

Sri Lanka Telecom PLC



Condensed Consolidated Interim Financial Statements

For the Quarter ended

31 March 2018

Statement of Profit or Loss and other Comprehensive Income

(All amounts in LKR Millions)

	Group		Company	
	Jan - Mar		Jan - Mar	
	2018 (Reviewed)	2017 (Reviewed)	2018 (Reviewed)	2017 (Reviewed)
Revenue	19,762	18,667	11,519	11,208
Operating costs	(13,670)	(13,054)	(8,065)	(8,157)
Operating profit before depreciation and amortization	6,092	5,613	3,454	3,051
Depreciation	(4,262)	(3,868)	(2,900)	(2,518)
Amortisation of intangible assets	(246)	(128)	(52)	(49)
Operating profit	1,584	1,617	502	484
Other income	125	286	120	285
Interest expenses and finance cost	(32)	(47)	(7)	(3)
Foreign exchange (loss) /gain	(294)	(364)	(233)	(257)
Interest income	171	275	119	118
Profit before tax	1,554	1,767	501	627
Income tax expenses	(378)	(315)	(169)	(82)
Profit for the Period	1,176	1,452	332	545
Other comprehensive income				
Defined benefit plan actuarial (losses) gain	138	63	138	60
Tax on other comprehensive income	(39)	(18)	(39)	(17)
Other comprehensive income for the period (net of tax)	99	45	99	43
Total Comprehensive Income for the Period	1,275	1,497	431	588
Profit Attributable to :				
Owners of the company	1,176	1,452	332	545
Total Comprehensive Income attributable to:				
Owners of the company	1,275	1,497	431	588
Earnings per share				
Basic (Rs.)	0.65	0.80	0.18	0.30

Statement of Financial Position
(All amounts in LKR Millions)

	Group		Company	
	31 Mar 2018 (Reviewed)	31 Dec 2017 (Audited)	31 Mar 2018 (Reviewed)	31 Dec 2017 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	117,375	117,035	92,549	91,453
Intangible assets and goodwill	7,777	7,861	1,169	1,067
Investments in subsidiaries	-	-	14,366	14,206
Other investments	28	28	28	28
Deferred tax assets	85	84	-	-
Other receivables	3,153	3,150	3,139	3,127
Total Non-current Assets	128,418	128,158	111,251	109,881
Current Assets				
Inventories	3,149	3,161	2,132	2,228
Trade and other receivables	23,149	20,731	17,504	17,854
Current tax receivables	1,287	1,035	1,287	1,035
Other investments	1,325	1,844	1,084	1,780
Cash and cash equivalents	3,463	4,277	798	796
Total Current Assets	32,373	31,048	22,805	23,693
Total Assets	160,791	159,206	134,056	133,574
Equity and Liabilities				
Equity				
Stated capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Insurance reserve	712	691	712	691
Retained earnings	53,823	52,569	40,890	40,480
Equity attributable to equity share holders of the company	72,584	71,309	59,651	59,220
Non controlling Interest	96	95	-	-
Total Equity	72,680	71,404	59,651	59,220
Non Current Liabilities				
Grants	1	3	1	3
Borrowings	20,340	14,920	19,703	14,492
Deferred income	2,196	2,239	2,165	2,208
Deferred tax liabilities	6,370	5,956	6,359	5,945
Employee benefits	4,234	4,355	3,583	3,719
Trade and other payables	2,239	2,444	532	532
Total Non Current Liabilities	35,380	29,917	32,343	26,899
Current Liabilities				
Borrowings	21,788	26,891	19,793	24,486
Deferred income	2,287	2,143	490	468
Current tax liabilities	395	401	-	-
Trade and other payables	28,261	28,450	21,779	22,501
Total Current Liabilities	52,731	57,885	42,062	47,455
Total Liabilities	88,111	87,802	74,405	74,354
Total Equity and Liabilities	160,791	159,206	134,056	133,574

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 May 2018.

Signed for and behalf of the Board.

Signed

P.G Kumarasinghe Sirisena
Chairman

Signed

A.R. Desapriya
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 2017	18,049	680	49,858	68,587	91	68,678
Non Controlling interest					1	
Total comprehensive income for the period					-	
Net profit for the period			1,452	1,452	-	1,452
Other comprehensive income					-	
Defined benefit plan actuarial (loss)/gain, net of tax			45	45	-	45
Total comprehensive income for the period	-	-	1,497	1,497	-	1,497
Transactions with owners, recorded directly in equity contribution by and distribution to owners					-	-
Insurance reserve						
-Transferred to insurance reserve		28	(28)	-	-	-
Balance as at 31 March 2017	18,049	708	51,327	70,084	92	70,176
Balance as at 1 April 2017	18,049	708	51,327	70,084	92	70,176
Total comprehensive income for the period						-
Non Controlling interest					3	
Net profit for the period			2,488	2,488		2,488
Other comprehensive income						-
-Foreign currency translation differences foreign operations						-
Defined benefit plan actuarial (losses)/gain, net of tax			343	343		343
Total comprehensive income for the period	-	-	2,831	2,831	-	2,831
Transactions with owners, recorded directly in equity Contribution by and distribution to owners					-	-
Dividends to equity share holders (Rs 0.89 per share)			(1,606)	(1,606)		(1,606)
Insurance reserve						
-Transferred to insurance reserve		(17)	17	-	-	-
Balance as at 31 December 2017	18,049	691	52,569	71,309	95	71,404
Balance as at 1 January 2018	18,049	691	52,569	71,309	95	71,404
Non controlling interest					1	
Total comprehensive income for the period						-
Net profit for the period			1,176	1,176		1,176
Other comprehensive income						
Defined benefit plan actuarial (losses)/gain, net of tax			99	99		99
Total comprehensive income for the period	-	-	1,275	1,275	1	1,276
Transactions with owners, recorded directly in equity contribution by and distribution to owners						
Insurance reserve						
-Transferred to insurance reserve		21	(21)	-		-
Balance as at 31 March 2018	18,049	712	53,823	72,584	96	72,680

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 2017	18,049	680	40,271	59,000
Total comprehensive income for the period				
Net profit for the period			545	545
Other comprehensive income				-
Defined benefit plan actuarial (loss)/gain, net of tax			43	43
Total comprehensive income for the period	-	-	588	588
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Insurance reserve				
-Transferred to insurance reserve		28	(28)	-
Balance as at 31 March 2017	18,049	708	40,831	59,588
Balance as at 1 April 2017	18,049	708	40,831	59,588
Total comprehensive income for the period				
Net profit for the period			883	883
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			355	355
Total comprehensive income for the period	-	-	1,238	1,238
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Dividends to equity share holders (Rs 0.89 per share)			(1,606)	(1,606)
Insurance reserve				
-Transferred to insurance reserve		(17)	17	
Balance as at 31 December 2017	18,049	691	40,480	59,220
Balance as at 1 January 2018	18,049	691	40,480	59,220
Total comprehensive income for the period				
Net profit for the period			332	332
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			99	99
Total comprehensive income for the period	-	-	431	431
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Insurance reserve				
-Transferred to insurance reserve		21	(21)	
Balance as at 31 March 2018	18,049	712	40,890	59,651

Statement of Cash Flows for 3 months ended 31 March
(All amounts in LKR Millions)

	GROUP		COMPANY	
	2018	2017	2018	2017
Operating activities				
Cash generated from operations	3,348	2,691	3,139	1,618
Interest received	192	304	140	147
Interest paid	(600)	(477)	(599)	(450)
Tax paid	(262)	(227)	(46)	(58)
Gratuity paid	(152)	(57)	(148)	(53)
Net cash generated from operating activities	2,526	2,234	2,486	1,204
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(3,488)	(4,417)	(2,882)	(4,115)
Acquisition of intangible assets	(162)	(107)	(154)	(26)
Proceeds from disposal of property, plant and equipment	27	242	27	240
Proceeds /(Purchase) of short term investments	507	39	684	89
Investments in subsidiaries	-	-	(160)	-
Net cash used in investing activities	(3,116)	(4,243)	(2,485)	(3,812)
Cash flows from Financing activities				
Proceeds from borrowings	12,095	7,545	11,890	7,523
Finance lease principal re-payments	(22)	(18)	(15)	(13)
Re-payment on borrowings	(7,120)	(2,723)	(6,588)	(2,532)
Net cash generated/(used) from financing activities	4,953	4,804	5,287	4,978
Increase/(Decrease) in cash and cash equivalents	4,363	2,795	5,288	2,370
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	(9,046)	(616)	(11,610)	(6,234)
Effect on exchange fluctuation on cash and cash equivalents	1	5	1	5
Increase/(Decrease) in cash and cash equivalents	4,363	2,795	5,288	2,370
Cash and cash equivalents at 31 March (Note 1)	(4,682)	2,184	(6,321)	(3,859)
Note 1				
Cash and cash equivalents	3,463	7,491	798	1,231
Bank overdraft	(8,145)	(5,307)	(7,119)	(5,090)
	(4,682)	2,184	(6,321)	(3,859)

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 31 March 2018 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 2017.

These interim financial statements were authorized for issue by the Company’s Board of Directors on 11 May 2018.

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 2017.

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 2017.

V. Operating segments

(a) Information about reportable segments

(All amounts are in Rs.Mn)

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Total	
	31 Mar		31 Mar		31 Mar		31 Mar	
	2018	2017	2018	2017	2018	2017	2018	2017
External revenues	10,495	10,306	8,946	8,070	321	291	19,762	18,667
Inter-segment revenue	1,024	902	578	772	504	354	2,106	2,028
Reportable segment revenue	11,519	11,208	9,524	8,842	825	645	21,868	20,695
Reportable segment Profit before tax	501	627	1,060	1,121	16	59	1,577	1,807
Interest revenue	119	118	44	151	8	6	171	275
Interest expenses	(7)	(3)	(19)	(39)	(6)	(5)	(32)	(47)
Depreciation and Amortization	(2,952)	(2,567)	(1,548)	(1,410)	(8)	(19)	(4,508)	(3,996)

Revenues	2018	2017
Total revenue for reportable segments	21,043	20,050
Revenue for other segments	825	645
Reportable segment revenue	21,868	20,695
Elimination of inter-segment revenue	(2,106)	(2,028)
Consolidated revenue	19,762	18,667
Profit or loss		
Total Profit or loss for reportable segments	1,561	1,748
Profit or loss for other segments	16	59
Reportable segment Profit before tax	1,577	1,807
Elimination of inter-segment profits	(23)	(40)
Consolidated profit before tax	1,554	1,767

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Elimination of inter segment balances		Consolidated assets and liabilities	
	31 Mar	31Dec	31 Mar	31Dec	31 Mar	31Dec	31 Mar	31Dec	31 Mar	31Dec
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Reportable segment assets	134,056	133,574	44,672	43,601	2,561	2,173	(20,498)	(20,142)	160,791	159,206
Reportable segment liabilities	74,405	74,354	18,169	17,948	2,055	1,846	(6,518)	(6,346)	88,111	87,802

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 31 March 2018.

VIII. Property Plant and equipment

(a) Acquisitions and disposals

During the three months ended 31 March 2018, the Group acquired assets with a cost of Rs 1,772 mn (three months ended 31 March 2017 – Rs 3,031 mn).

Assets with a carrying amount of Rs Nil were disposed of three months ended 31 March 2018 (three months ended 31 March 2017: Rs Nil), resulting in a gain on disposal of Rs 26 mn (three months ended 31 March 2017: gain of Rs 242 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)	
	31 Mar. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Property plant and equipment				
Approved but not contracted	10,296	25,984	10,296	25,984
Approved and contracted	6,404	1,774	6,024	1,400

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 – 31 March 2018	LKR	7,120

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

Additions	Currency	Amount (Rs.Mn)
Bank loan – 31 March 2018	LKR	12,095

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 2017.

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)	
		31 Mar. 2018	31 Mar.2017	31 Mar. 2018	31 Dec. 2017
Mobitel (Private) Limited	Sale of goods and services	1,001	895	2,801	2,684
	Purchase of goods and services	497	652	(1,892)	(1,681)

XIII. 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 (2016- Rs 0.89) on voting share of the company by way of cash dividend for the financial year ended 31 December 2017. Further, dividend has been approved at the Annual General Meeting held on 9th of May 2018.

Except as disclosed above no other material events have arisen since the date of the statement of financial position which require changes to, or disclosure in the financial statements.

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

Investor Information

Ratios

	Group		Company	
	31 Mar. 2018	31 Dec. 2017	31 Mar. 2018	31 Dec. 2017
Net asset value per share (Rs)	40.27	39.56	33.05	32.81
Gearing ratio -Number of times	0.37	0.37	0.40	0.40
Quick asset ratio - Number of times	0.55	0.48	0.49	0.45

	For 3 months ended		For 3 months ended	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Interest cover - Number of times	1.77	3.40	0.58	1.29

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 31 Mar 2018	3 Months to 31 Mar 2017
-Highest	30.00	36.70
-Lowest	26.50	32.10
-Last Traded price	27.00	33.30

Share trading from 1 January to 31 March 2018

	3 Months to 31 Mar 2018
-No of Transactions	676
- No of Shares Traded	233,355
-Value of Shares Traded (Rs)	6,519,781

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.	18,517,803	1.03
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	1,509,144	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 Pinnacle Trust (Pvt) Limited	183,984	0.01
13 Ceylon Biscuits Limited	162,000	0.01
14 People's Leasing & Finance PLC / C.N Jayasooriya	150,000	0.01
15 Elgin Investment Limited	144,329	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.Weerasinghe	70,000	0.00
20 Mr. Galhenage	70,000	0.00
	1,788,353,822	99.09

- 2) Percentage of public holding as at 31 March 2018 5.52%
- 3) Number of shareholders representing the public holding - 12,261
- 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.