

Sri Lanka Telecom PLC



Condensed Consolidated Interim Financial Statements

For the Quarter ended

31 March 2016



KPMG
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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

REVIEW REPORT TO THE BOARD OF DIRECTORS 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 2016, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 3 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 quarter ended 31 March 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 31 March 2016 is not prepared, in all material respects, in accordance with LKAS 34, 'Interim Financial Reporting'.

Chartered Accountants
Colombo
12 May 2016

SRI LANKA TELECOM PLC
Company Registration No. PQ 7
Condensed Financial Statement

Statement of Profit or Loss and other Comprehensive Income
(All amounts in LKR Millions)

	Group		Company	
	31-Mar-16 (Reviewed)	31-Mar-15 (Not Reviewed)	31-Mar-16 (Reviewed)	31-Mar-15 (Not Reviewed)
<i>For the 3 months ended</i>				
Revenue	18,405	16,705	10,821	9,868
Operating costs	(12,712)	(11,144)	(7,934)	(6,953)
Operating profit before depreciation and amortization	5,693	5,561	2,887	2,915
Depreciation	(3,231)	(3,041)	(1,931)	(1,813)
Amortisation of intangible assets	(157)	(169)	(59)	(65)
Operating profit	2,305	2,351	897	1,037
Other income	104	56	90	46
Interest expenses and finance cost	(90)	(241)	(19)	(210)
Foreign exchange (loss) /gain	(307)	(284)	(64)	(84)
Interest income	203	258	84	193
Profit before tax	2,215	2,140	988	982
Income tax expenses	(490)	(460)	(284)	(282)
Profit for the Period	1,725	1,680	704	700
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain	(1)	(109)	(1)	(109)
Tax on other comprehensive income	-	31	-	31
Other comprehensive income for the period net of tax	(1)	(78)	(1)	(78)
Total Comprehensive Income for the Period	1,724	1,602	703	622
Profit Attributable to :				
Owners of the company	1,725	1,680	704	700
Total Comprehensive Income attributable to:				
Owners of the company	1,724	1,602	703	622
Earnings per share				
-Basic (Rs.)	0.96	0.93	0.39	0.39

SRI LANKA TELECOM PLC
Company Registration No. PQ 7
Condensed Financial Statement

Statement of Financial Position
(All amounts in LKR Millions)

As at	Group		Company	
	31-Mar-16 (Reviewed)	31-Dec-15 (Audited)	31-Mar-16 (Reviewed)	31-Dec-15 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	100,652	99,283	72,220	70,081
Intangible assets and goodwill	2,766	2,891	1,030	1,084
Investments in subsidiaries	-	-	14,220	14,220
Deferred tax assets	68	37	-	-
Other receivables	3,080	2,908	3,060	2,908
Total Non-current Assets	106,566	105,119	90,530	88,293
Current Assets				
Inventories	1,195	874	894	561
Trade and other receivables	15,170	14,033	13,566	13,091
Current tax receivables	1	1	-	-
Other investments	645	1,043	637	641
Cash and cash equivalents	7,706	5,475	577	475
Total Current Assets	24,717	21,426	15,674	14,768
Total Assets	131,283	126,545	106,204	103,061
Equity and Liabilities				
Capital and Reserves				
Stated capital	18,049	18,049	18,049	18,049
Insurance reserve	617	605	617	605
Retained earnings	48,298	46,586	40,739	40,048
Total Equity	66,964	65,240	59,405	58,702
Non Current Liabilities				
Grants	14	16	14	16
Borrowings	16,049	14,949	13,149	12,025
Deferred income	2,401	2,370	2,346	2,315
Deferred tax liabilities	3,640	3,600	3,636	3,594
Employee benefits	4,561	4,353	4,090	3,892
Trade and other payables	2,916	2,935	252	252
Total Non Current Liabilities	29,581	28,223	23,487	22,094
Current Liabilities				
Borrowings	10,392	9,446	5,476	4,147
Deferred income	1,906	2,027	703	661
Current tax liabilities	693	447	230	15
Trade and other payables	21,747	21,162	16,903	17,442
Total Current Liabilities	34,738	33,082	23,312	22,265
Total Liabilities	64,319	61,305	46,799	44,359
Total Equity and Liabilities	131,283	126,545	106,204	103,061

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
Approved and signed for and behalf of the board of directors.

Signed

P.G. Kumarasinghe Sirisena
Chairman

Signed

Chandra Ekanayake
Director

12-May-2016
Colombo

SRI LANKA TELECOM PLC
Company Registration No. PQ 7
Condensed Financial Statement

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			1,680	1,680
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			(78)	(78)
Total other comprehensive income	-	-	(78)	(78)
Total comprehensive income for the period	-	-	1,602	1,602
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Insurance reserve				-
-Transferred to insurance reserve		10	(10)	
Balance as at 31 March 2015	18,049	570	46,114.33	64,733
Balance as at 1 April 2015	18,049	570	46,114	64,733
Total comprehensive income for the period				
Net profit for the period			2,044	2,044
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			69	69
Total Other comprehensive income	-	-	69	69
Total comprehensive income for the period	-	-	2,113	2,113
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		35	(35)	
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			1,725	1,725
Other comprehensive income				
-Defined benefit plan actuarial (loss)/gain, net of tax			(1)	(1)
Total other comprehensive income for the period	-	-	(1)	(1)
Total comprehensive income for the period	-	-	1,724	1,724
Transactions with owners, recorded directly in equity - contribution by and distribution to owners				
Insurance reserve				
-Transferred to insurance reserve		12	(12)	
Balance as at 31 March 2016	18,049	617	48,298	66,964

SRI LANKA TELECOM PLC
Company Registration No. PQ 7
Condensed Financial Statement

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			700	700
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			(78)	(78)
Total Other comprehensive income	-	-	(78)	(78)
Total comprehensive income for the period	-	-	622	622
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Insurance reserve				
-Transferred to insurance reserve		10	(10)	-
Balance as at 31 March 2015	18,049	570	40,580	59,199
Balance as at 1 April 2015	18,049	570	40,580	59,199
Total comprehensive income for the period				
Net profit for the period			1,028	1,028
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			81	81
Total Other comprehensive income	-	-	81	81
Total comprehensive income for the period	-	-	1,109	1,109
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Dividend to equity share holders			(1,606)	(1,606)
Insurance reserve				
-Transferred to insurance reserve		35	(35)	
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			704	704
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			(1)	(1)
Total Other comprehensive income	-	-	(1)	(1)
Total comprehensive income for the period	-	-	703	703
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Insurance reserve				
-Transferred to insurance reserve		12	(12)	
Balance as at 31 March 2016	18,049	617	40,739	59,405

SRI LANKA TELECOM PLC
Company Registration No. PQ 7
Condensed Financial Statement

Statement of Cash Flows
(All amounts in LKR Millions)

	Group		Company	
	31-Mar-16	31-Mar-15 (Not Reviewed)	31-Mar-16	31-Mar-15 (Not Reviewed)
<i>For the 3 months ended</i>				
Operating activities				
Cash generated from operations	4,121	5,403	1,190	2,865
Interest received	225	237	106	172
Interest paid	(408)	(154)	(348)	(291)
Tax paid	(235)	(203)	(27)	(25)
Gratuity paid	(47)	(30)	(43)	(25)
Net cash generated from operating activities	3,656	5,253	878	2,696
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(3,850)	(3,860)	(3,320)	(3,240)
Acquisition of intangible assets	(9)	(25)	(5)	(1)
Proceeds from disposal of property, plant and equipment	45	21	44	20
Proceeds /(Purchase) of short term investments	397	770	3	787
Net cash used in investing activities	(3,417)	(3,094)	(3,278)	(2,434)
Cash flows from Financing activities				
Proceeds from borrowings	3,183	419	2,875	-
Finance lease principal re-payments	(20)	(19)	(13)	(14)
Re-payment of borrowings	(3,094)	(1,114)	(1,809)	-
Net cash generated/(used) from financing activities	69	(714)	1,053	(14)
Increase/(Decrease) in cash and cash equivalents	308	1,445	(1,347)	248
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the period	4,620	3,774	223	1,002
Effect on exchange fluctuation on cash and cash equivalents	(3)	12	(3)	12
Increase/(Decrease) in cash and cash equivalents	308	1,445	(1,347)	248
Cash and cash equivalents at 31 March (Note 1)	4,925	5,231	(1,127)	1,262
Note 1				
Cash and cash equivalents	7,706	5,618	577	1,262
Bank overdraft	(2,781)	(387)	(1,704)	-
	4,925	5,231	(1,127)	1,262

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. The condensed consolidated interim financial statements as at and for the three months ended 31 March 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 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 condensed 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 authorised for issue by the Company’s Board of Directors on 12 May 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

(All amounts are in Rs.Mn)

(a) Information about reportable segments

	Fixed telephony operations		Mobile operations		Other Segments operations		Total	
	31 March		31 March		31 March		31 March	
	2016	2015	2016	2015	2016	2015	2016	2015
External Revenue	9,994	9,030	8,287	7,568	124	107	18,405	16,705
Inter Segment Revenue	827	838	562	494	539	392	1,928	1,724
Reportable Segment Revenue	10,821	9,868	8,849	8,062	663	499	20,333	18,429
Reportable Segment Profit Before Tax	988	982	1,244	1,204	8	(21)	2,240	2,165
Interest Revenue	84	193	113	61	6	4	203	258
Interest Expense	(19)	(210)	(67)	(27)	(4)	(4)	(90)	(241)
Depreciation and Amortization	(1,990)	(1,878)	(1,377)	(1,312)	(21)	(20)	(3,388)	(3,210)

Revenues	2016	2015
Total revenue for reportable segments	19,670	17,930
Revenue for other segments	663	499
Reportable segment revenue	20,333	18,429
Elimination of inter-segment revenue	(1,928)	(1,724)
Consolidated revenue	18,405	16,705

Profit or loss	2016	2015
Total Profit or loss for reportable segments	2,232	2,186
Profit or loss for other segments	8	(21)
Reportable segment Profit before tax	2,240	2,165
Elimination of inter-segment profits	(25)	(25)
Consolidated profit before tax	2,215	2,140

	Fixed telephony operations		Mobile operations		Other Segments operations		Total	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Segment assets	106,204	103,061	44,284	42,606	1,863	1,940	152,351	147,607
Segment liabilities	46,799	44,359	23,567	22,936	1,384	1,462	71,750	68,757

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 for the period ended 31 March 2016.

VII. Property Plant and equipment

(a) Acquisitions and disposals

During the three months ended 31 March 2016, the Group acquired assets with a cost of Rs 2,968 Mn (three months ended 31 March 2015: Rs 1,590 mn). This amount excludes capitalised borrowing costs.

Assets with a carrying amount of Rs. Nil were disposed of during the three months ended 31 March 2016 (Three months ended 31 March 2015: Rs. Nil), resulting in a gain on disposal of Rs. 45 mn (Three months ended 31 March 2015 gain of Rs. 21 mn), which was included in 'other income' in the condensed statement of profit or loss and OCI.

SRI LANKA TELCOM PLC**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT**

(b) Capital commitments

	Group (Rs.Mn)		Company (Rs.Mn)	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Property plant and equipment				
Approved but not contracted	49,800	28,468	49,800	28,468
Approved and contracted	19,049	13,724	16,602	11,438

VIII. Capital and reserve

(a) Stated Capital

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

(b) Dividends

No dividends was paid by the company for the quarter ended 31 March 2016.

IX. Loans and Borrowings

Material repayment of Loans and Borrowing at group level for the quarter is as follows.

Repayments	Currency	Amount (Mn)
Bank loan – 31 March 2016	LKR	3,094

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 Transaction during the quarter are as follows

Company	Nature of transaction	Transaction value (Rs.Mn)		Amounts due (to)/ from related parties (Rs.Mn)	
		31 March 2016	31 March 2015	31 March 2016	31 December 2015
Related Companies					
Mobitel (Private) Limited	Sale of goods and services	824	832	3,358	3,266
	Purchase of goods and services	(625)	(469)	(2,382)	(2,372)

XII. Events after the Reporting Date

The Board of Directors of the company has recommended a first and final dividend of Rs 0.89 per share (2014-0.89) on voting shares of the company by way of cash dividend for the financial year ended 31 December 2015 which was approved at the annual general meeting held on the 12th of May 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.

SRI LANKA TELECOM PLC
INVESTORS INFORMATION

Ratios

	Group		Company	
	31-Mar-16	31-Dec-15	31-Mar-16	31-Dec-15
Net asset value per share (Rs)	37.10	36.15	32.91	32.52
Gearing ratio -Number of times	0.28	0.27	0.24	0.22
Quick asset ratio - Number of times	0.68	0.62	0.63	0.64

	For the Quarter ended		For the Quarter ended	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Interest cover - Number of times	25.61	9.88	53.01	5.68

Market Value of Shares

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

- Highest
- Lowest
- Last Traded price

	3 Months to 31-Mar-16	3 Months to 31-Mar-15
-Highest	46.40	54.00
-Lowest	31.20	45.30
-Last Traded price	38.80	49.90

Share trading from 1 January 2016 to 31 March 2016

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

	31-Mar-16
-No of Transactions	830
- No of Shares Traded	1,876,430
-Value of Shares Traded (Rs)	66,215,034

SRI LANKA TELECOM PLC**LIST OF 20 MAJOR SHAREHOLDERS**

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	25,304,104	1.40
4 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 Bank of Ceylon A/C Ceybank Unit Trust.	17,520,963	0.97
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	1,356,497	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 / Mr. C.N Jayasooriya	150,000	0.01
17 Mrs.Edirisinghe	145,000	0.01
18 Elgin Investment Limited	123,441	0.01
19 Sinharaja Hills Plantation Pvt Limited	107,491	0.01
20 Mr Van Starrex	99,638	0.01
	<u>1,787,347,943</u>	<u>99.03</u>

Percentage of public holding as at 31 March 2016 5.52%

Number of shareholders representing the public holding - 12,165

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 issued at Rs.10 per share.