

Sri Lanka Telecom PLC



Condensed Interim Financial Statements

For the Quarter ended

30 June 2016



KPMG
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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

REVIEW REPORT TO THE SHAREHOLDERS OF SRI LANKA TELECOM PLC

Introduction

We have reviewed the accompanying condensed statement of financial position of Sri Lanka Telecom PLC as at 30 June 2016, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 6 months then ended, and notes to the condensed interim financial information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with LKAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The corresponding figures presented for the period ended 30 June 2015 were not reviewed by us.

Scope of Review

We conducted our review in accordance with the Sri Lanka Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Sri Lanka Auditing Standard and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with LKAS 34, 'Interim Financial Reporting'.

Emphasis of matter

We draw attention to Note VIII (b) to the financial statements which describes the process management has put in place to evaluate potential impairment losses, on damaged assets. As the evaluation is not complete, management is unable to estimate the potential impact to the Financial Statements. Our conclusion is not modified in respect of this matter.

Chartered Accountants
Colombo

12 August 2016

Statement of Profit or Loss and other Comprehensive Income

(All amounts in LKR Millions)

	Group		Company		Group		Company	
	April- June		April- June		Jan - June		Jan - June	
	2016 (Reviewed)	2015 (Not Reviewed)	2016 (Reviewed)	2015 (Not Reviewed)	2016 (Reviewed)	2015 (Not Reviewed)	2016 (Reviewed)	2015 (Not Reviewed)
Revenue	18,283	16,822	10,506	10,041	36,688	33,527	21,327	19,909
Operating costs	(13,384)	(11,492)	(8,021)	(7,474)	(26,096)	(22,636)	(15,955)	(14,427)
Operating profit before depreciation and amortization	4,899	5,330	2,485	2,567	10,592	10,891	5,372	5,482
Depreciation	(3,310)	(3,166)	(1,988)	(1,912)	(6,541)	(6,207)	(3,919)	(3,725)
Amortisation of intangible assets	(155)	(161)	(58)	(62)	(312)	(330)	(117)	(127)
Operating profit	1,434	2,003	439	593	3,739	4,354	1,336	1,630
Other income	98	59	76	31	202	115	166	77
Interest expenses and finance cost	(71)	23	(10)	126	(161)	(218)	(29)	(84)
Foreign exchange (loss) /gain	(265)	(79)	(170)	2	(572)	(363)	(234)	(82)
Interest income	240	236	100	158	443	494	184	351
Profit before tax	1,436	2,242	435	910	3,651	4,382	1,423	1,892
Income tax expenses	(338)	(445)	(140)	(285)	(828)	(905)	(424)	(567)
Profit for the Period	1,098	1,797	295	625	2,823	3,477	999	1,325
Other comprehensive income								
Defined benefit plan actuarial (loss)/gain	(1)	(109)	(1)	(109)	(2)	(218)	(2)	(218)
Tax on other comprehensive income		30	-	30	-	61	-	61
Other comprehensive income for the period (net of tax)	(1)	(79)	(1)	(79)	(2)	(157)	(2)	(157)
Total Comprehensive Income for the Period	1,097	1,718	294	546	2,821	3,320	997	1,168
Profit Attributable to :								
Owners of the company	1,098	1,797	295	625	2,823	3,477	999	1,325
Total Comprehensive Income attributable to:								
Owners of the company	1,097	1,718	294	546	2,821	3,320	997	1,168
Earnings per share								
Basic (Rs.)	0.61	1.00	0.16	0.35	1.56	1.93	0.55	0.73

Statement of Financial Position

(All amounts in LKR Millions)

	Group		Company	
	30-Jun-16 (Reviewed)	31-Dec-15 (Audited)	30-Jun-16 (Reviewed)	31-Dec-15 (Audited)
<i>Assets</i>				
<i>Non-Current Assets</i>				
Property, plant and equipment	103,511	99,283	75,891	70,081
Intangible assets and goodwill	3,297	2,891	973	1,084
Investments in subsidiaries	-	-	14,220	14,220
Deferred tax assets	70	37	-	-
Other receivables	3,099	2,908	3,079	2,908
Total Non-current Assets	109,977	105,119	94,163	88,293
<i>Current Assets</i>				
Inventories	825	874	428	561
Trade and other receivables	17,762	14,033	14,490	13,091
Current tax receivables	245	1	244	-
Other investments	2,746	1,043	2,738	641
Cash and cash equivalents	5,925	5,475	116	475
Total Current Assets	27,503	21,426	18,016	14,768
Total Assets	137,480	126,545	112,179	103,061
<i>Equity and Liabilities</i>				
<i>Equity</i>				
Stated capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Insurance reserve	643	605	643	605
Retained earnings	47,763	46,586	39,401	40,048
Total Equity	66,455	65,240	58,093	58,702
<i>Non Current Liabilities</i>				
Grants	13	16	13	16
Borrowings	18,196	14,949	16,240	12,025
Deferred income	2,422	2,370	2,368	2,315
Deferred tax liabilities	4,231	3,600	4,224	3,594
Employee benefits	4,763	4,353	4,282	3,892
Trade and other payables	2,965	2,935	250	252
Total Non Current Liabilities	32,590	28,223	27,377	22,094
<i>Current Liabilities</i>				
Borrowings	13,615	9,446	8,835	4,147
Deferred income	1,779	2,027	653	661
Current tax liabilities	487	447	-	15
Trade and other payables	22,554	21,162	17,221	17,442
Total Current Liabilities	38,435	33,082	26,709	22,265
Total Liabilities	71,025	61,305	54,086	44,359
Total Equity and Liabilities	137,480	126,545	112,179	103,061

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 12 August 2016.

Signed for and behalf of the Board.

Signed

P.G.Kumarasinghe Sirisena
Chairman

Signed

Chandra Ekanayake
Director

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Condensed Interim Financial Statement

Statement of Changes in Equity

(All amounts in LKR Millions)

Group	Attributable to owners of the Company			
	Stated Capital	Insurance Reserve	Retained Earnings	Total Equity
Balance as at 1 January 2015	18,049	560	44,522	63,131
Total comprehensive income for the period				
Net profit for the period			3,477	3,477
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			(157)	(157)
Total comprehensive income for the period	-	-	3,320	3,320
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		21	(21)	-
Balance as at 30 June 2015	18,049	581	46,215	64,845
Balance as at 1 July 2015	18,049	581	46,215	64,845
Total comprehensive income for the period				
Net profit for the period			247	247
Other comprehensive income				
Defined benefit plan actuarial (losses)/gain, net of tax			148	148
Total comprehensive income for the period	-	-	395	395
Transactions with owners, recorded directly in equity Contribution by and distribution to owners				
Insurance reserve				
-Transferred to insurance reserve		24	(24)	-
Balance as at 31 December 2015	18,049	605	46,586	65,240
Balance as at 1 January 2016	18,049	605	46,586	65,240
Total comprehensive income for the period				
Net profit for the period			2,823	2,823
Other comprehensive income				
Defined benefit plan actuarial (losses)/gain, net of tax			(2)	(2)
Total comprehensive income for the period	-	-	2,821	2,821
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		38	(38)	-
Balance as at 30 June 2016	18,049	643	47,763	66,455

Condensed Interim Financial Statement**Statement of Changes in Equity***(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 2015	18,049	560	39,968	58,577
Total comprehensive income for the period				
Net profit for the period			1,325	1,325
Other comprehensive income				-
Defined benefit plan actuarial (loss)/gain, net of tax			(157)	(157)
Total comprehensive income for the period	-	-	1,168	1,168
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		21	(21)	-
Balance as at 30 June 2015	18,049	581	39,509	58,139
Balance as at 1 July 2015	18,049	581	39,509	58,139
Total comprehensive income for the period				
Net profit for the period			403	403
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			160	160
Total comprehensive income for the period	-	-	563	563
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Insurance reserve				
-Transferred to insurance reserve		24	(24)	-
Balance as at 31 December 2015	18,049	605	40,048	58,702
Balance as at 1 January 2016	18,049	605	40,048	58,702
Total comprehensive income for the period				
Net profit for the period			999	999
Other comprehensive income				
Defined benefit plan actuarial (loss)/gain, net of tax			(2)	(2)
Total comprehensive income for the period	-	-	997	997
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		38	(38)	
Balance as at 30 June 2016	18,049	643	39,401	58,093

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Condensed Interim Financial Statement

Statement of Cash Flows
(All amounts in LKR Millions)

	Group		Company	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
For the 6 months ended				
Operating activities				
Cash generated from operations	7,962	11,138	4,005	6,687
Interest received	426	494	167	351
Interest paid	(550)	(437)	(467)	(303)
Tax paid	(434)	(392)	(53)	(52)
Gratuity paid	(99)	(66)	(91)	(58)
Net cash generated from operating activities	7,305	10,737	3,561	6,625
Cash flows from Investing activities				
Acquisition of property, plant and equipment	(9,993)	(8,249)	(8,953)	(6,724)
Acquisition of intangible assets	(672)	(24)	(6)	(1)
Proceeds from disposal of property, plant and equipment	97	43	96	20
Proceeds /(Purchase) of short term investments	(1,625)	2,589	(2,019)	2,656
Net cash used in investing activities	(12,193)	(5,641)	(10,882)	(4,049)
Cash flows from Financing activities				
Proceeds from borrowings	8,121	414	7,795	-
Finance lease principal re-payments	(32)	(53)	(20)	(42)
Re-Payment on borrowings	(4,033)	(2,883)	(1,812)	(1,258)
Dividend paid to equity share holders	(1,606)	(1,606)	(1,606)	(1,606)
Net cash generated/(used) from financing activities	2,450	(4,128)	4,357	(2,906)
Increase/(Decrease) in cash and cash equivalents	(2,438)	968	(2,964)	(330)
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	4,620	3,774	223	1,002
Effect on exchange fluctuation on cash and cash equivalents	-	(81)	-	(81)
	4,620	3,693	223	921
Increase/(Decrease) in cash and cash equivalents	(2,438)	968	(2,964)	(330)
Cash and cash equivalents at 30 June (Note 1)	2,182	4,661	(2,741)	591
Note 1				
Cash and cash equivalents	5,925	5,220	116	591
Bank overdraft	(3,743)	(559)	(2,857)	-
	2,182	4,661	(2,741)	591

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 six months ended 30 June 2016 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 2015.

These interim financial statements were authorized for issue by the Company’s Board of Directors on 12 August 2016.

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 2015.

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 2015

V. Operating segments

(a) Information about reportable segments

(All amounts are in Rs.Mn)

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Total	
	30 June		30 June		30 June		30 June	
	2016	2015	2016	2015	2016	2015	2016	2015
External revenues	19,679	18,225	16,660	14,981	349	321	36,688	33,527
Inter-segment revenue	1,648	1,684	1,137	1,119	1,171	937	3,956	3,740
Reportable segment revenue	21,327	19,909	17,797	16,100	1,520	1,258	40,644	37,267
Reportable segment Profit before tax	1,423	1,892	2,248	2,510	30	30	3,701	4,432
Interest revenue	184	351	245	134	14	9	443	494
Interest expenses	(29)	(84)	(124)	(130)	(8)	(4)	(161)	(218)
Depreciation and Amortization	(4,036)	(3,852)	(2,777)	(2,647)	(40)	(38)	(6,853)	(6,537)

Revenues	2016	2015
Total revenue for reportable segments	39,124	36,009
Revenue for other segments	1,520	1,258
Reportable segment revenue	40,644	37,267
Elimination of inter-segment revenue	(3,956)	(3,740)
Consolidated revenue	36,688	33,527
Profit or loss		
Total Profit or loss for reportable segments	3,671	4,402
Profit or loss for other segments	30	30
Reportable segment Profit before tax	3,700	4,432
Elimination of inter-segment profits	(50)	(50)
Consolidated profit before tax	3,651	4,382

	Fixed ICT Operations		Mobile Operations		Other Segments Operations		Elimination of inter segment balances		Consolidated assets and liabilities	
	30-June 2016	31-Dec 2015	30-June 2016	31-Dec 2015	30-June 2016	31-Dec 2015	30-June 2016	31-Dec 2015	30-June 2016	31-Dec 2015
Reportable segment assets	112,179	103,061	44,389	42,606	1,820	1,940	(20,908)	(21,062)	137,480	126,545
Reportable segment liabilities	54,086	44,359	22,857	22,936	1,330	1,462	(7,248)	(7,452)	71,025	61,305

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 30 June 2016.

VIII. Property Plant and equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired assets with a cost of Rs 8,967 mn (six months ended 30 June 2015: Rs 6,740 mn). This amount excludes capitalized borrowing costs.

Assets with a carrying amount of Rs Nil were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: Rs Nil), resulting in a gain on disposal of Rs 97 mn (six months ended 30 June 2015: gain of Rs 43 mn), which was included in 'other income' in the condensed statement of profit or loss and OCI.

(b) Impairment of assets

Certain assets of the company were damaged due to the extreme weather conditions in May 2016, and an explosion at the Salawa Army Camp at Kosgama on the 5th of June 2016. At present the extent of the damage is being calculated by a committee appointed jointly by the Chief Financial Officer, Chief Regional Officer and Chief Network Officer. Management is of the view that the impact may not be significant due to the nature and type of assets affected by these events.

(c) Capital commitments.

	Group (Rs. Mn)		Company (Rs. Mn)	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Property plant and equipment				
Approved but not contracted	40,074	28,468	40,074	28,468
Approved and contracted	17,917	13,724	15,790	11,438

IX. Capital and reserve

(a) Stated Capital

Stated capital of the Company consists of 1,804,860,000 ordinary shares.

(b) Dividends

No dividend was declared by the company for the quarter ended 30 June 2016. A dividend of Rs. 1,606 Mn was paid during the quarter for the financial year ended 31 December 2015.

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 – 30 June 2016	LKR	4,033

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 2015.

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)	
		30 June 2016	30 June 2015	30 June 2016	31 Dec 2015
Mobitel (Private) Limited	Sale of goods and services	1,644	1,676	3,035	3,266
	Purchase of goods and services	1,106	1,138	(2,678)	(2,372)

XIII. 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.

Investor Information**Ratios**

	Group		Company	
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
Net asset value per share (Rs)	36.82	36.15	32.19	32.52
Gearing ratio -Number of times	0.32	0.27	0.30	0.22
Quick asset ratio - Number of times	0.69	0.62	0.66	0.64

	For the Quarter ended		For the Quarter ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Interest cover - Number of times	23.68	21.10	50.07	23.52

Market Value of Shares**Market Value of the Ordinary
Shares of the Company (Rs)**

	3 Months to 30 June 2016	3 Months to 30 June 2015
-Highest	45.00	49.90
-Lowest	36.70	44.00
-Last Traded price	37.80	44.20

Dividend Payment

First and Final dividend for the year 2015-Rs 0.89 per share paid on 24 May 2016.

Share trading from 1 April 2016 to 30 June 2016

	3 Months to 30 June 2016
-No of Transactions	981
- No of Shares Traded	551,428
-Value of Shares Traded (Rs)	22,497,512

Notes to the Condensed Interim Financial Statement

List of 20 Major Shareholders

	<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 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 Bank of Ceylon A/C Ceybank Unit Trust.	17,710,048	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	1,381,897	0.08
10 Mr.Vandrevala	231,500	0.01
11 The Incorporated Trustees of the Church of Ceylon	223,590	0.01
12 Bank of Ceylon No 1 Account	214,000	0.01
13 Mr.Tanaka	169,980	0.01
14 Ceylon Biscuits Limited	162,000	0.01
15 Pinnacle Trust (Pvt) Limited	160,000	0.01
16 People's Leasing & Finance PLC / C.N Jayasooriya	150,000	0.01
17 Mrs.Edirisinghe	145,000	0.01
18 Sinharaja Hills Plantation Pvt Limited	107,491	0.01
19 Mr Van Starrex	97,638	0.01
20 Elgin Investment Limited	93,531	0.01
	1,787,550,518	99.04

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Percentage of public holding as at 30 June 2016 5.52%

Number of shareholders representing the public holding - 12,184

Directors' holding & Chief Executive Officers's holding in shares of the equity - None of the Directors and the CEO held shares of the company.

Number of shares representing the Entity's stated capital - 1,804,860,000 Ordinary shares