

Sri Lanka Telecom PLC



Interim Condensed Consolidated Financial Statements

For the Quarter ended

31 March 2021

(All amounts in LKR Millions)

	Group		Company	
	Jan - Mar		Jan - Mar	
	2021 (Reviewed)	2020 (Reviewed)	2021 (Reviewed)	2020 (Reviewed)
Revenue	24,658	22,139	14,170	12,490
Direct costs	(13,346)	(11,637)	(7,898)	(6,828)
Gross Profit	11,312	10,502	6,272	5,662
Sales and marketing costs	(2,786)	(2,696)	(1,390)	(1,258)
Administrative costs	(5,104)	(4,587)	(3,877)	(3,309)
Operating profit	3,422	3,219	1,005	1,095
Other income	228	262	338	344
Dividend Income	-	-	475	250
Interest expenses and finance cost	(846)	(526)	(529)	(150)
Foreign exchange (loss) / gain	(331)	(683)	204	(129)
Interest income	316	285	175	196
Share of profit from equity accounted investee	19	12	19	12
Profit before tax	2,808	2,569	1,687	1,618
Income tax expenses	(662)	(692)	(329)	(449)
Profit for the Period	2,146	1,877	1,358	1,169
Other comprehensive income				
Net movement in Cash flow hedges	50	91	-	91
Defined benefit plan actuarial (loss) / gain	(118)	14	(118)	12
Tax on other comprehensive income	22	(4)	24	(3)
Other comprehensive income for the period (net of tax)	(46)	101	(94)	100
Total Comprehensive Income for the Period	2,100	1,978	1,264	1,269
Profit Attributable to :				
Owners of the company	2,144	1,877	1,358	1,169
Non-controlling interest	2	-	-	-
	2,146	1,877	1,358	1,169
Total Comprehensive Income attributable to:				
Owners of the company	2,098	1,978	1,264	1,269
Non-controlling interest	2	-	-	-
	2,100	1,978	1,264	1,269
Earnings per share				
Basic (Rs.)	1.19	1.04	0.75	0.65

(All amounts in LKR Millions)

	Group		Company	
	31 Mar 2021 (Reviewed)	31 Dec 2020 (Audited)	31 Mar 2021 (Reviewed)	31 Dec 2020 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	137,867	137,208	100,911	100,269
Right-of-use assets	9,188	8,750	1,186	78
Intangible assets and goodwill	8,178	8,115	2,772	2,656
Investments in subsidiaries	-	-	14,821	14,821
Investments in associates	147	128	147	128
Deferred tax assets	173	185	-	-
Contract assets	608	560	161	155
Other receivables	2,706	2,748	2,689	2,732
Total Non-current Assets	158,867	157,694	122,687	120,839
Current Assets				
Inventories	3,679	3,367	2,927	2,634
Trade and other receivables	27,269	27,070	18,315	17,932
Current tax receivables	9	15	-	-
Contract assets	815	778	97	97
Other investments	5,158	3,666	5,137	3,646
Cash and cash equivalents	14,987	11,866	1,126	1,041
Total Current Assets	51,917	46,762	27,602	25,350
Total Assets	210,784	204,456	150,289	146,189
Equity and Liabilities				
Equity				
Stated capital	18,049	18,049	18,049	18,049
Insurance reserve	1,044	1,044	1,044	1,044
Hedging reserve	75	30	-	-
Retained earnings	67,106	65,056	44,614	43,350
Equity attributable to equity share - holders of the company	86,274	84,179	63,707	62,443
Non controlling Interest	104	102	-	-
Total Equity	86,378	84,281	63,707	62,443
Non Current Liabilities				
Borrowings	44,913	45,684	40,860	40,860
Lease liability	7,587	7,377	756	27
Contract liabilities	771	660	771	660
Deferred income	1,800	1,832	1,800	1,832
Deferred tax liabilities	7,082	7,346	6,576	6,936
Employee benefits	5,395	5,204	4,529	4,358
Trade and other payables	6,598	5,371	5,141	3,955
Total Non Current Liabilities	74,146	73,474	60,433	58,628
Current Liabilities				
Borrowings	8,595	9,690	5,605	7,132
Lease liability	2,540	2,281	442	58
Contract liabilities	795	742	516	484
Deferred income	2,985	2,812	307	240
Current tax liabilities	1,238	560	738	73
Deferred tax liabilities	11	11	-	-
Trade and other payables	34,096	30,605	18,541	17,131
Total Current Liabilities	50,260	46,701	26,149	25,118
Total Liabilities	124,406	120,175	86,582	83,746
Total Equity and Liabilities	210,784	204,456	150,289	146,189

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

Signed

Sanjeeva Samaranayake

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 12 May 2021.

Signed for and behalf of the Board.

Signed

Rohan Fernando
Chairman

Signed

Lalith Seneviratne
Director

Sri Lanka Telecom PLC
Company Registration No. PQ 7
Interim Condensed Consolidated Statement of Changes In Equity
For the three months period ended 31 March 2021

(All amounts in LKR Millions)

Group	Attributable to owners of the Company						
	Stated capital	Insurance reserve	Hedging reserve	Retained earnings	Total	Non controlling interest	Total equity
Balance as at 1 January 2020	18,049	917	(471)	59,574	78,069	98	78,167
Non Controlling interest	-	-	-	-	-	4	4
Total comprehensive income for the year	-	-	-	-	-	-	-
Net profit for the year	-	-	-	7,881	7,881	-	7,881
Other comprehensive income / (expense)	-	-	-	-	-	-	-
Net movement on cash flow hedges	-	-	501	-	501	-	501
Defined benefit plan actuarial loss, net of tax	-	-	-	(359)	(359)	-	(359)
Total other comprehensive income / (expense) for the year	-	-	501	(359)	142	-	142
Total comprehensive income for the year	-	-	501	7,522	8,023	-	8,023
Transactions with owners, recorded directly in equity							
Contribution by and distribution to owners							
Dividends to equity share holders	-	-	-	(1,913)	(1,913)	-	(1,913)
Insurance reserve							
Transferred to insurance reserve	-	127	-	(127)	-	-	-
Balance as at 31 December 2020	18,049	1,044	30	65,056	84,179	102	84,281
Balance as at 1 January 2021	18,049	1,044	30	65,056	84,179	102	84,281
Non controlling interest	-	-	-	-	-	2	2
Total comprehensive income for period	-	-	-	-	-	-	-
Net profit for the period	-	-	-	2,146	2,146	-	2,146
Other comprehensive income / (expense)	-	-	-	-	-	-	-
Net movement on cash flow hedges	-	-	45	-	45	-	45
Defined benefit plan actuarial loss, net of tax	-	-	-	(96)	(96)	-	(96)
Total other comprehensive income / (expense) for period	-	-	45	(96)	(51)	-	(51)
Total comprehensive income for the period	-	-	45	2,050	2,095	2	2,097
Balance as at 31 March 2021	18,049	1,044	75	67,106	86,274	104	86,378

(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 2020	18,049	917	(471)	41,678	60,173
Total comprehensive income for the year					
Net profit for the year	-	-	-	4,019	4,019
Other comprehensive income / (expense)					
Net movement on cash flow hedges	-	-	471	-	471
Defined benefit plan actuarial loss, net of tax	-	-	-	(307)	(307)
Total other comprehensive income / (expense) for the year	-	-	471	(307)	164
Total comprehensive income for the year	-	-	471	3,712	4,183
Transactions with owners, recorded directly in equity					
Contribution by and distribution to owners					
Dividends to equity share holders	-	-	-	(1,913)	(1,913)
Insurance reserve					
Transferred to insurance reserve	-	127	-	(127)	-
Balance as at 31 December 2020	18,049	1,044	-	43,350	62,443
Balance as at 1 January 2021	18,049	1,044	-	43,350	62,443
Total comprehensive income for period					
Net profit for the period	-	-	-	1,358	1,358
Other comprehensive income / (expense)					
Net movement on cash flow hedges	-	-	-	-	-
Defined benefit plan actuarial loss, net of tax	-	-	-	(94)	(94)
Total other comprehensive income / (expense) for period	-	-	-	(94)	(94)
Total comprehensive income for the period	-	-	-	1,264	1,264
Balance as at 31 March 2021	18,049	1,044	-	44,614	63,707

Sri Lanka Telecom PLC

Company Registration No. PQ 7

Interim Condensed Consolidated Statement of Cash Flows

For the three months period ended 31 March

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2021	2020	2021	2020
Operating activities				
Cash generated from operations	14,370	6,718	7,924	3,989
Interest received	319	288	178	199
Interest paid	(2,180)	(2,233)	(1,535)	(1,656)
Tax paid	(197)	(164)	-	-
Gratuity paid	(130)	(114)	(110)	(109)
Net cash generated from operating activities	12,182	4,495	6,457	2,423
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(4,995)	(3,043)	(3,650)	(1,749)
Acquisition of intangible assets	(636)	(908)	(418)	(877)
Proceeds from disposal of property, plant and equipment	112	20	100	14
Proceeds / (Purchase) of short term investments	(1,431)	(947)	(1,430)	(937)
Net cash used in investing activities	(6,950)	(4,878)	(5,398)	(3,549)
Cash flows from Financing activities				
Proceeds from borrowings	22	5,453	-	5,250
Cash payment for the principle portion of lease liability	(498)	-	(154)	-
Finance lease principal re-payments	(1)	(6)	(1)	-
Re-payment on borrowings	(3,255)	(4,659)	(2,140)	(3,460)
Net cash (used) / generated from financing activities	(3,732)	788	(2,295)	1,790
Increase / (Decrease) in cash and cash equivalents	1,500	405	(1,236)	664
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	9,981	1,718	(412)	(2,620)
Increase / (Decrease) in cash and cash equivalents	1,500	405	(1,236)	664
Cash and cash equivalents at 31 March (Note)	11,481	2,123	(1,648)	(1,956)
Note				
Cash and cash equivalents	14,987	5,862	1,126	1,216
Bank overdraft	(3,506)	(3,739)	(2,774)	(3,172)
	11,481	2,123	(1,648)	(1,956)

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 interim condensed separate financial statements relate to Sri Lanka Telecom PLC. These interim condensed consolidated financial statements ('interim financial statements') as at 31 March 2021 and for the three months ended 31 March 2021 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 listed on the Colombo Stock Exchange.

II. Basis of accounting

These interim condensed consolidated 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 2020 and for the year ended 31 December 2020.

These interim financial statements were authorized for issue by the Company's Board of Directors on 12 May 2021.

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 2020 and for the year ended 31 December 2020.

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 2020 and for the year ended 31 December 2020.

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 in Rs. Mn)

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Total	
	31 Mar		31 Mar		31 Mar		31 Mar	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
External revenues	12,981	11,412	11,237	10,369	440	358	24,658	22,139
Inter- segment revenue	1,189	1,078	322	321	1,026	941	2,537	2,340
Reportable segment revenue	14,170	12,490	11,559	10,690	1,466	1,299	27,195	24,479
Reportable segment Profit before tax	1,687	1,618	1,856	1,142	(210)	58	3,333	2,818
Interest revenue	175	196	140	89	1	-	316	285
Interest expenses	(529)	(150)	(321)	(403)	(32)	(15)	(882)	(568)
Depreciation and Amortization	(4,153)	(3,472)	(2,089)	(1,961)	(44)	(29)	(6,286)	(5,462)

Revenues	31 Mar <u>2021</u>	31 Mar <u>2020</u>
Total revenue for reportable segments	25,729	23,180
Revenue for other segments	1,466	1,299
Reportable segment revenue	27,195	24,479
Elimination of inter- segment revenue	(2,537)	(2,340)
Consolidated revenue	24,658	22,139
Profit or loss		
Total profit or loss for reportable segments	3,543	2,760
Profit for other segments	(210)	58
Reportable segment profit before tax	3,333	2,818
Elimination of inter- segment profits	(525)	(249)
Consolidated profit before tax	2,808	2,569

Assets & Liabilities

	31 Mar 2021	31 Dec 2020
Assets		
Total assets for reportable segments	227,023	220,163
Assets for other segments	4,651	4,870
	231,674	225,033
Elimination of inter - segment assets	(20,890)	(20,577)
Consolidated total assets	210,784	204,456
Liabilities		
Total liabilities for reportable segments	126,864	122,357
Liabilities for other segments	3,726	3,709
	130,590	126,066
Elimination of inter- segment liabilities	(6,184)	(5,891)
Consolidated total liabilities	124,406	120,175

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

The telecommunication service has been categorised as an essential service by the Government of Sri Lanka. With the responsibility to provide an uninterrupted service to the nation, SLT as the national telecommunications provider activated its Business Continuity Plan ("BCP") and effected changes in operations, supply chain, workforce movements, investments and strategies to cope with the unprecedented challenges posed by the COVID-19 pandemic.

The financial impact to the Company due to the pandemic is summarized below:

(a) Impact to Earnings

As a response to the need of the hour, SLT together with its mobile arm Mobitel provided innovative yet affordable data packages to meet the growing customer demand. With the shift towards work from home arrangements and study from home arrangements, the Group experienced a positive impact in revenue in areas such as Broadband, IPTV and Career Business services due to surge in utilization in both residential and business sectors. Further, future opportunities are emerging with novel digital products and services.

(b) Impact to Cash flows

The effective collection strategies of the Group coupled with the need for continuous supply of telecommunication services improved the collections over the period. Further, the restriction of capital expenditure only to critical projects and the reduced market interest rates facilitated the management of cash flows of the Group.

(c) Impact on property, plant and equipment

The Group has assessed the impact on property, plant and equipment and spectrum assigned to the Group and does not foresee an impact due to the pandemic.

The Group will continue to take proactive measures to mitigate any potential impact and will continue its contingency plans and risk management measures as the situation evolves. However, it is too early to reasonably estimate the impact of the pandemic on financial results since it has still not fully brought under control.

There were no other events or transactions that require disclosures or adjustments to the financial statements for the period ended 31 March 2021.

VIII. Property Plant and equipment**(a) Acquisitions and Disposals**

During the three months ended 31 March 2021, the Group acquired assets at a cost of Rs 5,715 Mn (three months ended 31 March 2020 - Rs.4,244 Mn).

Assets fully depreciated were disposed during the three months ended 31 March 2021 (three months ended 31 March 2020 written down value of Rs 1 Mn), resulting in a gain on disposal of Rs. 112 Mn (three months ended 31 March 2020 gain of Rs.20 Mn), which was included in 'Other Income' in the Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(b) Capital commitments

	Group (Rs. Mn)		Company (Rs. Mn)	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Property plant and equipment				
Approved but not contracted	60,883	64,924	60,883	64,924
Approved and contracted	22,418	13,474	17,870	10,194

IX. Capital and Reserves**(a) Stated Capital**

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

X. Loans and Borrowings

Material additions to loans and borrowings at Group level for the year under review:

Additions	Currency	Amount (Rs. Mn.)
Bank loan - 31 March 2021	LKR	Nil

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

Repayments	Currency	Amount (Rs. Mn.)
Bank loan - 31 March 2021	LKR	3,255

XI. Contingencies

(a) In February 2006, Global Electroteks Limited initiated legal action to claim damages of USD 12 Mn. from Sri Lanka Telecom PLC ("SLT") for alleged unlawful disconnection of interconnection services. The Commercial High Court dismissed the application of Global Electroteks Limited in June 2020 and granted the Order in favour of SLT. Subsequently, Global Electroteks Limited has appealed to the Supreme Court against the Order.

(b) A consignment of CDMA equipment imported by SLT was detained in October 2008 by the Customs Authority. Subsequently, the equipment was cleared pending an inquiry based on a cash deposit and bank guarantee submitted by SLT. In October 2014, an Order was delivered which imposed a mitigated forfeiture of approximately LKR 1.82 Bn. on SLT. SLT filed a case in the Court of Appeal against the Order and an interim Order was issued by the Court in March 2016 to preclude respondents from enforcing the previous Order. In September 2020, the Court of Appeal gave a judgement in favor of SLT and the Order given by the Customs Authority was dismissed. However, the Customs Authority have appealed to the Supreme Court against the Order.

(c) Equipment valued at approximately USD 997,000 imported by SLT was detained by the Customs Authority in May 2009 but subsequently cleared in July 2009. The inquiry is pending and SLT is awaiting the decision of the Customs Department.

(d) In October 2014, SLT debt recovery officers filed legal proceedings to the Labour Commissioner and Labour Tribunal to claim for relief and re-instatement or compensation. SLT filed an appeal against the proceedings before the Labour Commissioner. In February 2015, the Labour Commissioner delivered the Order which dismissed SLT's appeal. Subsequently, special leave to appeal was obtained by SLT in March 2021. The case was fixed for Argument in September 2021.

XII. Related Parties

Material related party transactions during the year under review:

Company	Nature of Transaction	Transaction Value (Rs. Mn)		Amount due (to)/ from related parties (Rs. Mn)	
		31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Dec 2020
Mobitel (Private) Limited	Sale of goods and services	1,262	1,051	1,542	1,324
	Purchase of goods and services	322	321	(1,032)	(1,060)

XIII. 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

Company Registration No. PQ 7

Interim Condensed Consolidated Financial Statements

For the three months period ended 31 March 2021

Investor Information

Ratios

	Group		Company	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Net asset value per share (Rs)	47.80	46.64	35.30	34.60
Debt/equity ratio - Number of times	0.74	0.77	0.75	0.77
Quick asset ratio - Number of times	0.96	0.93	0.94	0.90

	For the 3 months ended		For the 3 months ended	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
Interest cover - Number of times	2.89	1.76	2.34	1.28

Market Value of Shares

	3 Months to 31 Mar 2021	3 Months to 31 Mar 2020
Market Value of the Ordinary Shares of the Company (Rs)		
- Highest	42.90	31.80
- Lowest	31.50	21.90
- Last traded price	32.70	22.00

Dividend Payment

First and final dividend for the year 2020 - Rs 1.49 per share paid on 28 April 2021.

Share trading from 1 January to March 2021

	3 Months to 31 Mar 2021
- No of Transactions	3,652
- No of Shares Traded	2,078,133
- Value of Shares Traded (Rs)	78,118,166

Debenture Information

- | | |
|--|---|
| - Interest yield as at date of last trade | - Not traded after initial issue |
| - Yield to maturity of last trade done with trade date | - Not traded after initial issue |
| - Interest rate of comparable government security | - 7.50% |
| - Market prices (ex-interest) for the current interim period | - No trades during the 3 month period ended 31 March 2021 |

Sri Lanka Telecom PLC**Company Registration No. PQ 7****Interim Condensed Consolidated Financial Statements****For the three months period ended 31 March 2021**

1) List of 20 Major Shareholders

Name & Address	Share Holding	Percentage %
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 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 Bank of Ceylon A/C Ceybank Unit Trust.	17,309,741	0.96
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	1,620,369	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 Mr.Razik	201,901	0.01
13 Hatton National Bank PLC /Almas Organization (Pvt) Limited	198,825	0.01
14 Pinnacle Trust (Pvt) Limited	183,984	0.01
15 Ceylon Biscuits Limited	161,825	0.01
16 Mr Weerasinghe	140,100	0.01
17 Mr Munasinghe	130,787	0.01
18 Hatton National Bank PLC /Carlines Holdings (Pvt) Limited	111,726	0.01
19 Mr Samarasinghe	110,000	0.01
20 Sinharaja Hills Plantation Pvt Limited	107,491	0.01
	1,787,418,182	99.03

2) Percentage of public holding as at 31 March 2021 4.78%

3) Number of shareholders representing the public holding 12,741

4) Float adjusted market capitalization Rs.2,822,665,079

The Company is not in compliance with option 4 of the listing rule 7.13.1 (a) which requires the Company to maintain a minimum public holding of 10%

5) Directors' holding None

6) Chief Executive Officer's including his spouse's shareholding 3,689

7) Number of shares representing the Company's stated capital 1,804,860,000 ordinary shares issued at Rs.10 per share.