

Sri Lanka Telecom PLC



Interim Condensed Consolidated Financial Statements

For the Quarter ended

31 March 2023

(All amounts in LKR Millions)

	Group Jan - Mar		Company Jan - Mar	
	2023 (Reviewed)	2022 (Reviewed)	2023 (Reviewed)	2022 (Reviewed)
Revenue	26,554	26,001	17,560	15,866
Direct costs	(15,885)	(14,762)	(9,844)	(9,221)
Gross Profit	10,669	11,239	7,716	6,645
Sales and marketing costs	(2,799)	(2,694)	(1,282)	(1,359)
Administrative costs	(5,772)	(5,310)	(4,461)	(4,155)
Operating profit	2,098	3,235	1,973	1,131
Other income	759	574	818	290
Interest expenses and finance cost	(2,223)	(732)	(1,951)	(483)
Foreign exchange gain/ (loss)	408	(205)	(308)	3,262
Interest income	553	510	308	260
Share of (loss) / profit from equity - accounted investee	(5)	73	(5)	73
Profit before tax	1,590	3,455	835	4,533
Income tax expenses	(633)	(790)	(209)	(416)
Profit for the Period	957	2,665	626	4,117
Other comprehensive income				
Defined benefit plan actuarial gain/ (loss)	306	98	304	97
Tax on other comprehensive income	(92)	(25)	(91)	(24)
Other comprehensive income for the period (net of tax)	214	73	213	73
Total Comprehensive Income for the Period	1,171	2,738	839	4,190
Profit Attributable to :				
Owners of the company	956	2,662	626	4,117
Non-controlling interest	1	3	-	-
	957	2,665	626	4,117
Total Comprehensive Income attributable to:				
Owners of the company	1,170	2,735	839	4,190
Non-controlling interest	1	3	-	-
	1,171	2,738	839	4,190
Earnings per share - Basic (Rs.)	0.53	1.47	0.35	2.28

(All amounts in LKR Millions)

	Group		Company	
	31 Mar 2023 (Reviewed)	31 Dec 2022 (Audited)	31 Mar 2023 (Reviewed)	31 Dec 2022 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	171,349	164,916	133,472	127,061
Right-of-use assets	6,790	6,899	803	613
Intangible assets and goodwill	8,632	7,876	3,398	3,643
Investments in subsidiaries	-	-	14,431	14,431
Investments in associates	433	439	433	439
Deferred tax assets	199	177	-	-
Investments In equity Shares	2	2	-	-
Contract assets	1,414	1,504	319	313
Other receivables	3,400	3,320	3,375	3,295
Total Non-current Assets	192,219	185,133	156,231	149,795
Current Assets				
Inventories	3,648	3,283	2,546	2,405
Trade and other receivables	33,120	32,533	23,658	23,677
Current tax receivables	64	20	-	-
Contract assets	1,504	1,470	127	122
Other investments	692	3,995	672	3,976
Cash and cash equivalents	13,418	14,150	5,550	6,051
Total Current Assets	52,446	55,451	32,553	36,231
Total Assets	244,665	240,584	188,784	186,026
Equity and Liabilities				
Equity				
Stated capital	18,049	18,049	18,049	18,049
Insurance reserve	300	300	300	300
Retained earnings	75,195	74,024	52,036	51,197
Equity attributable to equity share - holders of the company	93,544	92,373	70,385	69,546
Non controlling Interest	116	115	-	-
Total Equity	93,660	92,488	70,385	69,546
Non Current Liabilities				
Borrowings	35,396	30,332	35,396	30,332
Vendor financing	14,855	13,057	14,855	13,057
Lease liability	4,381	4,835	403	428
Contract liabilities	1,655	1,483	1,655	1,483
Deferred income	1,410	1,469	1,410	1,469
Deferred tax liabilities	9,286	9,066	8,093	8,002
Employee benefits	5,610	5,733	4,706	4,846
Trade and other payables	8,873	8,696	7,973	7,804
Total Non Current Liabilities	81,466	74,671	74,491	67,421
Current Liabilities				
Borrowings	15,506	16,963	12,540	13,310
Vendor financing	2,422	4,269	1,761	1,745
Lease liability	2,736	2,661	443	227
Contract liabilities	1,000	972	743	716
Deferred income	3,799	3,852	412	221
Current tax liabilities	1,113	1,124	519	441
Deferred tax liabilities	12	12	-	-
Trade and other payables	42,951	43,572	27,490	32,399
Total Current Liabilities	69,539	73,425	43,908	49,059
Total Liabilities	151,005	148,096	118,399	116,480
Total Equity and Liabilities	244,665	240,584	188,784	186,026

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

Signed

Sanjeewa Samaranyake

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 2023.

Signed for and behalf of the Board.

Signed

Rohan Fernando
Chairman

Signed

Mohan Weerakoon
Director

Sri Lanka Telecom PLC

Company Registration No. PQ 7

Interim Condensed Consolidated Statement of Changes In Equity

For the three months ended 31 March 2023

(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 2022	18,049	1,105	74,714	93,868	108	93,976
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No.14 of 2022			(2,289)	(2,289)	-	(2,289)
Adjusted balances as at 01 January 2022	18,049	1,105	72,425	91,579	108	91,687
Non Controlling interest	-	-	-	-	7	7
Total comprehensive income for the year						
Net profit for the year	-	-	4,765	4,765	-	4,765
Other comprehensive income / (expense)						
Defined benefit plan actuarial loss, net of tax	-	-	(325)	(325)	-	(325)
Total other comprehensive income for the year	-	-	(325)	(325)	-	(325)
Total comprehensive income for the year	-	-	4,440	4,440	-	4,440
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Dividends to equity share holders	-	-	(3,646)	(3,646)	-	(3,646)
Insurance reserve						
Transferred from insurance reserve	-	(805)	805	-	-	-
Balance as at 31 December 2022	18,049	300	74,024	92,373	115	92,488
Balance as at 1 January 2023	18,049	300	74,024	92,373	115	92,488
Non controlling interest	-	-	-	-	1	1
Total comprehensive income for period						
Net profit for the period	-	-	957	957	-	957
Other comprehensive income						
Defined benefit plan actuarial gain, net of tax	-	-	214	214	-	214
Total other comprehensive income for period	-	-	214	214	-	214
Total comprehensive income for the period	-	-	1,171	1,171	-	1,171
Balance as at 31 March 2023	18,049	300	75,195	93,544	116	93,660

Sri Lanka Telecom PLC

Company Registration No. PQ 7

Interim Condensed Consolidated Statement of Changes In Equity

For the three months ended 31 March 2023

(All amounts in LKR Millions)

Company	Attributable to owners of the Company			
	Stated capital	Insurance reserve	Retained earnings	Total
Balance as at 1 January 2022	18,049	1,105	46,518	65,672
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No.14 of 2022	-	-	(742)	(742)
Adjusted balances as at 01 January 2022	18,049	1,105	45,776	64,930
Total comprehensive income for the year				
Net profit for the year	-	-	8,463	8,463
Other comprehensive income / (expense)				
Defined benefit plan actuarial loss, net of tax	-	-	(201)	(201)
Total other comprehensive income for the year	-	-	(201)	(201)
Total comprehensive income for the year	-	-	8,262	8,262
Transactions with owners, recorded directly in equity				
Contribution by and distribution to owners				
Dividends to equity share holders	-	-	(3,646)	(3,646)
Insurance reserve				
Transferred from insurance reserve	-	(805)	805	-
Balance as at 31 December 2022	18,049	300	51,197	69,546
Balance as at 1 January 2023	18,049	300	51,197	69,546
Total comprehensive income for period				
Net profit for the period	-	-	626	626
Other comprehensive income / (expense)				
Defined benefit plan actuarial loss, net of tax	-	-	213	213
Total other comprehensive income for period	-	-	213	213
Total comprehensive income for the period	-	-	839	839
Balance as at 31 March 2023	18,049	300	52,036	70,385

Sri Lanka Telecom PLC

Company Registration No. PQ 7

Interim Condensed Consolidated Statement of Cash Flows

For the three months ended 31 March 2023

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2023	2022	2023	2022
Operating activities				
Cash generated from operations	8,892	17,219	2,625	9,677
Interest received	555	508	310	258
Interest paid	(3,782)	(984)	(3,569)	(485)
Tax paid	(582)	(359)	(131)	(87)
Gratuity paid	(148)	(113)	(113)	(104)
Net cash generated from operating activities	4,935	16,271	(878)	9,259
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(10,833)	(9,987)	(9,233)	(7,951)
Acquisition of intangible assets	(1,330)	(215)	(23)	(210)
Proceeds from disposal of subsidiary	-	410	-	410
Proceeds from disposal of property, plant and equipment	64	65	58	48
Proceeds / (Purchase) of short term investments	3,301	8,283	3,302	8,290
Net cash used in investing activities	(8,798)	(1,444)	(5,896)	587
Cash flows from Financing activities				
Proceeds from borrowings	7,500	960	7,000	960
Cash payment for the principle portion of lease liability	(702)	(523)	(151)	(146)
Finance lease principal re-payments	(1)	(1)	(1)	(1)
Re-payment on borrowings	(2,349)	(3,474)	(935)	(1,482)
Increase in vendor financing and other non current liabilities	913	914	2,579	923
Net cash (used) / generated from financing activities	5,361	(2,124)	8,492	254
Increase/(Decrease) in cash and cash equivalents	1,498	12,703	1,718	10,100
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	8,587	16,230	873	354
Effect on exchange fluctuation on cash and cash equivalents	(891)	2,646	(474)	2,646
Increase/(Decrease) in cash and cash equivalents	1,498	12,703	1,718	10,100
Cash and cash equivalents at 31 March (Note)	9,194	31,579	2,117	13,100
Note				
Cash and cash equivalents	13,418	32,095	5,550	13,241
Bank overdraft	(4,224)	(516)	(3,433)	(141)
	9,194	31,579	2,117	13,100

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 of 31 March 2023 and for the three months ended 31 March 2023 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 of 31 December 2022 and for the year ended 31 December 2022.

These interim financial statements were authorized for issue by the Company's Board of Directors on 12 May 2023.

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 of 31 December 2022 and for the year ended 31 December 2022.

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 of 31 December 2022 and for the year ended 31 December 2022.

Sri Lanka Telecom PLC

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended 31 March 2023.

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	
	2023	2022	2023	2022	2023	2022	2023	2022
External revenues	16,043	14,445	10,174	11,259	337	297	26,554	26,001
Inter- segment revenue	1,517	1,421	422	431	1,499	1,167	3,438	3,019
Reportable segment revenue	17,560	15,866	10,596	11,690	1,836	1,464	29,992	29,020
Reportable segment profit -before tax	835	4,513	266	(401)	308	(649)	1,409	3,463
Interest revenue	308	260	243	248	2	2	553	510
Interest expenses	(1,951)	(483)	(297)	(280)	(15)	(14)	(2,263)	(777)
Depreciation and Amortization	(4,163)	(5,141)	(2,491)	(2,269)	(20)	(26)	(6,674)	(7,436)

Revenues	31 Mar 2023	31 Mar 2022
Total revenue for reportable segments	28,156	27,556
Revenue for other segments	1,836	1,464
Reportable segment revenue	29,992	29,020
Elimination of inter- segment revenue	(3,438)	(3,019)
Consolidated revenue	26,554	26,001
Profit or loss		
Total profit or loss for reportable segments	1,101	4,112
Profit for other segments	308	(649)
Reportable segment profit before tax before elimination	1,409	3,463
Inter- segment profits adjustment	181	(8)
Consolidated profit before tax	1,590	3,455

Assets & Liabilities

	31 Mar <u>2023</u>	31 Dec <u>2022</u>
Assets		
Total assets for reportable segments	265,513	261,861
Assets for other segments	4,234	5,066
	269,747	266,927
Elimination of inter - segment assets	(25,082)	(26,343)
Consolidated total assets	244,665	240,584
Liabilities		
Total liabilities for reportable segments	157,174	154,205
Liabilities for other segments	4,871	6,040
	162,045	160,245
Elimination of inter- segment liabilities	(11,040)	(12,149)
Consolidated total liabilities	151,005	148,096

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 telecommunication service provider, activated its Business Continuity Plan ("BCP") and implemented changes in operations, supply chain, workforce movements, investments and strategies to cope with the unprecedented challenges posed by the post-COVID-19 economic situation in the country.

The below summarises our strategy and the response plan for the post-COVID-19 economic situation in the country:

(a) Direction of operations

SLT together with its mobile arm Mobitel provided network assurance and uninterrupted business operations staying resilient to the economic challenges. The Group experienced a positive impact in revenue in areas such as carrier business services, cable TV and internet services with the tariff increase and continuous network expansions. Further, future opportunities are emerging with novel digital products and services with digital transformation.

(b) Liquidity Management

The effective collection strategies of the Group coupled with the need for continuous supply of telecommunication services improved collections over the period. However, as a result of recent utility price hikes and increase of individual income tax rates, disposable income of SLT customers has deteriorated significantly. This will affect the monthly collection and finally end up with further liquidity shortage. The group prioritised capital expenditure for critical projects, including projects which provide connectivity to rural areas to narrow the digital divide in the country. During the quarter Sri Lankan rupee appreciated against the US dollar easing some pressure on cash flows of the group. Further, the foreign currency liquidity also improved

during this period. However, the liquidity shortage in LKR market and high inflation has kept the market interest rates at higher levels increasing financing costs 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. 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.

There were no other events or transactions that require disclosures or adjustments to the financial statements for the quarter ended 31 March 2023.

VIII. Property Plant and equipment

(a) Acquisitions and Disposals

During the three months ended 31 March 2023, the Group acquired assets at a cost of Rs 11,014 Mn (three months ended 31 March 2022- Rs.14,123 Mn).

(b) Assets with a written down value of Rs.1 Mn were disposed during the three months ended 31 March 2023 (three months ended 31 March 2022 written down value of Rs 1 Mn), resulting in a gain on disposal of Rs.63 Mn (three months ended 31 March 2022 gain of Rs.65 Mn), which was included in 'Other Income' in the Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(c) Capital commitments.

	Group (Rs. Mn)		Company (Rs. Mn)	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Property plant and equipment				
Approved but not contracted	38,376	37,189	30,317	28,072
Approved and contracted	19,512	29,433	13,973	21,985

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 Mar 2023	LKR	7,500

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

Repayments	Currency	Amount (Rs. Mn.)
Bank loan - 31 Mar 2023	LKR	2,349

XI. Contingencies

There were no significant changes to the list of contingencies disclosed in the latest annual report of 2022.

XII. Related Parties

Material related party transactions during the period under review:

Company	Nature of Transaction	Transaction Value (Rs. Mn)		Amount due (to)/ from related parties (Rs. Mn)	
		31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Dec 2022
Mobitel (Private) Limited	Sale of goods and services	1,477	1,401	2,129	1,854
	Purchase of goods and services	422	431	(4,117)	(4,420)

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 ended 31 March 2023****Investor Information****Ratios**

	Group		Company	
	31 Mar 2023	31-Dec 2022	31 Mar 2023	31-Dec 2022
Net asset value per share (Rs.)	51.83	51.18	39.00	38.53
Debt/equity ratio - Number of times	0.80	0.78	0.93	0.85
Quick asset ratio - Number of times	0.70	0.71	0.68	0.69

	For the 3 months ended		For the 3 months ended	
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
Interest cover - Number of times	0.99	3.59	0.78	5.46

Market Value of Shares

	3 Months to 31 Mar 2023	3 Months to 31 Mar 2022
Market Value of the Ordinary Shares of the Company (Rs.)		
- Highest	121.75	70.00
- Lowest	62.00	33.50
- Last traded price	94.00	34.90

Share trading from 1 January to 31 March 2023

	3 Months to 31 Mar 2023
- No of Transactions	24,788
- No of Shares Traded	25,012,694
- Value of Shares Traded (Rs.)	2,253,082,291

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	- 25.05%
- Market prices (ex-interest) for the current interim period	- No trades during the Quarter 01 of 2023

Sri Lanka Telecom PLC**Company Registration No. PQ 7****Interim Condensed Consolidated Financial Statements****For the three months ended 31 March 2023****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 Employee's Provident Fund	25,324,104	1.40
4 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 National Savings Bank	13,158,700	0.73
6 Bank of Ceylon A/C Ceybank Unit Trust	9,713,824	0.54
7 Employees Trust Fund Board	3,302,188	0.18
8 Sri Lanka Insurance Corporation Ltd-General Fund	2,041,538	0.11
9 Seylan Bank PLC / Karagoda Loku Gamage Udayananda	1,693,292	0.09
10 Bank of Ceylon A/C Ceybank Century Growth Fund	801,143	0.04
11 Acuity Partners (Pvt) Ltd /Mr Don Janaka Nishan Hettiarachchi	722,500	0.04
12 Peoples Leasing & Finance PLC / Mrs. M. E Amarasinghe	671,151	0.04
13 J. B. Cocoshell (Pvt) Ltd	574,784	0.03
14 Peoples Leasing & Finance PLC / K.L. Udayanada	498,045	0.03
15 Mr.M.M Hettigama	283,100	0.02
16 Merchant Bank of Sri Lanka and Finance PLC / N.N. Dissanayaka	276,840	0.02
17 Mr. U. Siriwardena	261,390	0.01
18 The Incorporated Trustees of the Church of Ceylon	223,590	0.01
19 Bank of Ceylon No 1 Account	214,000	0.01
20 Miss. S . W. W. M.C. K. Wijeyatunga	212,000	0.01
	1,782,849,502	98.78

2) Percentage of public holding as at 31 March 2023 4.77%

3) Number of shareholders representing the public holding 13,804

4) Float adjusted market capitalization Rs.8,095,821,346.00

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 196,139

6) Chief Executive Officer's shareholding 1,824

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