

Sri Lanka Telecom PLC



Condensed Consolidated Interim Financial Statements

For the Quarter ended

30 September 2017

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	
	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)
Revenue	19,005	18,980	11,231	11,064	56,389	55,668	33,380	32,391
Operating costs	(13,883)	(13,558)	(8,390)	(8,372)	(40,265)	(39,654)	(24,713)	(24,327)
Operating profit before depreciation and amortization	5,122	5,422	2,841	2,692	16,124	16,014	8,667	8,064
Depreciation	(4,250)	(3,462)	(2,857)	(2,138)	(12,166)	(10,003)	(8,018)	(6,057)
Amortisation of intangible assets	(246)	(157)	(51)	(55)	(548)	(469)	(142)	(172)
Operating profit	626	1,803	(67)	499	3,410	5,542	507	1,835
Other income	165	358	123	350	619	560	566	516
Interest expenses and finance cost	(37)	(46)	(3)	14	(127)	(207)	(9)	(15)
Foreign exchange (loss) /gain	44	48	6	17	(501)	(524)	(427)	(217)
Interest income	207	252	125	105	706	695	357	289
Profit before tax	1,005	2,415	184	985	4,107	6,066	994	2,408
Income tax expenses	(275)	(572)	(93)	(334)	(874)	(1,400)	(262)	(758)
Profit for the Period	730	1,843	91	651	3,233	4,666	732	1,650
Other comprehensive income								
Defined benefit plan actuarial (loss/gain)	60	(1)	60	(1)	186	(3)	180	(3)
Tax on other comprehensive income	(16)	1	(16)	1	(52)	1	(50)	1
Other comprehensive income for the period (net of tax)	44	-	44	-	134	(2)	130	(2)
Total Comprehensive Income for the Period	774	1,843	135	651	3,367	4,664	862	1,648
Profit Attributable to :								
Owners of the company	730	1,843	91	651	3,233	4,666	732	1,650
Total Comprehensive Income attributable to:								
Owners of the company	774	1,843	135	651	3,367	4,664	862	1,648
Earnings per share								
Basic (Rs.)	0.40	1.02	0.05	0.36	1.79	2.59	0.41	0.91

Statement of Financial Position
(All amounts in LKR Millions)

	Group		Company	
	30 Sep 2017 (Reviewed)	31 Dec 2016 (Audited)	30 Sep 2017 (Reviewed)	31 Dec 2016 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	113,852	108,649	88,107	81,524
Intangible assets and goodwill	8,034	3,713	1,088	879
Investments in subsidiaries	-	-	14,220	14,220
Deferred tax assets	56	51	-	-
Other receivables	3,335	3,033	3,321	3,021
Total Non-current Assets	125,277	115,446	106,736	99,644
Current Assets				
Inventories	3,941	1,585	2,588	1,146
Trade and other receivables	22,295	18,287	18,087	16,162
Current tax receivables	551	146	551	146
Other investments	2,086	764	2,023	705
Cash and cash equivalents	6,001	6,682	774	314
Total Current Assets	34,874	27,464	24,023	18,473
Total Assets	160,151	142,910	130,759	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	657	680	657	680
Retained earnings	51,642	49,858	39,550	40,271
Equity attributable to equity share holders of the company	70,348	68,587	58,256	59,000
Non controlling Interest	95	91	-	-
Total Equity	70,443	68,678	58,256	59,000
Non Current Liabilities				
Grants	4	9	4	9
Borrowings	16,660	14,859	16,154	13,809
Deferred income	2,174	2,340	2,131	2,297
Deferred tax liabilities	5,062	4,517	5,050	4,507
Employee benefits	4,881	4,538	4,296	3,984
Trade and other payables	2,667	2,743	532	252
Total Non Current Liabilities	31,448	29,006	28,167	24,858
Current Liabilities				
Borrowings	25,763	18,081	21,877	14,726
Deferred income	2,011	1,435	478	576
Current tax liabilities	364	413	-	-
Trade and other payables	30,122	25,297	21,981	18,957
Total Current Liabilities	58,260	45,226	44,336	34,259
Total Liabilities	89,708	74,232	72,503	59,117
Total Equity and Liabilities	160,151	142,910	130,759	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

Lalith Fernando
Group 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 15th November 2017.

Signed for and behalf of the Board.

Signed

P.G. Kumarasinghe Sirisena
Chairman

Signed

Lai Choon Foong
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			4,666	4,666	-	4,666
Other comprehensive income					-	-
Defined benefit plan actuarial (loss)/gain, net of tax			(2)	(2)	-	(2)
Total comprehensive income for the period	-	-	4,664	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)		(1,606)
Insurance reserve						
-Transferred to insurance reserve		62	(62)	-	-	-
Balance as at 30 September 2016	18,049	667	49,582	68,298	-	68,298
Balance as at 1 October 2016	18,049	667	49,582	68,298	-	68,298
Total comprehensive income for the period					91	-
Non Controlling interest						
Net profit for the period			124	124		124
Other comprehensive income						-
-Foreign currency translation differences foreign operations						-
Defined benefit plan actuarial (losses)/gain, net of tax			165	165		165
Total comprehensive income for the period	-	-	289	289	91	289
Transactions with owners, recorded directly in equity contribution by and distribution to owners					-	-
Dividend to equity share holders			-	-		0
Insurance reserve						
-Transferred to insurance reserve		13	(13)	-	-	-
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					4	4
Total comprehensive income for the period						-
Net profit for the period			3,233	3,233		3,233
Other comprehensive income						
Defined benefit plan actuarial (losses)/gain, net of tax			134	134		134
Total comprehensive income for the period	-	-	3,367	3,367	4	3,371
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		(23)	23	-		-
Balance as at 30 September 2017	18,049	657	51,642	70,348	95	70,443

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			1,650	1,650
Other comprehensive income				-
Defined benefit plan actuarial (loss)/gain, net of tax			(2)	(2)
-Fair value reserve reclassified to profit or loss				
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
Balance as at 1 October 2016	18,049	667	40,028	58,744
Total comprehensive income for the period				
Net profit for the period			75	75
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			181	181
Total comprehensive income for the period	-	-	256	256
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 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			732	732
Other comprehensive income				
- Fair value reserve reclassified to profit or loss				
Defined benefit plan actuarial (loss)/gain, net of tax			130	130
Total comprehensive income for the period	-	-	862	862
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		(23)	23	
Balance as at 30 September 2017	18,049	657	39,550	58,256

Statement of Cash Flows for the Year ended 30 September
(All amounts in LKR Millions)

	Group		Company	
	2017	2016	2017	2016
Operating activities				
Cash generated from operations	15,636	13,722	8,839	6,441
Interest received	732	705	383	299
Interest paid	(1,926)	(1,073)	(1,638)	(898)
Tax paid	(840)	(735)	(174)	(110)
Gratuity paid	(242)	(163)	(228)	(148)
Net cash generated from operating activities	13,360	12,456	7,182	5,584
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(15,513)	(14,723)	(12,745)	(12,521)
Acquisition of intangible assets	(4,869)	(807)	(351)	(6)
Proceeds from disposal of property, plant and equipment	477	290	473	279
Advance against investments		(642)		
Proceeds /(Purchase) of short term investments	(1,336)	378	(1,334)	30
Net cash used in investing activities	(21,241)	(15,504)	(13,957)	(12,218)
Cash flows from Financing activities				
Proceeds from borrowings	14,349	9,031	13,048	8,524
Finance lease principal re-payments	(60)	(56)	(45)	(38)
Re-payment on borrowings	(9,934)	(7,226)	(7,979)	(3,628)
Dividend paid to equity share holders	(1,606)	(1,606)	(1,606)	(1,606)
Net cash generated/(used) from financing activities	2,749	143	3,418	3,252
Increase/(Decrease) in cash and cash equivalents	(5,132)	(2,905)	(3,357)	(3,382)
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	2	1	2	1
Increase/(Decrease) in cash and cash equivalents	(614)	4,621	(6,232)	224
Cash and cash equivalents at 30 September (Note 1)	(5,746)	1,716	(9,589)	(3,158)
Note 1				
Cash and cash equivalents	6,001	5,839	774	224
Bank overdraft	(11,747)	(4,123)	(10,363)	(3,382)
	(5,746)	1,716	(9,589)	(3,158)

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 30 September 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 15 November 2017.

III. 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 2016.

IV. 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 2016.

V. 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	
	2017	2016	2017	2016	2017	2016	2017	2016
External revenues	30,393	29,883	25,284	25,193	712	592	56,389	55,668
Inter-segment revenue	2,987	2,508	1,832	1,740	1,726	1,675	6,545	5,923
Reportable segment revenue	33,380	32,391	27,116	26,933	2,438	2,267	62,934	61,591
Reportable segment Profit before tax	994	2,408	3,079	3,686	134	66	4,207	6,160
Interest revenue	357	289	324	381	25	25	706	695
Interest expenses	(9)	(15)	(99)	(179)	(19)	(13)	(127)	(207)
Depreciation and Amortization	(8,160)	(6,229)	(4,485)	(4,181)	(69)	(62)	(12,714)	(10,472)

Revenues	2017	2016
Total revenue for reportable segments	60,496	59,324
Revenue for other segments	2,438	2,267
Reportable segment revenue	62,934	61,591
Elimination of inter-segment revenue	(6,545)	(5,923)
Consolidated revenue	56,389	55,668
Profit or loss		
Total Profit or loss for reportable segments	4,073	6,094
Profit or loss for other segments	134	66
Reportable segment Profit before tax	4,207	3,701
Elimination of inter-segment profits	(100)	(94)
Consolidated profit before tax	4,107	6,066

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Elimination of inter segment balances		Consolidated assets and liabilities	
	30-Sep 2017	31-Dec 2016	30-Sep 2017	31-Dec 2016	30-Sep 2017	31-Dec 2016	30-Sep 2017	31-Dec 2016	30-Sep 2017	31-Dec 2016
Reportable segment assets	130,759	118,117	46,940	45,464	2,178	1,868	(19,726)	(22,539)	160,151	142,910
Reportable segment liabilities	72,503	59,117	21,308	22,335	1,852	1,617	(5,955)	(8,837)	89,708	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 or the period ended 30 September 2017

VIII. Property Plant and equipment

(a) Acquisitions and disposals

During the nine months ended 30 September 2017, the Group acquired assets with a cost of Rs 12,215 mn. (Nine months ended 30 September 2016: Rs 16,643 mn).

Assets with a carrying amount of Rs 18 mn were disposed of nine months ended 30 September 2017 (nine months ended 30 September 2016: Rs Nil), resulting in a gain on disposal of Rs 459 mn (nine months ended 30 September 2016: gain of Rs 404 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)	
	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016
Property plant and equipment				
Approved but not contracted	10,480	19,261	10,480	19,261
Approved and contracted	20,114	13,229	19,741	12,863

IX. Capital and reserve

(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 Borrowing at group level for the period is as follows:

Repayments	Currency	Amount (Rs.Mn)
Bank loan – 30 Sep. 2017	LKR	9,934

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

Additions	Currency	Amount (Rs.Mn)
Bank loan – 30 Sep. 2017	LKR	14,349

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 Transaction during the quarter are as follows;

Company	Nature of Transaction	Transaction value (Rs. Mn)		Amount due (to)/ from related parties (Rs.Mn)	
		30 Sep. 2017	30 Sep. 2016	30 Sep. 2017	31 Dec. 2016
Mobitel (Private) Limited	Sale of goods and services	2,967	2,498	2,597	3,861
	Purchase of goods and services	1,692	1,732	(1,523)	(3,389)

XIII. Events after the Reporting Date

No material events have arisen since the date of the statement of financial position except which has been disclosed in the financial statements.

Investor Information

Ratios

	Group		Company	
	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016
Net asset value per share (Rs)	39.03	38.05	32.28	32.69
Gearing ratio -Number of times	0.38	0.32	0.39	0.33
Quick asset ratio - Number of times	0.53	0.57	0.48	0.51

	For the Quarter ended		For the Quarter ended	
	30 Sep. 2017	30 Sep. 2016	30 Sep. 2017	30 Sep. 2016
Interest cover - Number of times	2.15	6.02	0.54	2.85

Market Value of Shares

Market Value of the Ordinary

Shares of the Company (Rs)

	3 Months to 30 Sep. 2017	3 Months to 30 Sep. 2016
-Highest	32.80	39.80
-Lowest	28.00	35.80
-Last Traded price	29.00	38.60

Dividend Payment

First and Final dividend for the year 2016-Rs 0.89 per share paid on 4 June 2017.

Share trading from 1 January to 30 September 2017

	3 Months to 30 Sep. 2017
-No of Transactions	865
- No of Shares Traded	536,957
-Value of Shares Traded (Rs)	16,197,760

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

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.	18,254,992	1.01
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	1,485,940	0.08
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 Elgin Investment Limited	200,000	0.01
13 Pinnacle Trust (Pvt) Limited	183,984	0.01
14 Ceylon Biscuits Limited	162,000	0.01
15 People's Leasing & Finance PLC / C.N Jayasooriya	150,000	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	97,638	0.01
20 Mr Galhenage	70,000	0.00
	1,788,053,478	99.07

- 2) Percentage of public holding as at 30 September 2017 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.