

Sri Lanka Telecom PLC



Condensed Consolidated Interim Financial Statements

For the Quarter ended

30 June 2017

AL/CAY/JJ

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
REVIEW REPORT TO THE SHAREHOLDERS OF SRI LANKA TELECOM PLC

Introduction

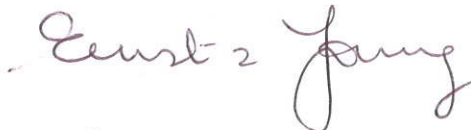
We have reviewed the accompanying condensed statement of financial position of Sri Lanka Telecom PLC as at 30 June 2017, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the quarter then ended, and notes to the condensed interim financial 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 30 June 2016 are based on the reviewed financial statements. The quarter ended 31 March 2017 and corresponding quarter ended 30 June 2016 have been reviewed by the previous auditor of the Company KPMG Sri Lanka.

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 Standards 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 30 June 2017 is not prepared, in all material respects, in accordance with LKAS 34, 'Interim Financial Reporting'.



11 August 2017
Colombo

Statement of Profit or Loss and other Comprehensive Income

(All amounts in LKR Millions)

	Group		Company		Group		Company	
	Apr-Jun		Apr-Jun		Jan - June		Jan - June	
	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)
Revenue	18,717	18,283	10,941	10,506	37,384	36,688	22,149	21,327
Operating costs	(13,328)	(13,384)	(8,166)	(8,021)	(26,382)	(26,096)	(16,323)	(15,955)
Operating profit before depreciation and amortization	5,389	4,899	2,775	2,485	11,002	10,592	5,826	5,372
Depreciation	(4,048)	(3,310)	(2,643)	(1,988)	(7,916)	(6,541)	(5,161)	(3,919)
Amortisation of intangible assets	(174)	(155)	(42)	(58)	(302)	(312)	(91)	(117)
Operating profit	1,167	1,434	90	439	2,784	3,739	574	1,336
Other income	168	98	158	76	454	202	443	166
Interest expenses and finance cost	(43)	(71)	(3)	(10)	(90)	(161)	(6)	(29)
Foreign exchange (loss) /gain	(181)	(265)	(176)	(170)	(545)	(572)	(433)	(234)
Interest income	224	240	114	100	499	443	232	184
Profit before tax	1,335	1,436	183	435	3,102	3,651	810	1,423
Income tax expenses	(284)	(338)	(87)	(140)	(599)	(828)	(169)	(424)
Profit for the Period	1,051	1,098	96	295	2,503	2,823	641	999
Other comprehensive income								
Defined benefit plan actuarial (loss/gain)	63	(1)	60	(1)	126	(2)	120	(2)
Tax on other comprehensive income	(18)	-	(17)	-	(36)	-	(34)	-
Other comprehensive income for the period (net of tax)	45	(1)	43	(1)	90	(2)	86	(2)
Total Comprehensive Income for the Period	1,096	1,097	139	294	2,593	2,821	727	997
Profit Attributable to :								
Owners of the company	1,051	1,098	96	295	2,503	2,823	641	999
Total Comprehensive Income attributable to:								
Owners of the company	1,096	1,097	139	294	2,593	2,821	727	997
Earnings per share								
Basic (Rs.)	0.58	0.61	0.05	0.16	1.39	1.56	0.36	0.55

Statement of Financial Position
(All amounts in LKR Millions)

	Group		Company	
	30 June 2017 (Reviewed)	31-Dec-16 (Audited)	30 June 2017 (Reviewed)	31-Dec-16 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	111,631	108,649	85,349	81,524
Intangible assets and goodwill	6,635	3,713	864	879
Investments in subsidiaries	-	-	14,220	14,220
Deferred tax assets	55	51	-	-
Other receivables	3,170	3,033	3,157	3,021
Total Non-current Assets	121,491	115,446	103,590	99,644
Current Assets				
Inventories	3,188	1,585	2,278	1,146
Trade and other receivables	22,095	18,287	17,716	16,162
Current tax receivables	190	146	190	146
Other investments	2,407	764	2,347	705
Cash and cash equivalents	4,080	6,682	431	314
Total Current Assets	31,960	27,464	22,962	18,473
Total Assets	153,451	142,910	126,552	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	624	680	624	680
Retained earnings	50,901	49,858	39,448	40,271
Equity attributable to equity share holders of the company	69,574	68,587	58,121	59,000
Non controlling Interest	93	91	-	-
Total Equity	69,667	68,678	58,121	59,000
Non Current Liabilities				
Grants	6	9	6	9
Borrowings	18,743	14,859	18,098	13,809
Deferred income	2,232	2,340	2,189	2,297
Deferred tax liabilities	4,651	4,517	4,639	4,507
Employee benefits	4,787	4,538	4,214	3,984
Trade and other payables	2,823	2,743	252	252
Total Non Current Liabilities	33,242	29,006	29,398	24,858
Current Liabilities				
Borrowings	21,657	18,081	19,523	14,726
Deferred income	1,939	1,435	548	576
Current tax liabilities	507	413	-	-
Trade and other payables	26,439	25,297	18,962	18,957
Total Current Liabilities	50,542	45,226	39,033	34,259
Total Liabilities	83,784	74,232	68,431	59,117
Total Equity and Liabilities	153,451	142,910	126,552	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
Udeni Samararatne
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 11 August 2017.

Signed for and behalf of the Board.

Signed
P.G. Kumarasinghe Sirisena
Director

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)

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			999	999
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	-	-	997	997
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		38	(38)	-
Balance as at 30 June 2016	18,049	643	39,401	58,093
Balance as at 1 July 2016	18,049	643	39,401	58,093
Total comprehensive income for the period				
Net profit for the period			726	726
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			181	181
Total comprehensive income for the period	-	-	907	907
Transactions with owners, recorded directly in equity				
contribution by and distribution to owners				
Insurance reserve				
-Transferred to insurance reserve		37	(37)	
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			641	641
Other comprehensive income				
- Fair value reserve reclassified to profit or loss				
Defined benefit plan actuarial (loss)/gain, net of tax			86	86
Total comprehensive income for the period	-	-	727	727
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		(56)	56	
Balance as at 30 June 2017	18,049	624	39,448	58,121

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

	GROUP		COMPANY	
	2017	2016	2017	2016
Operating activities				
Cash generated from operations	7,924	7,962	3,522	4,005
Interest received	489	426	222	167
Interest paid	(891)	(550)	(611)	(467)
Tax paid	(455)	(434)	(115)	(53)
Gratuity paid	(141)	(99)	(130)	(91)
Net cash generated from operating activities	6,926	7,305	2,888	3,561
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(10,392)	(9,993)	(8,480)	(8,953)
Acquisition of intangible assets	(3,224)	(672)	(76)	(6)
Proceeds from disposal of property, plant and equipment	376	97	372	96
Proceeds /(Purchase) of short term investments	(1,619)	(1,625)	(1,620)	(2,019)
Net cash used in investing activities	(14,859)	(12,193)	(9,804)	(10,882)
Cash flows from Financing activities				
Proceeds from borrowings	11,049	8,121	10,923	7,795
Finance lease principal re-payments	(38)	(32)	(28)	(20)
Re-payment on borrowings	(5,684)	(4,033)	(4,385)	(1,812)
Dividend paid to equity share holders	(1,606)	(1,606)	(1,606)	(1,606)
Net cash generated/(used) from financing activities	3,721	2,450	4,904	4,357
Increase/(Decrease) in cash and cash equivalents	(4,212)	(2,438)	(2,012)	(2,964)
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	6	-	6	-
Increase/(Decrease) in cash and cash equivalents	(610)	4,620	(6,228)	223
Cash and cash equivalents at 30 June (Note 1)	(4,822)	2,182	(8,240)	(2,741)
Note 1				
Cash and cash equivalents	4,080	5,925	431	116
Bank overdraft	(8,902)	(3,743)	(8,671)	(2,857)
	(4,822)	2,182	(8,240)	(2,741)

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 June 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 11 August 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 June		30 June		30 June		30 June	
	2017	2016	2017	2016	2017	2016	2017	2016
External revenues	20,309	19,679	16,578	16,660	497	349	37,384	36,688
Inter-segment revenue	1,840	1,648	1,353	1,137	1,064	1,171	4,257	3,956
Reportable segment revenue	22,149	21,327	17,931	17,797	1,561	1,520	41,641	40,644
Reportable segment Profit before tax	810	1,423	2,228	2,248	139	30	3,177	3,701
Interest revenue	232	184	251	245	16	14	499	443
Interest expenses	(6)	(29)	(71)	(124)	(13)	(8)	(90)	(161)
Depreciation and Amortization	(5,252)	(4,036)	(2,922)	(2,777)	(44)	(40)	(8,218)	(6,853)

Revenues	2017	2016
Total revenue for reportable segments	40,080	39,124
Revenue for other segments	1,561	1,520
Reportable segment revenue	41,641	40,644
Elimination of inter-segment revenue	(4,257)	(3,956)
Consolidated revenue	37,384	36,688
Profit or loss		
Total Profit or loss for reportable segments	3,038	3,671
Profit or loss for other segments	139	30
Reportable segment Profit before tax	3,177	3,701
Elimination of inter-segment profits	(75)	(50)
Consolidated profit before tax	3,102	3,651

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Elimination of inter segment balances		Consolidated assets and liabilities	
	30-June	31-Dec	30-June	31-Dec	30-June	31-Dec	30-June	31-Dec	30-June	31-Dec
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Reportable segment assets	126,552	118,117	43,998	45,464	2,100	1,868	(19,199)	(22,539)	153,451	142,910
Reportable segment liabilities	68,431	59,117	19,027	22,335	1,774	1,617	(5,448)	(8,837)	83,784	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 June 2017

VIII. Property Plant and equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired assets with a cost of Rs 8,084 mn (six months ended 30 June 2016: Rs 8,967 mn).

Assets with a carrying amount of Rs Nil were disposed of three months ended 30 June 2017 (six months ended 30 June 2016: Rs Nil), resulting in a gain on disposal of Rs 376 mn (six months ended 30 June 2016: gain of Rs 96 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 June 2017	31 Dec. 2016	30 June 2017	31 Dec. 2016
Property plant and equipment				
Approved but not contracted	19,223	19,261	19,223	19,261
Approved and contracted	9,481	13,229	9,107	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 June 2017	LKR	5,684

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

Additions	Currency	Amount (Rs.Mn)
Bank loan – 30 June .2017	LKR	11,049

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 June 2017	30 June 2016	30 June 2017	31 Dec. 2016
Mobitel (Private) Limited	Sale of goods and services	1,831	1,644	2,405	3,861
	Purchase of goods and services	1,217	1,106	(1,633)	(3,389)

XIII. Events after the Reporting Date

On 18.07.2017 DBN filed a Case against SLT under Case Number HC/Civil/23/2017 in the Commercial High Court regarding alleged violation of Intellectual Property Rights, on the basis that SLT used an RFP floated by Dialog. An ex-parte interim injunction was obtained from court by DBN 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 a claim of damages of Rs.7, 800,000,000/- was made under the petition by DBN. SLT filed documents in court to revoke DBN order made by the Court on 19.07.2017 on 10.08.2017. On this day DBN sought permission from court to file their objections to SLT documents for which SLT objected. The order of the court in this regard is due on **30.08.2017**.

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

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

Investor Information

Ratios

	Group		Company	
	30 June 2017	31 Dec. 2016	30 June 2017	31 Dec. 2016
Net asset value per share (Rs)	38.60	38.05	32.20	32.69
Gearing ratio -Number of times	0.37	0.32	0.39	0.33
Quick asset ratio - Number of times	0.57	0.57	0.53	0.51

	For the Quarter ended		For the Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Interest cover - Number of times	2.70	5.97	0.74	2.86

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 30 June 2017	3 Months to 30 June 2016
-Highest	36.00	45.00
-Lowest	30.80	36.70
-Last Traded price	32.00	37.80

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 June 2017

	3 Months to 30 June 2017
-No of Transactions	968
- No of Shares Traded	388,992
-Value of Shares Traded (Rs)	12,942,529

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.	18,176,138	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	1,471,676	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 Mr.Vandrevala	199,575	0.01
13 Ceylon Biscuits Limited	162,000	0.01
14 Pinnacle Trust (Pvt) Limited	160,000	0.01
15 People's Leasing & Finance PLC / C.N Jayasooriya	150,000	0.01
16 Mr.Tanaka	131,145	0.01
17 Sinharaja Hills Plantation Pvt Limited	107,491	0.01
18 Mrs.Edirisinghe	100,000	0.01
19 Mr Van Starrex	97,638	0.01
20 Elgin Investment Limited	93,531	0.01
	1,787,990,627	99.07

- 2) Percentage of public holding as at 30 June 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.