

Sri Lanka Telecom PLC and its Subsidiaries

Registration No. - PQ 7

Interim Financial Report 4 th Quarter 2015

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 December 2015

Statement of Profit or Loss and other Comprehensive Income as specified

(All amounts in LKR Millions)

	Group			Company			Group			Company		
	Oct.-Dec.	change		Oct.-Dec.	change		Jan.- Dec.	change		Jan.- Dec.	change	
	2015	2014	%	2015	2014	%	2015	2014	%	2015	2014	%
Revenue	17,182	17,001	1	10,342	10,037	3	68,022	65,040	5	40,565	38,950	4
Operating costs	(13,593)	(13,085)	4	(8,457)	(7,970)	6	(48,014)	(46,268)	4	(30,421)	(29,559)	3
Operating profit before depreciation - and amortization	3,589	3,916	(8)	1,885	2,067	(9)	20,008	18,772	7	10,144	9,391	8
Depreciation	(3,193)	(3,041)	5	(1,905)	(1,746)	9	(12,567)	(12,325)	2	(7,524)	(6,875)	9
Amortisation of intangible assets	(161)	(186)	(13)	(61)	(66)	(8)	(652)	(736)	(11)	(249)	(289)	(14)
Operating profit	235	689	(66)	(81)	255	(132)	6,789	5,711	19	2,371	2,227	6
Refund of Telecommunication -Development Charge (TDC)	-	302	(100)	-	238	(100)	-	1,259	(100)	-	937	(100)
Dividend received	-	-	-	713	660	8	-	-	-	713	660	8
Other income	64	257	(75)	14	218	(94)	280	582	(52)	171	362	(53)
Interest expenses and finance cost	68	332	(80)	90	323	(72)	(270)	(198)	36	(30)	(49)	(39)
Foreign exchange (loss) /gain	(360)	(130)	177	(164)	(57)	188	(2,128)	(13)	16269	(916)	14	(6643)
Interest income	98	207	(53)	(11)	158	(107)	844	910	(7)	486	708	(31)
Profit before tax	105	1,657	(94)	561	1,795	(69)	5,515	8,251	(33)	2,795	4,859	(42)
Income tax expenses	(488)	(699)	(30)	(286)	(514)	(44)	(1,791)	(2,250)	(20)	(1,067)	(1,535)	(30)
Profit for the Period	(383)	958	(140)	275	1,281	(79)	3,724	6,001	(38)	1,728	3,324	(48)
Other comprehensive income												
Defined benefit plan actuarial (loss)/gain	319	(421)	(176)	331	(381)	(187)	(8)	(478)	(98)	4	(438)	(101)
Tax on other comprehensive income	(93)	106	(188)	(93)	106	(188)	(1)	122	(101)	(1)	122	(101)
Other comprehensive income for - the period net of tax	226	(315)	(172)	238	(275)	(187)	(9)	(356)	(97)	3	(316)	(101)
Total Comprehensive Income for the Period	(157)	643	(124)	513	1,006	(49)	3,715	5,645	(34)	1,731	3,008	(42)
Profit Attributable to :												
Owners of the company	(383)	958	(140)	275	1,281	(79)	3,724	6,001	(38)	1,728	3,324	(48)
Total Comprehensive Income attributable to:												
Owners of the company	(157)	643	(124)	513	1,006	(49)	3,715	5,645	(34)	1,731	3,008	(42)
Earnings per share												
-Basic (Rs.)	(0.21)	0.53	(140)	0.15	0.71	(79)	2.06	3.32	(38)	0.96	1.84	(48)

The above figures are provisional and unaudited

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Statement of Financial Position

(All amounts in LKR Millions)

	Group		Company	
	Un-Audited as at 31 Dec. 2015	Audited as at 31 Dec. 2014	Un-Audited as at 31 Dec. 2015	Audited as at 31 Dec. 2014
Assets				
Non-Current Assets				
Property, plant and equipment	99,283	90,935	70,081	60,221
Intangible assets and goodwill	2,891	3,412	1,084	1,326
Financial prepayment	-	79	-	-
Investments in subsidiaries	-	-	14,220	14,189
Deferred tax assets	37	46	-	-
Other receivables	2,908	2,789	2,908	2,789
Total Non-current Assets	105,119	97,261	88,293	78,525
Current Assets				
Inventories	874	475	561	282
Trade and other receivables	14,033	13,335	13,091	12,728
Current tax receivables	1	88	-	83
Other investments	1,043	6,750	641	6,397
Cash and cash equivalents	5,475	4,695	475	1,002
Total Current Assets	21,426	25,343	14,768	20,492
Total Assets	126,545	122,604	103,061	99,017
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	605	560	605	560
Retained earnings	46,586	45,291	40,048	39,968
Equity attributable to equity holders - of the company	65,240	63,900	58,702	58,577
Non controlling interest	0	0	-	-
Total Equity	65,240	63,900	58,702	58,577
Non Current Liabilities				
Grants	16	22	16	22
Borrowings	14,949	17,986	12,025	11,700
Deferred income	2,370	2,578	2,315	2,512
Deferred tax liabilities	3,600	2,805	3,594	2,801
Employee benefits	4,353	3,875	3,892	3,512
Trade and other payables	2,935	2,407	252	250
Total Non Current Liabilities	28,223	29,673	22,094	20,797
Current Liabilities				
Borrowings	9,446	9,136	4,147	4,359
Deferred income	2,027	2,398	661	706
Current tax liabilities	447	442	15	-
Trade and other payables	21,162	17,055	17,442	14,578
Total Current Liabilities	33,082	29,031	22,265	19,643
Total Liabilities	61,305	58,704	44,359	40,440
Total Equity and Liabilities	126,545	122,604	103,061	99,017

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 29th February 2016.

Signed for and behalf of the Board.

Signed
Nilanthy Pieris
Director

Signed
Rohan de Silva
Director

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Statement of Changes in Equity - 1 January 2014 to 31 December 2015

(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 2014	18,049	500	41,240	59,789	-	59,789
Total comprehensive income for the year						
Net profit for the year			6,001	6,001	-	6,001
Other comprehensive income						
-Defined benefit plan actuarial (losses)/gain, net of tax			(356)	(356)	-	(356)
Total Other comprehensive income	-	-	(356)	(356)	-	(356)
Total comprehensive income for the year	-	-	5,645	5,645	-	5,645
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		60	(60)		-	-
Balance as at 31 December 2014	18,049	560	45,291	63,900	-	63,900
Balance as at 1 January 2015	18,049	560	45,291	63,900	-	63,900
Super Gain tax (Note)			(769)	(769)		(769)
Balance as at 1 January 2015 (Restated)	18,049	560	44,522	63,131	-	63,131
Total comprehensive income for the year						-
Net profit for the year			3,724	3,724	-	3,724
Other comprehensive income						-
-Defined benefit plan actuarial (losses)/gain, net of tax			(9)	(9)	-	(9)
Total comprehensive income for the year	-	-	(9)	(9)	-	(9)
Total comprehensive income for the year	-	-	3,715	3,715	-	3,715
Transactions with owners, recorded directly in equity						
- contribution by and distribution to owners						
Dividends to equity share holders			(1,606)	(1,606)	-	(1,606)
Insurance reserve						
-Transferred to insurance reserve		45	(45)		-	-
Balance as at 31 December 2015	18,049	605	46,586	65,240	-	65,240

Note

As per the provisions of Part III of the Finance Act, no 10 of 2015, which was certified on 30th October 2015, the group was liable for Super Gain Tax of (SGT) of Rs 769 million. According to the Act, SGT was deemed to be expenditure in the Financial Statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards; hence the expense of SGT is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

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Statement of Changes in Equity - 1 January 2014 to 31 December 2015

(All amounts in LKR Millions)

Company	Attributable to owners of the Company			
	Stated Capital	Insurance Reserve	Retained Earnings	Total Equity
Balance as at 1 January 2014	18,049	500	38,554	57,103
Total comprehensive income for the year				
Net profit for the year			3,324	3,324
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain,net of tax			(316)	(316)
Total Other comprehensive income	-	-	(316)	(316)
Total comprehensive income for the year	-	-	3,008	3,008
Transactions with owners,recorded directly in equity				
- contribution by and distribution to owners				
Dividends to equity share holders			(1,534)	(1,534)
Insurance reserve				
-Transferred to insurance reserve		60	(60)	-
Balance as at 31 December 2014	18,049	560	39,968	58,577
Balance as at 1 January 2015	18,049	560	39,968	58,577
Total comprehensive income for the year				
Net profit for the year			1,728	1,728
Other comprehensive income				
-Defined benefit plan actuarial (losses)/gain,net of tax			3	3
Total Other comprehensive income	-	-	3	3
Total comprehensive income for the year	-	-	1,731	1,731
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		45	(45)	
Balance as at 31 December 2015	18,049	605	40,048	58,702

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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 year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). 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.

2. Basis of Preparation

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

3. Accounting Policies

The Group and Company have adopted consistent accounting policies as disclosed in the Annual Report for the previous year ended 31 December 2014.

4. Contingent Liabilities

There was no significant change in the nature of the contingent liabilities, which were disclosed in the Financial Statements for the previous year ended 31 December 2014, except for the following update:

- a) Global Electroteks Limited initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from Sri Lanka Telecom PLC ("SLT") for alleged unlawful disconnection of interconnection services. Further trial will be held on 30 March 2016.
- b) Appeal Case filed by DLPL against SLT against the dismissal of CHC 2/2006(3) claimed damages of Rs.250 million, for alleged unfair competition with regard to artwork on the cover page of the Directory by SLT. The proceedings have not commenced. DLPL appealed against the above order.
- c) 12/2008 CBCU, an Inquiry by Sri Lanka Customs - A consignment of CDMA equipment was detained in October 2008 by the Customs Authority. Subsequently the equipment were cleared pending the Inquiry, based on a cash deposit and bank guarantee submitted by SLT for the total value of Rs. 122,189,514/-. The Order was delivered in October 2014 imposing a mitigated forfeiture of Rs. 1,820,502,062/- on SLT. SLT has filed case CA/writ/387/2014 against this Order.
- d) 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, was detained by the Customs in May 2009. Subsequently, the equipment was cleared in July 2009. Pending the Inquiry, SLT placed a bank guarantee to the value of Rs. 35,000,000/-. The Customs Inquiry against SLT is pending.
- e) Ahmedabad City Civil Court, India 802/2014 - Legal action filed in April 2014 against SLT claiming for damages of Indian Rs. 161,521,447.00 for malicious prosecution in relation to the SLT-Dhiraagu undersea cable. The case is proceeding and SLT is jointly handling with Dhiraagu Telecom of Maldives.
- f) Labour Tribunal Colombo Case Nos. 08/760/2014, 08/820/2014, 08/821/2014 and 08/819/2014 - Former employees of SLT Human Capital Solutions (Private) Limited (HCS) filed legal action in January 2014 against SLT and HCS at Labour Tribunal Colombo against termination of their employment by HCS. The proceedings were stayed until the determination of revision application in High Court Colombo.
- g) 25 of Debt Collectors who served at SLT on commission basis made an application at Labour Department claiming EPF from SLT. The Labour Commissioner by his Order in February 2015 directed SLT to pay EPF. However, SLT filed writ application against the Order in May 2015 and obtained an interim injunction staying the operation of the Order and the same is proceeding. The case is fixed for objection on 29 March 2016.

5. Events after the Reporting Date

No material events have arisen since the date of the statement of financial position which require changes to, or disclosure in the financial statements.

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Statement of Cash Flows for the Year ended 31 December

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2015	2014	2015	2014
Operating activities				
Cash generated from operations	23,454	20,355	12,980	11,322
Interest received	849	918	491	716
Interest paid	(1,209)	(279)	(709)	(366)
Tax paid	(1,665)	(823)	(177)	(216)
Gratuity paid	(164)	(124)	(143)	(100)
Net cash generated from operating activities	21,265	20,047	12,442	11,356
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(20,340)	(20,178)	(16,113)	(16,438)
Acquisition of intangible assets	(37)	(75)	(7)	(2)
Proceeds from disposal of property, plant and equipment	40	79	20	67
Proceeds /(Purchase) of short term investments	5,962	(3,350)	6,011	(3,092)
Investments in subsidiaries	-	-	(25)	(33)
Net cash used in investing activities	(14,375)	(23,524)	(10,114)	(19,498)
Cash flows from Financing activities				
Proceeds from borrowings	3,464	13,430	2,816	13,092
Finance lease principal re-payments	(68)	(77)	(47)	(59)
Re-Payment on borrowings	(7,855)	(6,780)	(4,291)	(2,456)
Dividend paid to equity share holders	(1,606)	(1,534)	(1,606)	(1,534)
Net cash generated/(used) from financing activities	(6,065)	5,039	(3,128)	9,043
Increase/(Decrease) in cash and cash equivalents	825	1,562	(800)	901
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	3,774	2,194	1,002	83
Effect on exchange fluctuation on cash and cash equivalents	21	18	21	18
	3,795	2,212	1,023	101
Increase/(Decrease) in cash and cash equivalents	825	1,562	(800)	901
Cash and cash equivalents at 31 December (Note 1)	4,620	3,774	223	1,002
Note 1				
Cash and cash equivalents	5,475	4,695	475	1,002
Bank overdraft	(855)	(921)	(252)	-
	4,620	3,774	223	1,002

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Segmental Reporting -for the year ended 31 December
(All amounts in LKR Millions)

Information about reportable segments.

	Fixed Telephony Operations		Mobile Operations		Other Segments Operations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
External revenues	37,213	35,708	30,195	28,325	614	1,007	68,022	65,040
Inter-segment revenue	3,352	3,242	2,363	2,275	2,379	1,706	8,094	7,223
Reportable segment revenue	40,565	38,950	32,558	30,600	2,993	2,713	76,116	72,263
Reportable segment Profit before tax	2,795	4,859	3,363	3,500	170	322	6,328	8,681
Interest revenue	486	708	332	177	26	25	844	910
Interest expenses	(30)	(49)	(228)	(140)	(12)	(9)	(270)	(198)
Depreciation and Amortization	(7,773)	(7,164)	(5,364)	(5,817)	(82)	(80)	(13,219)	(13,061)
Reportable segment assets	103,061	99,017	42,606	41,591	1,940	1,684	147,607	142,292
Capital expenditure	16,120	16,440	4,218	3,800	39	13	20,377	20,253
Reportable segment liabilities	44,359	40,440	22,936	23,177	1,462	1,290	68,757	64,907

Revenues

	2015	2014
Total revenue for reportable segments	73,123	69,550
Revenue for other segments	2,993	2,713
Reportable segment revenue	76,116	72,263
Elimination of inter-segment revenue	(8,094)	(7,223)
Consolidated revenue	68,022	65,040

Profit or loss

Total Profit or loss for reportable segments	6,158	8,359
Profit or loss for other segments	170	322
Reportable segment Profit before tax	6,328	8,681
Elimination of inter-segment profits	(813)	(430)
Consolidated profit before tax	5,515	8,251

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Segmental Reporting -for the year ended 31 December 2015 (Contd.....)
(All amounts in LKR Millions)

Information about reportable segments.

	2015	2,014
Assets		
Total assets for reportable segments	145,667	140,608
Assets for other segments	1,940	1,684
	147,607	142,292
Elimination of inter-segment assets	(21,062)	(19,688)
Consolidated total assets	126,545	122,604
Liabilities		
Total liabilities for reportable segments	67,295	63,617
Liabilities for other segment	1,462	1,290
	68,757	64,907
Elimination of inter-segment liabilities	(7,452)	(6,203)
Consolidated total liabilities	61,305	58,704

Other material items (2015)

	Reportable segment totals	Adjustments	Consolidated totals
Interest revenue	844	-	844
Interest expense	(270)	-	(270)
Capital expenditure	20,377	-	20,377
Depreciation and amortization	(13,219)	-	(13,219)

Other material items (2014)

	Reportable segment totals	Adjustments	Consolidated totals
Interest revenue	910	-	910
Interest expense	(198)	-	(198)
Capital expenditure	20,253	-	20,253
Depreciation and amortization	(13,061)	-	(13,061)

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Investor Information

Ratios

	Group		Company	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Net asset value per share (Rs)	36.15	35.40	32.52	32.46
Gearing ratio -Number of times	0.27	0.30	0.22	0.22
Quick asset ratio - Number of times	0.62	0.86	0.64	1.03

	For the year ended		For the year ended	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Interest cover - Number of times	21.43	42.67	94.18	100.17

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 31 Dec. 2015	3 Months to 31 Dec. 2014
-Highest	49.50	54.00
-Lowest	45.00	45.30
-Last Traded price	47.00	49.90

Dividend Payment

First and Final dividend for the year 2014-Rs 0.89 per share paid on 22 May 2015.

Share trading from 1 October 2015 to 31 December 2015

	3 Months to 31 Dec. 2015
-No of Transactions	479
- No of Shares Traded	209,375
-Value of Shares Traded (Rs)	10,064,296

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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	24,164,497	1.34
4 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 Bank of Ceylon A/C Ceybank Unit Trust.	17,343,538	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	1,356,297	0.08
10 Seylan Bank PLC /ARC Capital (Pvt) Ltd	1,137,248	0.06
11 Union Assurance PLC/ac no 5	391,128	0.02
12 Mr.Vandrevala	231,500	0.01
13 The Incorporated Trustees of the Church of Ceylon	223,590	0.01
14 Bank of Ceylon No 1 Account	214,000	0.01
15 Mr Van Starrex	198,638	0.01
16 Mr.Tanaka	169,980	0.01
17 Ceylon Biscuits Limited	162,000	0.01
18 Pinnacle Trust (Pvt) Limited	160,000	0.01
19 People's Leasing & Finance PLC / C.N Jayasooriya	150,000	0.01
20 Mrs.Edirisinghe	145,000	0.01
	1,787,427,155	99.03

- 2) Percentage of public holding as at 31 December 2015 5.52%
- 3) Number of shareholders representing the public holding - 12,104
- 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.