

Sri Lanka Telecom PLC and its Subsidiaries

Registration No. - PQ 7

Interim Financial Report 4 th Quarter 2012

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.



One Country. One Voice.

Sri Lanka Telecom PLC and its Subsidiaries

Company Registration No. PQ 7

Quarterly Interim Financial Report as of 31 December 2012

Statement of Comprehensive Income

(All amounts in LKR Millions)

	Group Oct-Dec			Company Oct-Dec			Group Jan-Dec			Company Jan-Dec		
	2012	2011	change %	2012	2011	change %	2012	2011	change %	2012	2011	change %
Revenue	14,699	13,641	8	8,897	8,180	9	56,771	51,644	10	34,719	32,291	8
Operating costs	(10,776)	(9,603)	12	(7,526)	(6,360)	18	(38,807)	(34,581)	12	(25,433)	(22,294)	14
Operating profit before depreciation - and Amortization	3,923	4,038	(3)	1,371	1,820	(25)	17,964	17,063	5	9,286	9,997	(7)
Depreciation	(2,748)	(2,636)	4	(1,543)	(1,846)	(16)	(11,063)	(11,337)	(2)	(6,262)	(7,432)	(16)
Amortisation and impairment - of intangible assets	(225)	(206)	9	(82)	(55)	49	(731)	(557)	31	(327)	(222)	47
Operating profit	950	1,196	(21)	(254)	(81)	214	6,170	5,169	19	2,697	2,343	15
Refund of Telecommunication -Development Charge(TDC)	-	-		-	360		309	553	(44)	309	360	(14)
Dividend received	-	-		685	423	62	-	-		691	648	7
Other income	55	30	83	53	13	308	254	294	(14)	228	253	(10)
Foreign exchange (loss) / Gain	254	(320)	(179)	(1)	43	(102)	(1,212)	(250)	385	75	(17)	(541)
Interest expenses and finance cost	(253)	(151)	68	(126)	(40)	215	(1,021)	(591)	73	(534)	(58)	821
Interest income	366	322	14	269	313	(14)	1,466	987	49	1,216	959	27
Profit before tax	1,372	1,630	(16)	626	1,031	(39)	5,966	6,162	(3)	4,682	4,488	4
Taxation	(495)	(392)	26	(358)	(227)	58	(1,930)	(1,657)	16	(1,321)	(1,148)	15
Net profit	877	1,238	(29)	268	804	(67)	4,036	4,505	(10)	3,361	3,340	1
Foreign currency translation differences - foreign operations							3	8				
Net change in fair value of Available - for sale financial assets	2	(1)	(300)	2	(1)	(300)	3	1	200	3	1	200
Defined benefit plan actuarial (losses)/gain	(91)	(30)	203	(88)	(30)	193	(91)	(30)	203	(88)	(30)	193
Tax on other comprehensive income	25	8	213	25	8	213	25	8	213	25	8	213
Other comprehensive income for - the year net of tax	(64)	(23)	178	(61)	(23)	165	(60)	(13)	362	(60)	(21)	186
Total Comprehensive Income for the year	813	1,215	(33)	207	781	(73)	3,976	4,492	(11)	3,301	3,319	(1)
Profit Attributable to :												
Owner of the company	877	1,238	(29)	268	804	(67)	4,036	4,505	(10)	3,361	3,340	1
Total Comprehensive Income attributable to:												
Owner of the company	813	1,215	(33)	207	781	(73)	3,976	4,492	(11)	3,301	3,319	(1)
Earnings per share												
-Basic (Rs.)	0.49	0.69	(29)	0.15	0.45	(67)	2.24	2.50	(10)	1.86	1.85	1
-Annualized (Rs.)	1.94	2.74	(29)	0.59	1.78	(67)	2.24	2.50	(10)	1.86	1.85	1

The above figures are provisional and unaudited

Sri Lanka Telecom PLC and its Subsidiaries

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Statement of financial position

(All amounts in LKR Millions)

	Group			Company		
	Un-Audited as at 31 Dec 2012	Audited as at 31 Dec 2011	Audited as at 1 Jan 2011	Un-Audited as at 31 Dec 2012	Audited as at 31 Dec 2011	Audited as at 1 Jan 2011
Assets						
Non-Current Assets						
Property, plant and equipment	72,165	66,153	59,851	42,478	34,971	32,668
Intangible assets	2,419	1,702	1,585	1,326	470	570
Financial prepayment	274	363	272	-	-	-
Investments in subsidiaries	-	-	-	14,192	13,431	11,522
Other investments	-	101	692	-	101	645
Deferred income tax Assets	23	75	159	-	57	146
Other receivables	2,480	2,316	1,991	2,480	2,316	1,991
Total non-current Assets	77,361	70,710	64,550	60,476	51,346	47,542
Current Assets						
Inventories	2,601	1,741	1,281	2,396	1,465	1,158
Trade and other receivables	11,417	9,733	10,938	12,189	9,985	10,378
Current tax receivables	415	274	457	385	159	446
Short term investments	7,381	9,459	4,478	7,064	9,227	4,349
Held for sale	11	-	-	-	-	-
Cash and cash equivalents	3,887	3,134	4,046	873	1,484	3,349
Total current Assets	25,712	24,341	21,200	22,907	22,320	19,680
Total Assets	103,073	95,051	85,750	83,383	73,666	67,222
Equity and Liabilities						
Capital and Reserves						
Stated Capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049	18,049	18,049
Insurance reserve	435	387	344	435	387	344
Exchange equalisation reserve	4	1	(7)	-	-	-
Fair value reserve	(3)	(6)	(7)	(3)	(6)	(7)
Retained earnings	36,065	33,694	30,337	35,136	33,420	31,228
Equity attributable to equity holders of the company	54,550	52,125	48,716	53,617	51,850	49,614
Non controlling interest	0	0	0	-	-	-
Total Equity	54,550	52,125	48,716	53,617	51,850	49,614
Non Current Liabilities						
Grants	35	41	48	35	41	48
Borrowings	11,577	9,383	6,875	4,814	2,019	72
Deferred income	3,263	3,694	3,965	3,173	3,462	3,965
Deferred income tax liabilities	782	9	-	780	-	-
Retirement benefit obligation	2,494	2,090	1,796	2,300	1,936	1,664
Trade and other payables	2,281	3,778	1,659	246	284	289
Total non Current Liabilities	20,432	18,995	14,343	11,348	7,742	6,038
Current Liabilities						
Borrowings	6,275	5,326	4,542	2,577	914	28
Deferred income	2,401	2,301	1,980	753	939	992
Current tax liabilities	392	237	287	-	-	-
Trade and other payables	19,023	16,067	15,882	15,088	12,221	10,550
Total Current Liabilities	28,091	23,931	22,691	18,418	14,074	11,570
Total Equity and Liabilities	103,073	95,051	85,750	83,383	73,666	67,222

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

Signed
Shiron Gooneratne
 Chief Financial Officer
 18-Feb-2013

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 18 February 2013,
Signed on behalf of the Board.

Signed
Nimal Welgama
 Chairman
 18-Feb-2013

Signed
Jayantha Dharmadasa
 Director
 18-Feb-2013

Sri Lanka Telecom PLC and its Subsidiaries

Company Registration No. PQ 7

Quarterly Interim Financial Report as of 31 December 2012

Statement of Changes in Equity - 1 January 2011 to 31 December 2012

(All amounts in LKR Millions)

Group

Attributable to owners of the Company

	Stated Capital	Insurance Reserve	Fair Value reserve	Exchange Equalisation Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
Balance as at 1 January 2011 as per SLFRS	18,049	344	(7)	(7)	30,337	48,716	0	48,716
Total comprehensive income for the year								
Net profit for the year 2011				-	4,505	4,505		4,505
Other comprehensive income								
-Foreign currency translation differences foreign operations				8		8		8
-Net change in fair value of Available for sale financial assets			1			1		1
-Defined benefit plan actuarial (losses)/gain,net of tax					(22)	(22)		(22)
Total Other comprehensive income	-	-	1	1	(22)	(13)	-	(13)
Total comprehensive income for the year	-	-	1	1	4,483	4,492		4,492
Transactions with owners,recorded directly in equity								
Contribution by and distribution to owners								
Dividend to equity share holders					(1,083)	(1,083)		(1,083)
Insurance reserve						-		-
-Transferred to insurance reserve		43			(43)			-
Balance as at 31 Dec 2011	18,049	387	(6)	1	33,694	52,125	-	52,125

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Statement of Changes in Equity - 1 January 2011 to 31 December 2012 contd...

(All amounts in LKR Millions)

Attributable to owners of the Company

Group

	Stated Capital	Insurance Reserve	Fair Value reserve	Exchange Equalisation Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
Balance as at 1 January 2011 as per SLFRS								
As previously reported	18,049	387	(6)	1	33,694	52,125	-	52,125
Effect of adopting LKAS 8					(17)	(17)		(17)
Restated balance at 1 January 2012	18,049	387	(6)	1	33,677	52,108		52,108
Total comprehensive income for the year								-
Net profit for the year 2012					4,036	4,036		4,036
Other comprehensive income								-
-Foreign currency translation differences foreign operations				3		3		3
-Net change in fair value of Available for sale financial assets			3			3	-	3
-Defined benefit plan actuarial (losses)/gain, net of tax					(66)	(66)		(66)
Total Other comprehensive income		-	3	3	(66)	(60)	-	(60)
Total comprehensive income for the year	-	-	3	3	3,970	3,976	-	3,976
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								-
-Charged to income statement						-		-
-Transferred to insurance reserve		48			(48)			-
Balance as at 31 Dec 2012	18,049	435	(3)	4	36,065	54,550	-	54,550

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Statement of Changes in Equity - 1 January 2011 to 31 December 2012

(All amounts in LKR Millions)

Attributable to owners of the Company

Company

	Stated Capital	Insurance Reserve	Fair Value reserve	Retained Earnings	Total
Balance as at 1 January 2011	18,049	344	(7)	31,228	49,614
Total comprehensive income for the year					
Net profit for the year 2011				3,340	3,340
Other comprehensive income					
-Net change in fair value of Available for sale financial assets			1		1
-Defined benefit plan actuarial (losses)/gain, net of tax				(22)	(22)
Total Other comprehensive income	-	-	1	(22)	(21)
Total comprehensive income for the year	-	-	1	3,318	3,319
Transactions with owners, recorded directly in equity					
Contribution by and distribution to owners					
Dividend to equity share holders				(1,083)	(1,083)
-Charged to income statement		-			-
-Transferred to insurance reserve		43		(43)	
Balance as at 31 Dec 2011	18,049	387	(6)	33,420	51,850

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Statement of Changes in Equity - 1 January 2011 to 31 December 2012

(All amounts in LKR Millions)

Attributable to owners of the Company

Company

	Stated	Insurance	Fair Value	Retained	Total
	Capital	Reserve	reserve	Earnings	
Balance as at 1 January 2012	18,049	387	(6)	33,420	51,850
Total comprehensive income for the year					
Net profit for the year 2012				3,361	3,361
Other comprehensive income					
-Net change in fair value of Available for sale financial assets			3		3
-Defined benefit plan actuarial (losses)/gain, net of tax				(63)	(63)
Total Other comprehensive income		-	3	(63)	(60)
Total comprehensive income for the year	-	-	3	3,298	3,301
Transactions with owners, recorded directly in equity					
Contribution by and distribution to owners					
Dividend to equity share holders				(1,534)	(1,534)
Insurance reserve					
-Charged to income statement		-			-
-Transferred to insurance reserve		48		(48)	
Balance as at 31 Dec 2012	18,049	435	(3)	35,136	53,617

Sri Lanka Telecom PLC and its Subsidiaries

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Cash Flow Statement for the year ended 31 December

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2012	2011	2012	2011
Operating activities				
Cash generated from operations	16,863	21,220	10,294	12,862
Interest received	1,502	1,014	1,252	986
Interest paid	(1,119)	(499)	(500)	(16)
Tax paid	(1,091)	(1,423)	(686)	(772)
Gratuity paid	(61)	(62)	(52)	(48)
Net cash generated from operating activities	16,094	20,250	10,308	13,012
Investing activities				
Acquisition of property, plant and equipment	(17,414)	(17,851)	(13,927)	(9,964)
Acquisition of intangible assets	(1,361)	(804)	(1,184)	(121)
Proceeds from disposal of property, plant and equipment	100	77	100	44
Proceeds /(Purchase) of short term investments	3,212	(4,981)	3,058	(4,878)
Proceeds /(Purchase) of long term investments	101	591	101	544
Investments in subsidiaries	-	-	(1,138)	(2,120)
Net cash used in investing activities	(15,362)	(22,968)	(12,990)	(16,496)
Financing activities				
Proceeds from borrowings	8,214	5,892	5,982	2,498
Finance lease principal re-payments	(47)	(43)	(38)	(37)
Re-Payment on borrowings	(6,459)	(3,272)	(2,437)	-
Dividend paid to the company's share holders	(1,534)	(1,083)	(1,534)	(1,083)
Net cash generated/(used) in financing activities	174	1,494	1,973	1,378
Increase/(Decrease) in cash and cash equivalents	906	(1,224)	(709)	(2,106)
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	2,172	3,384	1,255	3,349
Effect on exchange fluctuation on cash and cash equivalents	191	12	191	12
	2,363	3,396	1,446	3,361
Increase/(Decrease) in cash and cash equivalents	906	(1,224)	(709)	(2,106)
Cash and cash equivalents at 31 December	3,269	2,172	737	1,255

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Segmental Reporting -for the Year ended 31 December 2012

(All amounts in LKR Millions)

Information about reportable segments.

	Fixed Telephony Operations		Mobile Operations		Other Segments Operations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
External revenues	32,179	29,788	23,819	21,089	773	767	56,771	51,644
Inter-segment revenue	2,540	2,503	1,116	996	1,274	1,230	4,930	4,729
Reportable segment revenue	34,719	32,291	24,935	22,085	2,047	1,997	61,701	56,373
Reportable segment Profit before tax	4,682	4,488	1,691	2,011	(1)	176	6,372	6,675
Interest revenue	1,216	959	210	12	40	16	1,466	987
Interest expense	(534)	(58)	(480)	(528)	(7)	(5)	(1,021)	(591)
Depreciation and Amortization	(6,589)	(7,654)	(5,045)	(4,117)	(88)	(51)	(11,722)	(11,822)
Reportable segment assets	83,383	73,666	38,466	37,366	1,509	1,734	123,358	112,766
Capital expenditure	15,111	10,086	3,659	8,559	7	10	18,777	18,655
Reportable segment liabilities	29,766	21,816	23,989	24,504	1,167	1,293	54,922	47,613
							2012	2011
Revenues								
Total revenue for reportable segments							59,654	54,376
Revenue for other segments							2,047	1,997
							61,701	56,373
Elimination of inter-segment revenue							4,930	4,729
Consolidated revenue							56,771	51,644
Profit or loss								
Total Profit or loss for reportable segments							6,373	6,499
Profit or loss for other segments							(1)	176
							6,372	6,675
Elimination of inter-segment profits							406	513
Consolidated profit from continuing operations before tax							5,966	6,162
Assets								
Total Assets for reportable segments							121,849	111,032
Assets for other segments							1,509	1,734
							123,358	112,766
Elimination of inter-segment assets							20,285	17,715
Consolidated total assets							103,073	95,051

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Reconciliations of reportable segment revenues, profit or loss assets and liabilities, and other material items

(All amounts in LKR Millions)

Information about reportable segments.

	2012	2011
Liabilities		
Total liabilities for reportable segments	53,755	46,320
Liabilities for other segment	1,167	1,293
	54,922	47,613
Elimination of inter-segment liabilities	6,399	4,687
Consolidated total liabilities	48,523	42,926

Other material items(2012)

	Reportable segment totals	Adjustments	Consolidated totals
Interest revenue	1,466	-	1,466
Interest expense	(1,021)	-	(1,021)
Capital expenditure	18,777	-	18,777
Depreciation and amortization	(11,722)	(72)	(11,794)

Other material items (2011)

	Reportable segment totals	Adjustments	Consolidated totals
Interest revenue	987	-	987
Interest expense	591	-	591
Capital expenditure	18,655	-	18,655
Depreciation and amortization	(11,822)	(72)	(11,894)

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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 2012 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.

These condensed consolidated interim financial statements are prepared in accordance with the new Sri Lanka Accounting Standards - SLFRS 1 First-time adoption of International Financial Reporting.

An explanation on how the transition to Sri Lanka Accounting Standards - SLFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 9.

3. Accounting Policies

The Company and Group have adopted consistent accounting policies as disclosed in the Annual Report for the year ended 31 December 2011, except followings;

3. a Financial Instruments

In accordance with Sri Lanka Accounting Standards LKAS -39 Financial instruments; recognition and measurements trade receivables, investments, trade payables and borrowings are recognised as financial instruments. The measurement basis of those financial instruments shall be the fair value and the amortized costs.

4. Unaudited interim reports for first three quarters of 2012 were prepared based on previous GAAP. Fourth quarter unaudited interim reports are based on new Sri Lanka Accounting Standards which came into effect on or after 1 January 2012.

Results of fourth quarter 2012 were adjusted to reflect the financials of fourth quarter as per the new Sri Lanka Accounting Standards. This resulted in adjustment of Rs.297million to the net profits of the Company and Group. Comparative figures were adjusted accordingly. (Adjustment of Rs..48million to the net profits of the Company and Group .)

5. Investment in Subsidiaries

A fresh capital infusion of Rs 1,138,000,000 was made in Mobitel (Private) Limited a fully owned subsidiary of SLT to purchase 113,800,000 Ordinary shares of Rs.10/- each during the year.

6. 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 30 million has not been recognized in the Financial Statements as at 31 December 2012.

7. 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 2011, 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. Next date 05 March 2013.

(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 million for alleged unfair competition with regard to artwork on the cover page of Directory by SLT PLC . The case is proceeding. Court of Appeal to issue notice to SLT PLC to collect brief.

Notes to the Financial Statements (Contd.)

7. Contingent Liabilities.

(c) SC (CHC) 27/2010 - Directories Lanka (Private) Limited (DLPL)

Appeal Case filed by DLPL against SLT PLC, against the dismissal of CHC 39/2003(3) by which DLPL claimed damages of Rs. 164,100,716/- (SLT PLC cross claim Rs 42,329,605/-), due to purported infringement of IP rights and unfair competition by SLT. The case is proceeding. Next date of argument on 15 May 2013.

(d) Just In Time Holdings (Pvt.) Ltd (JIT) is claiming USD 4,738,846.57, as payments due to them from SLT under the contract with damages. Proceedings are concluded and award was delivered in favour of JIT on 30 March 2012 with damages, costs and legal interest. SLT PLC has received legal advice that it has sufficient legal grounds to challenge the arbitral award including damages, costs and legal interest under the award. SLT PLC is proceeding with an appeal against the award delivered based on these substantial legal arguments. Next date 13 March 2013.

(e) 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.

(f) 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. The case is proceeding. Next date of Arguments on 15 May 2013.

(g) Case no.4055/M in District Court Gampaha was filed against SLT for alleged failure to reconnect the respective telephone facility. The Order was given in favour of SLT PLC on 13 September 2012.

(h) Case no. 506/2011/MR in Commercial High Court Colombo was filed by HS Communications Ltd against SLT & SLT VisionCom Ltd seeking judgment and declaration purporting that the agreement to acquire certain channels/content dated 27.12.2010 between HS Communication Ltd and SLT & SLT VisionCom Ltd are in force. Further claim of USD 324,000 as payments due to Defendants for alleged services provided and a sum of USD 162,000 per month from November 2011 are included under Petition of the case. Accordingly it was purported that SLT and SLT VisionCom Ltd are obliged to make payments for down linking/telecasting etc. according to the said agreement. This case is Fixed for Trial on 28 February 2013.

(i) 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/- . Currently under this inquiry no further date has been given to SLT to proceed with the matter.

(j) A frequency fee amounting to Rs 300 Mn, payable to TRC by Sky Networks (Private) Limited which has not been recognized, pending negotiations with TRC regarding license conditions.

(k) Further, Operators were allowed to claim the 2/3rd of the Telecommunication Development Charge (TDC) against the costs of network development charges. Company has retained 2/3 rd of TDC charge, awaiting the claims in respect of network development charges were determined by the TRC. However, TRC has intimated a surcharge on TDC retained by the company on above, which is being discussed with TRC currently.

8). Events after the Balance sheet date

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

9). Explanation of transition to IFRSs

As stated in Note 2 (a) these are the Group's first consolidated financial statements prepared in accordance with SLFRSs.

The accounting policies set out in Note 3 have been applied in preparing the Financial Statements for the year ended 31 December 2012, the comparative information presented in these Financial Statements in the 31 December 2011 and in the preparation of opening SLFRS statement of Financial Position in 1 January 2011. (The Group's first date of transition)

Preparing its opening SLFRS Statement of Financial Position the Group has adjusted amounts reported previously in Financial Statements prepared in accordance with Sri Lanka previous GAAP. An explanation of how the transition from previous GAAP to SLFRS has affected the Group's Financial Position. Financial Performance and Cash Flows is set out in the following tables and notes that accompany the tables.

Explanation of transition to SLFRS

Reconciliation of shareholders equity

(all amounts in Sri Lanka Rupees million)

a) Group

	Previous GAAP 31-Dec 2011	Effect of Transition to SLFRS	SLFRS 31-Dec 2011	Previous GAAP 1 Jan 2011	Effect of Transition to SLFRS	SLFRS 1 Jan 2011
Assets						
Non-current assets						
Property, plant and equipment	67,936	(1,783)	66,153	61,258	(1,407)	59,851
Intangible assets and goodwill	1,702	0	1,702	1,585	0	1,585
Financial Prepayments	363	0	363	272	0	272
Investments in subsidiaries	0	0	0	0	0	0
Other Investmentns	697	(596)	101	673	19	692
Deferred income tax assets	18	57	75	13	146	159
Other receivables	2,316	0	2,316	1,991	0	1,991
Total Non-current Assets	73,032	(2,322)	70,710	65,792	(1,242)	64,550
Current assets						
Inventories	1,741	0	1,741	1,281	0	1,281
Trade and other receivables	9,892	(159)	9,733	11,053	(115)	10,938
Current tax assets	274	0	274	457	0	457
Other investments	3,727	5,732	9,459	3,617	861	4,478
Cash and cash equivalents	8,137	(5,003)	3,134	4,830	(784)	4,046
Total Current Assets	23,771	570	24,341	21,238	(38)	21,200
Total assets	96,803	(1,752)	95,051	87,030	(1,280)	85,750
Equity						
Capital and reserves						
Stated capital	18,049	0	18,049	18,049	0	18,049
Insurance reserve	387	0	387	344	0	344
Exchange equalisation reserve	1	0	1	(7)	0	(7)
Fair value reserve	0	(6)	(6)	0	(7)	(7)
Retained earnings	35,153	(1,459)	33,694	31,463	(1,126)	30,337
Equity attributable to equity holders - of the company	53,590	(1,465)	52,125	49,849	(1,133)	48,716
Non controlling interest	0	0	0	0	0	0
Total equity	53,590	(1,465)	52,125	49,849	(1,133)	48,716
Liabilities						
Non-current liabilities						
Grants	41	0	41	48	0	48
Borrowings	9,229	154	9,383	6,774	101	6,875
Deferred income	3,694	0	3,694	3,965	0	3,965
Deferred income tax liabilities	451	(442)	9	248	(248)	0
Employee benefits	2,090	0	2,090	1,796	0	1,796
Trade and other payables	3,778	0	3,778	1,659	0	1,659
Total Non Current Liabilities	19,283	(288)	18,995	14,490	(147)	14,343
Current liabilities						
Borrowings	5,325	0	5,326	4,542	0	4,542
Deferred income	2,301	0	2,301	1,980	0	1,980
Current tax liabilities	237	0	237	287	0	287
Trade and other payables	16,067	0	16,067	15,882	0	15,882
Total Current Liabilities	23,930	0	23,931	22,691	0	22,691
Total liabilities	43,213	(288)	42,926	37,181	(147)	37,034
Total equity and liabilities	96,803	(1,752)	95,051	87,030	(1,280)	85,750

Explanation of transition to SLFRS

Reconciliation of shareholders equity

(all amounts in Sri Lanka Rupees million)

b) Company

		Previous GAAP 31-Dec 2011	Effect of Transition to SLFRS	SLFRS 31-Dec 2011	Previous GAAP 1 Jan 2011	Effect of Transition to SLFRS	SLFRS 1 Jan 2011
Assets	Notes						
Non-current assets							
Property, plant and equipment	A	36,754	(1,783)	34,971	34,075	(1,407)	32,668
Intangible assets and goodwill		470	0	470	570	0	570
Financial Prepayments		0	0	0	0	0	0
Investments in subsidiaries		13,431	0	13,431	11,522	0	11,522
Other Investments	B	697	(596)	101	626	19	645
Deferred income tax assets	E	0	57	57	0	146	146
Other receivables		2,316	0	2,316	1,991	0	1,991
Total Non-current Assets		53,668	(2,322)	51,346	48,784	(1,242)	47,542
Current assets							
Inventories		1,465	0	1,465	1,158	0	1,158
Trade and other receivables	C	10,144	(159)	9,985	10,494	(116)	10,378
Current tax assets		159	0	159	446	0	446
Other investments	B	2,888	6,339	9,227	3,487	862	4,349
Cash and cash equivalents	D	7,093	(5,609)	1,484	4,133	(784)	3,349
Total Current Assets		21,749	571	22,320	19,718	(38)	19,680
Total assets		75,417	(1,751)	73,666	68,502	(1,280)	67,222
Equity							
Capital and reserves							
Stated capital		18,049	0	18,049	18,049	0	18,049
Insurance reserve		387	0	387	344	0	344
Exchange equalisation reserve		0	0	0	0	0	0
Fair value reserve	G	0	(6)	(6)	0	(7)	(7)
Retained earnings	H	34,724	(1,304)	33,420	32,253	(1,025)	31,228
Equity attributable to owners - of the company		53,160	(1,310)	51,850	50,646	(1,032)	49,614
Non controlling interest							
Total equity		53,160	(1,310)	51,850	50,646	(1,032)	49,614
Liabilities							
Non-current liabilities							
Grants		41	0	41	48	0	48
Borrowings	F	2,019	0	2,019	72	0	72
Deferred income		3,462	0	3,462	3,965	0	3,965
Deferred income tax liabilities	E	442	(442)	0	248	(248)	0
Employee benefits		1,936	0	1,936	1,664	0	1,664
Trade and other payables		284	0	284	289	0	289
Total Non Current Liabilities		8,184	(442)	7,742	6,286	(248)	6,038
Current liabilities							
Borrowings	F	913	0	914	28	0	28
Deferred income		939	0	939	992	0	992
Current tax liabilities		0	0	0	0	0	0
Trade and other payables		12,221	0	12,221	10,550	0	10,550
Total Current Liabilities		14,073	0	14,074	11,570	0	11,570
Total liabilities		22,257	(442)	21,816	17,856	(248)	17,608
Total equity and liabilities		75,417	(1,751)	73,666	68,502	(1,280)	67,222

Explanation of transition to SLFRS

Reconciliation of Comprehensive Income

Group

12 months ended 31 December 2011 3 Months ended 31 December 2011

	Previous GAAP 31-Dec 2011	Effect of Transition to SLFRS	SLFRS 31-Dec 2011	Previous GAAP 31-Dec 2011	Effect of Transition to SLFRS	SLFRS 31-Dec 2011
Revenue	50,950	694	51,644	13,467	174	13,641
Operating costs	(33,788)	(793)	(34,581)	(9,427)	(176)	(9,603)
Operating profit before depreciation and amortisation	17,162	(99)	17,063	4,040	(2)	4,038
Depreciation	(10,960)	(377)	(11,337)	(2,516)	(120)	(2,636)
Amortisation and impairment of intangible assets	(557)	0	(557)	(206)	0	(206)
Operating profit	5,645	(476)	5,169	1,318	(122)	1,196
Refunds on Telecommunication Development Charge [TDC]	553	0	553	553	0	553
Other income	294	0	294	30	0	30
Dividend received	0	0	0	0	0	0
Foreign exchange (loss) / Gain	0	(250)	(250)	0	(320)	(320)
Interest expense and finance costs	(788)	197	(591)	(471)	320	(151)
Interest income	831	156	987	283	39	322
Profit before tax	6,535	(373)	6,162	1,713	(83)	1,630
Income tax expenses	(1,754)	97	(1,657)	(427)	35	(392)
Net profit	4,781	(276)	4,505	1,286	(48)	1,238
Total Comprehensive Income for the period	4,781	(276)	4,505	1,286	(48)	1,238

Explanation of transition to SLFRS

Reconciliation of Comprehensive Income

Company

12 months ended 31 December 2011 3 Months ended 31 December 2011

	Previous GAAP 31-Dec 2011	Effect of Transition to SLFRS	SLFRS 31-Dec 2011	Previous GAAP 31-Dec 2011	Effect of Transition to SLFRS	SLFRS 31-Dec 2011
Revenue	32,291	0	32,291	8,180	0	8,180
Operating costs	(22,195)	(99)	(22,294)	(6,358)	(2)	(6,360)
Operating profit before depreciation and amortisation	10,096	(99)	9,997	1,822	(2)	1,820
Depreciation	(7,056)	(376)	(7,432)	(1,726)	(120)	(1,846)
Amortisation and impairment of intangible assets	(222)	0	(222)	(55)	0	(55)
Operating profit	2,818	(475)	2,343	41	(122)	(81)
Refunds on Telecommunication Development Charge [TDC]	360	0	360	360	0	360
Other income	253	0	253	13	0	13
Dividend received	648	0	648	423	0	423
Foreign exchange (loss) / Gain	0	(17)	(17)	0	43	43
Interest expense and finance costs	(75)	17	(58)	3	(43)	(40)
Interest income	803	156	959	274	39	313
Profit before tax	4,807	(319)	4,488	1,114	(83)	1,031
Income tax expenses	(1,245)	97	(1,148)	(262)	35	(227)
Net profit	3,562	(222)	3,340	852	(48)	804
Total Comprehensive Income for the period	3,562	(222)	3,340	852	(48)	804

SRI LANKA TELECOM PLC

Notes to the reconciliations

Note - A

Property, plant and equipment

SLFRS requires to identify components within an item of property plant and equipment and assess useful lives of property plant and equipment at each reporting date.

Accordingly, the Company has identified components and reassessed the useful lives of property plant and equipment. The resultant impact is adjusted to retained earnings at the transition date as follows;

Statement of Financial Position

In Rupees millions

	Group		Company	
	As at 31-Dec-11	As at 01-Jan-11	As at 31-Dec-11	As at 01-Jan-11
As reported under Previous GAAP	67,936	61,258	36,754	34,075
Increase in Accumulated Depreciation	(1,783)	(1,407)	(1,783)	(1,407)
As reported under SLFRSs	<u>66,153</u>	<u>59,851</u>	<u>34,971</u>	<u>32,668</u>

Statement of comprehensive income

	Group	Company
	Year ended 31-Dec-11	Year ended 31-Dec-11
Depreciation	(376)	(376)
Adjustment before income tax	(376)	(376)
Deferred tax effect	105	105
Adjustment after income tax	<u>(271)</u>	<u>(271)</u>

Note - B

Other Investments

In accordance with the SLFRS, treasury bills and bonds classified as available-for-sale have been recognized at fair value. These assets were previously carried at cost. Fixed deposits were reclassified from cash and cash equivalents and are classified as loans and receivables and recognized at amortized cost.

At the date of transition, the fair value of the treasury bills classified as available-for sale financial assets were adjusted to opening reserve. Impact of financial statements is summarized as follows.

	Group		Company	
	As at 31-Dec-11	As at 01-Jan-11	As at 31-Dec-11	As at 01-Jan-11
As reported under Previous GAAP	4,424	4,290	3,585	4,113
Fixed deposits reclassified from cash and cash equivalent to other investments	5,004	785	5,610	785
receivable to other investments and adjusted for amortized cost	138	102	139	103
Impact from fair valuation	(6)	(7)	(6)	(7)
As reported under SLFRSs	<u>9,560</u>	<u>5,170</u>	<u>9,328</u>	<u>4,994</u>

Notes to the reconciliations

Note - B

Other Investments contd..

Fixed deposits at amortized cost	8,844	2,775	8,612	2,645
Treasury bills and bonds at fair value	716	2,395	716	2,349
As reported under SLFRSs	9,560	5,170	9,328	4,994
Carrying value of treasury bills and bonds	722	2,402	722	2,356
Impact from fair valuation	(6)	(7)	(6)	(7)
Fair value of treasury bills and bonds as reported under	716	2,395	716	2,349
As reported under SLFRSs	9,560	5,170	9,328	4,994
Current	9,459	4,478	9,227	4,349
Non current	101	692	101	645
	9,560	5,170	9,328	4,994

Note - C

Trade and other receivables

In accordance with SLFRSs, interest receivable on debt securities (fixed deposits, government securities and investment in repurchase agreements) are reclassified out from trade and other receivables and included in amortized cost calculation of the respective financial assets.

Impact of financial statements is summarized as follows:

Statement of Financial Position

	Group		Company	
	As at 31-Dec-11	As at 01-Jan-11	As at 31-Dec-11	As at 01-Jan-11
As reported under Previous GAAP	9,892	11,053	10,144	10,494
Interest receivable transferred to Investments	(159)	(115)	(159)	(116)
As reported under SLFRSs	9,733	10,938	9,985	10,378

Note - C.1

Other receivables

The Group provides loans to employees at concession rates. In accordance with SLFRS, these employee loans are fair valued at initial recognition using level 2 inputs. The fair value of the employee loans are determined by discounting expected future cash flows using market related rates for the similar loans.

The difference between the cost and fair value of employee loans is recognized as prepaid staff cost.

Statement of Financial Position

	Group		Company	
	As at 31-Dec-11	As at 01-Jan-11	As at 31-Dec-11	As at 01-Jan-11
As reported under Previous GAAP				
Non current	2,316	1,991	2,316	1,991
Current	494	482	494	482
	2,810	2,473	2,810	2,473
Employee loans initially recognized at fair value	2,337	2,065	2,337	2,065
Prepaid staff cost	473	408	473	408
	2,810	2,473	2,810	2,473

SRI LANKA TELECOM PLC

**Explanation of transition to SLFRS
Notes to the reconciliations**

Statement of comprehensive income

	Group	Company
	Year ended 31-Dec-11	Year ended 31-Dec-11
Staff cost	(164)	(164)
Interest income	164	164
Adjustment before income tax	<u>-</u>	<u>-</u>

Note -D

Cash and cash equivalents

As described in note B and C, fixed deposits are reclassified under other investments and cash and cash equivalents are recognized under amortized cost.

Impact to financial statements is summarized as follows:

Statement of Financial Position

	Group		Company	
	As at 31-Dec-11	As at 01-Jan-11	As at 31-Dec-11	As at 01-Jan-11
As reported under Previous GAAP	8,137	4,830	7,093	4,133
Fixed deposits reclassified from/to other investments from/to cash and cash equivalents	(5,004)	(785)	(5,610)	(785)
Interest receivable reclassified from trade and other receivable to cash and cash equivalents and adjusted for	1	1	1	1
As reported under SLFRSs	<u>3,134</u>	<u>4,046</u>	<u>1,484</u>	<u>3,349</u>

Note - E

Deferred income tax assets (liabilities)

Impact on deferred tax arising from the changes related to adoption of SLFRS is summarized as follows;

	Group		Company	
	As at 31-Dec-11	As at 01-Jan-11	As at 31-Dec-11	As at 01-Jan-11
As reported under Previous GAAP				
Deferred income tax assets	18	13	0	0
Deferred income tax liabilities	(451)	(248)	(442)	(248)
Net Deferred income tax assets (liabilities)	<u>(433)</u>	<u>(235)</u>	<u>(442)</u>	<u>(248)</u>
and equipment	499	394	499	394
As reported under SLFRSs				
Deferred income tax assets	75	159	57	146
Deferred income tax liabilities	(9)	-	-	-
Net Deferred income tax assets (liabilities)	<u>66</u>	<u>159</u>	<u>57</u>	<u>146</u>

SRI LANKA TELECOM PLC

Explanation of transition to SLFRS

Notes to the reconciliations

Note - F

Borrowings - Non current

Loans and borrowings were recognized at cost under the previous GAAP and subsequent to the convergence the Group has recognized loans and borrowings at amortized cost using effective interest rate (EIR) method.

Impact to financial statements is summarized as follows:

Statement of Financial Position

	Group	
	As at 31-Dec-11	As at 01-Jan-11
As reported under Previous GAAP	9,229	6,774
Impact arising from interest computed using EIR	154	101
As reported under SLFRSs	9,383	6,875

Statement of comprehensive income

	Group
	Year ended 31-Dec-11
Interest expense	53
Adjustment before income tax	(53)

Note -G

Fair value reserve

Statement of Financial Position

	Group		Company	
	As at 31-Dec-11	As at 01-Jan-11	As at 31-Dec-11	As at 01-Jan-11
As reported under Previous GAAP	0	0	0	0
Impact from fair valuation	(6)	(7)	(6)	(7)
As reported under SLFRSs	(6)	(7)	(6)	(7)

Note - H

The above changes increase/(decrease) retained earnings as follows:

Retained earnings

		Group		Company	
		As at 31-Dec-11	As at 01-Jan-11	As at 31-Dec-11	As at 01-Jan-11
Statement of Financial Position					
As reported under Previous GAAP		35,153	31,463	34,724	32,253
Property, Plant & Equipment	Note - A	(1,783)	(1,407)	(1,783)	(1,407)
Other Investments	Note - B	(21)	(12)	(20)	(13)
Deferred income tax assets (liabilities)	Note - E	499	394	499	394
Borrowings	Note - F	(154)	(101)	-	-
As reported under SLFRSs		33,694	30,337	33,420	31,228

Sri Lanka Telecom PLC and its Subsidiaries

Company Registration No. PQ 7

Quarterly Interim Financial Report as of 31 December 2012

Investor Information

Ratios

	Group		Company	
	31-Dec 2012	31 Dec. 2011	31-Dec 2012	31 Dec. 2011
Net assets value per share (Rs)	30.22	28.88	29.71	28.73
Gearing ratio -Number of times	0.25	0.22	0.12	0.05
Quick asset ratio - Number of times	0.82	0.94	1.11	1.48

	For the year ended		For the year ended	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Interest cover - Number of times	6.84	11.43	9.77	78.38

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 31 Dec 2012	3 Months to 31 Dec 2011
-Highest	45.50	52.00
-Lowest	40.00	44.00
-Last Traded price	44.50	48.00

Dividend Payment

First and Final dividend for the year 2011-Rs 0.85 per share paid on 10 April 2012.

Share trading from 1 Oct 2012 to 31 December 2012.

	3 Months to 31 Dec 2012
-No of Transactions	1,225
- No of Shares Traded	916,313
-Value of Shares Traded (Rs)	39,407,329

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 December 2012

1) Top 20 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	20,942,989	1.16
4 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 Bank of Ceylon A/C Ceybank Unit Trust.	14,599,053	0.81
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 Deutsche Bank AG-London	1,200,000	0.07
10 Bank of Ceylon A/C Ceybank Century Growth Fund	1,036,700	0.06
11 Associated Electrical Corp. Ltd	1,028,900	0.06
12 The Incorporated Trustees of the Church of Ceylon	414,100	0.02
13 Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	395,886	0.02
14 Amana Bank Limited	376,000	0.02
15 Union Assurance PLC/No -01 a/c	288,200	0.02
16 Mr C.K.Vandrevala /Mrs P Hiranandani	231,500	0.01
17 Bank of Ceylon No 1 Account	214,000	0.01
18 Mr H. Tanaka	175,000	0.01
19 Mrs. U.S.N. Edirisinghe	170,000	0.01
20 Ceylon Biscuits Limited	162,800	0.01

(2) Percentage of Public Holding as at 31 December 2012 5.52%

(3) Directors' Holding & Chief Executive Officer'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