

Sri Lanka Telecom PLC



Condensed Consolidated Interim Financial Statements

For the Quarter ended

31 December 2017

Statement of Profit or Loss and other Comprehensive Income

(All amounts in LKR Millions)

	Group		Company		Group		Company	
	Oct - Dec		Oct - Dec		Jan - Dec		Jan - Dec	
	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)
Revenue	19,352	18,133	11,157	10,740	75,741	73,801	44,537	43,131
Operating costs	(14,271)	(13,957)	(8,445)	(8,837)	(54,536)	(53,675)	(33,158)	(33,228)
Operating profit before depreciation and amortization	5,081	4,176	2,712	1,903	21,205	20,126	11,379	9,903
Depreciation	(4,295)	(3,773)	(2,908)	(2,452)	(16,461)	(13,776)	(10,926)	(8,509)
Amortisation of intangible assets	(278)	(155)	(53)	(55)	(826)	(624)	(195)	(227)
Operating profit	508	248	(249)	(604)	3,918	5,726	258	1,167
Other income	588	428	493	358	1,207	988	1,059	874
Dividend Income	-	-	733	749	-	-	733	749
Interest expenses and finance cost	(32)	(43)	(3)	(10)	(159)	(250)	(12)	(25)
Foreign exchange (loss) /gain	23	(455)	(44)	(353)	(478)	(979)	(471)	(570)
Interest income	334	253	205	95	1,040	1,012	562	448
Profit before tax	1,421	431	1,135	235	5,528	6,497	2,129	2,643
Income tax expenses	(714)	(307)	(439)	(160)	(1,588)	(1,707)	(701)	(918)
Profit for the Period	707	124	696	75	3,940	4,790	1,428	1,725
Other comprehensive income								
Defined benefit plan actuarial (loss)/gain	357	236	373	252	543	233	553	249
Tax on other comprehensive income	(103)	(71)	(105)	(71)	(155)	(70)	(155)	(70)
Other comprehensive income for the period (net of tax)	254	165	268	181	388	163	398	179
Total Comprehensive Income for the Period	961	289	964	256	4,328	4,953	1,826	1,904
Profit Attributable to :								
Owners of the company	707	124	696	75	3,940	4,790	1,428	1,725
Total Comprehensive Income attributable to:								
Owners of the company	961	289	964	256	4,328	4,953	1,826	1,904
Earnings per share								
Basic (Rs.)	0.39	0.07	0.39	0.04	2.18	2.65	0.79	0.96

Statement of Financial Position
(All amounts in LKR Millions)

	Group		Company	
	31 Dec 2017 (Reviewed)	31 Dec 2016 (Audited)	31 Dec 2017 (Reviewed)	31 Dec 2016 (Audited)
Assets				
Non-Current Assets				
Property, plant and equipment	117,022	108,649	91,453	81,524
Intangible assets and goodwill	7,861	3,713	1,067	879
Investments in subsidiaries	-	-	14,196	14,220
Other investments	28	-	28	-
Deferred tax assets	84	51	-	-
Other receivables	3,150	3,033	3,137	3,021
Total Non-current Assets	128,145	115,446	109,881	99,644
Current Assets				
Inventories	3,151	1,585	2,228	1,146
Trade and other receivables	20,744	18,287	17,854	16,162
Current tax receivables	1,035	146	1,035	146
Other investments	1,844	764	1,780	705
Cash and cash equivalents	4,277	6,682	796	314
Total Current Assets	31,051	27,464	23,693	18,473
Total Assets	159,196	142,910	133,574	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	691	680	691	680
Retained earnings	52,569	49,858	40,480	40,271
Equity attributable to equity share holders of the company	71,309	68,587	59,220	59,000
Non controlling Interest	95	91	-	-
Total Equity	71,404	68,678	59,220	59,000
Non Current Liabilities				
Grants	3	9	3	9
Borrowings	14,920	14,859	14,492	13,809
Deferred income	2,239	2,340	2,208	2,297
Deferred tax liabilities	5,956	4,517	5,945	4,507
Employee benefits	4,355	4,538	3,719	3,984
Trade and other payables	2,444	2,743	532	252
Total Non Current Liabilities	29,917	29,006	26,899	24,858
Current Liabilities				
Borrowings	26,891	18,081	24,486	14,726
Deferred income	2,143	1,435	468	576
Current tax liabilities	406	413	-	-
Trade and other payables	28,435	25,297	22,501	18,957
Total Current Liabilities	57,875	45,226	47,455	34,259
Total Liabilities	87,792	74,232	74,354	59,117
Total Equity and Liabilities	159,196	142,910	133,574	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 28th February 2018.

Signed for and behalf of the Board.

Signed
P.G Kumarasinghe Sirisena
Chairman

Signed
Lai Choon Foong
Director

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 2016	18,049	605	46,586	65,240	-	65,240
Non Controlling interest					91	
Total comprehensive income for the period					-	-
Net profit for the year			4,790	4,790	-	4,790
Other comprehensive income					-	-
Defined benefit plan actuarial (loss)/gain, net of tax			163	163	-	163
Total comprehensive income for the period	-	-	4,953	4,953	-	4,953
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		75	(75)	-	-	-
Balance as at 31 December 2016	18,049	680	49,858	68,587	91	68,678
Balance as at 1 January 2017	18,049	680	49,858	68,587	91	68,678
Non controlling interest					4	4
Total comprehensive income for the period						-
Net profit for the year			3,940	3,940		3,940
Other comprehensive income						
Defined benefit plan actuarial (losses)/gain, net of tax			388	388		388
Total comprehensive income for the period	-	-	4,328	4,328	4	4,332
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		11	(11)	-		-
Balance as at 31 December 2017	18,049	691	52,569	71,309	95	71,404

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 year			1,725	1,725
Other comprehensive income				-
Defined benefit plan actuarial (loss)/gain, net of tax			179	179
Total comprehensive income for the period	-	-	1,904	1,904
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		75	(75)	-
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 year			1,428	1,428
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			398	398
Total comprehensive income for the period	-	-	1,826	1,826
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		11	(11)	
Balance as at 31 December 2017	18,049	691	40,480	59,220

Statement of Cash Flows for the Year ended 31 December
(All amounts in LKR Millions)

	GROUP		COMPANY	
	2017	2016	2017	2016
Operating activities				
Cash generated from operations	21,716	21,269	13,693	11,236
Interest received	1,039	995	561	431
Interest paid	(2,989)	(1,487)	(2,665)	(1,243)
Tax paid	(1,233)	(1,053)	(307)	(236)
Gratuity paid	(322)	(258)	(305)	(223)
Net cash generated from operating activities	18,211	19,466	10,977	9,965
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(22,036)	(23,800)	(18,057)	(20,610)
Acquisition of intangible assets	(4,974)	(1,363)	(383)	(22)
Proceeds from disposal of property, plant and equipment	701	404	679	388
Investments in Associate company	(28)		(28)	
Proceeds /(Purchase) of short term investments	(1,065)	412	(1,062)	67
Net cash used in investing activities	(27,402)	(24,347)	(18,851)	(20,177)
Cash flows from Financing activities				
Proceeds from borrowings	16,242	9,513	13,798	9,032
Finance lease principal re-payments	(14)	(72)	(55)	(50)
Re-payment on borrowings	(13,866)	(8,195)	(9,644)	(3,626)
Dividend paid to equity share holders	(1,606)	(1,606)	(1,606)	(1,606)
Net cash generated/(used) from financing activities	756	(360)	2,493	3,750
Increase/(Decrease) in cash and cash equivalents	(8,435)	(5,241)	(5,381)	(6,462)
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	5	5	5	5
Increase/(Decrease) in cash and cash equivalents	(611)	4,625	(6,229)	228
Cash and cash equivalents at 31 December (Note 1)	(9,046)	(616)	(11,610)	(6,234)
Note 1				
Cash and cash equivalents	4,277	6,682	796	314
Bank overdraft	(13,323)	(7,298)	(12,406)	(6,548)
	(9,046)	(616)	(11,610)	(6,234)

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 December 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 2017.

These interim financial statements were authorized for issue by the Company's Board of Directors on 28 February 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 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	
	31 Dec		31 Dec		31 Dec		31 Dec	
	2017	2016	2017	2016	2017	2016	2017	2016
External revenues	40,616	39,766	34,037	33,556	1,088	479	75,741	73,801
Inter-segment revenue	3,921	3,365	2,462	2,401	2,352	2,383	8,735	8,149
Reportable segment revenue	44,537	43,131	36,499	35,957	3,440	2,862	84,476	81,950
Reportable segment Profit before tax	2,129	2,643	4,113	4,909	135	(206)	6,377	7,346
Interest revenue	562	448	439	529	39	35	1,040	1,012
Interest expenses	(12)	(25)	(121)	(206)	(26)	(19)	(159)	(250)
Depreciation and Amortization	(11,121)	(8,736)	(6,077)	(5,581)	(89)	(83)	(17,287)	(14,400)
Reportable segment assets	133,574	118,117	43,601	45,464	2,149	1,868	179,324	165,449
Capital Expenditure	18,440	20,632	8,531	4,492	39	39	27,010	25,163
Reportable segment liabilities	74,354	59,117	17,948	22,335	1,822	1,617	94,124	83,069

Revenues	2017	2016
Total revenue for reportable segments	81,036	79,086
Revenue for other segments	3,440	2,862
Reportable segment revenue	84,476	81,950
Elimination of inter-segment revenue	(8,735)	(8,149)
Consolidated revenue	75,741	73,801
Profit or loss		
Total Profit or loss for reportable segments	6,242	7,552
Profit or loss for other segments	135	(206)
Reportable segment Profit before tax	6,377	7,346
Elimination of inter-segment profits	(849)	(849)
Consolidated profit before tax	5,528	6,497

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Elimination of inter segment balances		Consolidated assets and liabilities	
	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Reportable segment assets	133,574	118,117	43,601	45,464	2,149	1,868	(20,128)	(22,539)	159,196	142,910
Reportable segment liabilities	74,354	59,117	17,948	22,335	1,822	1,617	(6,332)	(8,837)	87,792	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 31 December 2017.

VIII. Property Plant and equipment

(a) Acquisitions and disposals

During the year ended 31 December 2017, the Group acquired assets with a cost of Rs 18,309 mn (year ended 31 December 2016 Rs 30,423 mn).

Assets with a carrying amount of Rs 9 mn were disposed of the year ended 31 December 2017 (year ended 31 December 2016: Rs Nil), resulting in a gain on disposal of Rs 692 mn (year ended 31 December 2016: gain of Rs 404 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 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Property plant and equipment				
Approved but not contracted	25,984	19,261	25,984	19,261
Approved and contracted	1,774	13,229	1,400	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 – 31 December 2017	LKR	13,866

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

Additions	Currency	Amount (Rs.Mn)
Bank loan – 31 December 2017	LKR	16,242

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)	
		31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Mobitel (Private) Limited	Sale of goods and services	3,881	3,334	2,670	3,861
	Purchase of goods and services	2,196	2,374	(1,681)	(3,389)

XIII. Events after the Reporting Date

No material events have arisen since the date of the statement of financial position 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	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Net asset value per share (Rs)	39.56	38.05	32.81	32.69
Gearing ratio -Number of times	0.37	0.32	0.40	0.33
Quick asset ratio - Number of times	0.48	0.57	0.45	0.51

	For the year ended		For the year ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Interest cover - Number of times	2.02	4.53	0.80	2.11

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 31 Dec 2017	3 Months to 31 Dec 2016
-Highest	31.90	39.90
-Lowest	27.00	33.30
-Last Traded price	28.50	36.00

Dividend Payment

First and Final dividend for the year 2016-Rs 0.89 per share paid on 4 June 2017.

Share trading from 1 October to 31 December 2017

	3 Months to 31 Dec 2017
-No of Transactions	677
- No of Shares Traded	318,168
-Value of Shares Traded (Rs)	9,460,738

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.	18,426,582	1.02
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	1,505,644	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 Elgin Investment Limited	179,407	0.01
14 Ceylon Biscuits Limited	162,000	0.01
15 People's Leasing & Finance PLC / C.N Jayasooriya	150,000	0.01
16 Sinharaja Hills Plantation Pvt Limited	107,491	0.01
17 Mr Tanaka	100,000	0.01
18 Mrs.Edirisinghe	100,000	0.01
19 Mr Van Starrex	97,638	0.01
20 Mr.Weerasinghe	70,000	0.00
	1,788,224,179	99.08

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- 2) Percentage of public holding as at 31 December 2017 5.52%
- 3) Number of shareholders representing the public holding - 12,245
- 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.