

Sri Lanka Telecom PLC and its Subsidiaries

Registration No. - PQ 7

Interim Financial Report 1 st Quarter 2014

OUR VISION

All Sri Lankans seamlessly connected with world class information, communication and entertainment services.

OUR MISSION

Your trusted and proven partner for innovative and exciting communication experiences delivered with passion, quality and commitment.



Sri Lanka Telecom

One Country. One Voice.

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2014

Statement of Comprehensive Income as specified

(All amounts in LKR Millions)

	Group			Company		
	Jan- Mar		change	Jan- Mar		change
	2014	2013	%	2014	2013	%
Revenue	15,277	14,452	6	9,402	8,701	8
Operating costs	(11,119)	(9,837)	13	(7,390)	(6,082)	22
Operating profit before depreciation						
- and Amortization	4,158	4,615	(10)	2,012	2,619	(23)
Depreciation	(3,161)	(2,828)	12	(1,780)	(1,602)	11
Amortisation and impairment						
- of intangible assets	(187)	(163)	15	(79)	(81)	(2)
Operating profit	810	1,624	(50)	153	936	(84)
Refund of Telecommunication						
-Development Charge (TDC)	-	240	(100)	-	-	
Other income	72	31	132	65	28	132
Interest expenses and finance cost	(157)	(209)	(25)	(91)	(99)	(8)
Foreign exchange (loss) / Gain	23	39	(41)	13	(3)	(533)
Interest income	236	305	(23)	178	195	(9)
Profit before tax	984	2,030	(52)	318	1,057	(70)
Income tax expenses	(437)	(428)	2	(282)	(279)	1
Profit for the Period	547	1,602	(66)	36	778	(95)
Other comprehensive income						
Defined benefit plan actuarial (losses)/gain	(19)	(22)	(14)	(19)	(22)	(14)
Tax on other comprehensive income	5	6	(17)	5	6	(17)
Other comprehensive income for						
- the period net of tax	(14)	(16)	(13)	(14)	(16)	(13)
Total Comprehensive Income for the Period	533	1,586	(66)	22	762	(97)
Profit Attributable to :						
Owners of the company	547	1,602	(66)	36	778	(95)
Total Comprehensive Income attributable to:						
Owners of the company	533	1,586	(66)	22	762	(97)
Earnings per share						
-Basic (Rs.)	0.30	0.89	(66)	0.02	0.43	(95)
-Annualized (Rs.)	1.21	3.55	(66)	0.08	1.72	(95)

The above figures are provisional and unaudited

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2014

Statement of Financial Position

(All amounts in LKR Millions)

	Group		Company	
	Un-Audited as at 31 Mar 2014	Audited as at 31 Dec 2013	Un-Audited as at 31 Mar 2014	Audited as at 31 Dec 2013
Assets				
Non-Current Assets				
Property, plant and equipment	80,329	80,506	46,737	47,549
Intangible assets	3,821	3,976	1,539	1,613
Financial prepayment	152	176	-	-
Investments in subsidiaries	-	-	14,156	14,156
Other investments	-	-	-	-
Deferred tax Assets	58	58	-	-
Other receivables	2,730	2,733	2,730	2,733
Total Non-current Assets	87,090	87,449	65,162	66,051
Current Assets				
Inventories	2,523	2,174	2,250	1,918
Trade and other receivables	11,738	11,329	11,157	10,870
Current tax receivables	17	243	-	225
Other investments	6,366	3,393	6,176	3,203
Cash and cash equivalents	3,540	3,459	1,183	823
Total Current Assets	24,184	20,598	20,766	17,039
Total Assets	111,274	108,047	85,928	83,090
Equity and Liabilities				
Capital and Reserves				
Stated Capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Insurance reserve	515	500	515	500
Translation reserve	-	-	-	-
Fair value reserve	-	-	-	-
Retained earnings	41,758	41,240	38,561	38,554
Equity attributable to equity holders of the company	60,322	59,789	57,125	57,103
Non controlling interest	0	0	-	-
Total Equity	60,322	59,789	57,125	57,103
Non Current Liabilities				
Grants	28	28	28	28
Borrowings	13,908	12,378	5,268	2,662
Deferred income	2,751	2,825	2,675	2,747
Deferred tax liabilities	1,732	1,750	1,728	1,746
Employee benefits	3,125	3,003	2,846	2,725
Trade and other payables	2,054	1,748	271	270
Total Non Current Liabilities	23,598	21,732	12,816	10,178
Current Liabilities				
Borrowings	7,337	8,312	2,575	3,268
Deferred income	2,781	2,683	774	745
Current tax liabilities	434	359	43	-
Trade and other payables	16,802	15,172	12,595	11,796
Total Current Liabilities	27,354	26,526	15,987	15,809
Total Equity and Liabilities	111,274	108,047	85,928	83,090

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 consolidated financial statements. These financial statements were approved by the Board of Directors on 9 May 2014.

Signed on behalf of the Board.

Signed
Nimal Welgama
Chairman

Signed
Pushpa Wellappili
Director

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2014

Statement of Changes in Equity - 1 January 2013 to 31 March 2014

(All amounts in LKR Millions)

Attributable to owners of the Company

Group

	Stated Capital	Insurance Reserve	Fair Value reserve	Translation Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
Balance as at 1 January 2013	18,049	435	(3)	4	37,502	55,987	-	55,987
Total comprehensive income for the period								
Net profit for the period				-	1,602	1,602		1,602
Other comprehensive income								
-Foreign currency translation differences foreign operations				-		-		-
-Net change in fair value of Available for sale financial assets			-			-		-
-Defined benefit plan actuarial (losses)/gain,net of tax					(16)	(16)		(16)
Total Other comprehensive income	-	-	-	-	(16)	(16)	-	(16)
Total comprehensive income for the period	-	-	(3)	4	1,586	1,586		1,586
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 March 2013	18,049	448	(3)	4	39,075	57,573	-	57,573
Balance as at 1 April 2013	18,049	448	(3)	4	39,075	57,573	-	57,573
Total comprehensive income for the period								-
Net profit for the period					3,817	3,817		3,817
Other comprehensive income								-
-Impact on liquidation of SLT HK				(4)		(4)	-	(4)
- Fair value reserve reclassified to profit or loss			3			3		3
-Defined benefit plan actuarial (losses)/gain,net of tax					(66)	(66)		(66)
Total Other comprehensive income	-	-	-	-	(66)	(67)	-	(67)
Total comprehensive income for the period	-	-	-	-	3,751	3,750	-	3,750
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Dividends to equity share holders					(1,534)	(1,534)		(1,534)
Insurance reserve								-
-Transferred to insurance reserve		52			(52)			-
Balance as at 31 December 2013	18,049	500	-	-	41,240	59,789	-	59,789
Balance as at 1 January 2014	18,049	500	-	-	41,240	59,789	-	59,789
Total comprehensive income for the period								-
Net profit for the period					547	547		547
Other comprehensive income								-
-Defined benefit plan actuarial (losses)/gain,net of tax					(14)	(14)		(14)
Total Other comprehensive income	-	-	-	-	(14)	(14)	-	(14)
Total comprehensive income for the period	-	-	-	-	533	533	-	533
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Insurance reserve								-
-Transferred to insurance reserve		15			(15)			-
Balance as at 31 March 2014	18,049	515	-	-	41,758	60,322	-	60,322

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2014

Statement of Changes in Equity - 1 January 2013 to 31 March 2014

(All amounts in LKR Millions)

Company	Attributable to owners of the Company				
	Stated Capital	Insurance Reserve	Fair Value reserve	Retained Earnings	Total
Balance as at 1 January 2013	18,049	435	(3)	36,573	55,054
Total comprehensive income for the period					
Net profit for the period				778	778
Other comprehensive income					
-Defined benefit plan actuarial					-
(losses)/gain, net of tax				(16)	(16)
Total Other comprehensive income	-	-	-	(16)	(16)
Total comprehensive income for the period	-	-	-	762	762
Transactions with owners, recorded directly in equity					
Contribution by and distribution to owners					
Insurance reserve					
-Transferred to insurance reserve		13		(13)	(13)
Balance as at 31 March 2013	18,049	448	(3)	37,322	55,816
Balance as at 1 April 2013	18,049	448	(3)	37,322	55,816
Total comprehensive income for the period					
Net profit for the period				2,857	2,857
Other comprehensive income					
-Net change in fair value of Available for sale financial assets			3	-	-
-Defined benefit plan actuarial					-
(losses)/gain, net of tax				(39)	(39)
Total Other comprehensive income	-	-	-	(39)	(39)
Total comprehensive income for the period	-	-	-	2,818	2,818
Transactions with owners, recorded directly in equity					
Contribution by and distribution to owners					
Dividend to equity share holders				(1,534)	(1,534)
Insurance reserve					
-Transferred to insurance reserve		52		(52)	(52)
Balance as at 31 December 2013	18,049	500	-	38,554	57,103
Balance as at 1 January 2014	18,049	500	-	38,554	57,103
Total comprehensive income for the period					
Net profit for the period				36	36
Other comprehensive income					
-Defined benefit plan actuarial					-
(losses)/gain, net of tax				(14)	(14)
Total Other comprehensive income	-	-	-	(14)	(14)
Total comprehensive income for the period	-	-	-	22	22
Transactions with owners, recorded directly in equity					
Contribution by and distribution to owners					
Insurance reserve					
-Transferred to insurance reserve		15		(15)	
Balance as at 31 March 2014	18,049	515	-	38,561	57,125

Sri Lanka Telecom PLC and its Subsidiaries
 Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2014

Cash Flow Statement for the Period ended 31 March

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2014	2013	2014	2013
Operating activities				
Cash generated from operations	5,616	3,750	2,442	3,599
Interest received	263	344	205	234
Interest paid	(89)	(239)	(78)	(98)
Tax paid	(149)	(134)	(28)	(10)
Gratuity paid	(26)	(24)	(17)	(20)
Net cash generated from operating activities	5,615	3,697	2,524	3,705
Investing activities				
Acquisition of property, plant and equipment	(3,114)	(5,057)	(1,098)	(1,690)
Acquisition of intangible assets	(8)	(60)	(5)	-
Proceeds from disposal of property, plant and equipment	28	-	26	-
Proceeds /(Purchase) of short term investments	(3,004)	(969)	(2,993)	(954)
Net cash used in investing activities	(6,098)	(6,086)	(4,070)	(2,644)
Financing activities				
Proceeds from borrowings	2,915	3,047	2,620	
Finance lease principal re-payments	(18)	(8)	(15)	(8)
Re-Payment on borrowings	(1,657)	(639)	-	-
Net cash generated/(used) in financing activities	1,240	2,400	2,605	(8)
Increase/(Decrease) in cash and cash equivalents	757	11	1,059	1,053
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	2,194	3,269	83	737
Effect on exchange fluctuation on cash and cash equivalents	(6)	34	(6)	34
	2,188	3,303	77	771
Increase/(Decrease) in cash and cash equivalents	757	11	1,059	1,053
Cash and cash equivalents at 31 March	2,945	3,314	1,136	1,824

Sri Lanka Telecom PLC and its Subsidiaries

Company Registration No. PQ 7

Quarterly Interim Financial Report as of 31 March 2014

Notes to the Financial Statements

1. General Information

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 consolidated financial statements of the Company as at and for the period ended 31 March 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is 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.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Sri Lanka Accounting Standards -LKAS 34 interim financial reporting.

3. Accounting Policies

The Company and Group have adopted consistent accounting policies as disclosed in the Annual Report for the year ended 31 December 2013.

4. Dividends on Cumulative redeemable preference shares

Sky Network (Private) Limited has issued 6,000,000 12% Cumulative redeemable preference shares of Rs.10/-each and preference dividends of Rs 32 million has not been recognized in the Financial Statements as at 31 March 2014.

5. Contingent Liabilities.

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31 December 2013, except followings;

a) Global Electroteks Limited has initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from SLT PLC for unlawful disconnection of interconnection services. The Trial is proceeding.

b) SC (CHC) 31/2010 - Directories Lanka (Private) Limited (DLPL)

Appeal Case filed by DLPL against SLT PLC, against the dismissal of CHC 2/2006(3) by which DLPL claimed damages of Rs. 250 mn, for alleged unfair competition with regard to artwork on the coverpage of the Directory by SLT.

The Appeal proceedings have still not commenced in the Supreme Court.

c) Rates & Taxes -DSP/00111/08, Application against the unreasonable increase of Assessment Tax of SLT Headquarters, to Rs. 8,452,500.00 per Quarter from the year 2006.

Legal action filed by SLT against Colombo Municipal Council, against the arbitrary increase of assessment value of head quarters premises from 84 million to 96 million. The quarterly assessment tax increase from 2006 was Rs 7,350,000.00 to Rs 8,452,500.00

The case is proceeding and will be called on 14 July 2014.

d) WP/HCCA/COL/106/LA -Appeal made by Colombo Municipal Council against the stay order granted in favor of SLT PLC precluding CMC levying the aforementioned Assessment taxes from SLT PLC is pending in Court.

Both parties agreed to negotiate the matter further Arguments re-fixed 29 May 2014.

e) 12/2008 CBCU, An Inquiry started by Sri Lanka Customs - A consignment of CDMA equipment were detained in October 2008 by the Customs Authority. Subsequently the equipment were cleared pending inquiry, based on a Cash deposit and Bank guarantee Submitted by SLT for the total value of Rs. 122,189,514/- . Inquiry has re comments and next date of the inquiry is 20 May 2014.

Notes to the Financial Statements contd...

5.Contingent Liabilities Contd.

f) Customs Case No. ADP/031/2009 – Goods valued at USD 996,785.65 which was imported under the last consignment of equipment for NGN Phase II expansion project were detained by the Custom on or about 14th May 2009. Subsequently the equipment were cleared on 18 July .2009. Pending inquiry, based on a Bank Guarantee placed by SLT to the value of Rs. 35,000,000/-.

Case was called on 28 January 2014.NC Committee inquiry concluded.Waiting for the order.

g) Arbitration initiated by JITHPL claiming arrears under agreement between JITHPL and SLT to provide WAN connection to NSB. SLT has a back to back agreement with NSB and NSB has failed to make payments under the agreement. SLT terminated the agreements with JIT in November 2011, upon termination of the SLT agreement with NSB. JIT is claiming Rs. 34 mn as moneys for the period up to termination, Rs. 10 mn as interest and Rs. 13 mn as rentals up to unexpired period of the case.

Parties have already filed a joint motion to withdraw to aforesaid Arbitration on 11 April 2014. The case was withdrawn on 06 May 2014.

6). Events after the Reporting date

No material events have arisen since Balance Sheet date which would require adjustments to, or disclosure in the Financial Statements, except following;

Just In Time Holdings (Private) Limited., (JITHPL) being awarded the Arbitration Award, in their favour. Sri Lanka Telecom PLC and JITHPL, the supplier of IPTV system for Broad Band services, filed Civil litigation in Commercial High Court cases under reference HC/ARB/141/2012 and HC/ARB/02/2013 regarding contractual obligations of the parties arising out of the Contract to import IPTV system in 2007/2008.

Sri Lanka Telecom PLC and Just In Time Holdings Pvt Ltd had entered in to an out of Court Settlement , for Rs.673,304,619/- and to withdraw the above civil litigation.

Based on the above, Rs 673,304,619/- was charged under operating expenditure in the Financial Statements for the quarter ended 31 March 2014.

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2014

Segmental Reporting -for the 3 months ended 31 March
(All amounts in LKR Millions)

Information about reportable segments.

	Fixed Telephony Operations		Mobile Operations		Other Segments Operations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
External revenues	8,658	8,089	6,602	6,348	17	15	15,277	14,452
Inter-segment revenue	744	612	622	268	365	334	1,731	1,214
Reportable segment revenue	9,402	8,701	7,224	6,616	382	349	17,008	15,666
Reportable segment Profit before tax	318	1,057	758	789	(73)	(39)	1,003	1,807
Interest revenue	178	195	55	104	3	6	236	305
Interest expense	91	99	64	109	2	1	157	209
Depreciation and Amortization	1,859	1,683	1,470	1,290	19	18	3,348	2,991
							2014	2013
Revenues								
Total revenue for reportable segments							16,626	15,317
Revenue for other segments							382	349
Elimination of inter-segment revenue							17,008	15,666
							(1,731)	(1,214)
Consolidated revenue							15,277	14,452
Profit or loss								
Total Profit or loss for reportable segments							1,076	1,846
Profit or loss for other segments							(73)	(39)
Elimination of inter-segment profits							1,003	1,807
							(19)	223
Consolidated profit from continuing operations before tax							984	2,030

Information about reportable segments.

Other material items (2014)	Reportable segment totals	Adjustments	Consolidated totals
	Interest revenue	236	-
Interest expense	157	-	157
Capital expenditure	-	-	-
Depreciation and amortization	3,348	-	3,348

Other material items (2013)	Reportable segment totals	Adjustments	Consolidated totals
	Interest revenue	305	-
Interest expense	209	-	209
Capital expenditure	-	-	-
Depreciation and amortization	2,991	-	2,991

Sri Lanka Telecom PLC and its Subsidiaries
 Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2014

Investor Information

Ratios

	Group		Company	
	31 Mar. 2014	31 Dec. 2013	31 Mar. 2014	31 Dec. 2013
Net assets value per share (Rs)	33.42	33.13	31.65	31.64
Gearing ratio -Number of times	0.26	0.26	0.12	0.09
Quick asset ratio - Number of times	0.79	0.69	1.16	0.96

	For the 9 months ended		For the 9 months ended	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
Interest cover - Number of times	7.27	10.71	4.49	11.68

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 31 Mar 2014	3 Months to 31 Mar 2013
-Highest	47.40	50.00
-Lowest	33.00	41.50
-Last Traded price	46.10	43.50

Dividend Payment

First and Final dividend for the year 2013-Rs 0.85 per share paid on 23 April 2014.

Share trading from 1 Jan 2014 to 31 March 2014

	3 Months to 31 Mar 2014
-No of Transactions	1,990
- No of Shares Traded	6,654,317
-Value of Shares Traded (Rs)	263,569,751

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2014

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	24,642,853	1.37
4 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 Bank of Ceylon A/C Ceybank Unit Trust.	15,189,136	0.84
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	3,032,200	0.17
9 Associated Electrical Corp. Ltd	1,076,700	0.06
10 Bank of Ceylon A/C Ceybank Century Growth Fund	1,052,881	0.06
11 The Incorporated Trustees of the Church of Ceylon	414,100	0.02
12 Union Assurance PLC/No -01 A/C	288,200	0.02
13 Mr.Vandrevala	231,500	0.01
14 Bank of Ceylon No 1 Account	214,000	0.01
15 Mr.Tanaka	170,000	0.01
16 Mrs.Edirisinghe	170,000	0.01
17 Ceylon Biscuits Limited	162,800	0.01
18 Mr.Sithambaranathan	111,000	0.01
19 Mr.Wickramasooriya	100,500	0.01
20 Mr.Dharmadasa	100,059	0.01
	1,786,294,130	98.97

- 2) Percentage of public holding as at 31 March 2014 5.52%
- 3) Directors' holding & Chief Executive Officers's holding in shares of the equity - Non 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.