

# Sri Lanka Telecom PLC and its Subsidiaries

Registration No - PQ 7

## Interim Financial Report

For the 3 Months ended 31 March 2009



### **OUR VISION**

*To lead Sri Lanka to become the hub of telecommunications in South Asia.*

### **OUR MISSION**

*To anticipate and fulfil the communication requirements of all sectors of the nation,  
in a service oriented work ethic which will provide total customer satisfaction  
through the most modern telecommunication facilities.*



**Sri Lanka Telecom PLC and its Subsidiaries**  
**Company Registration No. PQ 7**  
**Quarterly Interim Financial Report as of 31 March 2009**

**Consolidated Income Statement as specified**

*(All amounts in LKR Millions)*

	Group			Company		
	Jan-Mar		change	Jan-Mar		change
	2009	2008	%	2009	2008	%
Revenue	11,837	11,600	2	8,392	9,389	(11)
Operating costs	(6,894)	(5,572)	24	(4,702)	(4,375)	7
Operating profit before depreciation and Amortization	<b>4,943</b>	<b>6,028</b>	(18)	<b>3,690</b>	<b>5,014</b>	(26)
Depreciation	(2,730)	(2,625)	4	(2,103)	(2,204)	(5)
Amortisation of intangible assets International Telecommunication operators' Levy-( ITL)	(108)	(91)	19	(47)	(28)	68
	(719)	(771)	(7)	(637)	(720)	(12)
<b>Operating profit</b>	<b>1,386</b>	<b>2,541</b>	(45)	<b>903</b>	<b>2,062</b>	(56)
Other income	65	46	41	60	45	33
Interest expenses and related charge:	(502)	(565)	(11)	(248)	(362)	(31)
Interest income	345	307	12	333	278	20
<b>Profit before tax</b>	<b>1,294</b>	<b>2,329</b>	(44)	<b>1,048</b>	<b>2,023</b>	(48)
Taxation	(323)	(666)	(52)	(314)	(660)	(52)
<b>Net profit for the period</b>	<b>971</b>	<b>1,663</b>	(42)	<b>734</b>	<b>1,363</b>	(46)
<b>Attributable to :</b>						
Equity holders of the company	<b>974</b>	<b>1,663</b>	(41)	<b>734</b>	<b>1,363</b>	(46)
Minority interest	<b>(3)</b>	-		-	-	
	<b>971</b>	<b>1,663</b>	(42)	<b>734</b>	<b>1,363</b>	(46)
<b>Earnings per share (Rs)</b>						
-Basic	<b>0.54</b>	<b>0.92</b>		<b>0.41</b>	<b>0.76</b>	
-Annualized	<b>2.15</b>	<b>3.69</b>		<b>1.63</b>	<b>3.02</b>	

The above figures are provisional and unaudited

**Sri Lanka Telecom PLC and its Subsidiaries**  
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**Quarterly Interim Financial Report as of 31 March 2009**

**Consolidated Balance Sheet**

*(All amounts in LKR Millions )*

	Group		Company	
	Un-Audited as at 31 Mar. 2009	Audited as at 31 Dec. 2008	Un-Audited as at 31 Mar. 2009	Audited as at 31 Dec. 2008
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	58,579	57,072	38,129	38,489
Intangible assets	2,160	2,165	649	632
Investments in subsidiaries	-	-	10,602	10,172
Advance against investments	-	-	-	30
Non-current receivables	1,687	1,572	1,687	1,572
	<b>62,426</b>	<b>60,809</b>	<b>51,067</b>	<b>50,895</b>
<b>Current Assets</b>				
Inventories	2,655	2,583	2,421	2,330
Trade Receivables and prepayments	10,777	11,060	10,508	10,779
Cash and cash equivalents	18,030	18,746	17,361	17,971
	<b>31,462</b>	<b>32,389</b>	<b>30,290</b>	<b>31,080</b>
<b>Total Assets</b>	<b>93,888</b>	<b>93,198</b>	<b>81,357</b>	<b>81,975</b>
<b>Equity and Liabilities</b>				
<b>Capital and Reserves</b>				
Stated Capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Hedging reserve	(14)	(32)	(14)	(32)
Insurance reserve	270	236	270	236
Exchange equalisation reserve	1	1	-	-
Retained earnings	28,439	29,270	30,013	31,084
	<b>46,745</b>	<b>47,524</b>	<b>48,318</b>	<b>49,337</b>
Minority interest in equity	28	31	-	-
<b>Total Equity</b>	<b>46,773</b>	<b>47,555</b>	<b>48,318</b>	<b>49,337</b>
Deferred income	4,778	4,932	4,778	4,932
<b>Non Current Liabilities</b>				
Grants	60	61	60	61
Deferred tax liabilities	530	1,097	530	1,097
Borrowings	4,922	5,228	495	680
Retirement benefit obligation	1,285	1,217	1,208	1,144
Trade and other payables	290	289	290	289
	<b>7,087</b>	<b>7,892</b>	<b>2,583</b>	<b>3,271</b>
<b>Current Liabilities</b>				
Trade and other payables	15,685	13,163	10,364	8,772
Current tax liabilities	1,354	1,633	1,346	1,619
Borrowings	16,582	16,488	13,078	13,154
Deferred income	1,629	1,535	890	890
	<b>35,250</b>	<b>32,819</b>	<b>25,678</b>	<b>24,435</b>
<b>Total Equity and Liabilities</b>	<b>93,888</b>	<b>93,198</b>	<b>81,357</b>	<b>81,975</b>

**Signed on behalf of the Board.**

Leisha De Silva Chandrasena  
Chairperson  
22-May-2009

Sidath Fernando  
Director  
22-May-2009

**Sri Lanka Telecom PLC and its Subsidiaries**  
**Company Registration No. PQ 7**  
**Quarterly Interim Financial Report as of 31 March 2009**

**Statement of Changes in Equity - 1 Jan 2008 to 31 March 2009**

*(All amounts in LKR Millions)*

**Group**

	Stated Capital	Hedging Reserve	Insurance Reserve	Exchange Equalisation Reserve	Retained Earnings	Minority Interest	Total Equity
<b>3 Months ended 31 March 2008</b>							
Balance at 1 January 2008	18,049	(58)	204	-	23,705	-	41,900
Cash flow hedges		-					-
-Foreign currency translation difference		3					3
-Charged to income statement		15					15
Insurance reserve -charged to income statement			22				22
Dividend in respect of 2007					(1,805)		(1,805)
Profit for the period					1,663		1,663
<b>Balance at 31 March 2008</b>	<b>18,049</b>	<b>(40)</b>	<b>226</b>	<b>-</b>	<b>23,563</b>	<b>-</b>	<b>41,798</b>
Balance at 1 April 2008	18,049	(40)	226	-	23,563	-	41,798
Cash flow hedges							
-Foreign currency translation difference		(7)					(7)
-Charged to income statement		15					15
Insurance reserve -charged to income statement			10				10
Effect of movement in foreign exchange rates				1			1
Minority interest arising on business combination						34	34
Profit for the period					5,707	(3)	5,704
<b>Balance at 31 December 2008</b>	<b>18,049</b>	<b>(32)</b>	<b>236</b>	<b>1</b>	<b>29,270</b>	<b>31</b>	<b>47,555</b>
<b>3 Months ended 31 March 2009</b>							
Balance at 1 January 2009	18,049	(32)	236	1	29,270	31	47,555
Cash flow hedges							-
-Foreign currency translation difference		(1)					(1)
-Charged to income statement		19					19
Insurance reserve -charged to income statement			34				34
Dividend in respect of 2008					(1,805)		(1,805)
Profit for the period					974	(3)	971
<b>Balance at 31 March 2009</b>	<b>18,049</b>	<b>(14)</b>	<b>270</b>	<b>1</b>	<b>28,439</b>	<b>28</b>	<b>46,773</b>

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**Statement of Changes in Equity - 1 Jan 2008 to 31 March 2009**

*(All amounts in LKR Millions)*

**Company**

	<b>Stated Capital</b>	<b>Hedging Reserve</b>	<b>Insurance Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>3 Months ended 31 March 2008</b>					
Balance at 1 January 2008	18,049	(58)	204	26,288	44,483
Cash flow hedges					
-Foreign currency translation difference		3			3
-Charged to income statement		15			15
Insurance reserve -charged to income statement			22		22
Dividend in respect of 2007				(1,805)	(1,805)
Profit for the period				1,363	1,363
<b>Balance at 31 March 2008</b>	<b>18,049</b>	<b>(40)</b>	<b>226</b>	<b>25,846</b>	<b>44,081</b>
Balance at 1 April 2008	18,049	(40)	226	25,846	44,081
Cash flow hedges					
-Foreign currency translation difference		(7)			(7)
-Charged to income statement		15			15
Insurance reserve -charged to income statement			10		10
Profit for the period				5,238	5,238
<b>Balance at 31 December 2008</b>	<b>18,049</b>	<b>(32)</b>	<b>236</b>	<b>31,084</b>	<b>49,337</b>
<b>3 Months ended 31 March 2009</b>					
Balance at 1 January 2009	18,049	(32)	236	31,084	49,337
Cash flow hedges					
-Foreign currency translation difference		(1)			(1)
-Charged to income statement		19			19
Insurance Reserve- charged to income statement			34		34
Dividend in respect of 2008				(1,805)	(1,805)
Profit for the period				734	734
<b>Balance at 31 March 2009</b>	<b>18,049</b>	<b>(14)</b>	<b>270</b>	<b>30,013</b>	<b>48,318</b>

**Sri Lanka Telecom PLC and its Subsidiaries**  
**Company Registration No. PQ 7**  
**Quarterly Interim Financial Report as of 31 March 2009**

**Consolidated Cash Flow Statement for 3 months ended 31 March**

*(All amounts in LKR Millions)*

	GROUP		COMPANY	
	2009	2008	2009	2008
<b>Operating activities</b>				
Cash generated from operations	4,934	2,701	2,636	2,159
Interest received	433	272	421	243
Interest paid	(450)	(391)	(196)	(188)
Tax paid	(1,139)	(1,304)	(1,124)	(1,287)
<b>Net cash generated from operating activities</b>	<b>3,778</b>	<b>1,278</b>	<b>1,737</b>	<b>927</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(4,237)	(2,277)	(1,743)	(1,128)
Acquisition of intangible assets	(103)	(64)	(64)	(61)
Proceeds from disposal of property, plant and equipment	4		4	
Investments in subsidiaries	-	-	(400)	(500)
<b>Net cash used in investing activities</b>	<b>(4,336)</b>	<b>(2,341)</b>	<b>(2,203)</b>	<b>(1,689)</b>
<b>Financing activities</b>				
Finance lease principal re-payments	(3)	(1)	(3)	(1)
Re-Payment on borrowings	(525)	(378)	(366)	(378)
<b>Net cash used in financing activities</b>	<b>(528)</b>	<b>(379)</b>	<b>(369)</b>	<b>(379)</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(1,086)</b>	<b>(1,442)</b>	<b>(835)</b>	<b>(1,141)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>17,870</b>	<b>16,920</b>	<b>17,971</b>	<b>16,689</b>
Effect on exchange fluctuation on cash and cash equivalents	225	(184)	225	(184)
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(1,086)</b>	<b>(1,442)</b>	<b>(835)</b>	<b>(1,141)</b>
<b>Cash and cash equivalents at 31 March</b>	<b>17,009</b>	<b>15,294</b>	<b>17,361</b>	<b>15,364</b>

**Sri Lanka Telecom PLC and its Subsidiaries**  
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**Investor Information**

**Ratios**

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar. 2009</b>	<b>31 Dec. 2008</b>	<b>31 Mar. 2009</b>	<b>31 Dec. 2008</b>
Net Assets per Share (Rs)	25.90	26.33	26.77	27.34
Debt / Equity ratio -Number of times	0.32	0.31	0.22	0.22
Quick Asset Ratio - Number of times	0.82	0.91	1.09	1.18
	<b>For the period ended</b>		<b>For the period ended</b>	
	<b>31 Mar 2009</b>	<b>31 Mar 2008</b>	<b>31 Mar 2009</b>	<b>31 Mar 2008</b>
Interest Cover - Number of times	3.58	5.12	5.23	6.59

**Market Value of Shares**

<b>Market Value of the Ordinary Shares of the Company (Rs)</b>	<b>3 Months to 31 Mar 2009</b>	<b>3 Months to 31 Mar 2008</b>
-Highest	<b>38.00</b>	42.50
-Lowest	<b>31.00</b>	29.00
-Last Traded price	<b>31.50</b>	41.25

**Dividend Payment**

Final Dividend for the year 2007 -Rs 1.00 per share paid on 4 April 2009.

**Share trading from 1 Mar 2009 to 31 Mar 2009**

	<b>3 Months to 31 Mar 2009</b>
-No of Transactions	<b>1,157</b>
- No of Shares Traded	<b>1,624,555</b>
-Value of Shares Traded ( Rs )	<b>56,547,948</b>

## **Notes to the Financial Statement**

### **1. Accounting Policies**

These Financial Statements are in compliance with Sri Lanka Accounting Standards 35- Interim Financial Reporting.

The Company and Group have adopted consistent accounting policies as disclosed in the Annual Report for the financial year ended 31 December 2008.

### **2. International Telecommunication Operators' Levy**

As in the previous year, the Company continues to recognize the expense arising on International Telecommunication Operator's Levy (ITL) as an expense in arriving at the results for the period. The Gazette notification of 31 March 2005 provides that each domestic PSTN operator may claim two thirds of the Telecommunications Development Charge (TDC) funds, for the development of their telecommunications network in unserved and underserved areas of Sri Lanka as may be determined by the Telecommunications Regulatory Commission (TRC) within a period of three years.

The documentation supporting the amount to be claimed from TDC against the cost of telecommunications network roll-out in un-served and underserved areas by the Company for the period from 1 January 2006 to 31 March 2006, has been submitted to TRC. The estimated refund as at 31 March 2009 has not been recognised in the income statement pending approval by the TRC.

### **3. Investments in Subsidiary**

A fresh capital infusion of Rs. 400,000,000 was made by SLT for which Mobitel issued 40,000,000 14% Cumulative redeemable Preference Shares of Rs.10/- each during the period.

### **4. Dividends on Cumulative redeemable preference shares**

Mobitel has issued 675,000,000 12% and 150,000,000 14% Cumulative redeemable preference shares of Rs.10/- each . The estimated balance dividends of Rs 1,656 Mn as at 31 March 2009, has not been recognized in the Financial Statements.

### **5. Deemed Dividend Tax on Public Corporations – years of assessment 93/94 and 94/95**

The Department of Inland Revenue issued assessments for the years of assessment 1993/94 and 1994/95 charging tax, on deemed dividend, based on book profits of the company. The company appealed against those assessments, on the ground that deemed dividend tax should be calculated on tax adjusted profits. The total liability for years of assessment 93/94 and 94/95 as per the said assessments, amounts to Rs.642,986,293/-.

Accordingly, this appeal was referred to the Board of Review for hearing and the Board of Review confirmed these assessments. However, the company has appealed against the Board determination to the Court of Appeal.

### **6. Event 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.



**Sri Lanka Telecom PLC and its Subsidiaries**  
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**Quarterly Interim Financial Report as of 31 March 2009**

**Segmental Reporting -for the 3 months ended 31 March 2009**

*(All amounts in LKR Millions)*

**Primary Segment - Business Segments**

	<u>PSTN</u>	<u>CDMA</u>	<u>OGO</u>	<u>Mobile</u>	<u>Other</u>	<u>Total</u>
<b>Revenue</b>						
Total Segment Revenue	3,702	1,203	1,848	2,934	2,564	12,251
Inter segment Revenue	-	-	(36)	(10)	(368)	(414)
Revenue from external Customers	3,702	1,203	1,812	2,924	2,196	11,837
<b>Segment results / operating profits</b>	<b>179</b>	<b>104</b>	<b>187</b>	<b>589</b>	<b>327</b>	<b>1,386</b>
Non Operating Income						65
Finance Cost						(502)
Interest income						345
Profit before tax						1,294
Taxation						(323)
Net Profit for the period						<b>971</b>

**Segmental Reporting -for the 3 months ended 31 March 2008**

*(All amounts in LKR Millions)*

**Primary Segment - Business Segments**

	<u>PSTN</u>	<u>CDMA</u>	<u>OGO</u>	<u>Mobile</u>	<u>Other</u>	<u>Total</u>
<b>Revenue</b>						
Total Segment Revenue	4,421	1,473	2,233	2,030	1,695	11,852
Inter segment Revenue	-	-	(75)	(10)	(167)	(252)
Revenue from external Customers	4,421	1,473	2,158	2,020	1,528	11,600
<b>Segment results / operating profits</b>	<b>624</b>	<b>388</b>	<b>441</b>	<b>530</b>	<b>558</b>	<b>2,541</b>
Non Operating Income						46
Finance Cost						(565)
Interest income						307
Profit before tax						2,329
Taxation						(666)
Net Profit for the period						<b>1,663</b>

**Note-**

PSTN	Public Switch Telephone Network
CDMA	Code Divisional Multiple Access
OGO	Other Gateway Operators