and underserved areas has been submitted to the TRC. The refund as at 31 March 2008 has not been recognized in the income statement, since TRC's determination of the refund is yet awaited.

3. Investments in Subsidiary

A fresh capital infusion of Rs. 500,000,000 was made by SLT for which Mobitel issued 50,000,000 12% Cumulative redeemable Preference Shares of Rs.10/- each, during the quarter.

4. Dividends on Cumulative redeemable preference shares

Mobitel has not declared dividends for 625,000,000 12% Cumulative redeemable preference shares of Rs.10/- each, issued to SLT. Therefore, the estimated amount of dividends of Rs 1,139 Mn as at 31 March 2008, has not been recognized in the Financial Statements.

5. Event after the Balance sheet date

No material events have arisen since Balance Sheet date which would require adjustments to, or disclosure in the Financial Statements.

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Investor Information

Ratios

	Group		Company	
	31 Mar. 2008	31 Dec. 2007	31 Mar. 2008	31 Dec. 2007
Net Assets per Share (Rs)	23.16	23.22	24.42	24.65
Debt / Equity ratio -Number of times	0.31	0.32	0.22	0.23
Quick Asset Ratio - Number of times	1.55	1.70	2.03	2.38
	For the 3 Months ended		For the 3 Months ended	
	31 Mar. 2008	31 Mar. 2007	31 Mar. 2008	31 Mar. 2007
Interest Cover - Number of times	5.12	6.94	6.59	11.17

Market Value of Shares

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

-Highest
-Lowest
-Last Traded price

	3 Months to 31 Mar. 2008	3 Months to 31 Mar. 2007
	42.00	43.25
	29.00	28.00
	41.25	37.00

Dividend Payment

Final Dividend for the year 2007 -Rs 1.00 per share paid on 4 April 2008.

Share trading from 1 January 2008 to 31 March 2008

-No of Transactions
- No of Shares Traded
-Value of Shares Traded (Rs)

	3 Months to 31 Mar. 2008
	9,762
	123,984,636
	4,809,751,554