

The 'House' that SLT Builds



Sri Lanka Telecom

Sri Lanka Telecom PLC  
Annual Report  
2016



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## 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.

## Our Values

### Customer Caring

We put our customers at the centre of everything we do

### Trustworthy

We are true to our promises

### Innovative

We continuously invent new opportunities through creative thinking

### Responsive

We are ready to listen and act promptly

### Teamwork

We are one team with a common purpose to achieve common goals

### Excellence

We are committed to exceptional performance

### Results Driven

We are committed to enhancing shareholder value

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Over the years, SLT's role in the lives of Sri Lankans has evolved exponentially. Always embracing and leveraging the technology of the future, we have taken the Nation and our people into an exciting and still unfolding digital world, where the home is now the centre of a digital lifestyle. Today, basic communication sits comfortably with on demand services, computer gaming, Over the Top (OTT) content, entertainment services and more – right there in the home.

It's the 'house' that SLT builds – for the people and the Nation – an initiative we intend strengthening well into the future.





# Welcome to Sri Lanka Telecom PLC's Annual Report 2016

This Annual Report 2016 of Sri Lanka Telecom PLC is an integrated report. It provides a comprehensive yet concise communication on the relationships and interdependent aspects that formulate our business. It considers the issues of strategy, governance, performance and prospects within the encapsulation of prolonged and sustainable value creation.

The section on Business Model, commencing on page 45, outlines the concepts that build up the structure of our reporting approach. We continually elaborate on the twin importance of value creation and capital formation throughout the Report.

This Report draws on concepts, principles and instructions at applicable times from:

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4
- The International Integrated Reporting Framework
- The Smart Integrated Reporting Methodology™.

## Report Boundary

This Annual Report addresses the operations of Sri Lanka Telecom PLC and its subsidiaries. As such, they are identified as 'SLT' or the 'Company' on an individual basis; and 'Group' on a collective one.

Following on from the preceding years, key financial aspects are to be discussed in the context of the Company and the Group. The SLT Group's business operations are made up of fixed ICT operations and mobile ICT operations. Consequently, these two segments are identified separately in the Management Discussion and Analysis section. Where appropriate, they may be aggregated and termed as 'ICT business' and correctly identified as such.

## Compliance

This Report covers the 12-month period 1 January to 31 December 2016, and as such is concordant with our habitual reporting cycle for financial and sustainability reporting.

We do not notice any noteworthy changes in scope nor aspect boundaries from preceding reporting periods. The immediate preceding Annual Report, dated 29 March 2016, covering the 12-month period ending 31 December 2015, is available on the corporate website [www.slt.lk](http://www.slt.lk)

## Precautionary Principle

The Company applies a stringent precautionary principle with regards to social and environmental sustainability. We are highly cognisant that our operations cause reciprocal impacts on society and the environment, and we take all necessary actions to alleviate such risks.

## Queries

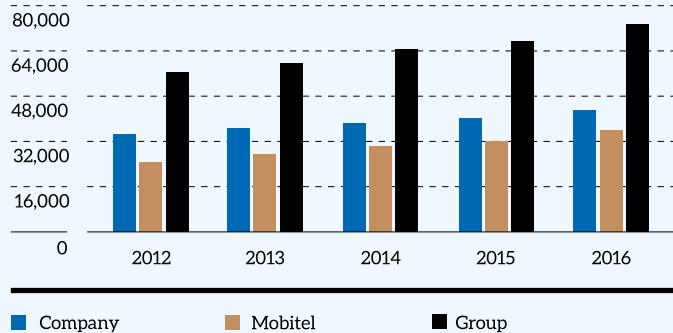
We welcome your comments or questions on this Report. You may contact:

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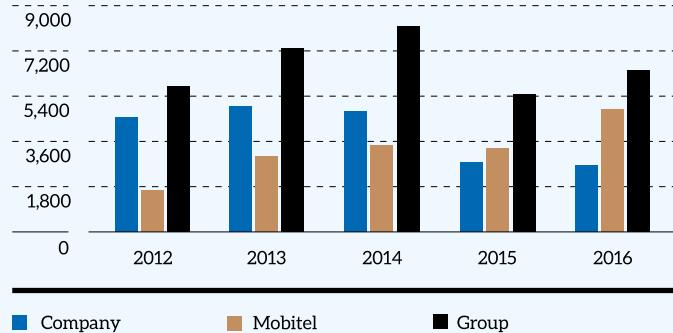
# Highlights

	2016	2015	Change (%)
<b>Group</b>			
Revenue (Rs. billion)	73.80	68.02	8.50
EBITDA (Rs. million)	20,126	20,008	0.59
Operating profit (Rs. million)	5,726	6,789	-15.66
Profit before tax (Rs. million)	6,497	5,515	17.81
Profit after tax (Rs. million)	4,790	3,724	28.63
Earnings per share (Rs.)	2.65	2.06	28.64
<b>Company</b>			
Revenue (Rs. billion)	43.13	40.56	6.34
EBITDA (Rs. million)	9,903	10,144	-2.38
Operating profit (Rs. million)	1,167	2,371	-50.78
Profit before tax (Rs. million)	2,643	2,795	-5.44
Profit after tax (Rs. million)	1,725	1,728	-0.17
Earnings per share (Rs.)	0.96	0.96	-0.17
<b>Mobitel</b>			
Revenue (Rs. billion)	35.92	32.56	10.32
Profit before tax (Rs. million)	4,899	3,363	45.67
Profit after tax (Rs. million)	4,111	2,725	50.86

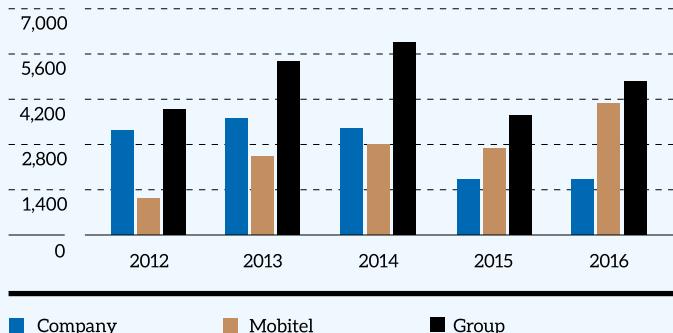
**Revenue** (Rs. million)



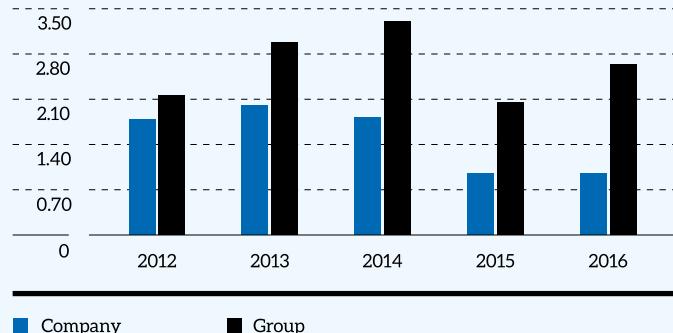
**Profit before tax** (Rs. million)



**Profit after tax** (Rs. million)



**Earnings per share (EPS)** (Rs.)



## Centres of Excellence

By developing and streamlining the Centres of Excellence (CoE), we achieved stunning results in planning, sales, service delivery and network operations.

# Group Synergy

We established a Group Structure and set up a Group Operational Model to present 'one face' of operations to customers.

## Customers

Fixed ICT

Broadband  
**19.3%**   
531,437 — 634,097  
(2015) (2016)

PEO TV  
**54.6%**   
174,278 — 269,458  
(2015) (2016)

Mobile ICT

Mobile Subscribers  
**8.5%**   
5,900,000 — 6,400,000  
(2015) (2016)

## Our Contribution to the Nation

# We

have invested over Rs. 239 billion on Network Infrastructure and Technology Development Projects since privatisation.

contributed over Rs. 2 billion to the community over the past 15 years.

introduced a range of new technologies of broadband internet, television, cloud system to the country.

are the largest employer in the Telecommunications sector in Sri Lanka with over 9,000 employees in our operations as at end 2016.

## New Services

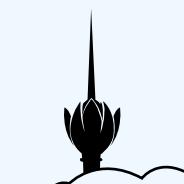


eChannelling – ICT solutions to the healthcare sector

## Projects



The Lanka  
Government Network  
2.0 was inaugurated.



A Memorandum of Understanding was signed with the Megapolis and Western Province Development Programme.



The international submarine cable system SEA-ME-WE 5 was laid out.



A new data centre at  
Pitipana-Homagama  
is being developed.



The Sri Lanka Technological Campus (SLTC) was established.

# Stewardship

## Board of Directors



**Mr P G Kumarasinghe Sirisena**

Chairman

Mr Kumarasinghe was appointed as an Independent Non-Executive Director and Chairman of the Board on 23 January 2015. He is the Director/Chairman of Mobitel (Private) Limited, SLT Campus (Private) Limited, SLT Human Capital Solutions (Private) Limited, Sky Network (Private) Limited, SLT Publications (Private) Limited, SLT Property Management (Private) Limited, Sri Lanka Telecom (Services) Limited and, SLT VisionCom (Private) Limited, as well. He also serves as the Non-Executive Director/ Chairman eChannelling PLC.

Mr Kumarasinghe holds a BSc Honours (Special) Degree in Management from the University of Sri Jayewardenepura. In addition, he holds an MBA from the University of Wayamba and a Master of Public Management from the Sri Lanka Institute of Development Administration. He is a Postgraduate Diploma holder in Accountancy & Financial Management and Project Management from the University of Sri Jayewardenepura. He also holds a Diploma in Business Management from the National Institute of Business Management. Mr Kumarasinghe counts over 19 years of experience in General Management, Financial Management and Human Resource Management both in Private and Government Sectors.

In addition, Mr Kumarasinghe is a Fellow of the Chartered Institute of Marketing (FCIM-CIM), Institute of Certified Professional Managers (FCPM-CPM), Institute of Government Accounts and Finance (ILOGAF), Association of Accounting Technicians of Sri Lanka (FAAT) and the Association of Public Finance Accountants of Sri Lanka - the Public Sector Wing of CA Sri Lanka (APFA). He is a Certified Member of the Sri Lanka Institute of Marketing (CM-SLIM), Member of the Sri Lanka Institute of Directors (M-SLID), Honorary Member of Institute of Personnel Management Sri Lanka (HM-IPM) and an Associate Member of Association of HR Professionals of Sri Lanka (AM-HRP).

Mr Kumarasinghe was the Managing Director of State Development and Construction Corporation and CEO/General Manager of State Timber Corporation. He has served on the Boards of Mahaweli Engineering Services Limited and the Sri Lanka Land Reclamation and Development Corporation. He currently serves as a Director of the Land Reclamation & Development Company Limited (REDECO), L R D C Services (Private) Limited and as the Financial Consultant of the Araliya Group of Companies. He is a member of Board of Governors of SAEGIS Campus.



**Mr Chan Chee Beng**

Director

Mr Chan was appointed to the Board as a Non-Executive Director on 5 June 2008 and subsequently to the Board of Mobitel (Private) Limited, SLT Property Management (Private) Limited and SLT Campus (Private) Limited. He also serves as the Chairman of the Audit Committee, Remuneration & Nomination Committee and a member of the Related Party Transactions Review Committee.

He counts over 37 years of experience in investment banking, general and financial management and accounting. He worked at Ernst & Young and Morgan Grenfell & Company Limited prior to joining the Usaha Tegas Sdn Bhd ('UTSB') Group in 1992 as Head of Corporate Finance. He serves on the Boards of several companies including Bumi Armada Berhad, Binariang GSM Sdn Bhd and Maxis Communications Berhad of Malaysia.

He is also a Director of Yu Cai Foundation and MEASAT Satellite Systems Sdn Bhd ('MSS'), a regional operator.

Mr Chan holds a degree in Economics and Accounting from the University of Newcastle-upon-Tyne, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales.

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**Mr Lawrence Paratz**

Director

Mr Lawrence Paratz was appointed to the Board of SLT as an Independent Non-Executive Director on 26 May 2010.

He holds an MSc (Telecommunication Systems) with Distinction and was awarded the Philips prize from Essex University and an MEng Sc from the University of Queensland.

He is a Fellow of Engineers Australia (FIEAust) and an alumnus of the Stanford University Executive Development Programme. In addition, he holds a Bachelor's Degree in Science and Engineering (Honours). In 2011, he was elected as a Fellow of the Australian Academy of Technological Sciences and Engineering (ATSE).

Mr Paratz has more than 30 years experience in all facets of the telecommunication industries, including mobile, fixed, broadband, satellite and international networks, both domestic and international. This includes Capital and Infrastructure Development, Operations, Sales, Customer Service and Regulatory Issues. As Director and Chief Executive of Acacia Australia Private Limited, he was responsible for the development of an integrated proposal for national broadband communication in Australia.

He has served as a Director of Maxis Communication Berhad, Chairman of the Technology Committee of the Board and a Director of Vernet Private Limited, a company providing ultra high speed broadband to universities and research establishments in Australia. He was a former senior executive of Telstra Corporation as well.

Mr Paratz is the Chairman of the Technology Subcommittee and member of the Senior Tender Board. He also serves as a Director of Mobitel (Private) Limited, eChannelling PLC, Sky Networks (Private) Limited, SLT Property Management (Private) Limited, SLT Campus (Private) Limited, Sri Lanka Telecom (Services) Limited, SLT VisionCom (Private) Limited, and SLT Publications (Private) Limited. He is also a Director of Real Thing Entertainment Pty Limited, and Razorback Private Limited.

Mr Paratz has had executive responsibility for multibillion dollar programmes and integrations, including network transformations and deployments across multiple technologies, with extensive experience in international, metropolitan, regional and rural communications. He previously served as a member of the Board of the Australian Government's Internet Assistance Programme. He has been an acclaimed speaker at the Australian Health Informatics Conference and the Australian Academy of Technological Sciences and Engineering.

Mr Paratz was formerly Chairman of the On-Trac@Peter Mac Adolescent and Young Adult Cancer Programme and has been involved in a number of initiatives on e-health as well.

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### **Ms Lai Choon Foong**

Director

Ms Lai was appointed to the Board of SLT and Mobitel (Private) Limited on 9 May 2014 as an Independent Non-Executive Director. She is the Chairperson of the Senior Tender Board and a member of the Audit Committee and Related Party Transactions Review Committee. She also serves as a Director of SLT Human Capital Solutions (Private) Limited.

She has over 35 years of experience in finance, procurement and auditing in telecommunications, banking and government sectors. She was previously with Maxis Berhad and is currently the Finance Head of Maxis Communications Berhad. She is also a Non-Executive Director of three subsidiary companies in Maxis Communications Berhad.

Ms Lai holds a Bachelor of Commerce Degree from Melbourne University, Australia and is a Chartered Accountant of the Malaysian Institute of Accountants and a Certified Practicing Accountant of CPA Australia.



### **Ms Chandra Ekanayake**

Director

Ms Ekanayake was appointed to the Board on 3 February 2015, as a Non-Executive Director, and is a member of the Audit Committee and Related Party Transactions Review Committee. She also serves as a Director of SLT Property Management (Private) Limited, and SLT Campus (Private) Limited.

She has been with the Sri Lanka Administrative Service since 1984. Ms Ekanayake is a Deputy Secretary to the Treasury and has held several senior positions previously in the Ministry of Finance. These include, Director of Economic Affairs, Controller of Insurance, Additional Director General – Department of External Resources, Director General – Department of Trade, Tariff and Investment Policy and the Director General – Department of National Budget.

Ms Ekanayake holds a Bachelor of Science (Special Degree) from the University of Kelaniya, and an MBA from the Postgraduate Institute of Management, Sri Lanka. In addition, she holds Postgraduate Diplomas in Development Planning Techniques (ISS, The Hague), International Relations (BCIS Colombo) and Economic Development (University of Colombo). She represented the Treasury in the Council of the Asian Reinsurance Corporation from 2002 to 2013 and functioned as its Vice-Chairperson from 2008 to 2013. She also represented the Treasury on the Board of NDB Bank from February 2011 until March 2015. At present, she represents the Treasury on the Board of People's Bank and the Board of Management of the Superior Court Complex.

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**Ms Nilanthi Pieris**

Director

Ms Pieris was appointed to the Board on 3 February 2015 as an Independent Non-Executive Director. She is the Chairperson of the Related Party Transactions Review Committee and also sits on the Audit Committee and the Senior Tender Board. She is also a Director of SLT Human Capital Solutions (Private) Limited.

Ms Pieris is an Attorney-at-Law of the Supreme Court of Sri Lanka and counts over 29 years of experience including 29 years of practice at the Bar. At present, she serves as a Partner of Paul Ratnayake Associates.

She has held several positions at the Bar Association, including the post of Assistant Secretary.

**Mr W K H Wegapitiya**

Director

Mr Wegapitiya was appointed to the Board on 2 December 2015 as an Independent Non-Executive Director. He is a member of the Technology Subcommittee and Senior Tender Board as well. He also serves on the Board of SLT Campus (Private) Limited.

He is an award winning entrepreneur, who has gained local and international recognition. Mr Wegapitiya is the founder of 'Laugfs', a highly diversified business conglomerate with overseas operations. Mr Wegapitiya held many eminent positions in Government and Non-Government Institutions on voluntary basis. He was the past Chairman of Chamber of Young Lankan Entrepreneurs (COYLE), Senior Vice-President and Executive Council Member of Federation of Chamber of Commerce and Industry of Sri Lanka (FCCISL), former Executive Council Member of the Ceylon Chamber of Commerce. He served as a member of the National Pay Commission for several years, and also as a Council Member of the University of Sri Jayewardenepura.

Mr Wegapitiya holds a BSc in Business Administration from the University of Sri Jayewardenepura and an MBA from the Postgraduate Institute of Management (PIM) affiliated to the same University. At present he is reading for his PhD in entrepreneurship at the PIM.

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**Mr Rohan De Silva**

Director

Mr Rohan De Silva was appointed as an Independent Non-Executive Director of the Company on 30 December 2015. He is a member of the Technology Subcommittee, Senior Tender Board and the Audit Committee. He also serves on the Board of SLT Property Management (Private) Limited.

Mr De Silva has over forty years of experience in management, in the mercantile and Government sectors. He is a specialist in shipping, marine, aviation and leisure sectors pioneering business ventures and innovating professional services in the mercantile sector in particular.

He is currently the Chairman of the McLaren Group of Companies, one of the largest diversified conglomerates in Sri Lanka. He also holds the title of the Honorary Consul of the Republic of Namibia in Sri Lanka and is a member of the Ceylon Association of Ships Agents Advisory Committee. In addition, he had served as a member of the Presidential Task Force engaged in the formulation of shipping policy.

Mr De Silva's service to the Sri Lankan shipping industry had been recognised through a special award at the Colombo International Maritime Conference 2015 and special recognition as a 'Shipping Personality' by the Institute of Chartered Shipbrokers, UK - Sri Lanka Branch. He was also awarded the "Central Bank Governor's Challenge Trophy - 2012" for Global Commerce Excellence.

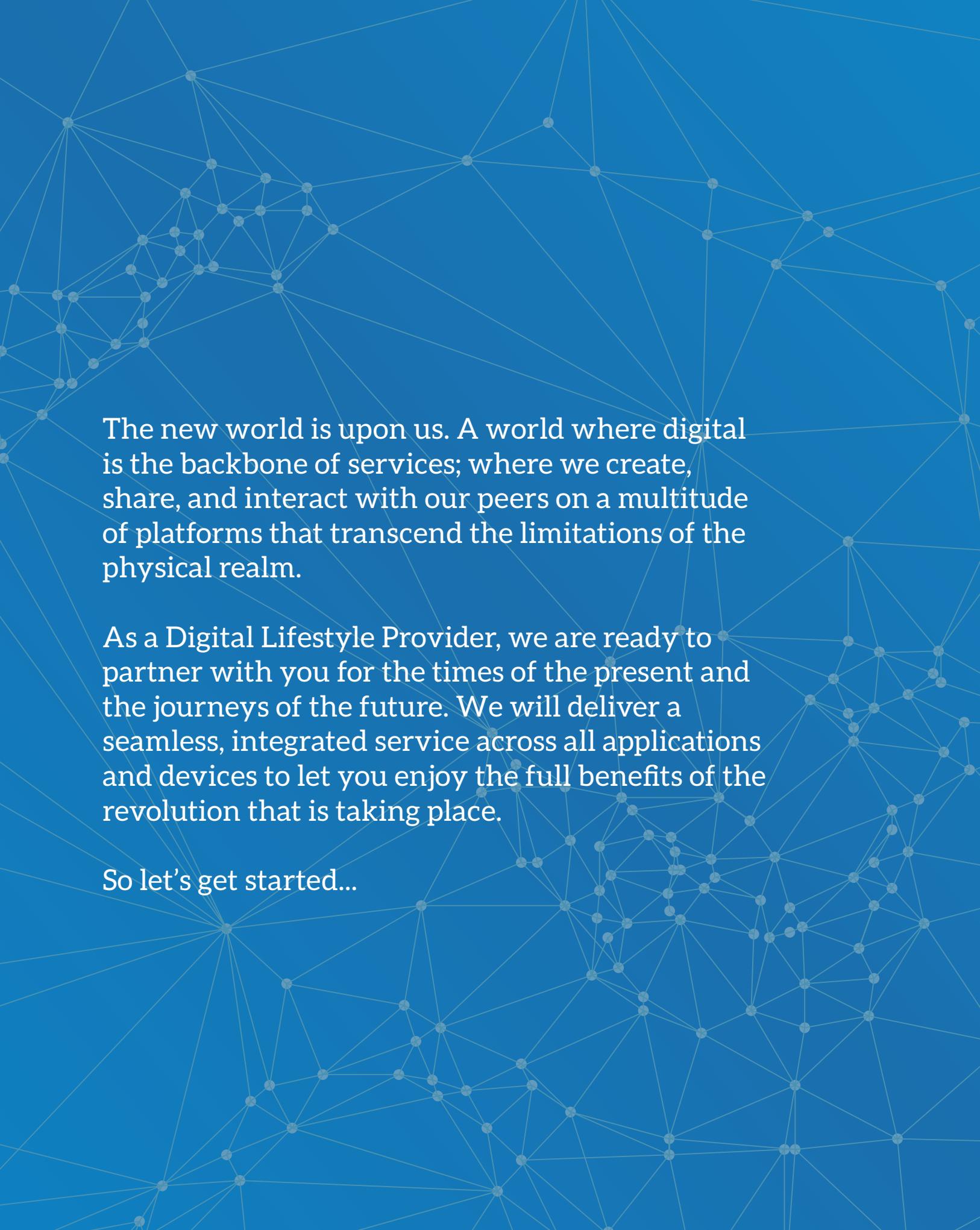
**Mr Mahesh Athukorale**

Company Secretary

Mr Mahesh Athukorale is an Attorney-at-Law. He holds an MBA from the University of Colombo, and a Bachelor Degree of Law from the Open University of Sri Lanka. He is an Associate member of the Institute of Chartered Secretaries and Administrators of UK.

He joined Sri Lanka Telecom PLC in 2003 as the Assistant Company Secretary. In his career spanning over 20 years he has 13 years of experience in the SLT Group and seven years in the mercantile and financial sector.

He also functions as Company Secretary for Board Subcommittees and subsidiaries of SLT Group.



The new world is upon us. A world where digital is the backbone of services; where we create, share, and interact with our peers on a multitude of platforms that transcend the limitations of the physical realm.

As a Digital Lifestyle Provider, we are ready to partner with you for the times of the present and the journeys of the future. We will deliver a seamless, integrated service across all applications and devices to let you enjoy the full benefits of the revolution that is taking place.

So let's get started...

# Leadership Team

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## Leadership Team – Group and SLT



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**1 Mr Dileepa Wijesundara**

Group Chief Executive Officer, Sri Lanka Telecom PLC

Mr Dileepa Wijesundara is an engineer with extensive experience in project logistics, profitability and restructuring both at private and Government institutions. He holds a BSc in Civil Engineering and an MSc in Management from the Loughborough University (UK). He has held leadership positions in several prestigious organisations including Head of Emirates Sky Cargo, Canada, Senior Vice-President – Qatar Airways, Chairman – Sri Lanka Ports Authority amongst others.



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**2 Mr Mahinda B Herath**

Group Chief Planning Officer

Mr Herath is a Chartered Engineer with an Honours Degree in Engineering from the University of Moratuwa and a Master's Degree in Industrial Mathematics from the University of Sri Jayewardenepura. In his career at SLT spanning over 32 years, he has gained multi-disciplinary exposure in the fields of Engineering, Management, Regulation and Business. He has previously held a number of senior positions in SLT, including the Chief Planning Officer, General Manager International Business, General Manager, Regulatory Affairs and Deputy General Manager Colombo Metro. Mr Herath has gained extensive training offered by reputed international operators, including Telia AB of Sweden, France Telecom, AT&T of USA and KDD of Japan. He has also gained certifications in Telecommunication Regulation from the Commonwealth Telecommunications Organisation (CTO), Australian Communication and Media Authority (ACMA) and University of Florida. He has also been involved in the activities of ITU study groups, Sri Lanka Association for the Advancement of Science (SLAAS) and International Development Research Centre (IDRC), with several research papers and a book chapter to his credit. Mr Herath is currently heading the Planning Group which is being developed as a centre of excellence in strategy and planning for both network and information technology, spanning the entire SLT Group.



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**3 Mr Ajantha Seneviratne**

Group Chief Marketing Officer

Mr Seneviratne joined SLT in 1993. He holds a BSc in Electronics and Telecommunications from the University of Moratuwa and a Postgraduate Diploma in Industrial Engineering from OUSL. In addition, he holds an MBA from the University of Sri Jayewardenepura. He is a Chartered Engineer and a member of The Institution of Engineers Sri Lanka as well. He counts over 10 years of experience in marketing. He is also the Chief Executive Officer of SLT VisionCom (Private) Limited.



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### 4 Mr K A Kiththi Perera

Group Chief Enterprise and Wholesale Officer

Mr Perera joined SLT in 1994. He holds an MEng from University of Moratuwa in Electronics and Telecommunications Engineering and is a Chartered Engineer of the Institute of Electrical Engineers and Engineering Council (UK). He has extensive experience in International Transmission Systems, Submarine Cable Systems, Data and IP Networking and Project Management.

He counts over 12 years of experience in the enterprise and Government customer segments. In addition, he was instrumental in introducing Metro Ethernet Technology to Sri Lanka. Mr Perera has provided voice-data integrated enterprise solutions connected with high speed resilient connectivity services to many customers.

### 5 Mr Saman Perera

Group Chief Information Officer

Mr Saman Perera with over 23 years of experience in Telecommunication Industry has extensive experience in the full spectrum of Strategic IT Management, ranging from Systems & Technology Strategy, Software Development, Operations, Business Process Innovation, HRM to Risk & IT Investment. Prior to appoint as the Group CIO of SLT Group, he served as Senior General Manager Information Systems at Mobitel transforming its IT Group to a key strategic unit that shaped Mobitel's business and its entire value chain by infusing a powerful professional IT team that fueled many innovations in digital services while bringing down TCO for many critical systems.

He holds an MBA in Management of Technology from University of Moratuwa, MSc in Computer Science from University of Colombo and BSc from University of Colombo. He serves as a resource person for MBA in Information Technology at University of Moratuwa, served as a visiting Lecturer for Postgraduate Diploma/MBA in Information Systems Management, Faculty of Graduate Studies at University of Colombo. He is currently serving as a member of the Faculty Board of the Faculty of Engineering, University of Moratuwa as an industry representative. He is an active member of Computer Society of Sri Lanka, has also served as a Council Member of the Computer Society of Sri Lanka.

He won the prestigious 'CIO OF THE YEAR 2015' Award - a once in lifetime accolade - from Computer Society of Sri Lanka.

### 6 Mr Chandrasiri Kalupahana

Group Chief Internal Auditor

Mr Kalupahana joined SLT in September 2016 as the Group Chief Internal Auditor. Immediately prior to joining SLT, he has worked as Chief Financial Officer at Regional Development Bank (RDB) which is a 100% Government-owned bank having 265 branches Island-wide. In addition to his duties as CFO of the bank, he has been instrumental in initiating the establishment of the Treasury Division for RDB, restructuring the Internal Audit Division and contributed heavily to proper implementation of core banking network and system to the Bank.

He has worked as Head of Audit at several companies. In addition, he has held senior positions at both local and overseas companies serving at a number of key positions including Head of Finance, Assistant General Manager, Senior Deputy General Manager and General Manager/CEO in the fields of Banking, Finance, Insurance, Manufacturing, Civil Engineering, Helicopter Charter and Auto Mobile etc. He has more than 34 years experience and obtained true international exposure having worked with foreign nationals at British, Irish and American Companies for several years in Tanzania, Angola/UK and Saudi Arabia. He had worked as the CEO for three regulated Companies; an American Company in Tanzania, British Company in Angola/UK and Insurance Company in Sri Lanka.

He is a Fellow member of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), a Fellow member of the Association of Accounting Technicians of Sri Lanka, a Fellow member of the Professional Managers of Sri Lanka and had membership at the Board of Certified Public Accountants & Auditors of Tanzania while he was employed there. Mr Kalupahana has obtained four years of training required to be admitted as a member of CA Sri Lanka, from KPMG – Sri Lanka and has received extensive local and overseas training in different fields.

### 7 Mr Tilak De Silva

Chief Business Innovation and Development Officer

Mr De Silva joined SLT in 1984 and counts over 32 years of experience in IT and Communication. He is a pioneer in transforming SLT to an IT enabled company. He has gained multidisciplinary exposure in the fields of engineering, information technology and global telecom business. Mr De Silva has held key positions including Head of IT, Chief Global Officer, Chief Network Officer and Advisor to CEO on Technology Strategies at SLT. He has also held the position of CEO, SLT Hong Kong which was a subsidiary of SLT.

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Mr De Silva holds a Bachelor of Science Degree in Engineering (Specialising in Electronics and Telecommunications Engineering) from the University of Moratuwa and a Master of Science Degree in Data Communication from Brunel University, UK. He is a Chartered Engineer and a Chartered IT Professional. He held the prestigious national figure of the president of The Institution of Engineers Sri Lanka (IESL) in year 2013.

**8 Mr P Roshan Kaluarachchi**

Chief Business Strategies Officer (Subsidiaries)

Mr Kaluarachchi joined SLT in 2010 as Chief Marketing Officer. He holds a Postgraduate Diploma in Marketing – CIM UK and a Master's Degree in Business Studies from the University of Colombo. Fellow of the Chartered Institute of Marketing (FCIM), a Member of the Sri Lanka Institute of Marketing (MSLIM) and a Member of the Advisory Board of CMO Council, Asia Pacific Region.

In addition to his position as a Board Director of CIM Sri Lanka, he was appointed as a judge at the SLIM Brand Excellence Awards in 2013 and 2015. He counts over 22 years of experience in Marketing, Sales Management and Strategic Business Management in both multinational and blue chip companies in Sri Lanka. In addition, he has cross industry experience in FMCG, consumer durables, and telecommunications in both fixed and mobile categories in Sri Lanka. He was the Chief Marketing Officer (CMO) at SLT from November 2010 to March 2015. He is also the Chief Executive Officer of SLT Human Capital Solutions (Private) Limited.

Prior to joining SLT, he served as General Manager – Marketing at Mobitel where his strategic marketing leadership enabled Mobitel to become the second largest mobile operator within a short span of three years. Currently, he is reading for his PhD in Management and Business Studies at the University of Colombo.

**9 Mr Udeni K. Samaratne**

Chief Financial Officer

Mr Samaratne is a Member of the Association of Chartered Certified Accountants, UK and the Chartered Institute of Management Accountants, UK. He has over 25 years of extensive experience in finance having worked in both local and international companies such as Richard Pieris PLC, Lanka Ashok Leyland PLC, Noritake Limited of Japan, Ferrero Limited and Ceat Kelani Holdings Limited. Prior to joining SLT, he was the Group General Manager – Finance of Ceat Kelani Holdings Limited group of companies. He also holds a MBA from the SBS Swiss Business School Zurich Switzerland.

**10 Ms Indrani Hissalle**

Chief Human Resources Officer

Ms Hissalle, joined SLT in 1993 and holds a BSc in Electronic & Electrical Engineering and MSc in Telecommunications Engineering from University of Peradeniya. She is a Fellow of The Institution of Engineers Sri Lanka and a Past President of IESL Provincial Centre. In addition, she is a Member of Institute of Electrical & Electronic Engineering, IEEE (USA) and currently holds the position of Secretary of Microwave Theory & Techniques Society (Sri Lankan Chapter). Ms Hissalle is a life member of JASIECA – Japan, where she had intensive training on solving human and organisational problems.

She is a member of Association of HR Professionals (MHRP), SL and works towards the betterment of the corporate business and established efficiency, productivity and sound management during first year as CHRO of SLT.

She has extensive expertise in Regional Operations, Project Management, Training, Contact Centre business including HR management. She has been engaged with employee relationship activities by heading disciplinary committees, Governance Board and Company Dress Code Committee for last six years. She has been the President of SLT Netball Association from its inception. Ms Hissalle is a reputed speaker at IQPC International Quality & Productivity Centre and a visiting lecturer of University of Peradeniya. She is a reputed member of the International Rotary Club and is currently the District Attendance Committee Chairperson. She is reading for her PhD at the University of Peradeniya.

**11 Mr D W R Wijeweera**

Chief Information Officer

Mr Wijeweera, joined SLT in 1982. He was appointed as Head of the Billing Division in 2001 and thereafter CIO of SLT in 2005. He is a member of The Institution of Engineers Sri Lanka (IESL), IET (UK) and CSSL. He has been involved in mega IT projects providing the strategic IT road map for SLT. As the Programme Manager, Mr Wijeweera implemented the Integrated OSS and BSS which was later integrated with the CRM system.

At present Mr Wijeweera is the project sponsor for implementing the Master Data Management System (MDM), CRM implementation and Service Oriented Architecture implementation framework in the SLT IT landscape.

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#### **12 Mr Priyantha Perera**

Chief Logistics Officer

Mr Perera joined SLT in 1982. He holds a Bachelor of Science in Engineering Degree in Electronics and Telecommunications from the University of Moratuwa. He is a Chartered Engineer with a Postgraduate Diploma in Marketing from the CIM (UK). In addition, he is a Fellow and a Past Council Member of The Institution of Engineers Sri Lanka, a member of IET (UK) and CIM (UK) and a Competent Toastmaster as well.

He has extensive experience in numerous areas of operations including, regional management, project management, marketing management, administration, logistics and supply chain management to name a few. He is presently serving as the Head of the Academic Board for the BTEC Level 5 HND Diploma Programme at the Sri Lanka Telecom Training Centre.

He has been instrumental in introducing policies for the first time in the areas coming under his purview. He has successfully led cross-functional teams on special assignments such as productivity improvement, 5S and breakthrough thinking. One of his major contributions to the Company is heading the successful implementation of Company-wide ERP system. He has also given leadership in establishing the first ever Telecommunication Museum in Sri Lanka.

#### **13 Mr M B P Fernandez**

Chief Network Officer

Mr Fernandez joined SLT in 1991; following his roles in various multi-national telecommunications organisations.

He holds a BSc (Eng) in Electronics and Telecommunications from the University of Moratuwa, Sri Lanka; and an MBA from the University of Sri Jayewardenepura, Sri Lanka. He is a Chartered Engineer and Fellow of The Institution of Engineers Sri Lanka.

His 30 years carrier as a professional in telecommunication industry records over 600 days attendance for overseas trainings, seminars and various forums organised by world recognised training institutions including international telecommunication operators and reputed telecommunication equipment vendors.

He has held a string of senior positions within SLT, culminating in his current position as a Chief Officer Regional and Network Operations. In this role he oversees all the network-related operations, maintenance and projects of SLT in Sri Lanka. In addition, he has overseen the design, implementation and operation of SLT's Call Centre in line with improving customer experience. He was pioneered in Telecommunications Network Planning and Implementation of network with migrations and integrations across various technology platforms. He has played a leading role for planning and deploying very large

scale programmes for SLT Network transformation. New Generation Network (NGN), Sri Lanka Back Bone Network (SLBN), Fiber To The Home (FTTH), LTE (4G), National Broadband programme (i-Sri Lanka), National Data Centre and Submarine Cable Systems are some of the flagship projects in those programmes.

He is also a member of the International Management Committee for the submarine cable consortium of SEA-ME-WE 3, 4 and 5, Dhiraagu Cable and the Bharath Lanka Submarine Cable System. He additionally serves as a management committee member under the South-East Asia and Indian Ocean Cable Maintenance Agreement (SEAIOCMA).

Mr Fernandez is a permanent member of the Technical Subcommittee of SLT since 2011. He also functions as a Non-Executive Director of SLT Services Limited since 2007.

#### **14 Mr Chinthaka C Wijesuriya**

Chief Regional Officer

Mr Wijesuriya joined SLT in 1984 and served as Regional Head in 2001 prior to his appointment as Chief Regional Officer of SLT in 2010. He obtained Graduate membership of Radio and Electronic Engineers (London, UK) and became a Chartered Engineer of the Institution of Electrical Engineers (London, UK). He is a Member of the Association of Professional Engineers Scientists and Managers Associations in Australia and holds an MBA (Technical Management) from La Trobe University of Australia. He has a wide experience in the telecommunications industry, in areas such as Operations, Maintenance, Sales, Marketing, Customer Service, Quality Management and Project Management.

He also functions as a Non-Executive Director of SLT Services Limited since 2016. He has made immerse contribution to the New Generation Network (NGN), Sri Lanka Backbone Network (SLBN), Fiber To The Home (FTTH), 4G LTE, National Broadband Programme (i-Sri Lanka) project of SLT.

#### **15 Mr Imantha Wijekoon**

Chief Sales Officer

Mr Wijekoon is a Chartered Engineer with a Degree in Electronics and Telecommunication Engineering from the University of Moratuwa. In addition, he holds an MBA from the Postgraduate Institute of Management of University of Sri Jayewardenepura. In his career at SLT spanning over 22 years, he has gained extensive exposure in the fields of Regional Operations, Project Management and Consumer and SME sales Operations. He has previously held a number of senior positions which includes Head of Province, Deputy Head of Regions, General Manager Customer Service Centres and General Manager Metro Region. Mr Wijekoon counts over 10 years of experience in consumer sales segment.

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#### **1 Mr Nalin Perera**

Chief Executive Officer, Mobitel (Private) Limited

A pioneer in Sri Lanka's Mobile Telecommunications space, Nalin has steered the industry's landscape and evolution and clearly stands out as an industry front liner. In an illustrious career spanning three decades of working with several leading international and local businesses, his experience in the Mobile Telecommunication industry is synonymous with its history in Sri Lanka, since it was introduced in 1989, which renders him perhaps the most senior and experienced Mobile Telecommunication industry specialist in the country.

He was instrumental in the introduction of mobile telephony to Sri Lanka by the pioneer operator Celltel in 1989. His own success within the Millicom Group was stellar. Having joined as Market Development Executive at Celltel, he rose to General Manager, Sales and Marketing, within a short period of time.

Nalin led the introduction of the Pre-Paid concept to Sri Lanka and its entire supportive eco system such as the Pre-Paid mechanism, organisation structure, sales and distribution channels, communications, customer support etc. Subsequent to the launch of the Pre-Paid service, Nalin also pioneered several revolutionary products and services such as Value Added Services and Enterprise Business Solutions.

Presently, Nalin functions as the Chief Executive Officer of Mobitel and has led the Company to become one of the most profitable and successful Mobile Service Operators in the country. He started his career at Mobitel as General Manager Marketing and progressed to the positions of Senior General Manager Marketing and Senior General Manager Contact Centre Operations respectively. He also held the position of Chief Marketing Officer and took over the responsibilities of Chief Operating Officer at Mobitel in 2015. He leads with strong insights into product and channel development, human resource management and more importantly with his understanding of the telecommunication industry as a whole, apart from his expertise in mobile telephony. His contribution to Mobitel has earned the Company many accolades, including several local and international awards.

Nalin holds a Postgraduate Diploma in Marketing (UK) and is a Chartered Marketer (UK). He has obtained his Master of Business Studies at Colombo University.

#### **2 Mr Ajantha Seneviratne**

Chief Executive Officer, SLT VisionCom (Private) Limited

Please refer to page 13 for the profile.

#### **3 Mr Prabath Gunathunge**

Chief Executive Officer, SLT Property Management (Private) Limited, Sri Lanka Telecom (Services) Limited

Mr Prabath Gunathunge is a Civil Engineer graduated from University of Moratuwa in 1993. He has been holding senior positions both in the public and the private sector for over 20 years. Prior to his present assignment, with Sri Lanka Telecom, he was the General Manager of Walkers Pilling PLC. Further to that, he has obtained an MBA from the Postgraduate Institute of Management in 2000.

#### **4 Mr Malraj Balapitiya**

Chief Executive Officer, SLT Publications (Private) Limited

Mr Malraj Balapitiya is a professionally qualified Chartered Engineer and a Fellow member of The The Institution of Engineers Sri Lanka. He counts over 30 years of work experience at various strata of the SLT Administration and has swiftly climbed the corporate ladder from Technical Officer to Regional Telecom Engineer, Head of the Province and General Manager prior to his appointment as CEO of SLT Publications (Private) Limited. He is a dynamic personality with managerial, marketing and entrepreneurial skills and has helped Rainbow Pages to reach the highest echelons to become the only directory publisher recognised by the Government of Sri Lanka. In 2011, he was appointed as the CEO of SLT VisionCom (Private) Limited, in addition to his present position of CEO of SLT Publications (Private) Limited. He has used his innate marketing skills and charisma to get the support of SLT network to push PEO TV to greater levels of productivity and make it a viable and dynamic entity that has made a significant impact on the Pay TV industry of Sri Lanka. Today both Rainbow Pages and PEO TV are thriving businesses that earn much needed revenue for the SLT Group.

#### **5 Mr P Roshan Kaluarachchi**

Chief Executive Officer, SLT Human Capital Solutions (Private) Limited

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**6 Mr Ranjith Ganganath Rubasinghe** —————

Chief Executive Officer, SLT Campus (Private) Limited

Mr Ranjith G Rubasinghe holds a wealth of experience in the fields of Communication and IT in various national and multinational organisations and has been with Sri Lanka Telecom for over 15 years. He is a Chartered Engineer and a Fellow of the Institution of Engineers Sri Lanka (IESL). He has served as the Vice-President of the Institution of Engineers Sri Lanka (IESL). Mr Rubasinghe has also served as a Council Member of the University of Colombo and the Council of the Board of Management at University of Colombo School of Computing.

With an MBA from the University of Colombo, a Postgraduate Diploma in Electronics and Telecommunications Engineering and a BSc Engineering in Electrical and Electronics, Mr Rubasinghe is a certified member of the Sri Lanka Institute of Marketing (SLIM) and an associate member of the Institute of Personnel Management (IPM).

He adds to his diverse portfolio by displaying expertise in ICT Management, Human Resource Management, Marketing and Operational and Financial Control.

He is the Founder President/CEO of SLT Campus (Private) Limited (SLTC) which was embarked to fulfil the national need of expanding the provision of higher education in Sri Lanka. SLTC offers programmes developed in accordance with the Washington accord, leading to four-year Engineering degrees.

In 2014, he was appointed as the Chief Executive Officer of Mobitel (Private) Limited.

Mr Rubasinghe is also the founder CEO of SLT Manpower Solutions (Private) Limited where he served from 2008 – 2015 October. Not limiting to the service provided to SLT Group only, he was able to transform the organisation to SLT Human Capital Solutions (Private) Limited in 2013 with the mission to be the Leading Human Asset Management Partner in Sri Lanka.

At SLT, he served as head of section ‘Rainbow Pages’ (2006-2008) too and he was among the key members that headed the transformation of SLT’s Directory Services under the new brand ‘SLT Rainbow Pages’ to make it competitive with global brands in the same category.

Among his personal achievements, he was awarded the Chartered Engineer of the Year 2011 at IESL’s Engineering Excellence Awards and the ‘HR Leadership Award’ at the Global HR Excellence Awards 2010 and 2013.

**7 Mr Mahinda B Herath** —————

Chief Executive Officer, Sky Network (Private) Limited

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The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of a company. It involves a framework of legislation, codes and voluntary practices.

A key element is protecting the interests of shareholders where they are distant from the Directors running a company. It also involves paying attention to the interests of employees, customers, suppliers with a direct interest in the performance of a company.

The Board of Directors of Sri Lanka Telecom PLC ('SLT') firmly believes that good corporate governance is critical to the sustainability of the Company's long-term success. The Directors facilitate and enable the responses that are required to cope with multiple threats and opportunities and ensure compliance with relevant laws, regulations, codes, corporate guidelines and policies, and listing and other requirements.

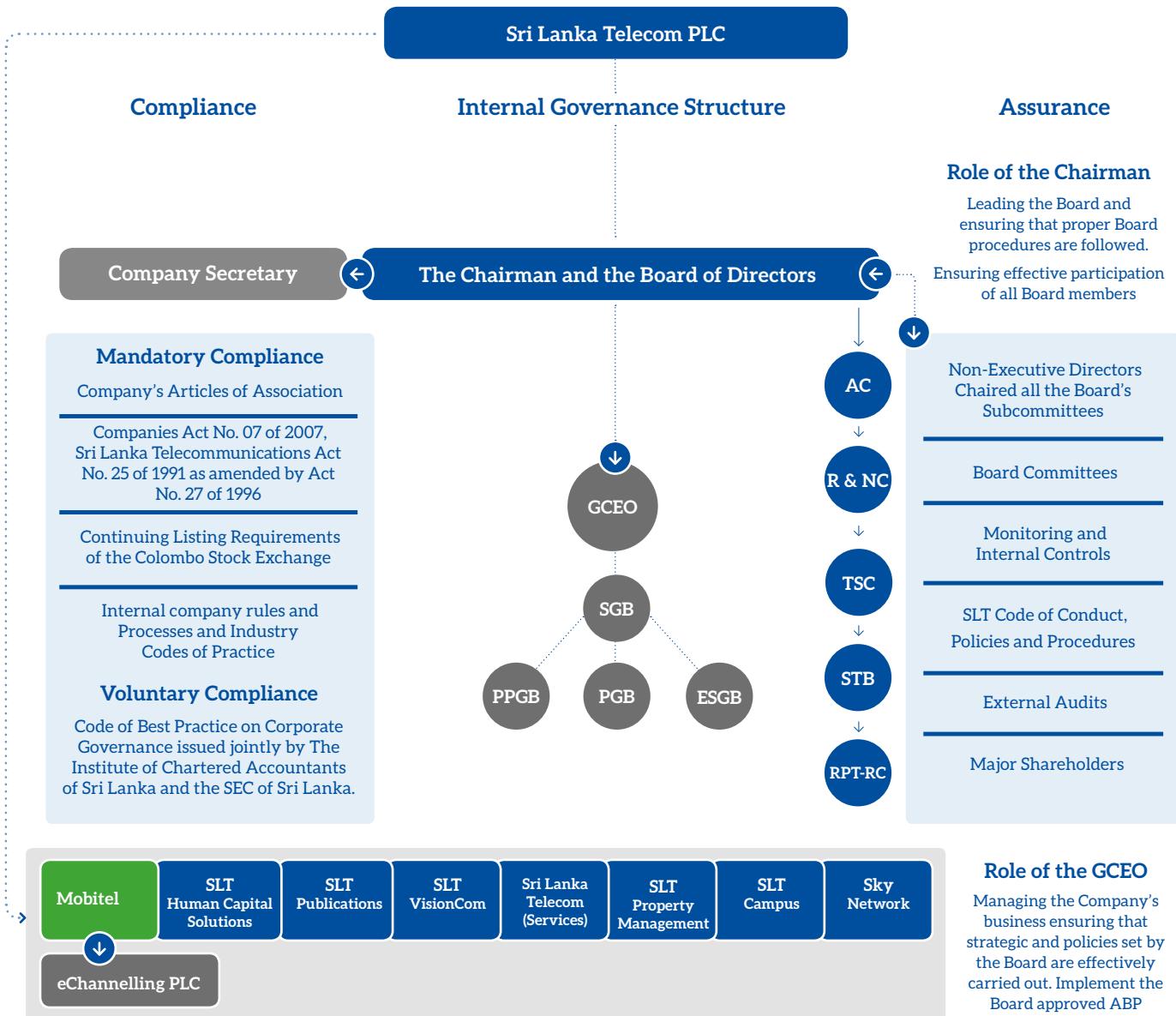
The aim of this Report is to inform the specific aspects of SLT's corporate governance which help to ensure long-term success of the Company and provide confidence that the Company is being well run and support better access to the external finance and investment.

SLT's corporate governance philosophy practiced is in full compliance with the following frameworks of legislation, codes and voluntary practices:

- Articles of Association ('AoA') of the Company
- Legislation, particularly the Companies Act No. 07 of 2007, Telecommunications Act No. 25 of 1991 as amended by Act No. 27 of 1996
- Continuing Listing Requirements of the Colombo Stock Exchange
- Internal Company rules and processes and industry codes of practice
- Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

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## SLT Corporate Governance Framework



SGB – Strategic Governance Board

PPGB – Project Portfolio Governance Board

PGB – Product Governance Board

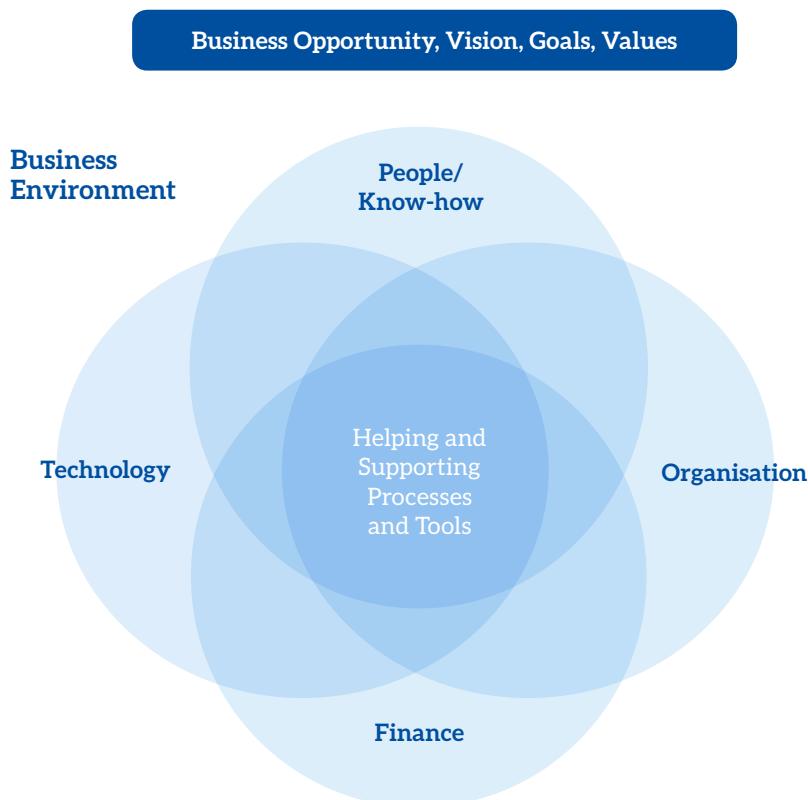
ESGB – Enterprise and Solution Governance Board

## → The Board of Directors

### Composition of the Board →

The Board comprised nine Non-Executive Directors with seven of them being Independent. The independence of the Directors has been determined in accordance with the requirements of the CSE Listing Rules. The Board strives to provide strategic leadership within the business environment.

### Providing Strategic Leadership



### Ownership and Directors →

As per the shareholding structure of the Company, two major shareholders namely the Government of Sri Lanka acting through the Secretary to the Treasury and the Global Telecommunication Holdings NV recommend five and four Directors respectively to the Board. The Board as empowered by the AoA of the Company appoints them to

the Board filling the casual vacancies after deliberation of their qualifications, experience and expertise in relevant functional areas by the R&NC. However, all Directors are required by the Company's AoA to be elected by shareholders at the first AGM after their appointment, if appointed by the Board. A Director must also retire by rotation and may seek re-election at the AGM if he or she was last elected or re-elected at or before the AGM held in the third year before the year in question.

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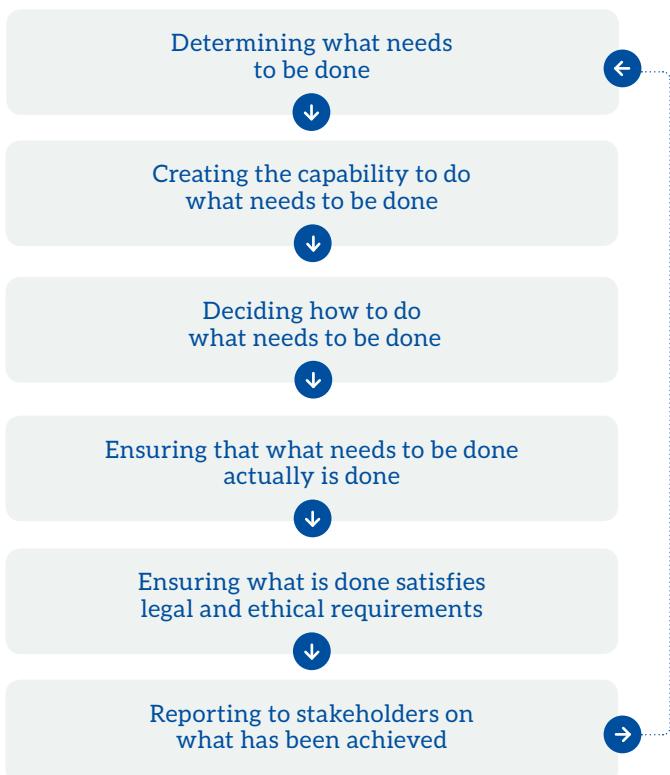
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**The role of the Board** →

The Board is responsible for the overall conduct of the Group's business and has the power, authority and duties vested in it by and pursuant to the relevant laws of the Country and the AoA of the Company.

The Board:

- establish vision, mission, values, objectives and policies
- sets businesses, financial directions and strategy
- ensures appropriate structure/capability
- delegates to management and control
- is accountable to shareholders for the proper conduct of the business

**Process view of role of the Board**

Other specific responsibilities are delegated to Board Committees which operate within clearly defined Terms of Reference. Details of the responsibilities and operations of the Subcommittees are given on page 25.

**Operation of the Board** →

The Board met five times during the year. These meetings, together with Committee meetings, are generally held within a period of three to four days according to the annual meeting calendar which is agreed by all the Directors. The meetings focus on the overall strategic direction, development and control of the Company.

The Chairman, along with the Group Chief Executive Officer ('GCEO') and the Company Secretary, ensures that the Board functions effectively and has established Board processes designed to maximise its performance and effectiveness.

Key aspects of these processes are:

- All Directors receive appropriate and timely information in order to ensure informed deliberation and effective decision-making. Briefing papers are distributed by the Company Secretary to all Directors usually four working days prior to the Board and Committee meetings. The Board papers are made available in electronic format keeping in line with the Group's sustainability initiatives.
- The GCEO along with the respective Chief Officers and the Heads of Divisions present their submissions to the Board and provide the necessary clarifications requested by the Board. The Board, once satisfied with the recommendations made by the management approves the proposals.
- The Board has a procedure for Directors, in furtherance of their duties, to take independent professional advice if necessary, at the Company's expense. In addition, all Directors have access to the advice and services of the Secretary, who advises the Board on appropriate procedures for the management of its meetings and their duties, as well as the implementation of corporate governance and compliance with the requirement of the Companies Act, CSE Listing Rules and the Articles of Association of the Company.

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The attendance of individual Directors at Board meetings and Committee meetings during the year is set out in the table below:

**Board and subcommittee meeting attendance →**

Board member	Status	Meetings attended as a percentage							
		Board	Audit Committee	Remuneration & Nomination Committee	Technology Subcommittee	Tender Board	Senior	Related Party Transactions Review Committee	Risk Management Committee
Mr Kumarasinghe Sirisena - Chairman	INED	5/5	-	5/5	-	-	-	-	-
Mr Chan Chee Beng	NED	5/5	2/5	3/4	-	-	-	2/4	-
Mr Jeffrey Jay Blatt (Resigned w.e.f. 31 August 2016)	INED	3/4	-	3/4	3/4	3/4	-	-	3/4
Mr Lawrence Michael Paratz	INED	5/5	-	2/2	5/5	5/5	-	-	5/5
Ms Lai Choon Foong	INED	5/5	5/5	-	-	5/5	4/4	-	5/5
Ms Chandra Ekanayake	NED	5/5	5/5	-	-	-	4/4	-	5/5
Ms Nilanthi Pieris	INED	5/5	5/5	-	-	5/5	4/4	-	-
Mr W K H Wegapitiya	INED	5/5	-	-	2/4	0/4	-	-	0/4
Mr Rohan De Silva	INED	5/5	-	-	3/4	2/4	-	-	2/4

NED: Non-Executive Director

INED: Independent Non-Executive Director

**Delegation to Board subcommittees →**

SLT has in place a number of mandatory and voluntary Board Subcommittees to fulfil regulatory requirements and for better governance of its activities. These Committees comprise Directors who can bring their expertise and experience to the assigned Committees and the duties are set out in formal Terms of Reference which is available for inspection at the Company's registered office during normal business hours.

The Committees meet regularly to consider and discuss matters falling within its authority and accountability specified in Terms of Reference and their observations and recommendations are regularly reported to the Board.

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Committee	Composition and role	Meeting frequency
<b>Audit Committee</b>	<p>The Audit Committee ('AC') comprise Non-Executive Directors majority of whom are independent. The Chairman and a member of the Committee are members of recognised accounting bodies.</p> <p>The members of the Committee are:</p> <ul style="list-style-type: none"> <li>Mr Chan Chee Beng – Chairman</li> <li>Ms Lai Choon Foong</li> <li>Ms Chandra Ekanayake</li> <li>Ms Nilanthi Pieris</li> <li>Mr Rohan De Silva (Appointed w.e.f. 15 February 2017)</li> </ul> <p>The GCEO, Chief Financial Officer and Chief Internal Auditor attend the meetings by invitation.</p> <p>The Board through delegation to the AC ensures the integrity of the Company's financial reporting effective system of Group's internal controls and conducts risk identification assessment and mitigation. The Board regularly reviews the effectiveness of the Group's internal controls, which have been in place from the commencement of the year to the date of approval of this Report, and believes that it is in accordance with the laws and regulations and the established policies and procedures of the Group.</p> <p>The AC report on pages 116 to 118 of the Annual Report sets out in more detail the Committee's policies, practices and areas of focus.</p>	A minimum of four meetings per annum and at such other times as the Chairman of the Committee shall require
<b>Remuneration and Nomination Committee</b>	<p>The Remuneration and Nomination Committee ('R&amp;NC') comprises Non-Executive Directors majority of whom are independent.</p> <p>The members of the Committee are:</p> <ul style="list-style-type: none"> <li>Mr Chan Chee Beng – Chairman (Appointed as Chairman w.e.f. 3 November 2016)</li> <li>Mr Jeffrey Jay Blatt – Chairman (Resigned w.e.f. 31 August 2016)</li> <li>Mr Kumarasinghe Sirisena</li> <li>Mr Lawrence Paratz – (Appointed w.e.f. 3 November 2016)</li> </ul> <p>The GCEO attends meetings by invitation, except when his own remuneration package is being discussed.</p> <p>The activities of the R&amp;NC include nomination, selection and appointment of Non-Executive Directors, GCEO and key senior officers, succession planning for the GCEO and senior management and reviewing the composition of the Board, particularly in relation to the diversity of background, skills and experience.</p> <p>It also provides support and guidance with regard to the Group's policy for determining the fees for Non-Executive Directors and remuneration of GCEO, CEOs of subsidiary companies and senior management.</p>	Once a year and at such other times as the Chairman of the Committee shall require

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Committee	Composition and role	Meeting frequency
<b>Related Party Transactions Review Committee</b>	<p>In compliance with the requirements of the Listing Rules, the Board at its meeting held in February 2016 appointed the Related Party Transactions Review Committee ('RPT - RC') comprising Non-Executive Directors of whom two Directors were independent. The Chairman of the Committee is an Independent Director.</p> <p>The members of the Committee are:</p> <ul style="list-style-type: none"> <li>Ms Nilanthi Pieris – Chairperson</li> <li>Mr Chan Chee Beng</li> <li>Ms Lai Choon Foong</li> <li>Ms Chandra Ekanayake</li> </ul> <p>The objective of the RPT - RC is to ensure that the interest of shareholders are taken into account when entering into related party transactions and to enhance corporate transparency and promote fair transactions between SLT, its subsidiaries and other related parties.</p> <p>The related party relationship with its subsidiaries is disclosed in the Notes to the Financial Statements. However, the Board believes that those transactions are exempted in accordance with the exceptions specified in the Code of Best Practices on Related Party Transactions issued by the CSE.</p>	A minimum of four meetings per annum and at such other times as the Chairman of the Committee shall require
<b>Risk Management Committee</b>	<p>The Risk Management Committee ('RMC') comprises Non-Executive Directors</p> <p>The members of the Committee are:</p> <ul style="list-style-type: none"> <li>Mr Jeffrey Jay Blatt – Chairman (Resigned w.e.f. 31 August 2016)</li> <li>Mr Lawrence Paratz</li> <li>Ms Chandra Ekanayake</li> <li>Ms Lai Choon Foong</li> <li>Mr W K H Wegapitiya</li> <li>Mr Rohan De Silva</li> </ul> <p>The Risk Management Committee is responsible for identifying, evaluating and reporting on the Group's risks and to recommend mitigation strategies and plans to the Board. The Board has established a continuous process for identifying, evaluating and managing the significant risks faced by the Group.</p> <p>Following a review by the AC and the Board, the Risk Management Committee was folded into the Audit Committee to enhance the effectiveness of risk management and governance.</p>	A minimum of four meetings per annum and at such other times as the Chairman of the Committee shall require

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Committee	Composition and role	Meeting frequency
<b>Technology Subcommittee</b>	<p>The Technology Subcommittee ('TSC') comprises Independent Non-Executive Directors.</p> <p>The members of the Committee are:</p> <p>Mr Lawrence Paratz – Chairman  Mr Jeffrey Jay Blatt (Resigned w.e.f. 31 August 2016)  Mr W K H Wegapitiya  Mr Rohan De Silva</p> <p>The TSC comprises Directors with technical expertise who are assigned the task of studying available technology and providing a platform for engaging in intense technical discussions and looking at road maps with a long-term perspective. GCEO and senior management members of SLT and Mobitel attend meetings of the TSC as permanent members in order to maintain Group synergies when major decisions are made. If required, the CEOs of subsidiary companies too are invited to attend meetings.</p> <p>Therefore, TSC primarily focuses on best strategies to increase organisational efficiencies; support the advancement of professional staff capabilities and develop a flexible delivery system to effectively respond to new technological advances and information. It is also the responsibility of the Committee to review the existence and appropriateness of plans and processes, planned and achieved network performance and methods of assessment and the Company's technology, people and skill plans and their implementation.</p>	As and when required
<b>Senior Tender Board</b>	<p>The Senior Tender Board ('STB') comprises Non-Executive Directors.</p> <p>The members of the Committee are:</p> <p>Mr Jeffrey Jay Blatt - Chairman (Resigned w.e.f. 31 August 2016)  Ms Lai Choon Foong (Appointed as Chairperson w.e.f. 3 November 2016)  Mr Lawrence Paratz  Mr W K H Wegapitiya  Ms Nilanthi Pieris  Mr Rohan De Silva</p> <p>The GCEO and the CFO are appointed to the Committee by the Board to review the Group procurement needs.</p> <p>The procurement function involves a standard procurement process approved by the Board where, all common procurement processes are consolidated at the Group level for SLT and its subsidiaries. Therefore in order to increase efficiencies and reduce risk, the Board has delegated the approval limits for procurement as follows:</p> <p>Board of Directors – Value exceeding Rs. 50 million  Senior Tender Board – Value between Rs. 25 million and Rs. 50 million  Junior Tender Board – Value less than Rs. 25 million</p>	Prior to every Board meeting

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### Independence of Directors and segregation of duties →

Non-Executive Directors are not members of management and are free of any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with the independent exercise of their judgment. They do not hold shares in the Company and have not worked in an executive capacity for the Company or any of Subsidiaries of the Company.

Their biographies on pages 6 to 9 of the Annual Report demonstrate a range of experience and sufficient calibre to bring the independent judgment on issues of strategy, performance, resources and standards of conduct which is vital to the Group.

### Indemnities to Directors →

In accordance with the AoA of the Company, Directors are granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of the performance of their duties in their capacity as Directors to the Company. The indemnity would not provide any coverage to the extent the Director is proven to have acted fraudulently or dishonestly. The Company has maintained Directors' and officers' liability insurance cover throughout the year.

### Induction and training programme for Directors →

An induction programme is in place which includes the provision of key corporate documents and meetings with the GCEO and Key Management Personnel to brief on the operations of the Organisation. In addition, the Directors are also encouraged to participate in professional development programmes as they consider necessary in assisting them to carry out their duties as Directors.

### Appointment and re-election of Directors →

In accordance with the AoA of the Company, all Directors except the Chairman of the Board are required to retire and submit themselves for re-election every three years following their appointment. In addition, the Directors appointed by the Board during the year and before signing of this Report offer themselves for re-election at the forthcoming AGM.

### Role of the Chairman and Group

#### Chief Executive Officer →

The role of the Chairman and the Group Chief Executive Officer ('GCEO') are distinct and the division of responsibility of the GCEO has been clearly established and agreed by the Board. The Chairman of SLT is a non-executive appointment and is responsible for leading the Board effectively ensuring that it meets its obligations and responsibilities. He ensures that Board procedures are followed and all Board members effectively participate during meetings.

The GCEO is responsible for the day-to-day management of the business, leadership of the executive team and execution of the Group's strategic and operating plans. The Chairman and GCEO meet regularly to discuss any issues pertaining to the Company's performance, human resources aspects and operational matters.

#### The Company Secretary →

The Company Secretary acts as secretary to the Board and the Committees of the Board.

The role of the Company Secretary includes:

- ensuring that the correct Board procedures are followed and advising the Board on corporate governance matters
- playing legal, formal and informal support roles
- assisting the Chairman in ensuring that all Directors have full and timely access to all relevant information
- administering the procedure under which Directors can, where appropriate, obtain independent professional advice at the Company's expense
- organising pre-meetings, agendas, minutes and follow-up action
- advising on the corporate governance and best practices on Board room practices and performance of Directors duties
- engaging with stakeholders and coordinating the shareholders issues and investor relations

The appointment or removal of the Company Secretary is a matter for the Board as a whole.

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## → Internal Control and Risk Management

The Board ensures that internal controls and risk management are properly established and maintained through the Audit Committee whose responsibility is to oversee the internal control and risk management. The Board was directly involved in assessing the risks associated with the business and of the Company through the risk management process. There is established continual monitoring built into work processes assessing new and potential risks from bottom up flow.

## → Strategic Governance Boards ('SGB')

Strategic Governance Board comprising the GCEO and the chief officers of each functional area are given the responsibility of studying the requirements of cross functional areas and introducing solutions in a transparent manner.

The seven cross functional governance boards previously introduced have been reduced to four in an attempt to improve in capital investment decision, enhance supply chain management and better utilisation of Group resources.

## → Codes of Conduct and Practice

SLT has a Code of Conduct that applies to all employees and third parties who deal with the Company. The Code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with SLT, its competitors, customers, suppliers and the community. The processes and standards in the Code are intended to enhance investor confidence and rapport, and to ensure that decision-making is properly carried out in the best interests of the Group.

The Code covers areas such as equal opportunity employment practices, workplace health and safety, conduct in the workplace, business conduct, protection of SLT's assets, proprietary information and intellectual property, data protection, confidentiality, conflict of interest, and non-solicitation of customers and employees. The Code is posted on SLT's internal website. Policies and standards are clearly stipulated to guide employees in carrying out their daily tasks.

## → Material Contracts

There are no material contracts entered into by SLT or any of its subsidiaries that involve the interests of the GCEO, any Director, or the controlling shareholders, Secretary to the Treasury and the Global Telecommunications Holdings N.V.

## → Remuneration

SLT's GCEO is the head of the management and is, therefore, remunerated as part of senior management. The R&NC recommends the salary package of the GCEO to commensurate with his qualifications and experience for the approval of the Board. The GCEO's performance is assessed based on the key performance indicators agreed upon at the time of entering into the fixed term contract with the Company.

## → Remuneration of Non-Executive Directors

The R&NC reviews and proposes the Non-Executive Director's fees based on the experience and skills of the Directors and the complexity of the Group's business and operations, for the approval of the Board.

For the financial year ended 31 December 2016, the fee for the current Chairman remained unchanged as before as per Board approval granted in year 2008.

The fees for Non-Executive Directors other than the Chairman comprised a basic monthly fee for attendance of Board and Board's Subcommittee meetings. No additional fees for attendance at Subcommittee meetings were paid to the Non-Executive Directors.

The cost of travelling and accommodation incurred by the overseas Directors who were required to travel out of their country to attend Board and Subcommittee meetings are reimbursed.

The aggregate Directors' fees paid to Non-Executive Directors for the financial year ended 31 December 2016 was Rs. 18 million.

Mr W K H Wegapitiya, who was appointed to the Board in December 2015 has declined to accept a Director-fee and offered his monthly Director-fee to a charitable organisation.

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### → Remuneration of Senior Management

The remuneration framework and policy is designed to support the implementation of the Group's strategy and to enhance shareholder value.

The following are the principles for remuneration to senior management:

- Select appropriate performance metrics for annual and long-term incentive plans to support business strategies and ongoing enhancement of shareholder value
- Offer competitive packages to attract and retain highly experienced and talented individuals
- Link a significant proportion of remuneration to performance, both on an annual and long-term basis

### → Constructive use of the Annual General Meeting

The Board seeks to use the Annual General Meeting to communicate with investors and all shareholders are encouraged to participate. The Chairpersons of the Subcommittees will be available at the AGM to answer any questions from the shareholders.

### → Major Transactions

The Board of Directors, as required by the Companies Act, to disclose to shareholders all proposed corporate transactions detailing all facts associated with such transactions that are of material value to the SLT. There were no major transactions entered into by SLT for the year 2016.

### → Statement of Compliance

SLT is fully compliant with the requirements stipulated in Section 7.10 on 'Corporate Governance' of the Continuing Listing Requirements of the Colombo Stock Exchange issued in 2010 and subsequent amendments/guidelines thereto issued by the Securities and Exchange Commission of Sri Lanka. See the tables on pages 31 and 32 for the rules on 'Corporate Governance Principles' and the degree of compliance to the said rules.

In addition, the Board of Directors to the best of their knowledge and belief is satisfied that all statutory payments due to the Government, other regulatory bodies and those payments related to employees of SLT, have been made on time.

**Statement of Compliance under the Rules of CSE on Corporate Governance**

CSE Rule No.	CSE Rule	Compliance status	SLT action
<b>7.10. a, b, c</b>	<b>Compliance</b> Compliance with Corporate Governance Rules	✓	SLT is in compliance with the Corporate Governance Rules
<b>7.10.1 a, b, c</b>	<b>Non-Executive Directors ('NED')</b> Two members or 1/3 of the Board, whichever is higher, should be NEDs	✓	All Directors are Non-Executive Directors
<b>7.10.2</b>	<b>Independent Directors ('ID')</b> (a) Two or 1/3 of NEDs, whichever is higher, should be independent (b) Each NED should submit a declaration annually of his/her independence or non-independence	✓ ✓	Six out of the eight NEDs are Independent as at 31 December 2016 All NEDs have submitted signed declaration confirming their independence/non-independence
<b>7.10.3</b>	<b>Disclosures relating to Directors</b> (a), (b) The Board shall annually determine the independence or otherwise of the NEDs Names of the IDs should be disclosed in the Annual Report (c) A brief résumé of each Director should be included in the Annual Report including the Director's experience (d) Provide a brief résumé of newly appointed Directors to CSE	✓ ✓ ✓ ✓	The Board annually determines as to the independence or non-independence of each NED based on the declaration submitted by them and the names of the Independent Directors are set out in the Annual Report Refer Board of Directors section of the Annual Report Detailed résumés of any Director appointed during the year are submitted to the CSE
<b>7.10.4</b>	<b>Determination of Independence</b> (a-h) Requirements for meeting the criteria to be an Independent Director	✓	The Independence of the Board of Directors has been determined in accordance with the requirements of the CSE Listing Rules. Accordingly, six NEDs are considered independent Mr Chan Chee Beng, Director of Global Telecommunications Holdings N.V which holds 44.98% stake and Ms Chandra Ekanayake, employee of Ministry of Finance and Planning which holds 49.5% stake in SLT through the Secretary to the Treasury are considered non-independent NEDs
<b>7.10.5</b>	<b>Remuneration Committee ('RC')</b> (a) <b>Composition</b> The Committee shall comprise a minimum of two IDs or of NEDs, a majority of whom shall be independent One NEDs shall be appointed as Chairman of the Committee by the Board of Directors (b) <b>Functions</b> The RC shall recommend the remuneration of the Chief Executive Officer (CEO) and EDs	✓ ✓	RC comprises three NEDs out of whom two are Independent Chairman of the Committee is a NED The Board determines the recommendation made by the RC in determining the remuneration of the GCEO None of the Directors are paid remuneration other than the Directors' monthly fees for attendance at meetings

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**Statement of Compliance under the Rules of CSE on Corporate Governance**

CSE Rule No.	CSE Rule	Compliance Status	SLT Action
(c)	<b>Disclosure in the Annual Report</b>		
	Names of Directors comprising the RC	✓	Refer Board Subcommittees of the Annual Report
	Statement of Remuneration Policy	✓	Refer Board Subcommittees of the Annual Report
	Aggregated remuneration paid to EDs and NEDs	✓	Refer Board Subcommittees of the Annual Report and Note 7 to the Financial Statements
7.10.6	<b>Audit Committee ('AC')</b>		
(a)	<b>Composition</b>		
	The Committee shall comprise a minimum of two IDs or of NEDs, a majority of whom shall be independent	✓	The AC comprise five NEDs out of whom three NEDs are considered independent
	One NED shall be appointed as the Chairman of the Committee	✓	The Chairman of the Committee is a NED
	CEO and Chief Financial Officer (CFO) should attend AC meetings	✓	The GCEO, CFO, CIA and the External Auditors attended the meetings by invitation
	Chairman of the AC or one member should be a member of a professional accounting body	✓	Chairman and a member of the AC are members of professional accounting bodies
(b)	<b>Functions</b>		
	Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards	✓	The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the Company and the Group
	Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	✓	The AC has the overall responsibility for overseeing the preparation of Financial Statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies
	Overseeing of the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards	✓	The AC assesses the effectiveness of internal control and risk management
	Assessment of the independence and performance of the External Auditors	✓	The AC assesses the External Auditors' performance, qualifications and independence
	Make recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor	✓	The Committee is responsible for appointment, reappointment, removal of External Auditors and also the approval of the remuneration and terms of engagement
(c)	<b>Disclosure in the Annual Report</b>		
	Names of Directors comprising the AC	✓	Refer Board Subcommittees of the Annual Report
	The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination	✓	Refer the Report of the AC in the Annual Report
	Annual report to contain a report of AC	✓	Refer the Report of the AC in the Annual Report

# Remuneration and Nomination Committee Report

## → Composition of the Committee

The Remuneration and Nomination Committee at the commencement of the financial year comprised the following members:

Mr Jeffrey Jay Blatt - Independent Director (Chairman)

Mr P G Kumarasinghe Sirisena - Independent Director

Mr Chan Chee Beng - Non-Executive Director

Subsequent to the resignation of Mr Jeffrey Jay Blatt, Chairman of Committee from the Directorate of SLT on 31 August 2016, Mr Lawrence Paratz, Independent Director was appointed as a member of the Committee and Mr Chan Chee Beng was appointed as the Chairman of the Committee.

The Company Secretary functions as the Secretary of the Committee.

The Committee invites the Group Chief Executive Officer, Chief Human Resource Officer and external advisers to attend for all or any part of the meeting as required.

## → Role and Responsibilities

The principal tasks of the Committee include formulating proposals to the Board of Directors with respect to the remuneration policy of Non-Executive Directors, Chief Executive Officer and Executive Management and to nominate for Board's approval suitable candidates to fill casual vacancies from time to time arising in the Board and review the career and development plans for the Company's most senior members of management with a view to ensuring that there is an adequate talent pool.

The Terms of Reference of the Committee is available on the Company's website - [www.slt.lk](http://www.slt.lk)

## → Activities Carried Out During 2016

The Committee met on five occasions during the year 2016 and the activities carried out are summarised below:

- Recommendation for appointments/promotions to the position of senior management
- Recommending extension of services of senior officers
- Performance review of senior management
- Recommending payment of annual bonus and increments for employees of SLT and its subsidiaries
- Making recommendation for reconstitution of Board Subcommittees and the Boards of subsidiary companies
- Performance evaluation of the Group Chief Executive Officer

The Committee also takes this opportunity to place on record its appreciation of the contribution made by Mr Jeffrey Jay Blatt during his tenure as the Chairman and member of the Committee.

On behalf of the Remuneration and Nomination Committee,

**Chan Chee Beng**

Chairman

Remuneration and Nomination Committee

17 April 2017

# Report of the Related Party Transactions Review Committee

We are pleased to present our Report for the financial year ended 31 December 2016.

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## → Composition of the Committee

The Committee comprise four NEDs of whom two are Independent Directors. The members of the Committee are as follows:

Ms Nilanthi Pieris – Chairperson  
Mr Chan Chee Beng  
Ms Lai Choon Foong  
Ms Chandra Ekanayake  
Ms Rohan De Silva

In compliance with the requirements of the Listing Rules of the CSE, the Chairperson of the Committee is an Independent Director.

The Company Secretary functions as the Secretary of the Committee.

## → Meetings of Committee

The Committee had four meetings during the financial year 2016 and the attendance at these meetings is showed in the Corporate Governance Report on page 24. The Group Chief Executive Officer, Chief Financial Officer attended all meetings by invitation.

The Chairperson of the Committee reported the proceedings and significant issues discussed at the Committee meeting to the Board after every Committee meeting. The minutes of the Committee meetings were circulated to the Board.

## → Objective of the Committee

The purpose of the Committee is to review all proposed related party transactions prior to being entered into or if the transaction is expressed to be conditional to such review, prior to the completion of the transactions except for transactions explicitly exempted in the Terms of Reference which is in conformity with the Listing Rules.

## → Policies and Procedures

The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, the declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the data base of the Company.

## → Related Party Transactions During 2016

During the year 2016, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Details of other related party transactions entered into by the Company during the above period is disclosed in Note 33 to the Financial Statements.

On behalf of the Related Party Transactions Review Committee,

**Nilanthi Pieris**  
Chairperson  
Related Party Transactions Review Committee

17 April 2017

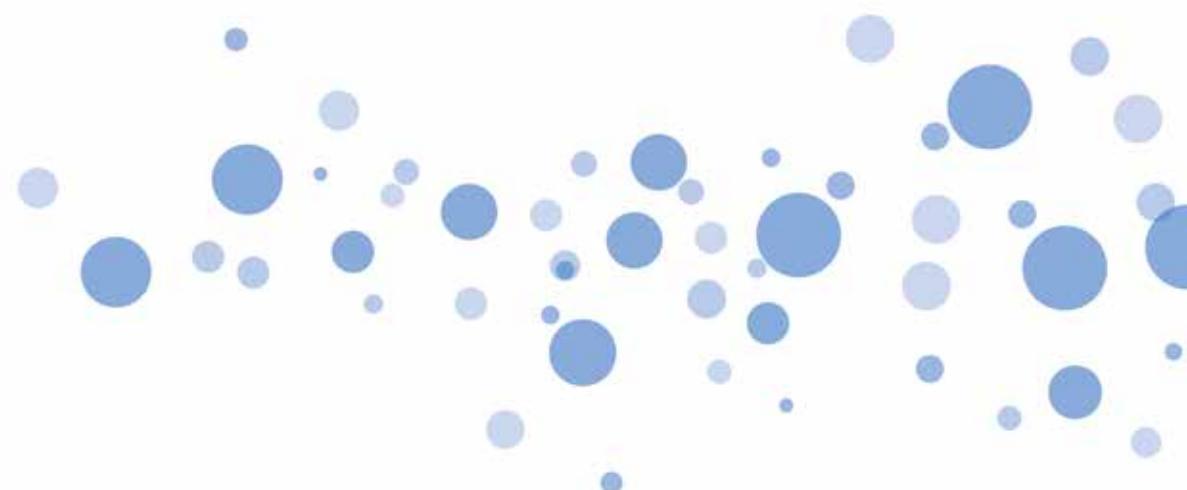
## → Enterprise Risk Management (ERM)

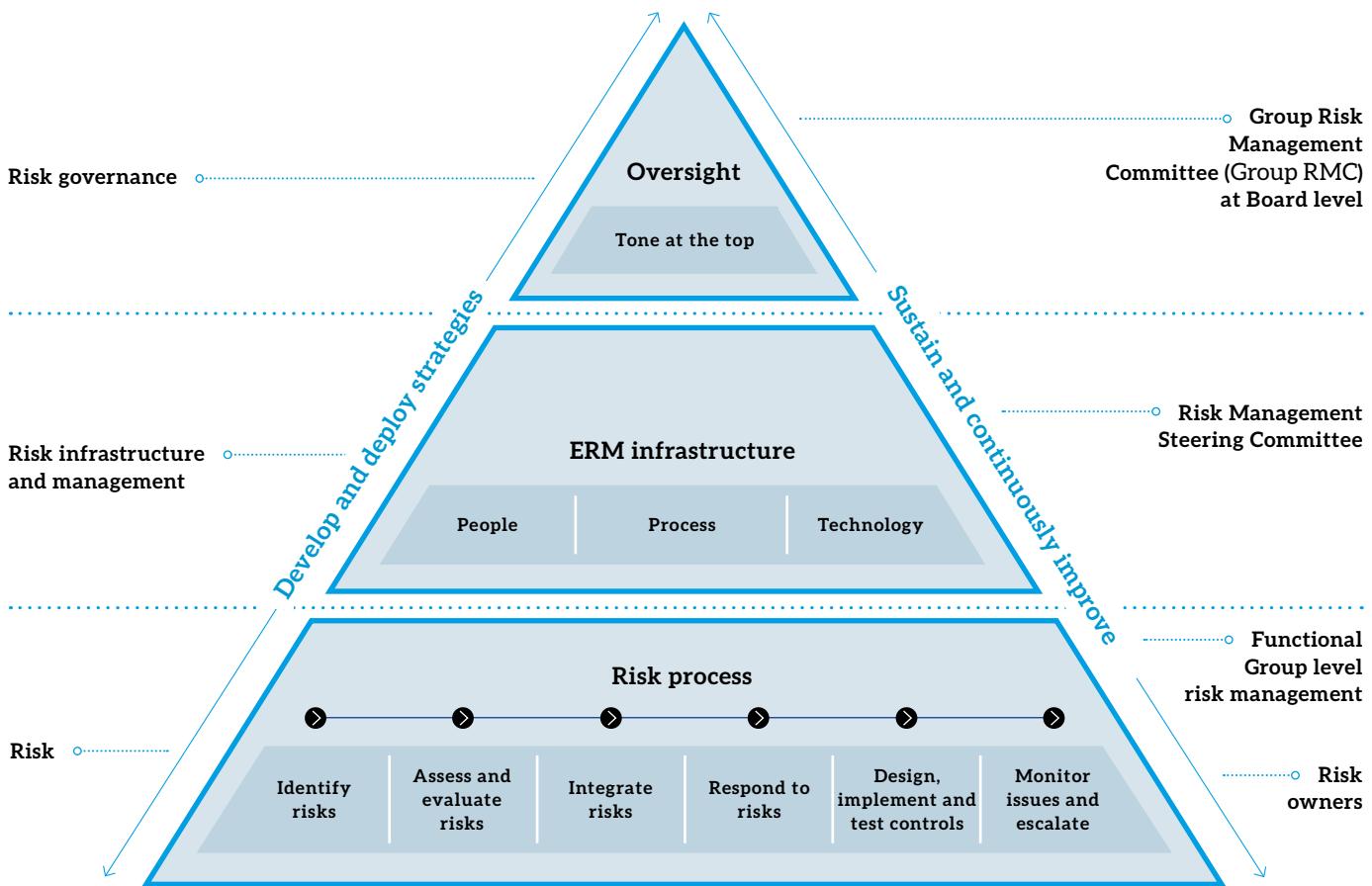
The present context of highly competitive and volatile business environments, market saturation of telecommunications operators, OTT Players, fast-changing technology, and economic uncertainties are threatening the continuity of our operations. Cyber-attacks are increasing and SLT's network elements and systems are exposed to this risk. Therefore, it is vital for an organisation to foresee business-critical risks and manage these effectively as such. Having considered this context, the Board of Directors (BOD) gave direction to implement risk management processes across the Organisation in May 2011. Complying with the BOD's direction; the Enterprise Risk Management (ERM) process and the ERM framework were developed in 2011. References have been made to the best practices of ERM such as ISO 31000 and COSO and due guidance has been obtained from Messrs Deloitte. The implementation of the ERM process within SLT started in early 2012 to identify and manage functional risks to create a risk management culture marked as Business-as-Usual (BAU).

In September 2014, the Board of Directors took another step to keep the ERM process up to date by setting up a Risk Management Committee (RMC) at Board level chaired by a Director. This was to enhance and drive the ERM process within SLT and scrutinise any business-critical top risks at the Board level. In addition, a Risk Management Steering Committee (RMSC) was also formed under the Chairmanship of the Group CEO. This was to aid the RMC in analysing any escalated risks from functional groups and to identify any business-critical risks as such. The ERM framework was thus modified under the guidance of the Group-RMC. In 2016,

the ERM process was extended to our subsidiaries with the accommodation of Mobitel, and the RMC was renamed as the Group-RMC. Later in 2016, the Board recommenced the reviewing of group risks with an agenda item in the Audit Committee meeting replacing the Group RMC.

Our culture of risk management has now reached maturity at both functional units and project management. Since the introduction of the ERM in 2011, it has become an important (BAU) process. It encourages senior executives to embed the risk management process into functional units. This has empowered them to take appropriately-calculated positive risks (rewarded risks) and accept, mitigate, avoid or transfer any negative risks (unrewarded risks). The figure below illustrates the organisation of the ERM, its responsibilities and the relevant reaches of the responsible groups. This elaborates that due consideration should be given to enterprise-related risks when making all business decisions. The following table summarises top business-critical risks; both industry-specific and company-specific; gives a brief description of each risk and their potential impact; and details our assessment of the level of severity of such and the actions taken to mitigate them.





No.	Type	Category	Risk description	Impact	Severity	Mitigation factors
1.	Industry	Regulatory	Fibre laying by telcos and non-telcos, creating undue competition against the NBN license holder on wholesale business	Threat for ROI on NBN Loss of business opportunities	Medium	→ SLT has raised its concerns with TRCSL and continuously lobbying with authorities against the license violation
2.	Company	Regulatory	Delays by TRCSL in allocating a further 20MHz in the 2.5GHz band for the fixed LTE rollout	Delayed project rollouts Set limitations to the expansion of LTE network	Low	
3.	Industry	Business	Renewal of Integrated Transmission Network License of Competitors with a new inclusion to provide last mile fibre connectivity	Increased competition in Broadband Business	High	→ Litigation in progress → Expediting the FTTH rollout and Capturing the market → Improve quality of service (QoS)

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No.	Type	Category	Risk description	Impact	Severity	Mitigation factors
4.	Company	Financial	External pressures to recruit outsourced (e.g. SLTHCS) staff as SLT's permanent employees	Increased operational costs Degrade the quality of employees	High	<ul style="list-style-type: none"> <li>→ Suspension of sourcing new staff through SLTHCS</li> <li>→ Discontinue outsourced employees who have disciplinary issues</li> <li>→ Timely breaks of contract periods in process to recruit HCS Staff who meet the requirements in the SRPS</li> <li>→ Organise training opportunities to improve competencies of the out sourced staff to improve their cooperative contribution</li> </ul>
5.	Company	Strategic	Non-Existence of a company-wide Business Continuity Plan	Threat to business continuity in disaster situations  Financial losses  Loss of reputation	Low	<ul style="list-style-type: none"> <li>→ An organisation level BCP is prepared with the support of external experts. BCPs prepared for individual business units are being tested</li> </ul>
6.	Industry	Financial	Exposure for FOREX fluctuations	FOREX translation Losses  High capital and operational costs in Rupee terms	High	<ul style="list-style-type: none"> <li>→ To explore possibilities of limiting non-business critical CAPEX expenditure since most CAPEX related expenditure is in Foreign currency</li> <li>→ Improve foreign currency inflows which will reduce the USD exposure</li> <li>→ Limit the funding through borrowings in foreign currency</li> </ul>
7.	Industry	Financial	Declining of International Revenues from On-net traffic due to the existence of Bypass terminations and OTT	Revenue loss	Medium	<ul style="list-style-type: none"> <li>→ Use of technology to monitor bypass traffic and take appropriate actions</li> <li>→ Lobby with authorities to tax the International OTT operations</li> <li>→ Introduce OTT content/ services by SLT collaborating with ICT service providers</li> </ul>
8.	Company	Operational	Data integrity risk	Loss of business opportunities	Low	<ul style="list-style-type: none"> <li>→ Revisiting existing business processes and making necessary improvements</li> <li>→ Identification and correction of inaccurate data in the systems</li> </ul>

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No.	Type	Category	Risk description	Impact	Severity	Mitigation factors
9.	Industry	Financial	Financial risks due to Government Budget 2016/17 and subsequent customer reaction to taxes	Reduced ARPU Decline in profit margins	High	→ Continuously monitor the impact → Provide value additions
10.	Company	Financial	Lack of effective governance framework over subsidiaries	Corporate governance compliances	Medium	→ Working with a consultancy to establish a governance framework
11.	Company	Financial	Lack of documentary evidence to prove the titles for some of the SLT's property (transferred to SLT by the state)	Threat on company non-current assets	High	→ Working closely with the Attorney General's Department, the Ministry of Telecom & Digital Infrastructure and the Ministry of Lands to resolve the matter
12.	Industry	Information Security	Cyber Security incidents and leakage of sensitive information	Threat to Business continuity  Loss of customer Confidence  Loss of Revenue  Threat to the competitive position of SLT	High	→ Established an IS Management Steering committee → Review existing Information Security policies and procedures and standards → Information Security posture Assessment for SLT enterprise and service provider network & Associated Systems → Implement and maintain ISO 27001 standards for all technical operational areas
13.	Industry	Legal	Non-Compliance to Laws, licenses and regulatory conditions would lead to penalties and reputational risk	Negative impact on brand image  Financial risk	Low	→ Vigilance Team to look for conditions in existing and prospected Acts that could create harm to SLT → Create awareness among the senior management and employees on possible impacts of the violation of Acts/ Licenses/BOI/CSE Conditions → Classification in SLT to prepare a single list of non-disclosure information as per the provisions in RTI Act

# The ultimate broadband experience on one platform



SLT 4G LTE supports voice and high speed broadband services on one single platform.



## Message from the Group Chairman

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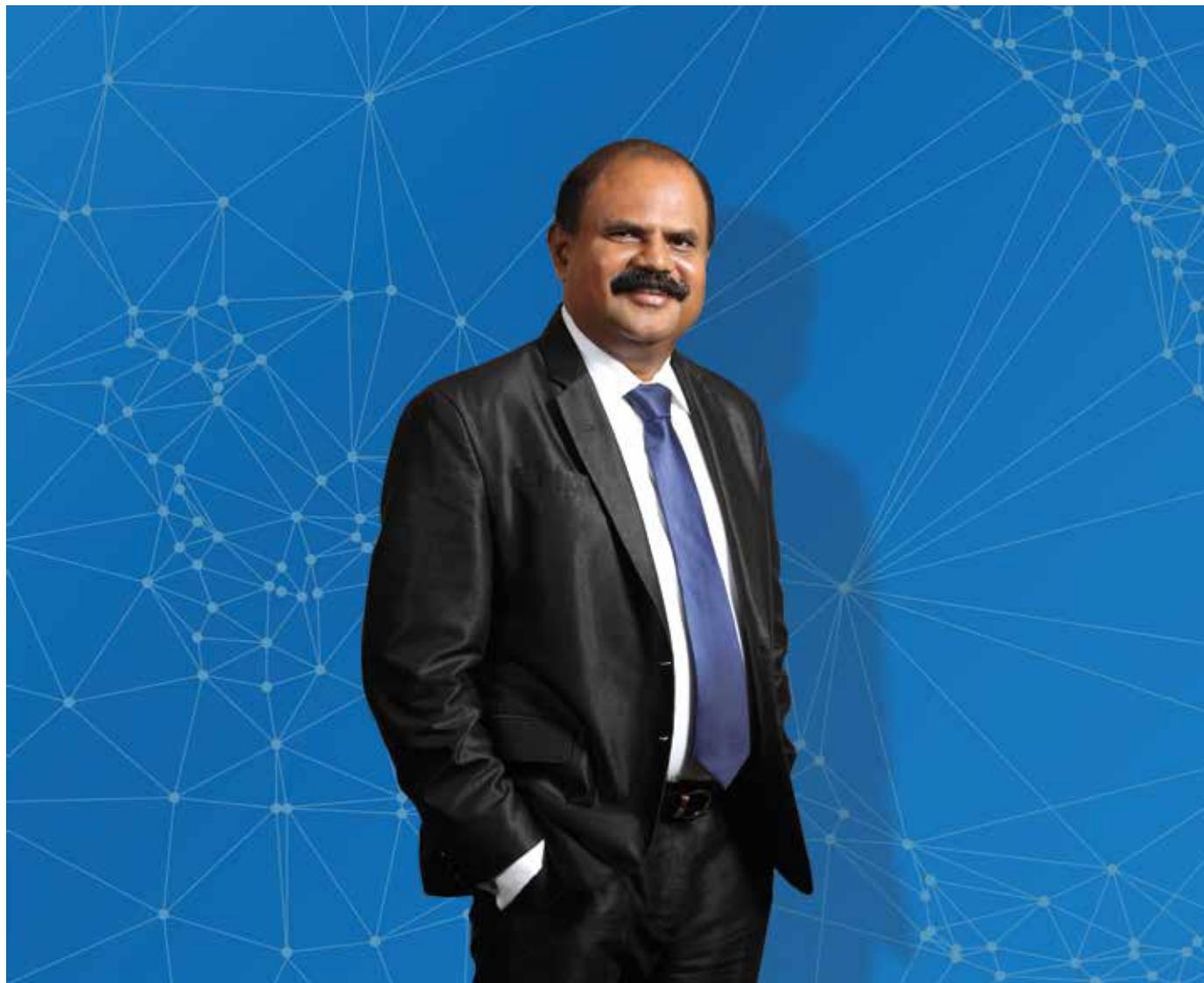
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SLT continues to fortify its position as an iconic national emblem furnishing digital solutions, and a dynamic and resilient enterprise that is well-poised to forge ahead. We are committed to offering the choicest solutions in information and communications technology to the country, whilst continuing to provide sustainable value to all our stakeholders.



Drawing on from the Centres of Excellence (CoE) initiatives that were introduced in the preceding year, we are ready to embrace SLT's new position as a digital lifestyle provider (DLP) and be the market leader through prolonged transformative initiatives. We are experiencing the increase in synergies between the operations of SLT and its subsidiaries, especially that of Mobitel, and we anticipate enhanced results in the future.

We believe the execution of our forthcoming strategies will converge SLT as a Group towards delivering ever-better customer experiences, creating greater value for stakeholders, and augmenting the value that we propose forward to our shareholders.

SLT is pleased to report on the many strategic initiatives which were executed in the past year.

- The Lanka Government Network 2.0 was inaugurated to improve infrastructure connectivity through Wi-Fi and fibre-optic technology to give download speeds exceeding 100 Mbps.
- A Memorandum of Understanding was signed with the Megapolis and Western Province Development Programme to perfect ICT infrastructure for the Techno City being developed at Homagama.
- A fixed 4G LTE wireless broadband network was utilised to satisfy the demand in broadband beyond the reach of a wireline network. A complementary carrier-grade Wi-Fi project was established to enable individuals to utilise their home broadband at public locations.
- The international submarine cable system SEA-ME-WE 5 was secured; capable of delivering global bandwidth at the speed of 48 Tbps to Sri Lanka.
- Our *Akaza* cloud platform combined to deliver exceptional results.
- We commenced the construction of a new data centre at Pitipana-Homagama, which will reach completion by the second quarter of 2017.
- Mobitel acquired eChannelling PLC to further the reach of our operations in the healthcare sector.
- We oversaw the establishment of the Sri Lanka Technological Campus (SLTC) which offers undergraduate, graduate and professional programmes to further the human capital of Sri Lanka.

Nonetheless, SLT had to contend with significant challenges during the year. There was a continuing decline in voice revenues owing to the influence of over-the-top (OTT) service providers. We also had to deal with miscellaneous issues such as challenging macro economic conditions, a rise in taxation, and regulatory challenges on the licensing and distribution of products and services. In spite of these drawbacks, we were able to contribute an impressive Rs. 25.67 billion in levies, taxes and license fees to the Government of Sri Lanka in 2016.

As we move onto fresh pastures, SLT will engage in numerous additional initiatives. The Enterprise Resource Planning System (ERP) will follow on from its successes in the past year; and this will significantly contribute to the integration of processes and the automation of services. A complementary customer relationship management (CRM) project launched in the preceding year will see its results, as it extends its reach to all customer segments including corporate customers in the second quarter of 2017.

SLT and the Group demonstrated a year on year growth of 6.3% and 8.5% respectively in revenue, driven by the increased demand for data and associated broadband services. However, the operating cost of SLT increased by 9.2% owing to the allocation of funds for the restoration of damaged infrastructure, an increase in international levies and exchange rate fluctuations.

We are declaring a first and final dividend of Rs. 0.89 per share for the year 2016, which is on par with the dividend declared in the previous year.

In conclusion, I wish to thank all our customers for their prolonged dedication, our employees for their cherished contributions, and our regulators for their efforts in administrating the development of the Nation's ICT industry.

Last, but not least, I wish to assure our shareholders that we remain steadfast in our commitment to adding value to their investments, and look forward to their continued support in the years to come.



**P G Kumarasinghe Sirisena**  
Group Chairman

17 April 2017

# Group Chief Executive Officer's Review

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We anticipate momentous changes at the SLT Group, with results that promise to be far-reaching and exponential. SLT being a challenging player in the arena and as a resilient and multi-faceted company equipped for the future, together with our reading of the industry, will use ICT to penetrate and leverage all segments of society. This year we will unleash the power behind the Internet of Things (IoT), Artificial Intelligence (AI), Augmented Reality (AR) and Robotics for the benefit of all.





As Chief Executive Officer of the SLT Group, I am very confident in the Group's ability to boost our bottom line as a result of the recent investments in technology and infrastructure. I am equally convinced of the ability of our business to respond to the shifting demands of our industry.

We are making exceptional progress on the process of integrating our activities at the level of the Group and have identified further opportunities for the synergy of our platforms and operations.

While much has already been accomplished to bring about this change, more remains to be done. We will continue to shape our progress along the lines of joint strategic planning, group branding strategies, optimisation of our systems and platforms and the creation of new IT platforms to provide smart solutions.

## → Our Commitment to Improve

The continuous improvement of our operations was a clear focus throughout the year under review. We brought to light our Centre of Excellence (CoE) initiatives during the year, whereby our Sales, Service Delivery, Network Operations and Planning Divisions became key focused functional entities contributing to more streamlined business planning and operations.

We also continued to implement our Group synergy objectives as we aspire to show 'one face' to the customer as a single stream of operations leading to common enterprise goals. We identified the quick wins and long-term wins under this concept, capitalising on the former last year, and expecting the latter to come into play over the next two years. Establishing the concept of shared resources will continue to enhance resource utilisation within our organisation and thus contribute to the effective controlling of our operational costs.

As we work in a fast-paced information and communications technology (ICT) industry and a market that shifts very quickly, we continually strive to remain technologically innovative. During the year under review, we accelerated many projects, especially the long-term evolution (LTE) project and the fibre to the home (FTTH) under which we rolled-out 1,000 LTE base stations and 100,000 fibre ports respectively. A significant addition to the mobile industry is underway with the Mobitel's forthcoming 4G expansion.

## → Investing for Development

We remained focused on strategic investments to enhance the lifestyle of the nation and as well as continue to gear ourselves for the future. As of December 2016, SLT group had invested over Rs. 23 billion in developing the ICT infrastructure of Sri Lanka.

We completed phase V of the i-Sri Lanka project, under which we extended the reach of optical fibre to roadside cabinets. This strengthening of the core network provides Internet speeds of up to 20 Mbps to ADSL consumers with speeds up to 100 Mbps to our FTTH clients. Our island-wide network of optical fibre now extends to over 25,000 kilometres. A fixed 4G LTE wireless broadband network was used to meet the extended demand beyond the reach of wireline networks. Similarly, we released a carrier grade Wi-Fi project to enable the public to use their home broadband at public locations.

We added the new submarine cable line SEA-ME-WE 5 to our portfolio. This is capable of ultra-high speed data delivery, increasing the speed and reliability of Sri Lanka's connectivity to global regions. This will further help cement Sri Lanka's position as a regional digital hub, and fortify its position amongst the world's point of presence (PoP) network.

In addition, we oversaw the construction of a new data centre at Pitipana-Homagama, which will see its completion around the second quarter of 2017.

## → Building our Talent Pool

Our employees remain the cornerstone of our operations. We continued to invest in their training and development to ensure that they will be ready to face future changes in technology and market conditions. We improved our performance evaluation system as well as our staff recruitment and promotion scheme (SRPS) to reflect the changing needs at SLT. This comprehensive new system will be the basis on which we develop key performance indicators (KPIs) for our workforce, and assign rewards that match performance. We similarly introduced an updated transfer policy towards the end of 2016, and expect to reap the benefits soon.

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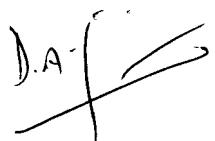
An employee survey that covered all levels of our operations across Sri Lanka revealed a satisfaction level of 71%, up from 65% from the preceding year. We will continue to identify areas in which we can improve for the benefit of all.

## → Navigating the Markets

SLT recorded a year on year growth in revenue of 6.3%. This is a commendable achievement when compared with the revenue growth of 4.1% recorded for the twelve months of 2015. We nevertheless did experience an increase in operational expenditure of 9.2%. This was due to the costs incurred in the restoration of damaged infrastructure affected by adverse weather conditions, as well as an increase in the International Telecommunications Operators Levy. Sales for SLT in products and services increased by a year on year factor of 6.8%. Revenues in the enterprise sector increased by 10.2% and wholesale business by 7.7% in spite of strong competition.

SLT is devising ICT-reinforced facilities for the mega investment zones of the Colombo International Financial City and the Megapolis Project. Consequently, we expect to be well-prepared to handle any and all foreign direct investments (FDIs) coming into the respective zones.

To conclude, I wish to thank all stakeholders of SLT for their contribution to our joint success in the past year, as we look forward to the opportunities that lie ahead.



**Dileepa Wijesundera**  
Group Chief Executive Officer

17 April 2017

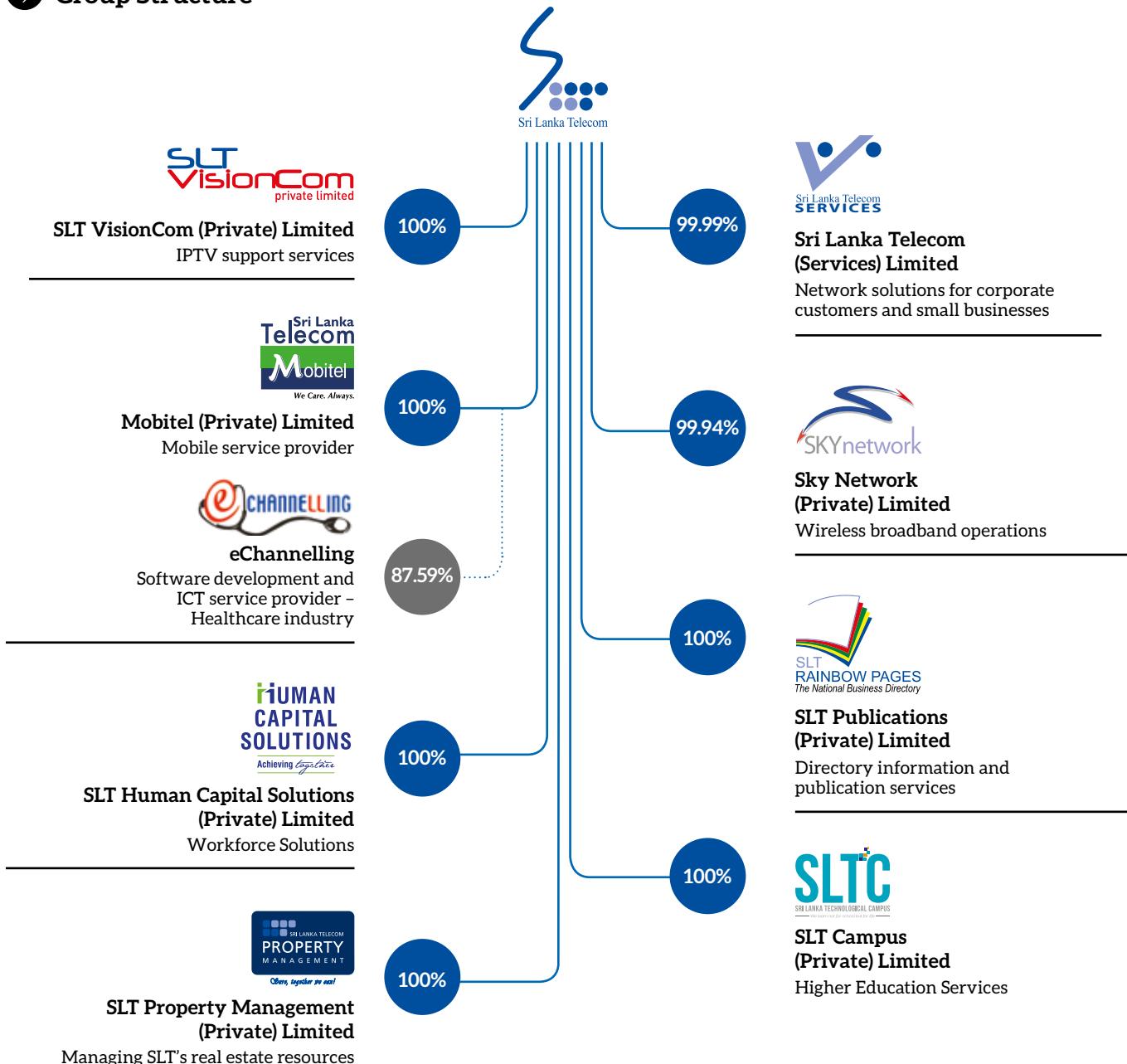
# Business Model

## About Us

Sri Lanka Telecom PLC ('SLT' or the 'Company') is Sri Lanka's national Information and Communications Technology (ICT) provider. We are also the leading broadband and backbone infrastructure services provider in

the country. Throughout our decades of operations, we have been delivering cutting edge and sophisticated solutions to our customers. We will continue to do so as we move onto the arena as a fully-consolidated digital lifestyle services provider.

### → Group Structure



### → Principal Lines of Business

The Sri Lanka Telecom Group provides a comprehensive suite of ICT products in fixed and mobile ICT, broadband, data services, Internet protocol television (IPTV), cloud computing, hosting services and networking solutions. The afore mentioned are categorised under fixed ICT operations, mobile operations and other segment operations.

In 2016, fixed and mobile ICT operations made up the bulk of our business as in the preceding years. This accounted for 99% of revenue. It also represented 99% of our total assets and 100% of the capital expenditure of the Group.

### → Products and Markets

#### Fixed ICT operations →

The Group's holding Company, SLT, operates in the fixed ICT business. SLT provides telecommunications networks and ICT services to individuals, companies at any level across all sectors of the economy, Government institutions, associated telecommunications operators and Internet Service Providers (ISPs). These services encompass voice, data, broadband, wholesale, enterprise, cloud, international and TV.

We aspire to enhance broadband-backed consumer and enterprise services by increasing and sustaining the broadband footprint of the country. This is to be achieved through the next generation network (NGN) and the national backbone network (NBN), supplemented by the latest technologies of ADSL2+, VDSL2, optical fibre, carrier-grade Wi-Fi, and 4G LTE technologies.

We also use our international undersea cable networks to open up our businesses to international clients, and hence secure our position as a forefront Company in both Asia and the world.

#### Mobile ICT operations →

Mobitel (Pvt) Limited ('Mobitel') is a 100% owned subsidiary of SLT. It offers mobile services, high-speed broadband, enterprise solutions, IDD services and a range of supplementary value added services. Mobitel has continually adopted novel technologies, to include a super 3.5G network, HSPA + MIMO and 4G LTE. With the introduction of Dual Carrier HSPA+ and 4G LTE services, Mobitel possesses the fastest broadband speeds in the

country. Its coverage extends nationwide, and includes international roaming with the partnership of a global web of over 400 networks.

#### Our reach →

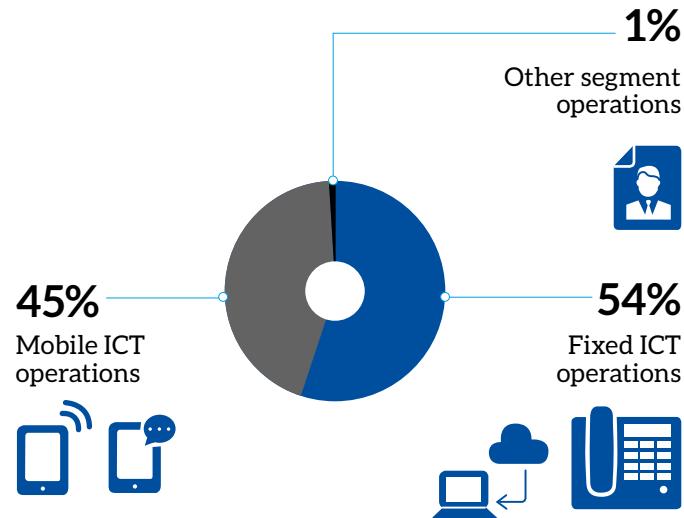
The SLT Group has island-wide coverage and distributes its services to over six million recipients across fixed and mobile ICT services.

### → Scale of Operations

#### SLT Group revenue, FYE 2016 →

The aggregate revenue of the SLT Group increased by 8.5% to Rs. 73.8 billion during the year. This was backed by a growth in revenue of 6.3% at SLT, and a matching growth of 10.3% at Mobitel. In terms of business lines, the fastest growth rates with regards to revenue were accounted by voice, broadband, enterprise solutions and TV of both fixed and mobile ICT segments.

#### Composition of Group revenue →



#### Market capitalisation →

SLT is one of Sri Lanka's foremost blue-chip companies, with a market capitalisation of Rs. 65 billion as of 31 December 2016.

# Operating Environment

## → The Global Telecommunications Industry

Despite the world making continual leaps and bounds to advance the usage of new technologies amongst its entire populace, the world faced several challenges during the year when achieving set goals. As of January 2017, 53% of the world's population is not using the Internet. Four-fifths of this segment falls under the Asia-Pacific and Africa regions. 85% of the population of least-developed countries (LDCs) are without Internet access compared with 22% in developed countries (ITU, Connecting the Unconnected, 2017).

Research has identified multiple reasons for these discordances; namely infrastructure, capability, relevance and affordability. Broadly speaking, developing countries experience the issue of relevance (i.e. the fact if the population is predisposed and willing to accept the benefits of technology amongst other factors); whereas developed countries struggle to meet the question of affordability. A detailed analysis shows that the Asia-Pacific region is faced with a nuanced mix of issues in relevance, infrastructure and affordability (ITU, Connecting the Unconnected, 2017).

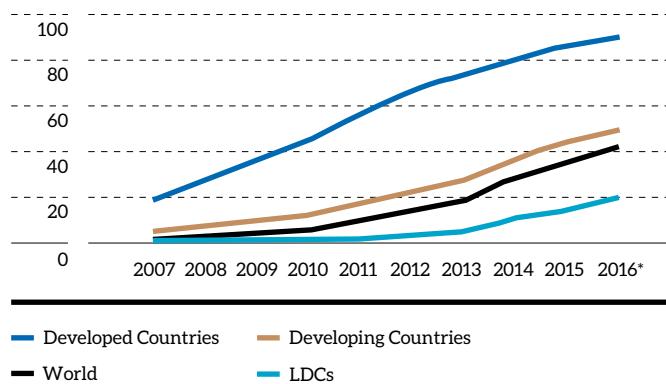
To address the above and more, the International Telecommunications Union (ITU) continues to implement its Connect 2020 Agenda. According to Target 1.2 of this, they aim to ensure that 60% of global individuals will be utilising the Internet by 2020. Nonetheless, in accordance with current trends, the ITU forecasts the following. The majority of individuals coming online will be living in regions covered by ICT infrastructure. They will similarly be

Addressing the Demand			Improving the Infrastructure
Affordability of services	Relevance of services	Capability	
 Minimise costs of end-user devices, services and access options	 Create and spread the use of content in local languages; and addressing local concerns	 Address issues of cultural and social acceptance of services	 Expand networks and install upgrades
 Create affordable models to finance connectivity	 Raise public awareness to showcase the benefits of ICT services	 Improve access to ICT skills training in schools	 Develop wide-spread affordable rural ICT solutions
 Address issues of VAT, import taxes and patent fees	 Address issues of privacy, trust and data security	 Position women as a special focus group	 Backhaul services in combination with fixed, wired and wireless technologies
 Minimise costs of secondary services (electricity and charging devices)	 Position women as a special focus group		 Increase international connectivity (satellites, earth stations, cable landing stations etc.)
 Position women as a special focus group			 Create local data centres

Source: Adapted from 'Connecting the Unconnected' by Imme Philbeck; 2017.

chiefly from urban areas, and geographically-speaking from the Americas and the Asia-Pacific region. Finally, they are likely to not be amongst the very poor (ITU, Connecting the Unconnected, 2017).

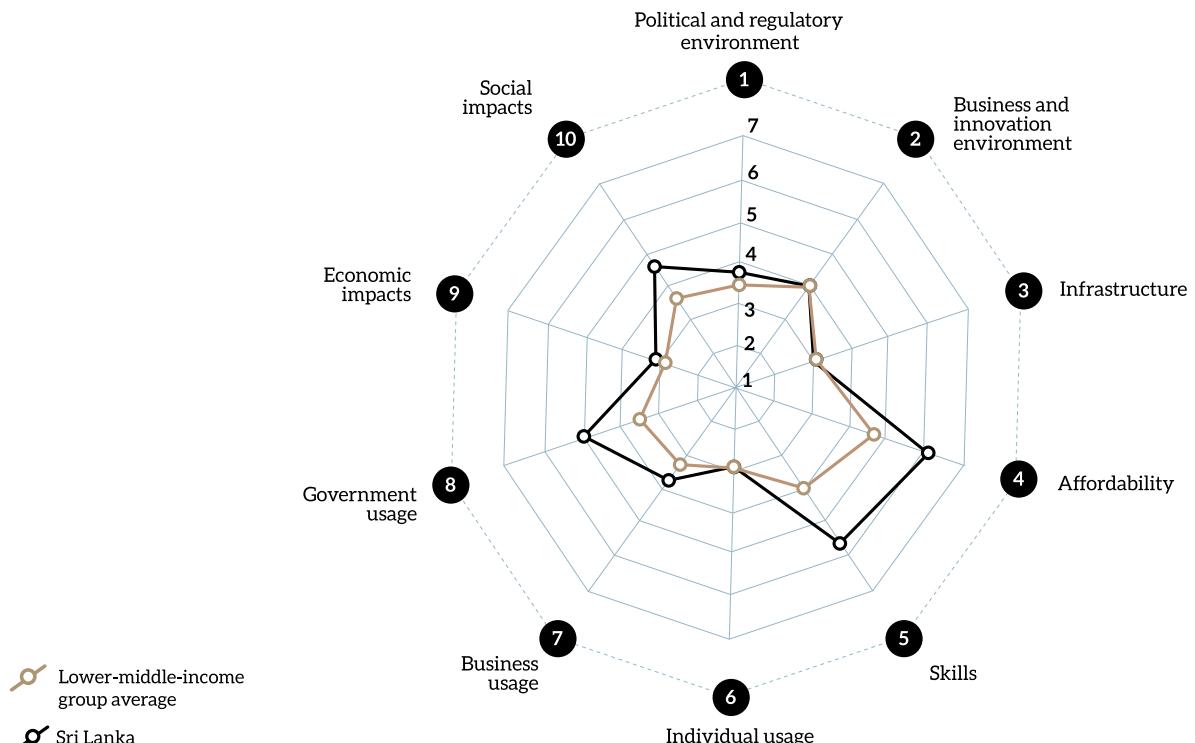
## Mobile broadband penetration (%)



In 2016, Sri Lanka recorded a Network Readiness Index of 4.2; ranking it at 63rd place out of 139 economies. This was a jump up from the 65th place recorded in 2015. Sri Lanka also ranks the highest amongst SAARC countries in this category; and outperformed the average for lower middle income countries in eight of the ten assessed metrics. It was only in infrastructure and individual usage that the country lagged behind the stated average.

Sri Lanka possesses one of the world's lowest entry level fixed broadband product prices as cited by the ITU. It is also one of the first countries to minimise the gap between the actual bandwidth offered to the subscriber and the actual speed of the delivered service (QoS). The country continues to emerge as a global IT: BPO destination of choice in numerous domains. The country is amongst the Top 50 Global Outsourcing Destinations as compiled by AT Kearney, bearing testimony to the strength of the local ICT industry. The United Nations similarly ranks Sri Lanka at 74th place out of 192 countries in its eGovernment Index.

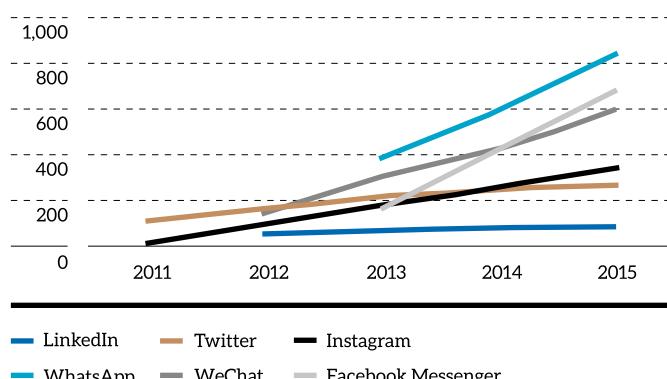
## → The Local Telecommunications Industry



## → Challenges in the Industry

As in the preceding years, we witness declining revenues in the traditional arenas of the telecommunications industry owing to the influence of global OTT operators. These players utilise networks to deliver services to domestic users with no corresponding income being delivered to the local operators. We can witness similar trends in the grey market of the ICT industry. We equally need to act swiftly to secure new opportunities in the ever-changing dynamics of the industry if we are to earn desired returns on investments. Finally, there is the omnipresent issue of balancing costs, as labour becomes more expensive, reducing prices becomes challenging and new budgetary constraints (tax regimes and floor rates) move onto the arena.

## Monthly active users on select social networks and messengers, global (million)



Source: Slide 99, 'Internet Trends 2016', Mary Meeker presentation  
<http://www.kpcb.com/internet-trends>.

## → Opportunities in the Industry

Following on from the increase in economic development of the country, we expect an influx of investors and projects into Sri Lanka. Thus, when they wish to commence operations; SLT is geared to furnish them with any and all solutions pertaining to the communications infrastructure. We possess many things that are packaged as value-added services, for example business process outsourcing (BPO) operations. The sum of all these requirements can be outsourced on our operating expenditure (OPEX) model, whereupon an investor is free from any liability that may arise with regards to equipment. We equally foresee exciting prospects in the Megapolis Project and its associated ventures.

The rise in economic development of Sri Lanka will drive an influx of investors and projects into the country. SLT is fully-equipped to meet these with cutting edge communications and infrastructure solutions. We equally foresee exciting prospects in the Megapolis Project and its associated ventures.



Sri Lanka possesses one of the lowest entry level broadband prices in the world.

Sri Lanka is ranked at

**63** rd place out of **139** economies in terms of Network Readiness.

The United Nations ranks Sri Lanka at

**74** th place out of **192** countries in its eGovernment index.



Sri Lanka is amongst the top 50 Global Outsourcing Destinations as compiled by AT Kearney.

# Strategic Direction

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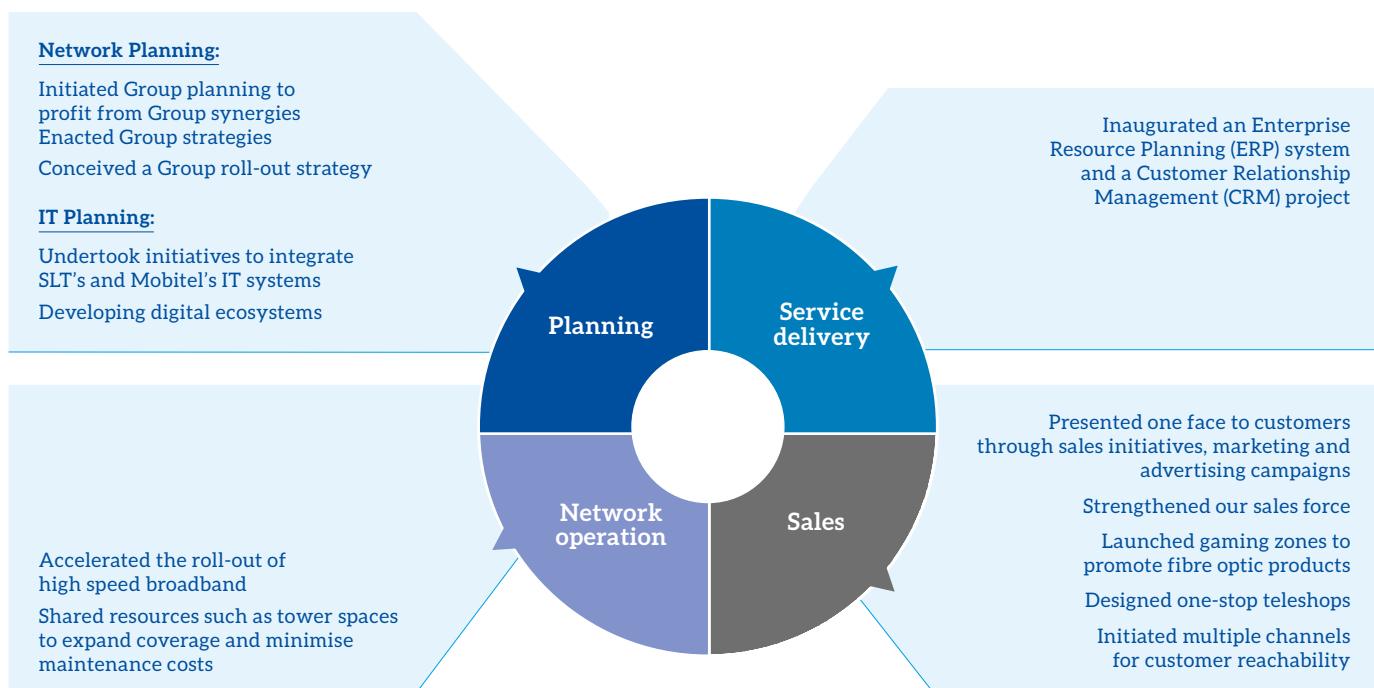
The following table lists some of the objectives and strategies of SLT in the past year. We will continue to refine and progress from these as we move on into the coming years:

Objectives	Strategies
Improve internal efficiencies	Develop and streamlined the Centres of Excellence (CoE) for planning, sales, network development, regional operations and maintenance and logistics Strengthening Group synergy
Position SLT Group as a digital lifestyle provider and enhance the customer experience	Offer innovative ICT and smart lifestyle solutions to all; anytime and anywhere
Be ahead of the technological advances and improve network and technology capabilities to meet the future national demand for data, quality and speed	Accelerate the roll-out of high speed broadband networks with Fibre to the Home (FTTH) and 4G LTE technologies Enhancing global connectivity
Sustainable and inclusive growth	Fortifying SLT's role as the national ICT service provider Creating a digital-inclusive Sri Lanka Consolidating ICT for human development

## → Improving Internal Efficiencies

### Developing and streamlining the centres of excellence →

In 2016, we undertook efforts to develop and integrate our Centres of Excellence throughout the Company's reach of operations. Consequently, we were able to record the following accomplishments.



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## **Strengthening Group synergy →**

### **Establishing a Group structure →**

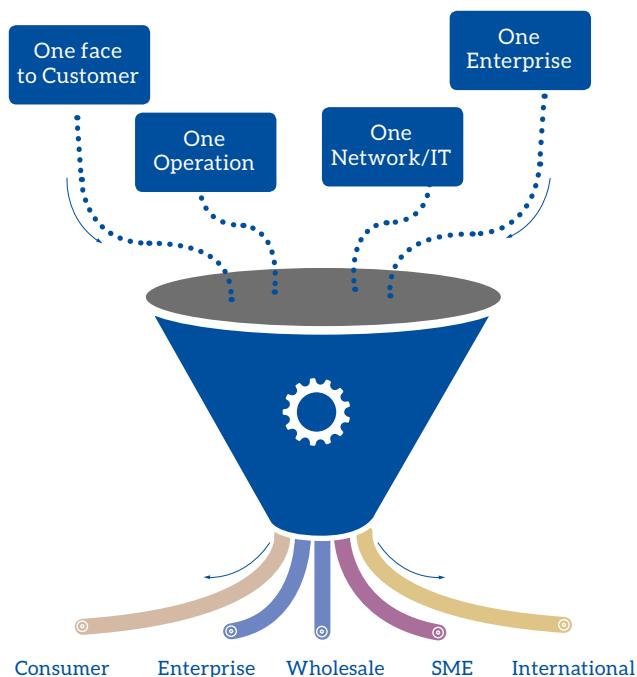
In the past, the CEO and the chief officers for planning, marketing, enterprise and wholesale, and IT only oversaw the operations of SLT. From September 2016, they were and will be responsible for the activities of the entire Group of our operations.



### **Setting up a Group operation model →**

Through our initiatives, we aspire to combine all our operations into one enterprise. In doing so, we can profit from one, consolidated network equipped with all relevant infrastructure ready to handle any and all customer requirements; encompassing the entire range from consumer to enterprises and SMEs.

In doing so, we will be presenting 'one face' to our customers. This will be backed by strong and effective promotional and advertising campaigns; that highlight the creation of one dynamic entity from all our operations. We have strong relationships with the media, and as a result, the public are highly aware of our Brand and potential.



The following table details some of the benefits that our Group synergies would deliver. By eliminating duplicate investments, we will be better positioned to make maximum use of the resources that are currently available at our disposal as well as make more prudent investments for the future.

## Network/IT synergies

Initiative	
<b>Common OCS</b>	Mobitel to procure an OCS that can support SLT requirements as well (SLT's OCS Tender process terminated)
<b>Common SMSC</b>	SLT to use Mobitel's SMSC (SLT's initiative to procure a new SMSC terminated)
<b>Common API Gateway</b>	SLT to use Mobitel's API GW (SLT's initiative to procure API GW terminated)
<b>Common IMS</b>	Mobitel to use SLT's IMS platform (Mobitel to exclude IMS from S-8 bids)
<b>Common OSS</b>	Common OSS for SLT and Mobitel

### → Positioning the SLT Group as a Digital Lifestyle Provider

This will be the underlying focus of SLT's operations in the years going forward. We plan to enrich our portfolio of existing products with new digital lifestyle solutions and collaborate with new content and ICT service providers.

We are cognisant of the threat of OTT players in the telecommunications industry. However, as a broadband service provider, we see this as an opportunity as well. The usage boosted by OTT consumption will fill up the broadband 'pipes' we create, thereby contributing towards a better return on investment. As supporting strategies, we are also looking at collaborating with OTT players on one hand, while creating our own OTT platform to deliver "carrier-grade" OTT services. We are also looking at the rich communications suite (RCS) technology, to deliver a carrier-grade alternative to OTT based services currently popular for voice, text, audio, picture and video messaging; leveraging on SLT's IP Multimedia System (IMS) platform.

Mobitel will maintain its strong market position, by identifying market segments that it can capitalise on. It will continue to upgrade its Branches to ensure that they are capable of delivering exceptional performances. The SLT and Mobitel Brands will integrate into a holistic Group Branding approach and will see it leveraging multiple advantages from the ensuing synergies.

The development and promotion of info-communications services will be of key concern to Mobitel as well. These efforts will be supplemented with the continuing expansion of our business interests into diverse industries. We have already made leaps and bounds in introducing new technology to multiple sectors including banking, healthcare, transport and education; and look forward to the opportunities that lie ahead.

### → Being Ahead of Technological Advances and Improving Network Capabilities

We understand that our customers need more and more bandwidth to accommodate the increasing demands of

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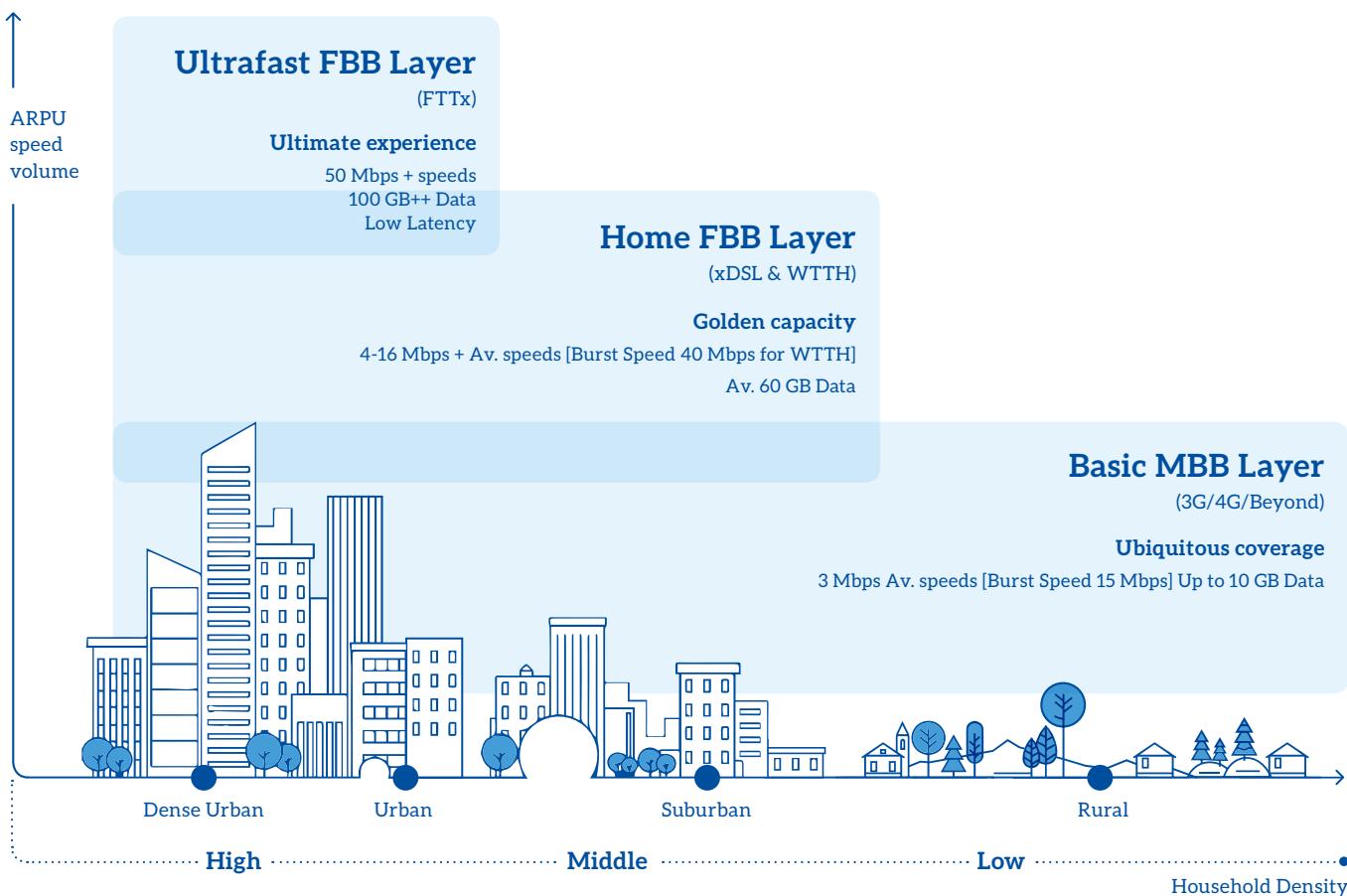
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their digital lifestyles. We are already equipped with the technology to provide higher data rates and handle the increase in corresponding data traffic. We will continue to develop our infrastructure and back this with the updates in latest technology. At the same time, we understand that there needs to be a shift in the public adoption of technology and Internet usage. This has to be spearheaded through both Government and private institutions, through the creation of an ecosystem of ICT that is relevant and meaningful to the day-to-day lives of the masses.

The following diagram details our roll-out strategy. We pay close attention to factors such as household density to optimise our operations in line with securing the maximum reciprocal returns.



### Overlaid rollout



### Accelerating projects →

We are accelerating the roll-out of high speed broadband networks through the dual initiatives of FTTH and 4G LTE technology. The acceleration is crucial here, as any delays in this process can lead to technological obsolescence. We are mindful of our investments, and try to gain as much as reciprocal benefits from them as possible, for the continued health of our operations.

### Enhancing global connectivity →

With the advent of the SEA-ME-WE 5 cable system and landing station, Sri Lanka is well-poised to position itself as a regional digital hub. We can thus add Sri Lanka to the world's point of presence (PoP) network which counts Singapore, USA and the EU amongst its members. This will strengthen the country's status as a key IT: BPO and data centre destination.

We will further oversee South Asia's first cutting-edge submarine cable depot in the Galle Port in southern Sri Lanka. This cable maintenance station will oversee the repairing of all cables in the region, even those pertaining to external telecommunications operators.

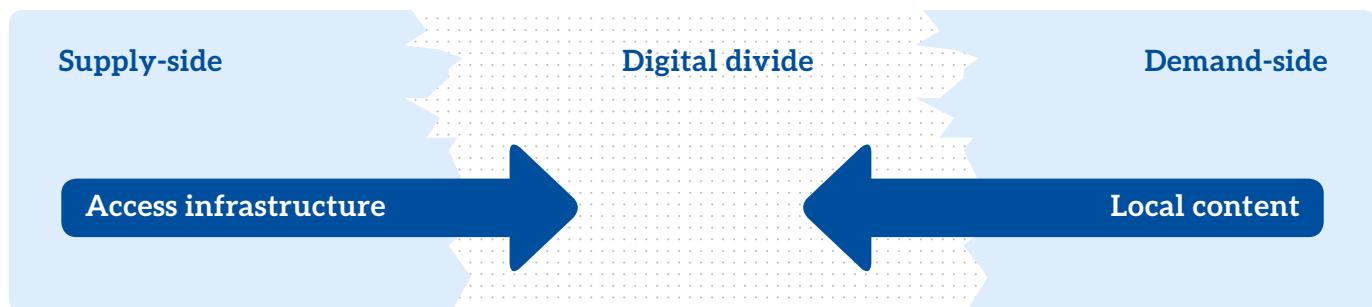
## → Sustainable and Inclusive Growth

### Fortifying SLT's role as the national ICT service provider →

We remain committed to assuring SLT's role as the national ICT services provider. Some of the new projects that we undertook to meet the ICT needs of the Government include initiating the Lanka Government Network 2.0, signing a memorandum of understanding (MoU) with the Megapolis and the Western Development programme and introducing a contact hotline whereupon the public can directly address their concerns to the President.

### Creating a digital-inclusive Sri Lanka →

The digital divide is a fundamental question that needs to be addressed in Sri Lanka. SLT has devised strategies to tackle this, paying key attention to the importance of affordability, availability, affinity and applicability.





### **Addressing challenges in demand →**

It is imperative that online content be created in languages that are used by local communities. This content should also be of interest to the individuals in question. We witness that this continues to be an issue in Sri Lanka. Most Government services are not available online. Thus, the Government and the private sector of Sri Lanka need to encourage the creation and disbursement of domestic content. Nonetheless, SLT has spearheaded contributions by local media and artists in developing novel, local content for the Internet. Some of these initiatives include kiyawamu.lk; (an online book portal developed in partnership with the National library), PEO TV (which houses local entertainment and educational channels) and mTicketing services. SLT equally hosts the Zero One Awards to recognise, honour and encourage digital initiatives in Sri Lanka.

### **Addressing challenges in supply →**

In summary, we have improved existing infrastructure to match the trends displayed by advances in global technology. We have introduced technologies such as LTE and FTTH to the market. These are capable of providing superior speeds and extending the reach of broadband services. The number of LTE base stations and Wi-Fi hotspots has increased in the rural areas of the country.

We have continually enhanced our mobile broadband experience by expanding the network capacity and introducing value added services (VAS). We have further been able to secure increased spectra through the economical deployment of infrastructure.

PEO TV system capacity increased to cater growing customer demand and contents also making available diverse choices.

During the period the global connectivity options and capacity expanded to cater to the forecasted data explosion in the future.

### **Affordability →**

We launched a range of products, services and promotions to increase the affordability of our offerings to customers. A full list of these can be accessed from our corporate website and associated press releases.

By improving the affordability of our products and services as such, we will be addressing the critical issue of bridging the digital divide that exists in Sri Lanka. It will further

encourage market competition and drive the adoption of new technology in all spheres of the market. Finally, this will contribute to an increase in efficiency and effectiveness of all relevant economic and social activities.

### **Accessibility →**

We doubled package speeds to a maximum limit of 16 Mbps. Our Wi-Fi routers now provide multiple access points. LTE and FTTH technology give customers wireless broadband and high-speed internet solutions respectively. We have a wide-ranging network of Wi-Fi hotspots island-wide, have equipped all broadband products with online volume purchase and package transfer options.

We have equally introduced OTT content in the form of our Filmhall service. We have expanded mCash and eTicketing services to all other mobile operators and their customer bases.

Our SEA-ME-WE 5 submarine cable offers low latency advantages to all business segments and facilitates the disbursement of high-end online services like enterprise products and online gaming.

### **Consolidating ICT for human development →**

We believe that ICT can be harnessed as a crucial factor in human development. This forms the cornerstone of the field titled ICT for Development (ICT4D). Broadband technology can be instrumental in furthering human rights, embracing social inclusiveness and eradicating poverty. Similarly, the technology can champion economic growth by expanding productivity and competition and helping in the disbursement of knowledge.

Education is a domain that can greatly benefit from these improvements. Hand-held devices can enhance individualised learning, numeracy and literacy skills and engage users through features such as educational games. They can offer learners the flexibility of learning at their own pace, and devising curricula based on their interests. The portability of mobile phones and tablet computers can ensure that learning can happen in a range of places that extend beyond a traditional classroom. SLT is ready to take on the shared challenge of building an ICT-literate Sri Lanka. We support the Government's aim in increasing ICT literacy to 60% by 2020, and are ready to equip all individuals to thrive in the digital revolution that is taking place.

Mobile and broadband technology can similarly revolutionise healthcare. Developments in hardware can allow for the measuring of vital signs and bodily actions, and software can ease the storing, transfer and analysing of these data. Geo-location devices can aid in the real-time monitoring and prevention of disease. SLT and Mobitel have already made progress in this arena. More information can be found in the 'Customer Capital' section of the Management Discussion and Analysis of this Report.

ICT can similarly be employed in furthering financial inclusiveness. According to reports by the World Bank, two billion people world-wide do not avail of banking services; the majority of whom are living in developing countries. Nonetheless, 70% of the world has access to a mobile phone, and this represents an ideal way of bridging this financial divide. Mobile financial services can further embolden disadvantaged groups such as rural women by providing a secure platform that is both confidential and convenient. Mobitel and SLT has made significant progress in this sector; and details can be accessed from the 'Customer Capital' section of the Management Discussion and Analysis of this Report.

ICT and broadband can equally foster innovation in the financial industry. The World Economic Forum notices that broadband facilitates entrepreneurship and countries with higher broadband rates see greater innovation. This increase can even be exponential. SLT is proud of its progress in this arena; and data has shown that our direct contributions to Sri Lanka's economy has caused GDP to increase by 0.7% (backed by a 10% increase in the mobile penetration rate), and 1.3% (backed by a 10% increase in the broadband penetration rate).

## → Identification

SLT's stakeholders are individuals and organisations who may be influenced by our operations, products and services. Likewise, their reciprocal actions can affect the implementation of our strategies and the fulfilment of our objectives.

Our key stakeholders are thus our investors, customers, business partners, employees, the society and environment in which we operate, Government authorities and industry regulators.

## → Engagement

The execution of our operations, at both SLT and Mobitel, touches on the lives of all Sri Lankans to some extent. We understand that differing groups of stakeholders possess varying interests, and that there can sometimes be discordances in these. We therefore identify and prioritise our key stakeholders as necessary to assure short-term and long-term successes for all invested parties. We do this through a comprehensive mapping strategy. This usually follows a detailed analysis of our operating environment and any related industry opportunities and threats.

Material issues pertaining to the stakeholder	Engagement	Frequency of engagement	Key initiatives for the year
<b>Shareholders</b>			
Dividend, share price, innovation and industry growth	<ul style="list-style-type: none"> <li>→ Quarterly results</li> <li>→ Annual Report</li> <li>→ Annual General Meetings</li> <li>→ CSE filings</li> <li>→ Media releases</li> <li>→ Rating reviews</li> </ul>	<ul style="list-style-type: none"> <li>→ Quarterly</li> <li>→ Annually</li> <li>→ Annually</li> <li>→ Need-based</li> <li>→ Regular basis</li> <li>→ Annually</li> </ul>	AGM and rating reviews to rating agencies
<b>Customers</b>			
Improve customer-relationship and retention	<ul style="list-style-type: none"> <li>→ One-to-one interactions</li> <li>→ Contact centre</li> <li>→ Engage and interact through the website and social media</li> <li>→ Mailers</li> <li>→ Newsletters</li> <li>→ Brochures</li> <li>→ Customer satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>→ Regular basis</li> <li>→ Regular basis</li> <li>→ Regular basis</li> <li>→ Monthly basis through the bill</li> <li>→ Need-based</li> <li>→ Need-based</li> <li>→ Quarterly and need-based</li> </ul>	Annual Brand Health Track Study  Regional Account Management Customer gathering
Improve SME customer relationship and retention	<ul style="list-style-type: none"> <li>→ Proposals by regional sales staff</li> <li>→ SME customer forums</li> <li>→ Customer visits and meetings</li> <li>→ Product awareness programmes</li> <li>→ ICT workshops for SME business owners and IT Managers</li> <li>→ Market surveys</li> <li>→ Newsletters</li> </ul>	<ul style="list-style-type: none"> <li>→ Regular basis</li> <li>→ Once in two months</li> <li>→ Regular basis</li> <li>→ Regular basis</li> <li>→ Monthly</li> <li>→ Need-based</li> <li>→ Once in two months</li> </ul>	SME forums Field sales campaign

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Material issues pertaining to the stakeholder	Engagement	Frequency of engagement	Key initiatives for the year
Improve enterprise customer relationship and retention	<ul style="list-style-type: none"> <li>→ Proposals by sales staff</li> <li>→ Enterprise Customer Forums</li> <li>→ Customer visits and meetings</li> <li>→ Newsletters</li> </ul>	<ul style="list-style-type: none"> <li>→ Regular basis</li> <li>→ Quarterly</li> <li>→ Regular basis</li> <li>→ Need-based</li> </ul>	Enterprise forums
<b>Business partners</b>			
Better return, innovation and industry growth	<ul style="list-style-type: none"> <li>→ Partner meetings</li> <li>→ Projects and events</li> <li>→ Post evaluation reviews</li> </ul>	<ul style="list-style-type: none"> <li>→ Need-based</li> </ul>	
Dealers looking for strengthening brand presence and improving sales	<ul style="list-style-type: none"> <li>→ Dealer meetings</li> <li>→ Dealer satisfaction surveys</li> <li>→ Dealer review and awareness sessions</li> <li>→ Dealer reward programmes</li> </ul>	<ul style="list-style-type: none"> <li>→ Quarterly</li> <li>→ Quarterly</li> <li>→ Need-based</li> <li>→ Quarterly</li> </ul>	Dealer convention
Suppliers looking for better return, innovation and industry growth	<ul style="list-style-type: none"> <li>→ Procurement policy and vendor selection process</li> <li>→ Vendor satisfaction surveys</li> <li>→ Vendor review and awareness sessions</li> <li>→ Vendor reward programmes</li> <li>→ Quality improvements</li> </ul>	<ul style="list-style-type: none"> <li>→ Need-based</li> <li>→ Annually</li> <li>→ Annually</li> <li>→ Annually</li> <li>→ Regular basis</li> </ul>	Publications Awareness on new business strategy and culture
<b>Employees</b>			
Employee welfare, satisfaction, retention, training and development	<ul style="list-style-type: none"> <li>→ Employee satisfaction survey</li> <li>→ Information sharing through Intranet</li> <li>→ Employee affinity</li> <li>→ Grievance handling</li> <li>→ Transfer handling</li> <li>→ Emails</li> <li>→ Notice boards</li> <li>→ Cultural and religious associations</li> <li>→ Award ceremonies</li> <li>→ Involvement in community projects</li> <li>→ Internal newsletter</li> <li>→ Business plan awareness sessions</li> <li>→ Mobile visits – knowledge sharing sessions</li> <li>→ Knowledge sharing sessions after foreign visits for training</li> <li>→ Performance evaluation</li> </ul>	<ul style="list-style-type: none"> <li>→ Regular basis</li> <li>→ Throughout the year</li> <li>→ Need-based</li> <li>→ Need-based</li> <li>→ Regular basis</li> <li>→ Regular basis</li> <li>→ Need-based</li> <li>→ Annually</li> <li>→ Annually</li> <li>→ Need-based</li> <li>→ Bi-monthly</li> <li>→ Beginning of the year</li> <li>→ Need-based</li> <li>→ Regular basis</li> <li>→ Annually</li> </ul>	Island-wide programme internal communication campaigns

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Material issues pertaining to the stakeholder	Engagement	Frequency of engagement	Key initiatives for the year
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>→ Meetings with Treasury, TRCSL, BOI, Customs and other regulatory bodies</li> <li>→ Annual Report and quarterly reports</li> <li>→ Strategy and operational presentations</li> <li>→ Media releases</li> <li>→ Customer forums</li> </ul>	<ul style="list-style-type: none"> <li>→ Need-based</li> <li>→ Annually and quarterly</li> <li>→ Need-based</li> <li>→ Weekly basis</li> <li>→ Annually</li> </ul>	Monthly meeting with the regulator Forums
<b>Media and advocacy groups</b>	<ul style="list-style-type: none"> <li>→ Meetings</li> <li>→ Briefings</li> <li>→ Media releases</li> <li>→ Website</li> <li>→ Social media</li> <li>→ Mailers</li> </ul>	<ul style="list-style-type: none"> <li>→ Need-based</li> <li>→ Need-based</li> <li>→ Weekly basis</li> <li>→ Regular basis</li> <li>→ Regular basis</li> <li>→ Monthly bill</li> </ul>	Website user interface revamp and improved the functionality of the content, social media and media relations drive
<b>Community</b>	<ul style="list-style-type: none"> <li>→ Community projects</li> <li>→ Media releases</li> <li>→ Website</li> <li>→ Social media</li> <li>→ Mailers</li> <li>→ Events and activations</li> </ul>	<ul style="list-style-type: none"> <li>→ Monthly</li> <li>→ Weekly</li> <li>→ Regular basis</li> <li>→ Regular basis</li> <li>→ Monthly bill</li> <li>→ Need-based</li> </ul>	Website user interface revamp and improved the functionality of the content, social media and media relations drive

## → External Initiatives

SLT is proud to be a member of numerous associations, as detailed below. Our employees regularly participate in activities conducted by these organisations:

**National**

- National Broadband Committee
- National Chamber of Commerce
- Next Generation Network Committee
- Government initiative of free Wi-Fi programme
- Online secondary school education (SchoolNet) programme
- Online university education programme (LEARN) programme
- eGovernment programme
- Sri Lanka Internet Society

**International**

- SEA-ME-WE connectivity consortium from its inception
- IPv6 Execution Committee
- Global Internet Exchange Network
- International PoP Community
- Commonwealth Telecommunications Organisation (CTO)
- International Telecommunication Union (ITU)
- Fibre-to-the-Home Community
- Carrier Ethernet Forum
- Carrier Grade Wi-Fi Forum
- International Internet Society

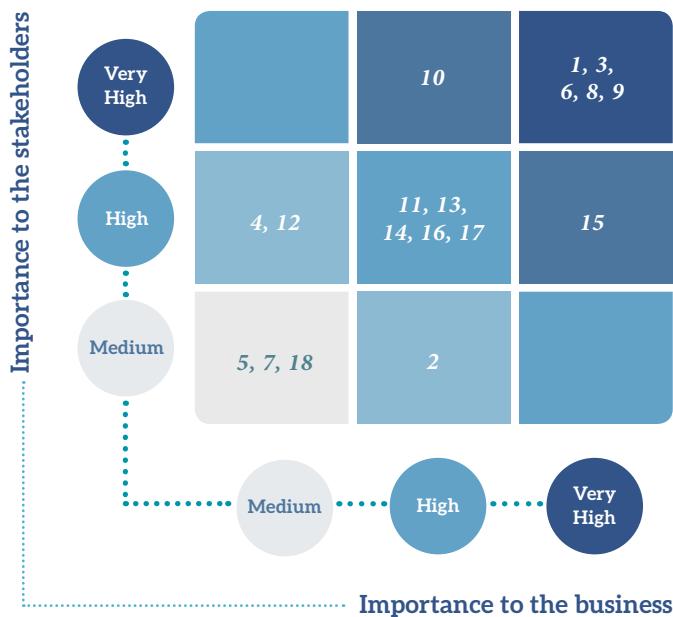
## Approach

Our business model must understand and respect aspects that are important to both our operations (of both SLT and Mobitel), as well as our stakeholders.

The ‘importance’ of such an aspect takes into consideration both its relevance and significance. ‘Significance’ takes into account the probability of an adverse event occurring, in relation to a particular aspect, as well as the severity of such an event taking place.

As such, these aspects can be represented in a tabulated form as shown below; and can consequently be identified as being of ‘medium’, ‘high’ or ‘very high’ importance to the business and its stakeholders. The aspects are further cross-referenced with the GRI Content Index featured on pages 186 to 188.

## Materiality Matrix



## Rating of material aspects →

No.	Aspect	Indicator	Importance to the business	Importance to the stakeholder
<b>Economic</b>				
1.	Economic performance	EC 1 EC 3	Very High	Very High
2.	Market presence	EC 6	High	Medium
3.	Indirect economic impacts	EC 7 EC 8	Very High	Very High
<b>Environmental</b>				
4.	Energy	EN 3 EN 6 EN 7	Medium	High
5.	Emissions	EN 19	Medium	Medium
<b>Social</b>				
6.	Employment	LA 1 LA 2	Very High	Very High
7.	Occupational health and safety	LA 8	Medium	Medium
8.	Training and education	LA 9 LA 10 LA 11	Very High	Very High
9.	Diversity and equal opportunity	LA 12	Very High	Very High
10.	Equal remuneration to men and women	LA 13	High	Very High
11.	Labour practices grievance mechanisms	LA 16	High	High
12.	Local community	SO 1	Medium	High
13.	Anti-competitive behaviour	SO 7	High	High
14.	Compliance	SO 8	High	High
15.	Product and service labelling	PR 3 PR 5	Very High	High
16.	Marketing Communications	PR 7	High	High
17.	Customer privacy	PR 8	High	High
18.	Compliance	PR 9	Medium	Medium

# Value Creation and Capital Formation

## → The Dual Aspects of Value Creation

Value creation is a reciprocal process. It is through creating sustainable value for our stakeholders that we are able to create value for our business. Each year, we identify material aspects that may be of mutual interest or concern. This is exemplified in the materiality matrix that was discussed previously.

## → Capital Formation

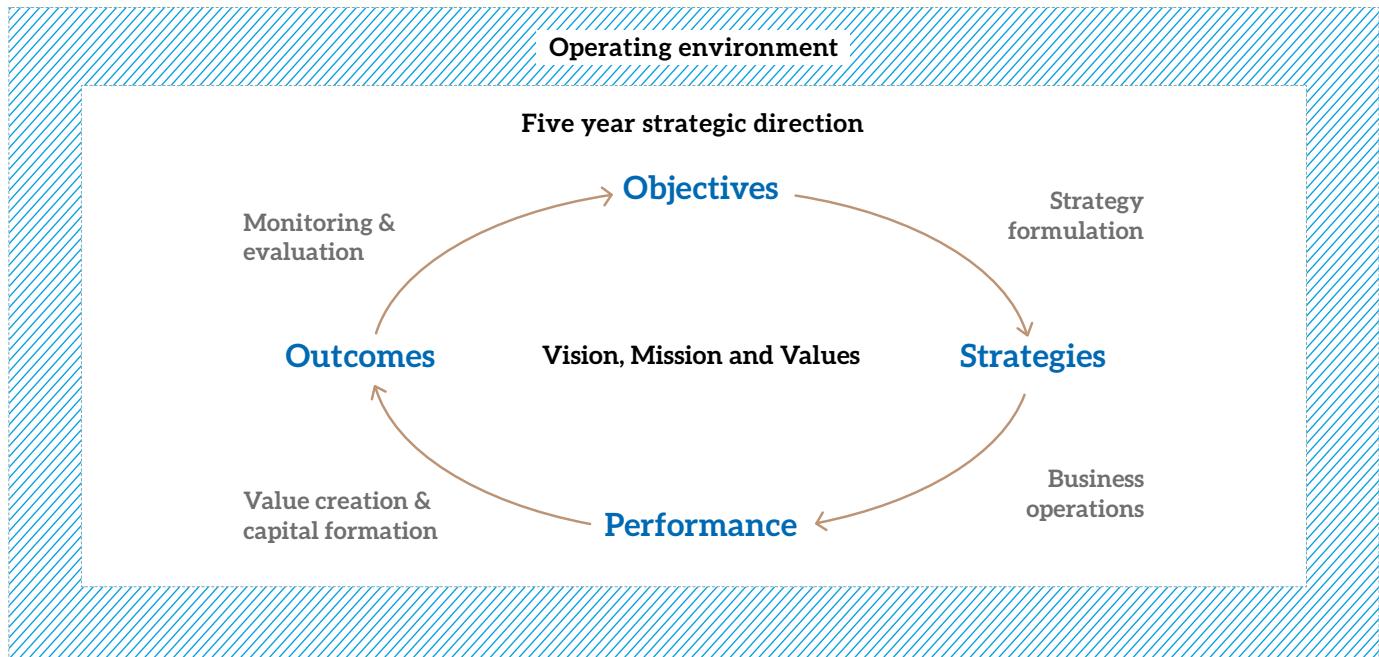
The process of value creation then leads to the establishment of capital. Capital stores value, and in the milieu of integrated reporting, references the resources and relationships that influence our operations.

Capital that is owned by the business is termed 'internal' and that which falls outside of this domain is titled 'external'. The business has holistic access to and utilises all relevant capitals to create sustainable and reciprocal value.

Internal capital consists of financial and institutional capital. Financial capital is discussed in the Financial Statements. Institutional capital comprises intangible assets such as integrity, trust and brand image.

External forms of capital focus on key stakeholders. They are sub-divided as investor, customer, business partner, employee and social and environmental capitals.

## → An Integrated View of Our Business Model



The diagram above is a visual representation of the key components of our business model.

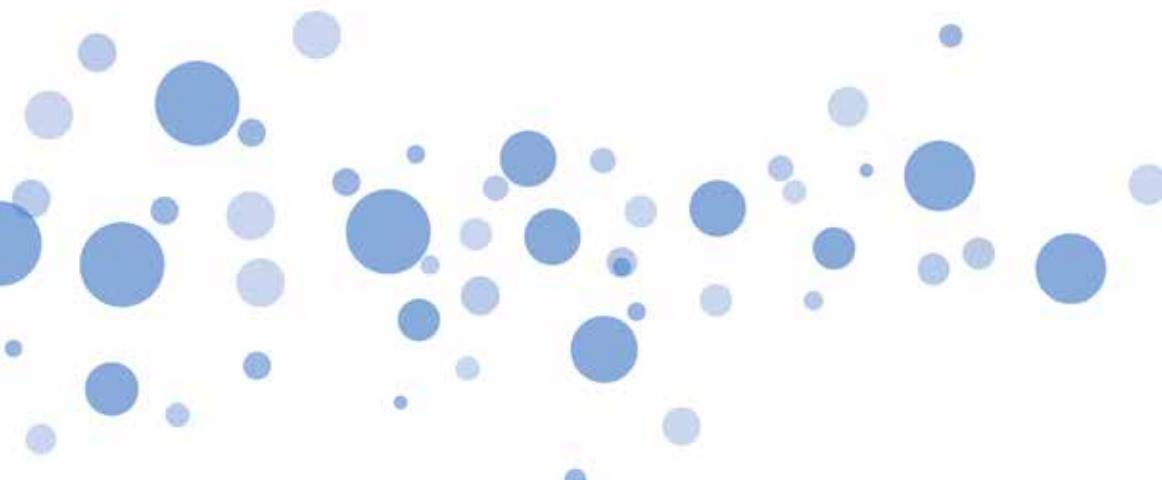
SLT's corporate vision and mission, as detailed in the inner cover, underpins all our operations. These are developed through strategic operations (page 50), which explain the objectives we seek to fulfil in the short, medium and long-term. These objectives are consequently transformed into plans of action, which are detailed on pages 50 to 56.

SLT's strategies are effectuated through its operations; the results of which are measured through key performance indicators (KPIs). KPIs are influenced by time-frames. A more detailed view of our business is exemplified through the outcomes of value creation and capital formation. Both of these aspects are comprehensively discussed in the Management Discussion and Analysis section commencing from page 64.

The creation of value is equally dependent on the close observance and evaluation of systems at several levels. These activities include corporate governance (pages 20 to 32), risk management (pages 35 to 38) and operating environment (pages 47 to 49). The results of these activities influence the further refinement of our overall objectives.

### → **Management Approach**

The Management Discussion and Analysis section that follows, details the reasons for which an aspect is identified as being 'material', the subsequent actions undertaken to govern them, and the resulting analysis of our performance and outcomes. The discussion is to be laid out along the lines of value creation and capital formation, and is appropriately backed by key performance indicators and related measures.



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# Management Discussion and Analysis

## Financial Capital

Our goal, as a Company, is to create value over the short, medium and long-term, both for ourselves and our stakeholders. The following section provides a summary of our financial performance for the year under review, at both Group and Company level. The information presented below is duly supplemented with the Financial Statements and Notes presented on pages 125 to 178.

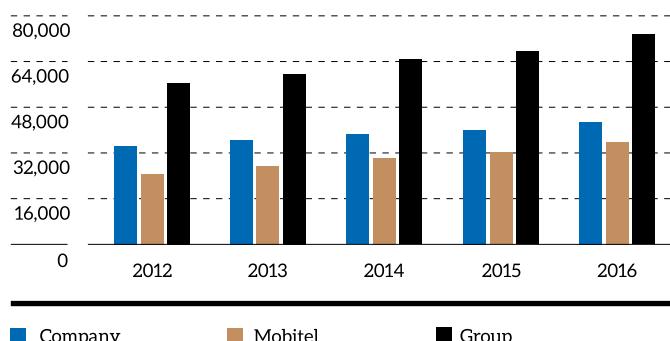
### → Profitability

#### Revenue →

The revenue of the Group increased year on year (YoY) by 8.5%, to record a figure of Rs. 74 billion. SLT, as a company, recorded a revenue of Rs. 43 billion, representing an increase of 6.3% from the preceding year. This could be attributed to the significant investment of Rs. 23 billion we made in introducing new technologies to the market and automating our internal processes through ERP and CRM systems.

Our subsidiary company, Mobitel, recorded a similar impetus in growth, to demonstrate a revenue of Rs. 35.9 billion, representing an increase of 10% from the preceding year.

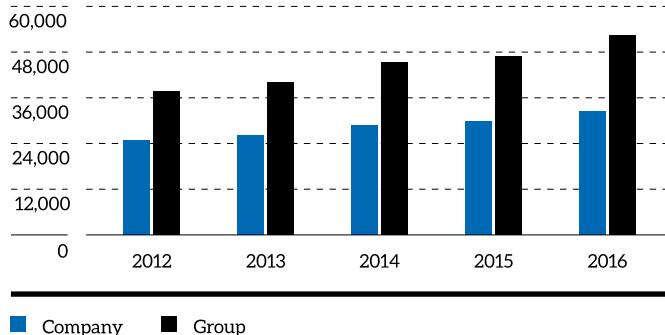
#### Revenue (Rs. million)



#### Expenditure →

The operating costs of the Group increased by 11.8% to Rs. 54 billion. The operating costs of SLT and Mobitel were recorded at Rs. 33 billion and Rs. 25 billion respectively, which increased by 9.2% and 12% from the preceding year respectively.

#### Operational expenses (Rs. million)



#### Profits →

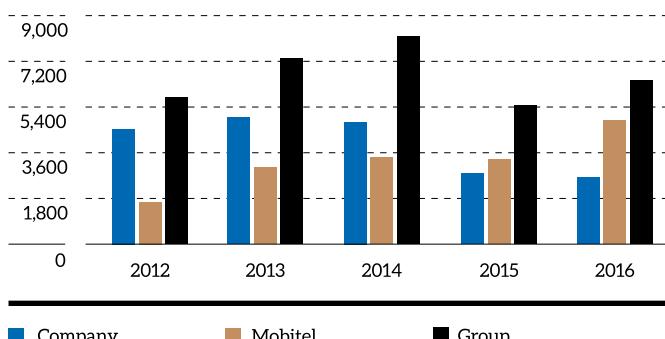
The Group recorded a profit before tax (PBT) of Rs. 6.5 billion for the financial year of 2016. This was a YoY increase of 17.8%, when compared with the figure of Rs. 5.5 billion recorded in 2015.

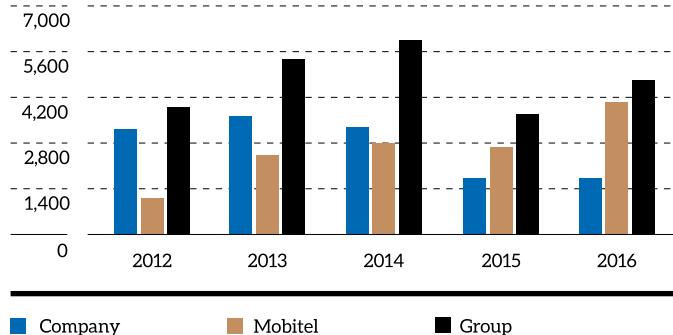
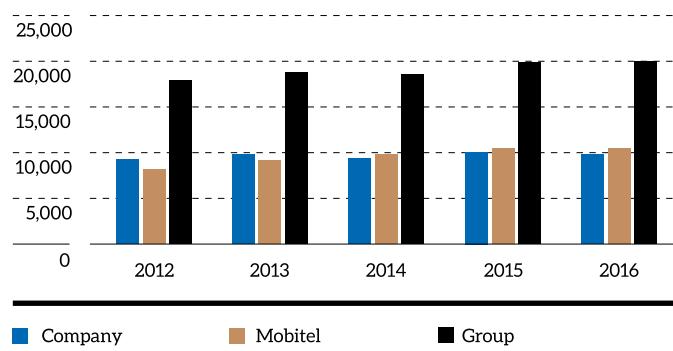
The profit after tax (PAT) of the Group was recorded at Rs. 4.8 billion. When compared with the corresponding figure for the preceding year of Rs. 3.7 billion, this represented a YoY increase of 28.6%.

At Company level, the PBT and PAT of SLT marginally declined to Rs. 2.6 billion and Rs. 1.7 billion respectively.

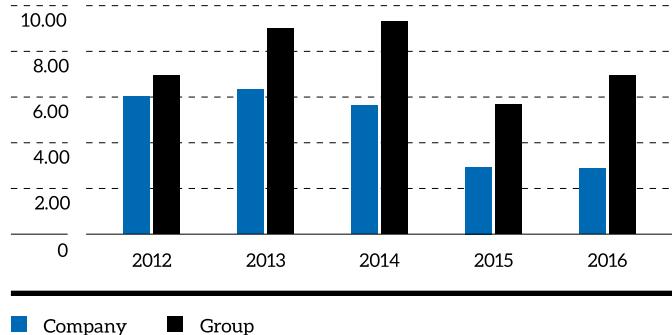
Mobitel recorded a PAT of Rs. 4.1 billion in 2016, compared to Rs. 2.7 billion recorded in the preceding year.

#### Profit before tax (Rs. million)

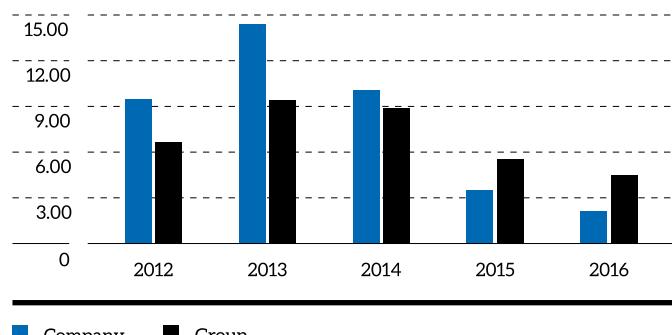


**Profit after tax** (Rs. million)**EBITDA** (Rs. million)**Return on equity** →

The return on equity (RoE) measures the profit attributable to shareholders as a percentage of their equity. The RoE in 2016 stood at 7.0% from 5.7% in 2015. For SLT as a Company, this was a percentage of 2.9% for 2016 and 2015.

**Return on equity** (%)→ **Interest Cover**

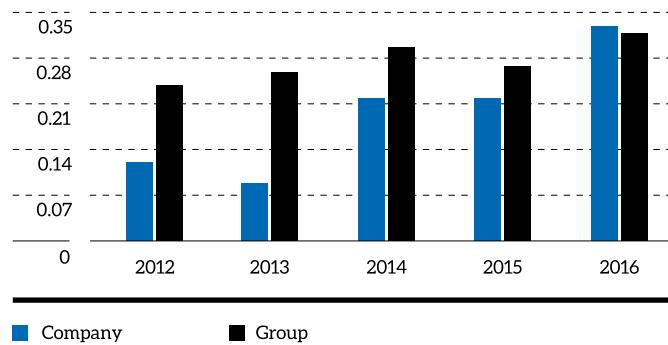
The Group interest cover was at 4.5 times in 2016, compared to 5.6 times in 2015. For SLT as a Company, this was 2.1 times in 2016; contrasted with 3.6 times in 2015.

**Interest cover** (Times)

## → Gearing

The gearing ratio measures the proportion of a company's borrowed funds to its equity. This was at a ratio of 0.32 in 2016, compared to 0.27 in 2015. At the level of SLT, it was at 0.33 in 2016; an increase from 0.22 in 2015.

### Gearing (Times)



## → Assets

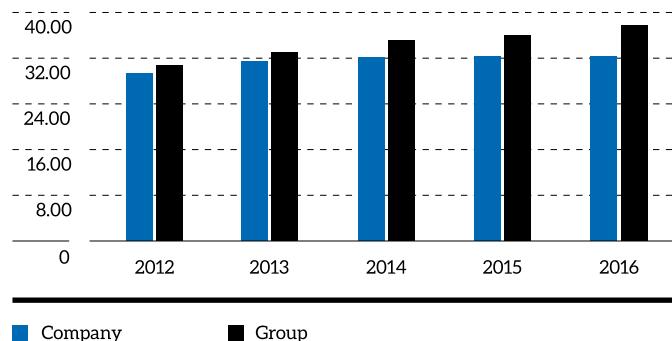
### Non-current assets →

The total non-current assets of the Group were Rs. 115.4 billion as at 31 December 2016. This was an increase of 9.8% from the figure of Rs. 105.1 billion recorded at the end of 2015. For SLT as a company, the total non-current assets were recorded at Rs. 99.6 billion, from Rs. 88.3 billion recorded in 2015; which represents an increase of 12.9%.

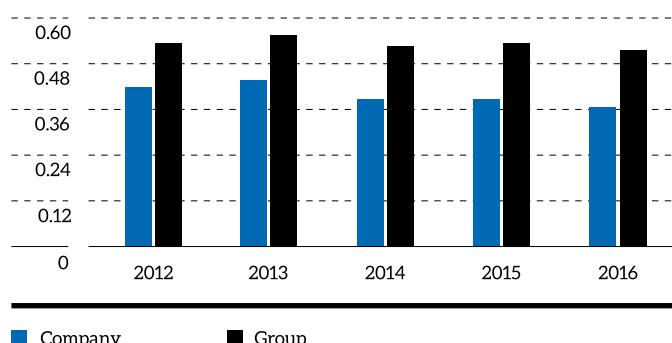
## → Property, Plant & Equipment

The property, plant & equipment of the Group increased to Rs. 108.6 billion in 2016, from Rs. 99.3 billion in 2015. This represented an increase of 9.4% at an increase of Rs. 9.3 billion. Of this figure, SLT accounted for Rs. 81.5 billion, compared to Rs. 70.0 billion recorded in 2015, representing an increase of 16.4%.

### Net assets per share (Rs.)



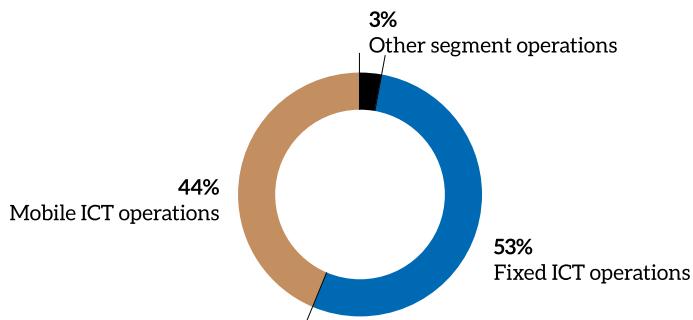
### Assets turnover (Times)



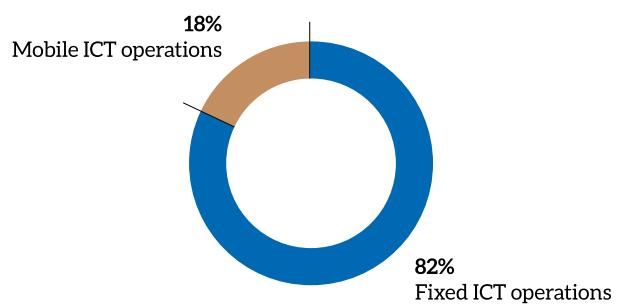
## → Segmental Performance

The operations of the SLT Group are broken down into fixed ICT operations (the responsibility of SLT) and mobile ICT operations (which is overseen by Mobitel).

### Reportable segment revenue

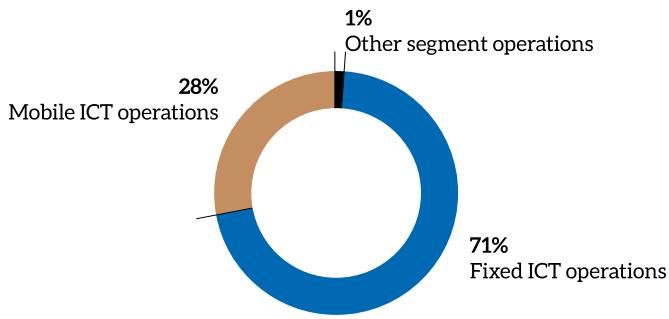


### Reportable segment capital expenditure



Additional information on segmental performance can be accessed from Note 5 to the Financial Statements on pages 144 to 146.

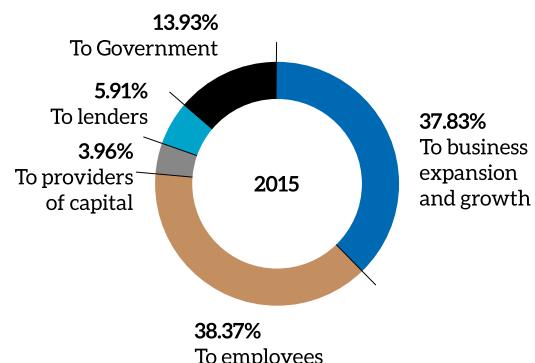
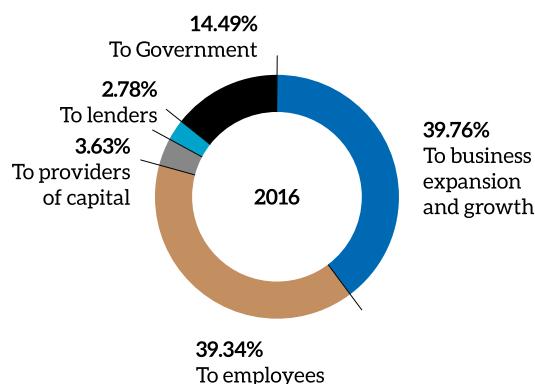
### Reportable segment assets



## → Value Added Statement

	2016 Rs. million	%	2015 Rs. million	%
<b>Value added</b>				
Revenue	73,801		68,022	
Other income	2,000		1,124	
	<b>75,801</b>		<b>69,146</b>	
Goods and services purchased from other sources	(31,581)		(28,599)	
<b>Value creation</b>	<b>44,220</b>		<b>40,547</b>	
<b>Distribution of value added</b>				
<b>To employees</b>				
- Salaries, wages and other benefits	17,398	39.34	15,557	38.37
<b>To providers of capital</b>				
- Dividend to shareholders	1,606	3.63	1,606	3.96
<b>To Government</b>				
- Taxes and regulatory fees	6,403	14.49	5,649	13.93
<b>To lenders</b>				
- Interest and related charges	1,229	2.78	2,398	5.91
<b>To business expansion and growth</b>				
- Depreciation	14,400	32.56	13,219	32.60
- Retained income	3,184	7.20	2,118	5.23
	<b>44,220</b>	<b>100.00</b>	<b>40,547</b>	<b>100.00</b>

## → Value Added and Distributed



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# Institutional Capital

Annual Report 2016 ————— Sri Lanka Telecom PLC

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**Institutional capital forms the core of our business. It comprises intangible components such as business ethics and values, organisational knowledge and intellectual property. We ensure that these receive the best governance on offer, from the highest reaches of our operations.**

## → Our Values

There are seven core values (inner front cover) that lie at the heart of SLT.

We aim to be customer-oriented, trustworthy, innovative and responsive. We ensure that we work together as a team to deliver exceptional results.

We emphasise these values in all our employees. All new employees are enlightened on the above through induction schemes. We offer refresher programmes to complement these as well. SLT prizes itself on leading by example, and to this extent, all management staff take it upon themselves to disburse and foster such values.

We possess written policies on all legal and ethical protocols. These cover the entire breadth of material from whistle-blowing to individual employee grievances.

## → Corporate Culture

SLT has a corporate culture that encourages communication and engagement with employees. This helps build confidence amongst employees and helps them dare to innovate. We further encourage employee contribution through suggestion schemes, registers and brainstorming sessions.

Our Subsidiary, Mobitel also shares an open working environment. It possesses a flat organisational framework, and even encourages lifelong employment amongst its peers.

## → Systems and Processes

### Improvements in internal efficiency →

As detailed earlier, we engaged in an organisational restructuring of the SLT Group. This will help us profit from the ensuing synergies and help reduce costs through the sharing of resources and the elimination of duplicate investments.

We integrated and automated processes through the introduction of an Enterprise Resource Planning (ERP) system. This was expedited in the third quarter of 2016. To complement this, a Customer Relationship Management (CRM) system was envisaged. This was green-lit in the fourth quarter of 2016.

### Improvements in investment

#### governance processes →

We reduced the number of Investment Governance Boards from seven to four as detailed below:

Existed governance boards	New governance boards
<b>SGB:</b> Strategic Governance Board	<b>SGB:</b> Strategic Governance Board
<b>TGB:</b> Transformation and Change Governance Board	
<b>NGB:</b> Network Governance Board	<b>PPGB:</b> Project Portfolio Governance Board
<b>IGB:</b> Information Technology Governance Board	
<b>FGB:</b> Facilities Governance Board	
<b>PGB:</b> Product Governance Board	<b>PGB:</b> Product Governance Board
<b>ESGB:</b> Enterprise and Solutions Governance Board	<b>ESGB:</b> Enterprise and Solutions Governance Board

Existing CAPEX projects were classified as 'projects', 'business as usual activities (BAUs)' and 'procurement-only investments'. Projects combining both BAUs and procurement-only investments are named 'strategic projects' for investment governance processes.

Reducing the governance boards as such, lead to several benefits. Decisions in capital investments were improved. The supply chain management saw similar enhancements, and there was better utilisation of resources.

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**Project management and benefit realisation management →**

Reports on the progress of projects are compiled on a monthly basis for the top 25 projects. These are then duly communicated to the Board of Directors.

The financial benefits of all investments are captured at the level of the programme. These are then reported on a quarterly basis to the senior management. The outcomes are measured and reported at the level of the project.

**Operational excellence →****ERP →**

The ERP system helps both SLT and Mobitel in digitising and streamlining several business processes. These include activities in finance, enterprise asset management, human resources, projects and the supply chain. The automation and standardisation of processes, with an integrated approach, eliminates delays for greater efficiency and productivity.

**Big data analytics →**

Mobitel employs an analytic platform, together with an algorithm, to analyse multiple lines of information from global markets and business trends; to further develop its corporate strategy.

**Contingencies →**

Through international consultancy, disaster recovery (DR) systems in ICT and networking and cyber security mechanisms, SLT possesses a stringent business continuity plan that can successfully navigate unforeseen events and serve customers without any interruptions in service.

Finally, the increased adoption of our data centre and cloud services can bolster local enterprises to compete amongst global players in their industries.

**Brand Image**

SLT enjoys respect and approval amongst its customers as the 'national' ICT service provider for Sri Lanka. It enjoys similar regard in the development of infrastructure and the roll-out of broadband technologies. Our island-wide connectivity, and strong regional presence further contribute to this distinction. To supplement all this, we maintain an active media and social media presence.

Our subsidiary Mobitel is equally renowned as being the leading national mobile service provider. With carefully-executed marketing and promotional programmes, we wield an influential position on all sections of society.

We wish to extend this in the years to come by positioning ourselves as a bespoke digital lifestyle services provider. Our customers will be able to integrate all aspects of their lives; from their workplace to their home and beyond, with the services we provide, to benefit from the entirety of what we offer.

**→ Quality Assurance and Certification**

SLT continued its operations under the ISO 9001-2008 framework. We have views on upgrading to the more recent version of ISO 9001-2015. We similarly visualise using the system to digitise tasks and solve routine issues. This will increase the efficiency of our operations and therefore our productivity.

Our contact centre in Gampaha was the recipient of the Silver Award in the International Convention on Quality Control Circles (ICQCC) 2016. This event was conducted in Bangkok, Thailand.

We equally received the Overall Winner Award as well as the Gold Award in the service sector by the Sri Lanka Association of the Advancement of Quality and Productivity (SLAAQP) in 2016.

**→ Information Security**

SLT's information security policy is compliant with the ISO/IEC 27001:2013 International standard. To further improve our security, we undertook measures to evaluate the existing infrastructure and take appropriate measures as required. This similarly helped us in shaping the existing collateral to be more ergonomic and efficient.

**→ Compliance**

SLT possesses separate regulatory and legal divisions that monitor all regulatory and statutory ratifications. Employees are kept aware of relevant developments through the SLT Intranet portal. All our human resources practices are compliant with labour regulations and related statutory collateral.

We also ensure the compliance of our outsourced operations, such as making contributions to Employees' Provident Funds (EPFs) and Employees' Trust Funds (ETFs). SLT takes every effort to fully comply with all Government regulations.

As a listed company, SLT closely follows the rules and regulations imposed on it by the Colombo Stock Exchange. All company policies, procedures and guidelines have been developed in compliance with regulatory and statutory requirements. Our compliance is audited by Auditors both internally and externally.

For the period under review, SLT did not face any fines in relation to issues of non-compliance with laws and regulations pertaining to the provision and use of our products and services. Similarly, we did not receive any complaints on discordances in customer privacy.

Finally, we ensure that all our activities are compliant with established guidelines on environmental protection.

## → Risks and Contingencies

The Board of Directors bears total responsibility for the setting-up and monitoring of the Group's risk management framework (page 36). The Audit Committee inspects management's monitoring of compliance with the Group's risk management processes. Aspects of financial risk management are covered under Note 4 to the Financial Statements commencing on page 140. Any other extraneous aspects are discussed under Note 32 to the Financial Statements on page 173.



SLT

Mobitel

Gold Award at The Institute  
of Chartered Accountants of  
Sri Lanka (CA Sri Lanka) – for  
the 10th consecutive year

Runners-up in Telecom Sector  
SAFA Best presented  
Annual Report



Among Top 15 of Business  
Today Top 30 Business ranking

Among Top 10 of LMD Top 50  
Business Organisation ranking

Sri Lanka Telecom wins  
City & Guilds Lion Award,  
the Oscar of skills education



IESL Techno Sri Lanka  
Silver Award for  
'Products with  
highest social impact'

IAIR Awards  
'Company of the  
Year for Innovation'

IESL Techno Sri Lanka  
Bronze Award for  
'Most Innovative  
Local Product'

#### Three International Awards

Silver Award for the interior design category,  
Bronze Award for the Interactive Online Annual  
Reports category, Bronze Award for the written  
text category in Telecommunications sector at the  
ARC Awards 2016

**Our investors constitute individuals and institutions that provide us with financial capital; seeking reciprocal returns for the short, medium and long-term. They are similarly instrumental in helping propel our operations forward into the future.**

## → Shareholder Profile

The two main shareholders of Sri Lanka Telecom PLC (SLT) as at the year end were the Government of Sri Lanka (holding a 49.50% stake in SLT through the Secretary to the Treasury) and Global Telecommunications Holdings (GTH) N.V. which owned a stake of 44.98%. The remainder of 5.52% constitute the shares that are publicly traded on the Colombo Stock Exchange.

### Government of Sri Lanka →

As the primary shareholder of SLT, the Government of Sri Lanka offers many consumers a feeling of reassurance and confidence in the products and services we offer. They are thus ensured of superior quality and levels of service. This position is further meliorated by SLT's long-standing role as a figurehead in the telecommunications sector; and its current position as the national ICT services provider.

### Distribution of shares →

Shareholdings			Resident			Non-resident			Total		
	No. of shareholders	No. of shares (%)	No. of shareholders	No. of shares (%)	No. of shareholders	No. of shares (%)	No. of shareholders	No. of shares (%)	No. of shareholders	No. of shares (%)	
1 - 1,000 shares	9,630	2,930,181 0.16	18	7,247 0.00	9,648	2,937,428 0.16					
1,001 - 10,000 shares	2,287	9,036,410 0.50	29	152,656 0.01	2,316	9,189,066 0.51					
10,001 - 100,000 shares	226	4,841,839 0.27	7	212,365 0.01	233	5,054,204 0.28					
100,001 - 1,000,000 shares	7	1,162,081 0.07	2	401,480 0.02	9	1,563,561 0.08					
Over 1,000,000 shares	8	974,357,872 53.99	1	811,757,869 44.98	9	1,786,115,741 98.97					
	12,158	992,328,383 54.98	57	812,531,617 45.02	12,215	1,804,860,000 100.00					

## Global Telecommunication Holdings N.V. →

Global Telecommunication Holdings N.V. is the holding company of Maxis, the Malaysia-based telecommunication company. Maxis provides technical and telecommunication expertise to SLT.

## → Stability

The stability and long-term viability of SLT is of supreme importance, not just for our shareholders but for the entire country. Our ratings are sound, as detailed below:

### Fitch ratings →

National long-term rating of AAA (lka) Long-term local currency and foreign currency rating B+.

### Standard & Poor's ratings →

Local and foreign currency credit rating of B+.

## → Investor Relations

SLT briefs its shareholders and associated parties on performance through numerous means. These include, but are not limited to; press releases, release of interim financial results, the Annual General Meeting, our web portal and announcements on the Colombo Stock Exchange. SLT's Annual Report offers comprehensive details on all relevant financial and non-financial information.

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**Categories of shareholders →**

Category	No. of shareholders	No. of shares
Individual	12,076	16,490,028
Institution	139	1,788,369972
	12,215	1,804,860,000

**List of 20 major shareholders as at 31 December 2016 →**

Name	Shareholding	%
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	17,986,362	1.00
5. Sri Lanka Insurance Corporation Limited-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 Limited-General Fund	2,041,538	0.11
9. Bank of Ceylon A/C Ceybank Century Growth Fund	1,425,536	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
	1,787,870,471	99.07

Percentage of public holding as at 31 December 2016 – 5.52%.

Number of shareholders representing the public holding – 12,213.

**Share price trend →**

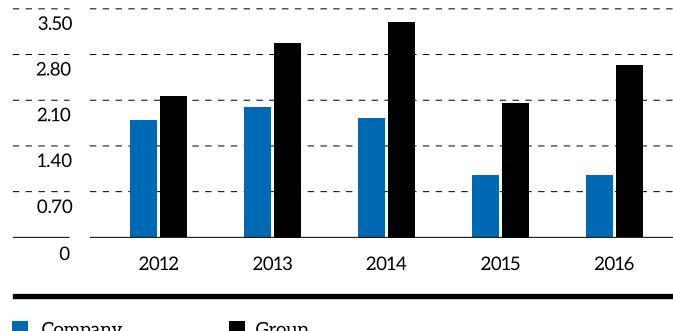
	2016	2015	2014	2013	2012	2011	2010	2009
Highest value (Rs.)	46.40	54.90	57.30	50.00	50.00	64.50	51.00	48.00
Lowest value (Rs.)	31.20	43.00	33.33	36.10	34.00	44.00	35.00	39.50
Last traded price (Rs.)	36.00	47.00	49.90	37.00	44.50	48.00	49.00	46.00
Market capitalisation (Rs. billion)	64.97	84.83	90.00	66.78	80.32	86.63	88.44	83.02

**Trading activity →**

	2016	2015
No. of transactions	3,328	3,173
No. of shares traded	3,082,282	2,062,507
Value of shares traded (Rs.)	112,724,951.40	99,644,736.70

**Highlights →**

	2016	2015
Earnings per share (Rs.)	2.65	2.06
Net assets per share (Rs.)	38.05	36.15
Gearing ratio (Debt to Rs. 1/- of total equity)	0.32	0.27
Quick asset ratio (No. of times current liabilities)	0.57	0.62
Interest cover (Earnings before interest and taxes divided by interest expense)	4.53	5.62
Dividend payout ratio (%)	33.5	43.1

**Earnings per share (EPS) (Rs.)**



## Your Office: Anywhere

SLT's AKAZA cloud service allows you to access your workstation from anywhere and on any device.



**Our customers are the reason for our existence. In a fast-paced and continually-evolving ICT industry, we cherish their commitment and trust in our products and services.**

## → Fixed ICT Products and Services

Through our commitment to cementing our status as a digital lifestyle services provider, SLT has brought a suite of exciting new products to its customers.

### **Broadband →**

SLT offers the highest monthly data volumes to customers, up to 2000 GBs. We also possess the highest download speeds of up to 100 Mbps, and are equally capable of offering shared data for multiple Wi-Fi enabled devices.

### **Key initiatives undertaken during the year →**

#### **Volume enhancement** →

SLT increased the data volume of all its offered packages up to 82% and matched peak & off-peak data volumes. SLT introduced off-peak data volumes for the first time in 2011 as an free offer in addition to standard monthly data volume.

#### **Speed and Data volume enhancement** →

We continually enhanced the broadband speed of all packages powered by fibre, ADSL and LTE technologies. This enabled us to offer packages with download speeds of up to 100 Mbps. The enhancing of broadband volume is effectuated annually by improving the offered packages.

#### **On demand data** →

This feature enables customers to add extra gigabytes of data to their existing package. They can do so online through the SLT broadband value-added services portal.

#### **Smartline** →

Fibre to the home (FTTH) technology was introduced under this feature to raise Internet speeds up to 100 Mbps.

#### **Introduction of AC routers** →

SLT introduced routers with speeds of up to 750 Mbps for the first time in Sri Lanka.

## **Value added services →**

### **SLT Filmhall - OTT entertainment platform →**

The above service was inaugurated to offer customers unparalleled access to Hollywood, Bollywood, Sinhala, Tamil and Telugu movies. Customers will be able to view all of the above and much more from the comfort of their own homes. Thus SLT brings a veritable cinematic experience right to customers' fingertips. The service can be accessed through SLT Broadband as well as mobile devices through the related application.

### **SLT digisolutions →**

SLT aims to transform homes and offices into Smart premises. Broadband, Wi-Fi and PEO TV connections can be extended through the premises through internal wiring and powerline adapters. The Internet of Things (IoT) technology will further connect enabled devices anywhere on the premises to the resulting Wi-Fi network.

### **PEO TV - Impacting peoples lifestyles →**

Our PEO TV platform is the ultimate provider of local and global content. We have revolutionised the traditional TV experience with a suite of features to include high quality digital imaging, time-shifted TV, rewind TV, video on demand and so much more.

#### **PEO TV on the go through Mobitel →**

The PEO TV platform has now been extended to Mobitel customers.

#### **Multiple PEO TV offers at one location →**

Smartline (fibre optic) connections provide customers the unique possibility of having multiple PEO TV connections via a single connection. Thus individuals can fully personalise their content of choice.

## **Carrier grade Wi-Fi →**

We are rolling out carrier-grade Wi-Fi technology in the Nation. This will permit customers to access social media content, rich media content and data-intensive enterprise applications on the go; a feature that was previously inaccessible on standard public Wi-Fi. This will provide unique retail experiences such as interactive shopping, and business users will be able to conduct more efficient transactions without any disruptions during periods of travel.

## **Web hosting packages →**

Our cutting-edge data centre provides customers with a suite of hosting services to meet diverse needs. This includes DNS registration and e-mail server solutions.

## **Enterprise solutions →**

Our Intelligent Solutions cover the breadth of next-generation voice, networking, data hosting and managed services. This allows local businesses the opportunity to stand edge to edge with global competitors. Our services are tailored to the needs of entrepreneurs of all sizes. With powerful capabilities in convergence, extended reliability, improved scalability and much more, we present a powerful product portfolio with unparalleled features.

## **AKAZA →**

Akaza is Sri Lanka's premier automated cloud computing platform. It provides end-to-end cloud computing services to enterprises to guarantee the maximum possible ROI.

Akaza's technology combines cloud services to include software and platforms that can be accessed via an online self-service catalogue to centralise user management.

Our cloud is hosted locally within our data centre. Users can access, store and utilise data through remote means using public internet, a secured internet protocol (IP) address or a virtual private network (VPN).

This national cloud system will lead to a range of benefits for the national economy, such as by minimising an outflow of foreign currency, reducing the consumption of paper, and increasing the eco-friendliness of everyday business operations. It will further contribute to the development of an ICT-reinforced 'Smart' Sri Lanka, and could extend its reach to global audiences as well.

Further information about this exciting feature can be found on our corporate website.

## **SME solutions →**

We offer a range of services to our SME clients to include voice, networking, data hosting and managed services. These are specially tailored to the unique needs of the respective entity.

## **Mobile ICT Products and Services**

### **Mobile broadband →**

We remain committed to upholding the broadband penetration rate in Sri Lanka by continuing to provide exceptional user experience and ever affordable options to consumers.

With the roll-out of LTE technology, Mobitel customised its portfolio of products to adapt to this network and gave customers incentives to move onto it as well; through the introductions of tariff plans and device plans. The initiatives have been successful in migrating customers from the 3.75G network to the 4G network.

### **Digital services →**

#### **mCash →**

Our mCash service continues to deliver exceptional results. Customers are now able to top up their account using the mobile or Internet-banking applications of Hatton National Bank, Commercial Bank and Sampath Bank.

#### **Car Doctor →**

We introduced a smart vehicle tracking device; for users to monitor their vehicle's performance and progress while it is in use. This is an addition to our Internet of Things (IoT) portfolio.

#### **Healthcare →**

We acquired eChannelling PLC in September 2016. This connects us with over 210 hospitals linked with the platform, giving customers access to the largest channelling network in Sri Lanka with over 4,500 medical professionals.

The network possesses over 2,000 channelling agents. Channelling is possible through SLT landlines as well as over 650 post offices island-wide. The service is not limited to channelling doctors. Users can contact various third parties and health service providers for additional benefits.

#### **mLearning →**

Mobitel's mLearning platform continues to empower and drive education in Sri Lanka. It is the only comprehensive platform in Sri Lanka that gives a student the opportunity to

follow an entire university course in a virtual environment. The platform has been embraced by numerous universities and educational institutes in Sri Lanka.

#### mTicketing →

Mobitel introduced a new feature in this service, whereupon a user can obtain electronically-validated tickets to sites of interest in Sri Lanka. The project covers several noteworthy tourist destinations in the country to include the Pinnawala Elephant Orphanage and Victoria Park in Nuwara Eliya. Mobitel plans to extend this feature to all relevant attractions in the country, thereby creating a national electronic ticketing system.

We have extended our mTicketing platform for Railways, to all telecommunications operators in Sri Lanka. Therefore, any user can obtain railway reservations through their preferred network.

#### Other value added services →

We introduced a device manager platform that furnished all data-enabled devices with GPRS settings to improve data penetration.

Our Mobitel TV Portfolio provides customers with a greater variety of entertainment options.

A 'bus booking' service enables customers to book bus tickets via carrier billing. Carrier billing also affords customers the opportunity to subscribe to online magazines.

#### Voice initiatives →

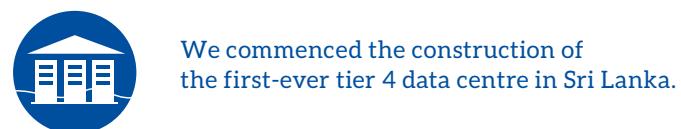
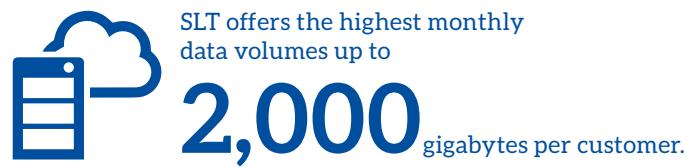
We carried out many initiatives to promote prepaid and postpaid packages amongst our customers. These included the Cash Bonanza Montero Extra Vaganza, the Waasi Pita Waasi campaign, attractive postpaid packages bundled with device offers and various IDD and roaming-related initiatives.

### → Market Presence

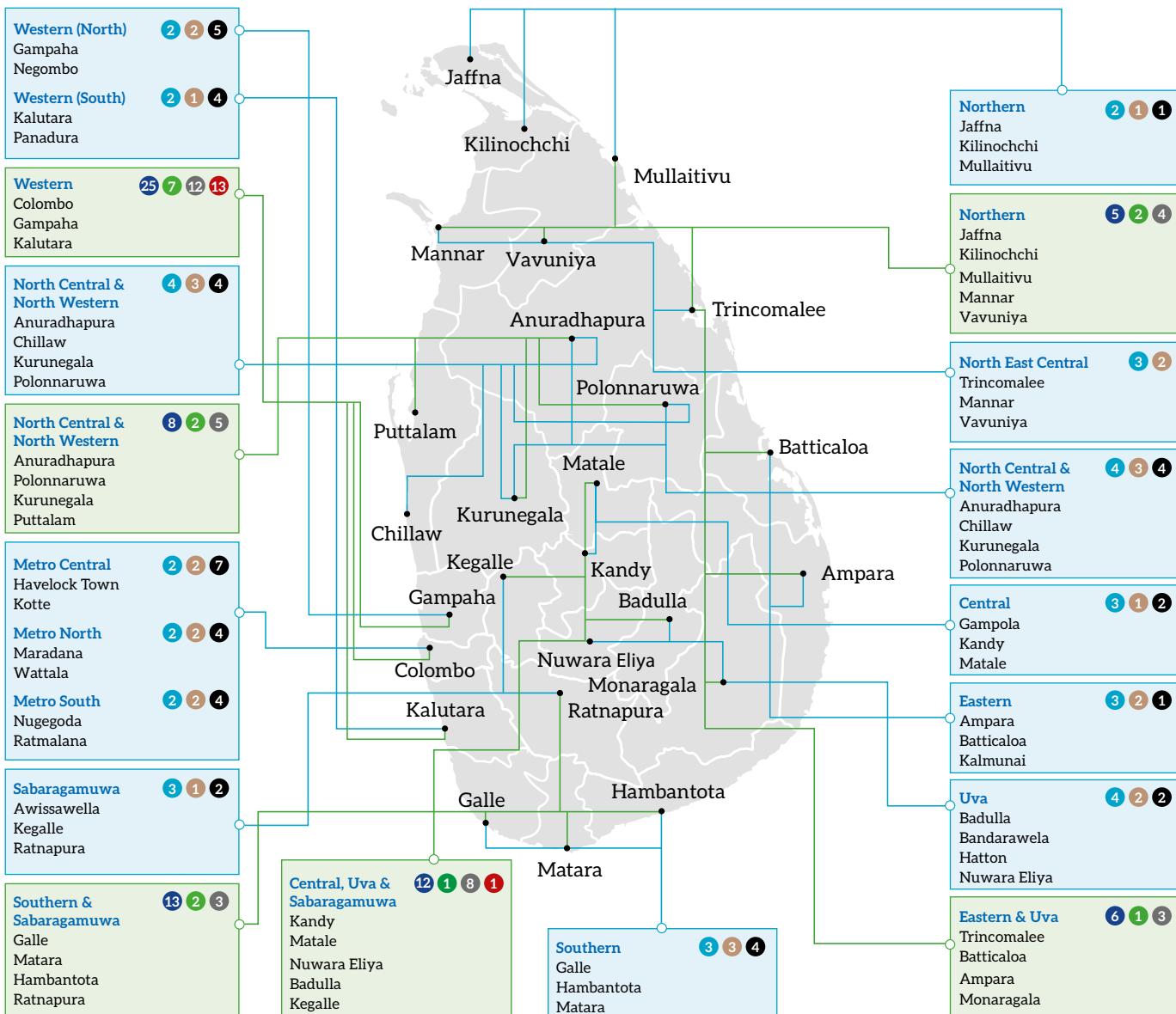
Our teleshop and regional telecommunications offices are located centrally to enable users to conveniently avail of our services. Our dealer and reseller network extends island-wide, and help customers acquire pay phone cards and services to register for broadband and LTE technologies.

Customers can pay their bills at all relevant banking institutions, supermarkets and sales outlets at select companies.

**SLT effectuated a customer satisfaction index (CSI) study in 2016. A quantitative survey was used to conduct face-to-face interviews with a total of 2,264 participants. The study revealed a customer service satisfaction rate of 91% amongst individual consumers, 85% amongst SME clients and 79% amongst enterprise customers.**



<b>40</b> No. of teleshops	<b>35</b> No. of regional offices	<b>24</b> No. of maintenance centres	<b>8</b> Contact centres	Technology experience centre, Mobile experience centre and Experience centres located within teleshops <b>Customer experience centres</b>
<b>133</b> Total Touchpoints	<b>69</b> Dealers Online	<b>11</b> Branches	<b>4</b> Mini Branches	<b>35</b> Teleshops (Mobile)

**SLT**

● Regional offices ● Maintenance centres ● Teleshops

**Mobitel**

● Dealers Online ● Branch/Mini Branch ● Teleshops (Mobile) ● Singer Mega

Number of teleshops, regional officers, maintenance centres and contact centres were increased during the year to improve customers convenience.

Please note that the regional divisions being featured in this map are based on SLT and Mobitel's administrative divisions.

## → Key Trends

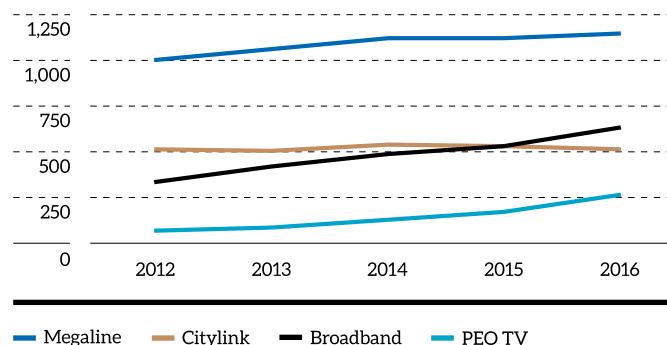
### Fixed ICT operations →

#### Customer base growth →

In 2016, SLT provided over 105,000 fixed line connections. We also provided over 205,000 broadband connections, which is an exceptional achievement, compared to previous year. In addition, we provided over 110,000 PEO TV connections. All above achievements were supported by our up-to-date FTTN, FTTH and 4G LTE (Fixed) technologies.

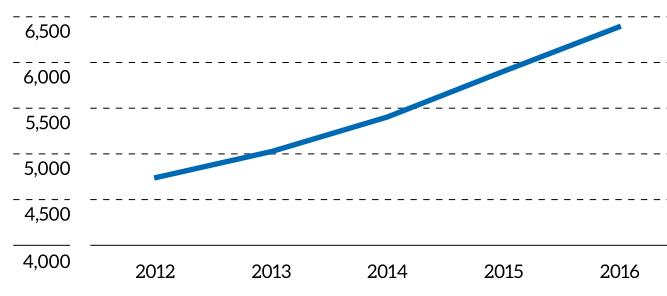
We recorded an increase of 52% in the uptake in broadband connections for this period. New PEO TV connections equally increased by 85% during this time-frame.

#### Fixed ICT operations customer base (No. '000)



### Mobile ICT operations →

#### Mobile ICT operations customer base (No. '000)



## → Customer Care and Service Improvements

### Information on products and services →

We engage with customers through diversified means to provide accurate and relevant information on our products and services; as well as to obtain feedback on our operations. The channels we employ include one on one interactions, our contact centre, SLT's corporate website and social media accounts, mailers and newsletters, brochures, our customer satisfaction survey, ICT workshops, enterprise customer forums and finally, customer visits and meetings. We use traditional media channels to market and advertise our products and services to the general public.

In addition, our account managers frequently visit our enterprise customers to ensure that they are receiving all the support they require from SLT. Enterprise customers are equally furnished with the contact details of senior staff to escalate any issues to attention resulting from any discordances in expected service levels.

We have established a distinct hotline, 1212, for customers to obtain information and log concerns. This is a 24-hour service with zero cost to the customer. Any resulting user comments are entered into our operational support system (OSS). This helps us in refining our services as appropriate for further improvements in customer care.

### Contact centre →

Our contact centre recorded a total of 10,285,016 calls in 2016; of which circa 7 million were to agents. A customer satisfaction rate of 91% was recorded throughout the year; and as at the year end; customers reported a 79.06% satisfaction rate with the contact centre staff. We were also able to fulfil the service level KPIs established by the Government Centre: GIC (1919) and the Sri Lanka Insurance Corporation (SLIC) in this domain. The GIC Index noted that 95.15% of calls were answered within 15 seconds, and a corresponding call abandonment rate of less than 5% was recorded. Similarly, the SLIC Index showed that 98.20% of calls were answered within 20 seconds, with a call abandonment rate of less than 2%.

### Complaint management →

We have an established and detailed process in place for the handling of customer complaints.

Any complaint received by the contact centre and enterprise help desk are entered to the OSS, and forwarded to the corresponding work group. A trouble report will remain in the system unless it is attended to and the matter resolved. The officer in charge of the work group oversees the system and organises resources to address the issue. The officers are themselves monitored by deputy general managers. The Plant Maintenance and Customer Service (PM & CS) Unit conducts an age analysis of existing trouble reports and conveys results to relevant senior officers. Samples of closed trouble reports are selected, and relevant feedback is obtained from the customers who lodged the initial, corresponding complaint. We take necessary further steps if the customer is still not satisfied.

## → Knowledge sharing

### Fixed ICT operations →

We engage in knowledge sharing activities with enterprise customers through customer forums, individual discussions, product launches and the inauguration of national initiatives.

We conduct customer forums and annual conferences for the benefit of SME customers. These events allow decision makers to meet the top management at SLT. We equally get the opportunity of receiving direct customer feedback during these times.

We equally use social media as a tool in developing our customer relationships. Social media allows for the disbursement of knowledge and information, as well as the posing of inquiries and handling of complaints, in real time.

### Service assurance →

	Service fulfilment index (SFI) (%)*			Uninterrupted service index (USI) (%)**			Service restoration index (SRI) (%)***		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Mega Line	79	66	71	89	88	89	73	65	68
Citylink	83	84	90	97	97	97	66	71	78
Broadband	77	57	59	91	86	87	70	58	67

\* The Service Fulfilment Index (SFI) indicates the rate at which we satisfy the delivery of a product or service within a promised time (in number of days) for new customers.

\*\* The Uninterrupted Service Index (USI) references the rate at which services are provided to existing customers without any breakdown or fault.

\*\*\* Service restoration Index (SRI) indicates the rate at which fault clearance is executed within a promised/standard time-frame.

As the table above shows, we have showed improvements in all three factors in our Megaline and Broadband services.

### Customer satisfaction →

SLT effectuated a customer satisfaction index (CSI) study in 2016. The key objectives of this was to derive a company-wide CSI, gauge the key expectations of customers, evaluate the level of satisfaction across all touch-points and identify any discordances in satisfaction levels.

The study employed a quantitative survey, with a pool of participants being selected from a customer database. Following this, face-to-face interviews were conducted with the participants using a structured questionnaire.

The breakdown of participants by area and customer touch-point is shown in the table below:

#### Sample Size →

Segment	Area				
	Total	Metro	Region 1	Region 2	Region 3
Consumer	1,430	282	389	501	258
SME & RAM	654	199	181	165	109
Enterprise	180	Large 50, Medium 80 and Govt. 50			
Total	2,264				

The results of the survey are displayed below:

Segment	CSI		
	2016		2015
	Actual (%)	Target (%)	(%)
Consumer	91	90	88
SME	85	90	85
Enterprise*	79	90	82

\* The decline in the CSI for enterprise customers is explained by the complex nature of integrated solutions and high scale of service-level agreements that are required by this sector due to high expectations of valued enterprise customers.

We were able to extrapolate several findings from this study. Our performance in resolving billing, payments and maintenance issues appears to be strong. We need to improve our social media delivery response, as customers usually require a high level of attention and service from us in this domain.

## → Customer Engagement

### Fixed ICT - Marketing campaigns & promotions →

We rolled out several marketing campaigns and promotions to drive awareness of our products and services to the general public.

Under the *Sisu Abhiman* programme, we rewarded the top 21 students who had achieved the highest results in the GCE (A/L) examination island-wide. These students were provided ultra high-speed broadband connections to aid in the entire duration of their undergraduate studies.

Under the *Sisu Connect* scheme, we organised a series of seminars for grade 5 students sitting for the scholarship exam. We were able to demonstrate our SLT call tutor service and additional products to interested students and parents.

Through the MyBill Promotion scheme, we enlightened our customers on this web-portal based billing service. This was done through the circulation of e-flyers as well as the distribution of promotional leaflets.

We equally organised the SLT e-sports championship 2016 for all the devoted online gamers of Sri Lanka. This was one of the ways we continued to position ourselves as being an ideal broadband solution for the gaming and youth communities.

A comprehensive list of other promotional activities and campaigns can be accessed from our corporate website.

### Mobile ICT - Marketing campaigns

#### & promotions →

We revamped our 'cash bonanza' programme in 2016 to include 12 luxury Mitsubishi Monteros as first prize for each month. This rewarded our users on a daily and monthly basis by distributing a spectacular sum of Rs. 350 million throughout 2016. This was the largest prize give-away by a telecommunications operator in Sri Lanka.

Our mCash platform equally launched a 'Pay bills with mCash to win big' promotion to all its mCash users to encourage them to use the mCash App to make utility bill payments.

## → New Enterprise Business ICT Solutions and MOUs

### Fixed ICT operations →

We engaged with numerous high profile clients throughout the years to furnish them with ICT solutions and related services. To note were the optical fibre and VPN connections we provided to hotels operated by Serendib Leisure Management, the call centre solutions we afforded to Singer (Sri Lanka) and the VOIP services we provided to Union Assurance PLC. A full list of our operations can be accessed from our corporate website and press releases.

SLT will equally equip the soon-to-be completed Colombo Lotus Tower; the tallest building in South Asia; with cutting-edge technology and ICT services.

We have signed MoUs with the Faculties of Engineering of the Universities of Peradeniya, Moratuwa and Ruhuna to carry out Research and Development (R&D) activities.

### Mobile ICT operations →

We partnered with Lanka BPO academy to extend our mLearning portfolio to include distance-learning courses offered by the Chartered Institute of Securities and Investment (CISI).

We similarly joined hands with Colombo Dockyard PLC to develop a cutting-edge vehicle detection system for vehicles stationed at the dockyard.

A partnership with Emerging Media (Private) Limited resulted in the creation of the myjobs.lk website. This is an online job-listing platform in Sri Lanka, destined for both prospective employees and recruiters.

### SLT presents cloud-based micro services

#### architecture →

SLT, together with the efforts of the Sri Lanka Association of Software and Service Companies (SLASSCOM) conducted a knowledge-sharing programme titled 'TechTalk'. The programme dealt with the topic of cloud-based microservices architecture. The event witnessed significant participation from software and application developers and coding professionals based in Sri Lanka.

## → Opportunities and Challenges

### Retail →

We witness that the ICT industry is changing rapidly, and as a result our customers are increasingly into the automation and digitisation of processes. Thus, SLT is geared towards delivering solutions to fit these increasingly digital lifestyles.

The general populace is increasingly adopting the services being offered by OTT players. We can counterbalance this by focusing our efforts on enhancing the Internet services that are on offer that enable customers to access OTT operations in the first place. This can be done through the implementation of higher data rates for enhanced connectivity. Nonetheless, we will have to address the growing data traffic which may arise from the increasing adoption of these services. The cost of accessing the Internet will also diminish with time due to the developments in new technology.

### Enterprise customers →

Enterprise customers do not pose straightforward requirements to us. They require customer solutions that are technically complex and collaborative. We need the participation of systems and integrators for this purpose.

We witness that our clients are increasingly seeking digital and automated services. We see opportunities in several industry areas in the enterprise domain. For example, banks in Sri Lanka are increasingly shifting their services onto digital platforms. Equally, the Government has various ICT initiatives, such as the LGN 2.0 network, which SLT has been given the unique opportunity to oversee and collaborate on.

With the surge in economic development of the country, we will witness an influx of investors. These investors will require ICT solutions when they execute their operations, so we witness ample market opportunities there as well. One of our strengths is that we offer a comprehensive package of ICT solutions under our OPEX model.

We equally see exciting new prospects in developments such as the Megapolis project; whereupon we will deliver ever-sophisticated services to satisfy the diverse needs of the varying businesses being established there.

### Small and medium enterprises →

For SME customers, we ensure that we do a detailed analysis of the customer profile, and try to understand their specific business challenges. We then devise plans with regards to their ICT requirements to aid in the digitisation of their

operations. And thereupon, we see opportunities.

We notice that some customers are very keen to embrace these technologies, but some others require more time. Whatever their need, SLT ensures that it is part of the joint engagement of client and supplier as a valued partner.

### Public sector institutions →

We are anticipating the launch of GS3+ which will be a fortuitous opportunity for us, as a lot of factories will open under this; for which we can provide ICT solutions.

Recently, we were instrumental in the government's removal of the embargo on fishing exports. This was enacted by the European Union (EU) to stop unsustainable and illegal fishing practices. SLT expedited a vessel monitoring system that was developed through our own subsidiary. This was a GPS-based vessel monitoring system; and until such a system was in place, the EU did not want to withdraw the embargo. We completed this process within three weeks and the restrictions were successfully raised.

### Wholesale →

We usually offer our wholesale customers solutions in connectivity and vanilla products; to which there are no added value.

### International →

We do witness market opportunities here in terms of voice, but there is an overall decline in revenues in this sector due to users migrating to OTT applications to avoid high call charges. Our capitalisation of the non-voice segment of the market (the data segment) is slightly less than the voice segment.

We are dealing with international carriers, and currently have around 80 plus interconnection agreements in the pipeline, to which we add between ten and fifteen interconnections each year. We contact interested parties and liaise with them to understand their ability to grow our business, and vice versa. In addition, we entered into some voice-commitment agreements (VC agreements) and swap deals with some carriers.

## → Network Infrastructure and Ongoing Development Projects

In 2015, we invested Rs. 17.6 billion in developing Sri Lanka's ICT infrastructure and introducing new technologies to our customers. We continued these efforts in 2016, investing

over Rs. 20.1 billion on the ICT infrastructure development by the end of 2016.

We completed Phase V of the i-Sri Lanka project whereupon we extended the reach of optical fibre to roadside cabinets furnishing Internet speeds of up to 20 Mbps to customers. Our island-wide network of optical fibre extends to over 25,000 km.

High-demand areas were provided with a fibre to the home (FTTH) network with broadband speeds of up to 100 Mbps. We implemented fixed 4G LTE wireless broadband networks to cater to broadband demand beyond the reach of wireline networks.

A carrier grade Wi-Fi project was launched to enable the public to use their home broadband at public locations.

The brand new submarine cable system (SEA-ME-WE 5), delivering data at over 48 Tbps, was launched to increase the speed and reliability of Sri Lanka's connectivity to global regions.

We commenced the construction of a new data centre at Pitipana-Homagama, which will be completed in the second quarter of 2017.

## Network connectivity →

SLT's existing network is a layered one. It is on this that we categorise our connectivity facilities. An access layer permits a customer to gain initial access to the network.

We possess over 25,000 km of optical fibre dispersed throughout the island constituting 2.5 million loops. We equally possess over 300 nodes connected throughout the country which accumulates all traffic from various points in the island. Thus, based on requirements we can route information to the required place in a few milliseconds.

The core transmission network is equally built with an ultra high-speed capacity and cutting-edge routers.

## Capabilities →

Mobile broadband is capable of providing download burst speeds of 55 Mbps with LTE and 30 Mbps with 3G. Our fixed broadband options provides a speed of up to 20 Mbps with a capacity exceeding 50 GB.

Our fibre optic network offers users bandwidth up to 100 Mbps. Customers in the SME segment and individual users requiring greater bandwidth at high speed are

provided with a segmented facility which extends speed beyond 20 Mbps. This is achieved through an unique system termed a 'pond network'. We can meet the demand for even greater requirements in speed and capacity.

## 4.5G LTE →

We have successfully trialled 4.5G LTE advanced pro technology in Sri Lanka. This is capable of delivering speeds exceeding 1 Gbps. We were the first organisation to trial this technology in South Asia. We look forward to commercially deploying this service in the near future.

## i-Sri Lanka project →

We have successfully completed the above project, whereupon Sri Lanka is now one of the most ICT-connected countries in South Asia. We served around 70,000 households through FTTH technology by the end of 2016.



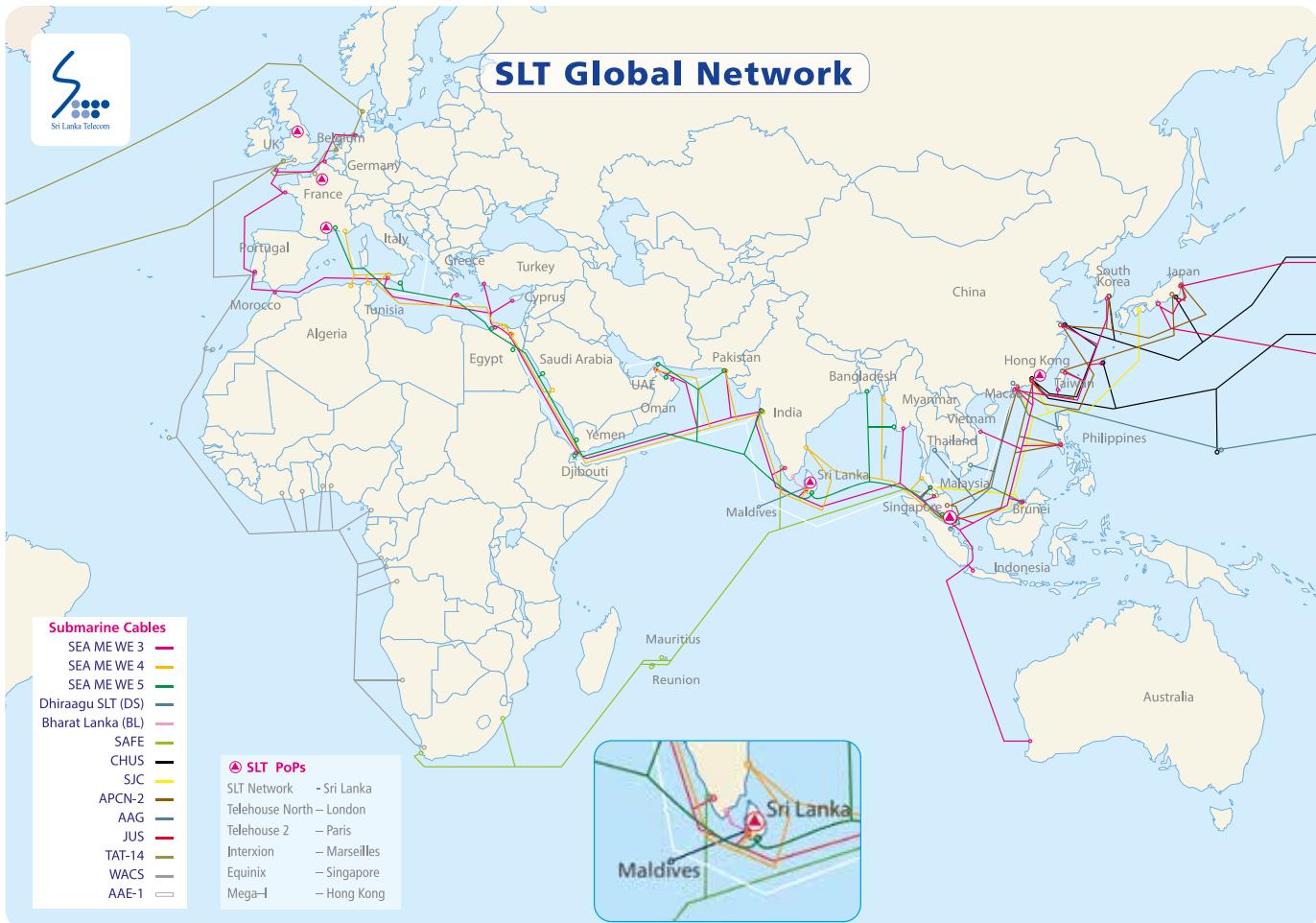
i-Sri Lanka Programme Closing Ceremony.

## Customer needs →

We understand that customers require high-speed, greater volumes and low latency in their broadband and ICT connections. We continue to address these requirements, as best as we possibly can.

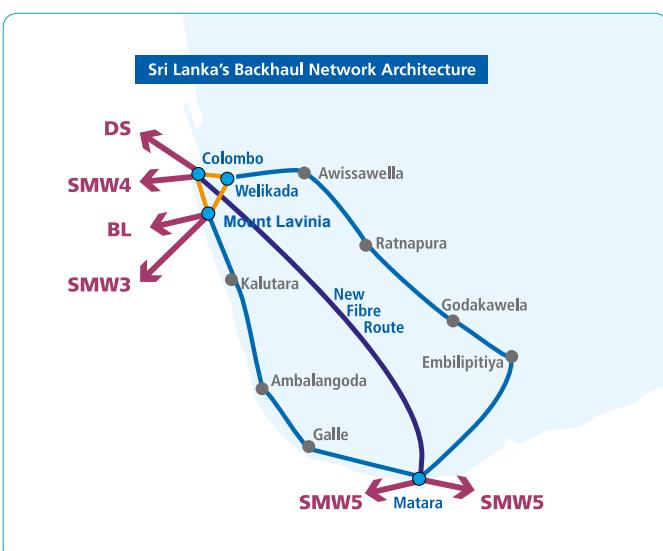
## Global connectivity →

Our ISP network is the premier in the country, and meets the standards of the global ICT industry. With five submarine cables under our belt, from SEA-ME-WE 1 to SEA-ME-WE 5, we are well poised to compete with international players in the industry. This will help secure Sri Lanka as a regional digital hub, and add the country to the world's PoP network. We can also refine the country as the choicest IT-BPO/Data Centre destination. Further details about the cable systems and associated projects can be found on our corporate website.



### International backhauling network →

SLT provided a global connectivity backhauling facility to international operators. This was by establishing a full landing status of the SEA-ME-WE 5 cable station in Matara. The network consists of three cable stations at Colombo, Mount Lavinia and Matara joined to the international back-haul hub at Welikada. The benefits of this venture are manifold, as operators are able to use the system to terminate traffic in Sri Lanka, cross-connect with other systems and even enhance their carrying capacity.



## Data centre (Tier 4) →

SLT is building the first tier 4 data centre in Sri Lanka. This will benefit our enterprise customers as well as Government entities by eradicating their need for maintaining individual data centres. We will be providing all manner of expert knowledge to users and subsidising costs associated with the venture. The data to be stored at the centre is guaranteed to be safe and secure from external disturbances.

## The National backbone network →

Our backbone network is made up of 300 carrier Ethernet nodes and 64 SLBN nodes. It is available and functioning at all times, due to a comprehensive 1+2 redundancy system. Our network is of high quality, speed and capacity backed with a low latency; and is hence a veritable asset in the country's development.



## Lanka Government Network (LGN 2.0) →

The LGN is a strategic project that is designed and implemented to link and upgrade Government entities, using a single network. SLT has set up a LGN fibre optic network to cover 315 Government establishments, and will provide these with Internet speeds of up to 100 Mbps, along with a host of other benefits. The network will significantly increase the efficiency and productivity of Government processes; which will consequently benefit the public as well.

## Carrier grade Wi-Fi project →

Through this scheme, SLT provides an unique broadband experience for Internet users, whereupon users can connect to SLT/Mobitel Wi-Fi hotspots and experience the convenience of wireless broadband connectivity. These hotspots are continually expanding to cover all public locations of major cities in Sri Lanka.

## Building digital ecosystems - API economy →

Mobitel believes that the economies of the future will be run by digital services. By extending its efforts in becoming a fully-consolidated digital service provider, we will address this upcoming trend. Mobitel has already opened a cutting-edge API gateway and continues to refine this service to higher standards.

## Future projects →

SLT is focused on constructing a port depot to store maintenance infrastructure as required. We are also working in collaboration with several international entities to secure maritime vessels equipped for cable repair.

# Business Partner Capital

**SLT joins hands with diverse local and global enterprises to secure the timely acquisition of goods, services and technological products, in line with achieving our objectives. We share reciprocal relationships and mutual successes with all our partners.**

## → New Strategic Alliances, Collaborations and Joint Ventures

### Fixed ICT operations →

SLT recently partnered with six reputed ICT infrastructure suppliers in Sri Lanka to deliver ever-more exceptional solutions to its customers.

These collaborations will allow customers to purchase telecommunications equipment directly from any SLT teleshop, regional telecom office, or SLT's eTeleshop.

### Mobile ICT operations →

Mobitel has acquired a majority stake in eChannelling PLC. This will increasingly enable us to bring eChanneling solutions within the reach of all our users. This will similarly contribute to the development of the mobile health sector of the eCommerce industry of Sri Lanka. eChannelling PLC is the forefront developer and provider of ICT solutions to the healthcare sector. It was the first publicly-quoted technology company on the Colombo Stock Exchange. The enterprise has been continually recognised amongst the top 100 corporate brands in Sri Lanka.

We have partnered with Lanka Sathosa, in line with expanding our mCash merchant and retailer network. Through this collaboration, customers can execute a range of financial and monetary transactions at any Lanka Sathosa supermarket outlet nationwide. We have equally extended our banking portfolio to Hatton National Bank, Commercial Bank and Sampath Bank to increase the presence of the mCash service on Cash-in to mCash accounts.

Mobitel partnered with Microsoft to introduce the latest range of premium Windows 10 smartphones to our customers. Customers are offered an attractive package with their purchase, which includes a data bundle of 4 GB per month for a year as well as a complimentary Mobitel SIM card.

## Continuing partnerships →

We maintain our Akaza cloud platform in collaboration with Citrix systems. Citrix is a pioneering figure in the global ICT industry. It furnishes a host of infrastructure and associated services to a multitude of organisations.

Our cybersecurity solutions are coordinated with Cyren. The Ruckus/Aleppo carrier-class Wi-Fi service continues to improve our ADSL data services with an island-wide network of hotspots. We engage with Synchronoss to meliorate customer service for our broadband network.

We continue to partner with Microsoft to offer services in cloud computing and enterprise mobility management (EMM) to our customers.

## → Supplier Relations Highlights

We conducted a supplier forum recently to inform our partners on relevant development in supply chain management (SCM). We have implemented a new enterprise resource management (ERP) system at SLT. This streamlines operations in SCM, finance, human resources and all other relevant departments into one platform. We envisioned integrating relevant third parties, to include our business partners, into the system as well. Preliminary efforts in this arena took place in January 2017, followed by an integration process to improve the accuracy and efficiency of operations.

## → Procurement Policies and Standards for Business Partners

SLT possess detailed written guidelines on all matters related to the procurement of goods and services. A Code of Ethics for suppliers details comprehensively on issues such as labour practices and sustainable business operations. We are committed to conducting our activities in a just and responsible manner.

## → Dealer Support

We updated our dealers on new solutions, with the aim of helping them diversify their offerings. Thus, those who sell voice and data products are able to offer supplementary ICT solutions as well. This has improved their internal productivity and efficiency, and helped them secure increased profits.

**Our employees are the foundation of our operations. We take pride in their contributions and are inspired by their performance and progress.**

## → Human Resources Policy

During the last year, we changed most of our policies to align with our business plan. We modified our performance evaluation system to improve employee satisfaction and to create a more passionate workforce within the Organisation.

We wanted to give a new face to the staff recruitment and promotion scheme (SPRS). This will keep the organisation in compliance with its business requirement, supporting consistent treatment of staff, fairness and transparency. Any promotions and employee rewards will consequently be based on these.

We introduced a new transfer policy at the end of 2016, which will see its benefits in the coming years.

Through the integration of SLT's activities with those of Mobitel, we will experience exciting new developments. We will conduct further training programmes for the benefit of all involved.

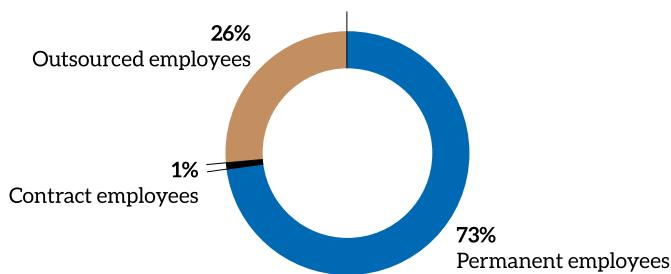
Our HR policies and associated departments get significant attention and dedication from all levels of top management at SLT. SLT is proud to be an unionised company, with over 22 established unions. During difficult times, it is only through the involvement of all relevant parties that we can resolve issues and forge forward.

## → Staff Strength

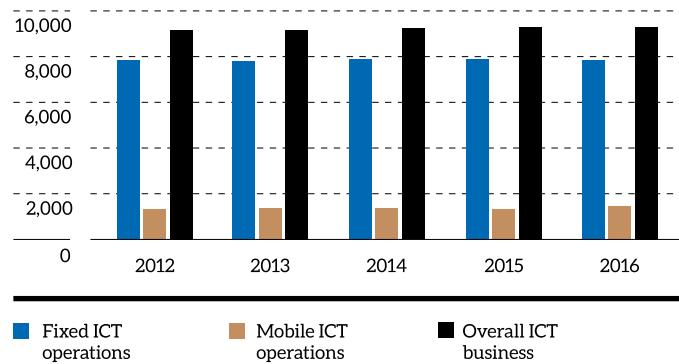
### Total workforce by employment type →

Segment	2016			2015		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Permanent employees	5,684	1,127	6,811	5,761	1,123	6,884
Contract employees	31	31	62	44	42	86
Outsourced employees	2,204	268	2,472	2,165	196	2,361
<b>Total</b>	<b>7,919</b>	<b>1,426</b>	<b>9,345</b>	<b>7,970</b>	<b>1,361</b>	<b>9,331</b>

### Employee composition by type (%)



### Total workforce by business segment (No.)

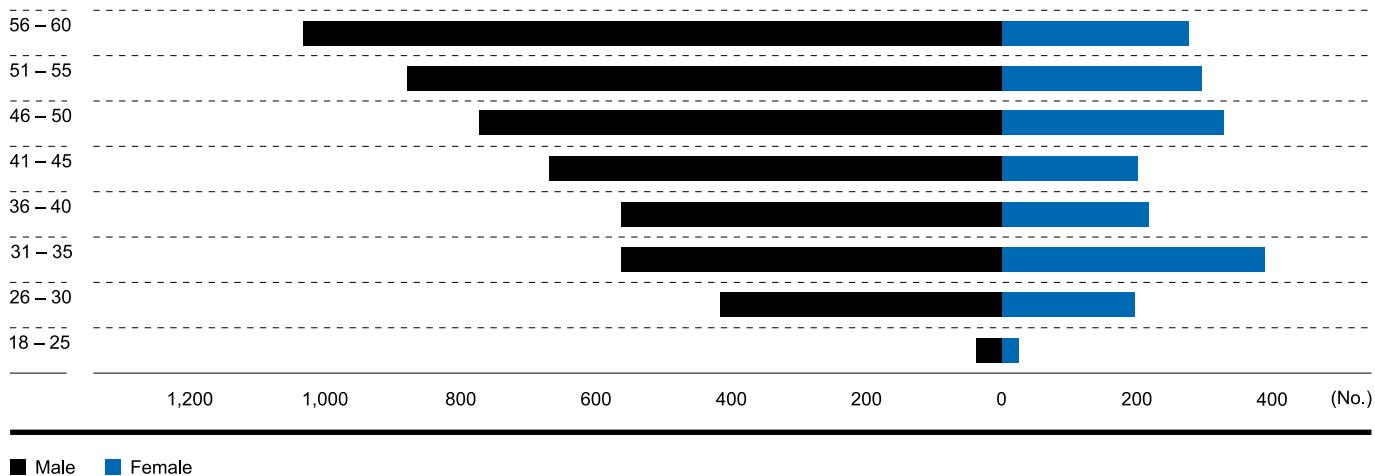


**Total workforce by gender →**

Business segment	2016				
	Female		Male		Total
	No.	%	No.	%	
Fixed ICT operations	1,941	25	5,978	75	7,919
Mobile ICT operations	414	29	1,012	71	1,426
Overall ICT business	2,355	25	6,990	75	9,345

**Total workforce by gender and grade (excluding outsourced employees) →**

Employee grade	Female			Male			Female to male ratio in the ICT business
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business	
Senior management	12	8	20	55	62	117	1:5.9
Middle management	37	49	86	140	242	382	1:4.4
Executives	260	280	540	567	514	1,081	1:2.0
Non-Executive staff	1,306	0	1,306	3,338	3	3,341	1:2.6
<b>Total</b>	<b>1,615</b>	<b>337</b>	<b>1,952</b>	<b>4,100</b>	<b>821</b>	<b>4,921</b>	<b>1:2.5</b>

**Overall ICT business - Age analysis of staff (Years)**

## → Recruitment and Turnover

### Employee recruitment →

#### Recruitment by grade →

Grade	2016			2015		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Senior management	1	1	2	-	-	-
Middle management	-	3	3	-	-	-
Executive	41	67	108	56	86	142
Non-Executive	149	0	149	105	0	105
<b>Total recruitments</b>	<b>191</b>	<b>71</b>	<b>262</b>	<b>161</b>	<b>86</b>	<b>247</b>

For the period under review, our Fixed ICT Operations recruited 121 outsourced employees to permanent positions within its operations. These employees have completed all necessary qualifications as required. We conducted an inauguration ceremony at our premises, under the patronage of senior management, to welcome the new recruits.

### Employee turnover →

The following tables detail relevant statistics on employee turnover rates:

#### Turnover by gender →

Gender	2016			2015		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Female	24	32	56	31	20	51
Male	31	47	78	14	38	52
<b>Total</b>	<b>55</b>	<b>79</b>	<b>134</b>	<b>45</b>	<b>58</b>	<b>103</b>

#### Employee turnover by age group →

Age group	2016			2015		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
21 - 25	0	10	10	0	3	3
26 - 30	11	32	43	11	29	40
31 - 35	15	14	29	9	11	20
36 - 40	5	13	18	6	7	13
41 - 45	6	2	8	4	1	5
46 - 50	6	1	7	5	1	6
51 - 55	11	2	13	4	0	4
56 - 60	1	5	6	6	6	12
<b>Total turnover</b>	<b>55</b>	<b>79</b>	<b>134</b>	<b>45</b>	<b>58</b>	<b>103</b>

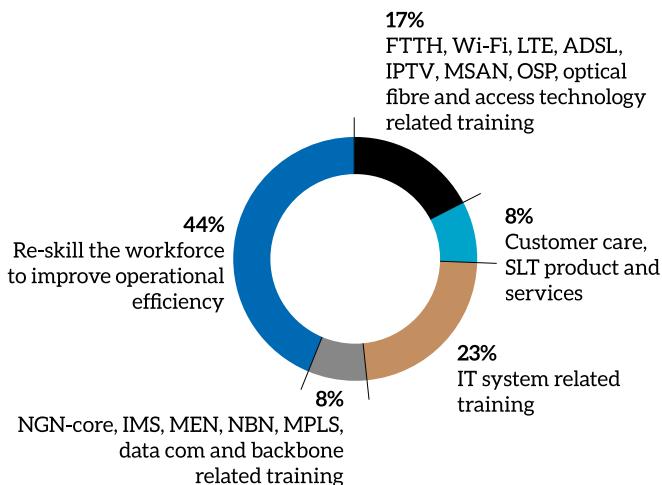
## → Training and Development

SLT is wholly committed to the continued personal development of all its employees. We possess our own internal training division. The focus of our training in the preceding year was on our ERP system. Consequently, we will be allocating more effort this year to enhance our employees' capabilities in the fields of leadership, management and administration. We will supplement these efforts with programmes on soft-skills development.

### Fixed ICT operations →

In 2016, we provided 165,187 training hours to meet the training and development needs of all our staff. These were broken down as follows:

#### Fixed ICT operations - training composition (%)



Each year, we allocate a significant portion of our budget for these activities. We possess four training centres, supplemented with a team of dedicated staff, to carry out these programmes. SLT conducts most of its training programmes using internal and local resources. Nevertheless, some schemes warrant international travel, and SLT dutifully complies with such as is required.

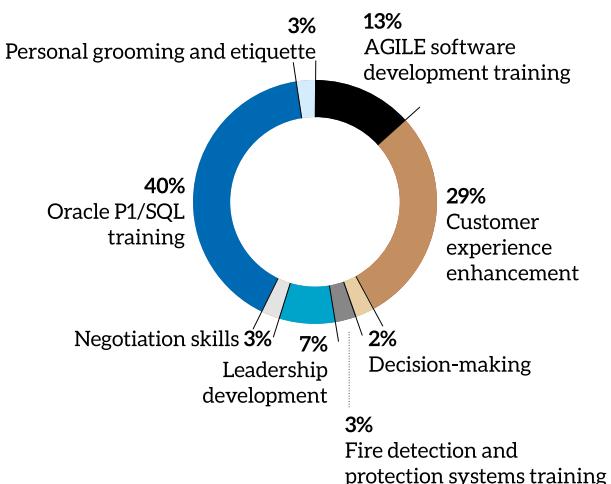
We contribute to the development of the nation by offering training programmes to the public, and in-house training schemes to students from universities and technical colleges. In 2016, these offerings clocked 229,763 hours for external participants and 1,352 hours for students respectively.

### Mobile ICT operations →

An aggregate of 24,534 working hours of training were conducted at Mobitel, of which 14,966 hours were internal and 9,568 were external.

	Working hours	%
Internal training	14,966	61
External training	9,568	39
Total	24,534	100

### Mobile ICT operations - training composition (%)



### Foreign training →

	Number of foreign training programmes	%
Technical trainings	39	44
Conferences/Workshops/Seminars	29	33
Business/Vendor visits	12	13
Forums	7	8
Exhibitions	2	2
Total	89	100

We have conducted workshops on leadership, enhancing competencies, developing technical expertise, and soft-skills development; all of which were held in Sri Lanka.

We supplemented these with additional programmes covering a breadth of topics from fostering decision-making skills, to personal grooming and social etiquette.

We also conducted some training programmes abroad; giving our employees an unique opportunity to explore new avenues of learning within an international context. Employees were able to refine their technological knowledge on the Enterprise Business Suite and Siebel products.

### **Professional support →**

Mobitel lends its support to staff wishing to join accredited professional bodies. Staff can be reimbursed for their efforts as appropriate. Our employees are thus affiliated with a plethora of institutions and professional bodies; both domestic and international.

Our employees can equally further their professional development by following qualifications offered by these institutions; and can similarly be approved for the reimbursement of incurred costs following approval.

### **Exhibitions and conferences →**

SLT ensures that its staff attend all relevant exhibitions and conferences in the telecommunications industry and beyond. Some of the overseas events that we attended in 2016 include the Mobile World Congress, the Asia Pacific LTE Summit, and the Garter Symposium ITXPO. Further details can be found on our corporate website.

### **Fostering knowledge →**

Mobitel encourages a corporate environment that promotes learning. This begins from the very first day for new employees, with their formal induction and awareness programmes. On these occasions, we provide one-to-one knowledge on the functioning of the enterprise as a whole, as well as the combined synergies and reciprocal relationships that drive our business forward.

We encourage our employees to further their education, and thus contribute their valuable new knowledge for the betterment of all. An Intranet portal facilitates the disbursement of acquired information. We established a Toastmaster's Club to encourage public-speaking and communications skills amongst our workforce.

We further partner with universities, technical colleges and the like in providing internships to deserving students.

## → **Performance Appraisal**

We joined hands with the Hay Group of Consultants to review our performance management process. We thus developed our annual performance appraisal for 2016. Continuing from this, these results will be fully digitised into the ERP system in 2017.

All our employees are duly rewarded for their efforts with corresponding increases in pay and supplementary bonuses.

We target organisational strategic objectives to individuals through their departments. An individual metric is based on both an individual's key performance indicator (KPI) and an average of targets and competencies. The individual KPI constitutes 80% of the derived value. We have already meliorated our performance evaluation system in the past year as detailed earlier.

### **Improvement to HR information system through ERP →**

Through the digitisation of processes, the ERP process contributes leads to increased efficiency. It also aids us in being more environmentally conscious by reducing our usage of paper.

## → **Employee Relations and Engagement**

We are planning to introduce the 'Great Place to Work' initiative at SLT, to measure employee engagement. Much of this process has already been completed, and we expect to get preliminary outcomes by March 2017.

We introduced regional managers to extend our reach to all employees; especially those in more dispersed areas. We conduct a Provincial Employee meetings that aggregates all employees and relevant management executives from a particular region to discuss and resolve any issues that may be present. Through these awareness programmes, we witness that our outstation employees have very few HR-related problems, and much of their concerns lie on technical and material grounds (such as service-quality matters, contractors etc.).

SLT refined its transfer policy to reach suitable compromises between the individual interests of employees and the overall objectives of our operations. This will ensure that the most suited person is appointed to the role, for the two-pronged benefits for both individual and Company.

## HR blog →

SLT introduced a bespoke HR blog, whereupon employees are free to offer insight, comments, and suggestions on any HR-related matter they may wish to elaborate on. We continually review and moderate activity on the blog, to gain insight into our employees' contributions. Since its inauguration, we were able to discern valuable information on our employee's perception of the upgraded SRPS scheme.

## Meetings →

We elaborate on important decisions through meetings and memoranda. Our internal newsletter 'Amathuma' supplements these efforts by disseminating information on company activities as well as novel developments in information technology.

Our GCEO and relevant members conduct meetings with union representatives as necessary to enlighten members on new developments and the like.

The HR division periodically meets unions to discuss and reconcile any issues that may be present.

## Grievance handling procedure →

We possess comprehensive mechanisms for the handling and resolving of any and all employee grievances. Any issues can be reported to supervisors or line managers, which will consequently be brought to the notice of the HR department. If a supervisor or manager is related to the matter, the employee can directly contact the HR department.

The HR department will then take appropriate measures to correct the issue under concern, to the benefit of all invested parties.

## Whistle-blowing policy →

Our detailed whistle-blowing policy allows employees to safely and anonymously report on any acts of misconduct that they may witness or be the victim of.

## Employee recognition →

We are continuously committed to recognising our employees' efforts. We hold an Annual Quality Award Ceremony to felicitate the winners of 5S Implementation, QC and CI teams, ISO 9001 QMS Implementation etc. Each group possesses its unique evaluation framework to identify outstanding performance. Corresponding annual award

ceremonies (Service Excellence Awards, Sales Awards, etc.) are then conducted to reward the nominees.

In the coming years, we aspire to organise a more elaborate awards ceremony to recognise, amongst others, the long-standing employees of SLT who have shown their dedication for over twenty-five to thirty years.

## Benefits and welfare initiatives →

We offer a range of benefits to our employees. These include initiatives to raise awareness on work-life balance, events such as financial health camps, book sales, and e-sales, and a flood-relief fund to provide assistance in case of hardship.

Throughout the year, we organised a range of social and sporting activities, as well as voluntary initiatives. Some of these included the Telecom Games Provincial Meets, the Telecom Games Inter-Provincial Meet and Regional Awareness Programmes designed to improve the relationships amongst regional staff.

SLT possesses holiday bungalows in numerous locations throughout Sri Lanka. We aim to operate additional units at new locations, as well as improve the conditions of existing ones. We further grant funds for any annual divisional trips that may take place.

Some of the additional services that SLT extends to its employees are detailed below:

- Medical insurance
- Front-line staff uniforms
- Concessionary rates on phones and mobile packages
- Dongle and data connection
- Concessions on the purchase of desktop and laptop computers
- Gift vouchers for new-born babies
- Birthday vouchers and cards
- Death relief fund
- Funeral wreath

## **Employee Satisfaction**

We recently measured our employee-satisfaction rate Company-wide and nation-wide. We report a figure of 71% in satisfaction, which is an increase from around 65% as reported in the preceding year. Through a new employee-engagement survey, we will identify improvements that we can bring about to further improve this figure.

Comment
Q1 - I am satisfied about my job, my knowledge, abilities and skills
Q2 - I am satisfied about the computers and accessories
Q3 - I am satisfied about IT systems
Q4 - I am satisfied about working environment provided (Ergonomic Factors)
Q5 - I am satisfied about Rest Rooms and facilities associated with them
Q6 - I am satisfied about training provided
Q7 - I am satisfied about the evaluation process
Q8 - I am satisfied about friendly relationship with my immediate supervisor
Q9 - I am satisfied about the recognition given to me
Q10 - I am satisfied about the guidance given to me by immediate supervisor

Each year, we allocate a significant portion of our budget for the training and development of all our employees. We possess four training centres, supplemented with a team of dedicated staff, to carry out these programmes. SLT conducts most of its training programmes using internal and local resources.

## → Health and Safety

### Building a healthy workforce →

SLT strongly cares for the health and well-being of all its employees. It is by guaranteeing the latter that we can expect our staff to execute at the highest reaches of their potential.

A healthy employee is a productive employee. They spend less time seeking medical consultation and similarly spend less money on health interventions. They are able to develop and sustain interest in their tasks and are able to function at a higher level in all that they do.

Our Health and Safety Division bears responsibility with upholding all health and safety standards of SLT. Some interventions that they effectuated included monitoring the Body Mass Index of employees to determine those who were overweight or obese. Suitable dietary programmes were suggested to these employees, and they were introduced to supplementary programmes such as yoga and dance to help manage their weight.

We witnessed that our Health and Safety Division was operating chiefly at headquarters. They would communicate their efforts to employees through circulars and memoranda. To further their efforts, SLT plans to increase their coverage to regional and outstation employees. For as far as safety is concerned, we understand that most workplace-related accidents occur at the regional and outstation level.



We employed  
**9,345** individuals  
across our operations in 2016.



We conducted over 165,000 training hours at SLT and over 24,000 training hours at Mobitel.



Our employee satisfaction rate was recorded at  
**71%** up from ~ 65% in 2015.



Our staff recruitment and promotion scheme (SRPS) was upgraded.

**Health and safety policy →****Objective →**

The objective of this policy is to ensure that all employees are provided a safe and healthy work environment. We wish to eliminate all workplace accidents as well as any health issues.

**Goals →**

The following will be achieved:

1. Negating any healthy or safety-related risks pertaining to work. The elimination of workplace accidents and issues of work-related illness.
2. Engage and enlighten employees on everyday health and safety issues. Distribute advice and recommendations on workplace health.
3. Effectuate emergency procedures as appropriate. (For example, evacuation in case of a fire).

**Campaign trail →**

We have launched numerous supplementary campaigns to increase awareness on individual well-being and healthy lifestyle solutions amongst employees.

**Web publication →**

The results of the programmes conducted by medical professionals at SLT were published on the corporate website for the convenience of employees who could not attend these sessions. These will be backed by audio content for further clarifications.

**Fire and safety →**

To guarantee the safety of employees and our assets, we conduct a regular fire assessment on our premises. In line with this, we identify any improvements that could be made to our infrastructure. We also devise emergency response plans, and carry out practice evacuation drills for the benefit of all employees.

**Health and safety for engineering staff →**

All engineering staff are made aware of health and safety protocols through distributed manuals supplemented with continuous training programmes.

**Storage practices →**

All items that are utilised on our premises are stored as recommended, as detailed in the guidelines established by the Inventory Management Practices Policy.

**Slips and trips →**

We ensure that our premises are meticulously maintained to guarantee that there are no surfaces which could pose the threat of injury to any individual.

**→ Challenges and Future Outlook**

Some of the challenges we foresee in this domain include an ageing work force, surplus staff in some areas of the Company, the increasing cost of labour and discordances in the number of youth recruits.

We also experience some subsidiary issues, especially with regards to SLT Human Capital Solutions (Private) Limited, and this will be addressed in the coming year.

Similarly, with regards to union matters, we will emphasise more collaborative actions. SLT opens up its operations to unions; consequently, unions are involved at most management decisions. We wish to emphasise the deep understanding and respect that we enjoy with all our unions and employees. It is through joining hands, and mutual effort that we can improve our actions for the betterment of all.

With regards to our future outlook, we plan to introduce more technology-based solutions to our employees. We have already trialled our virtual office environment with some employees, and are closely observing the outcomes. We will also purchase all relevant equipment necessary for the execution of this strategy.

We will witness a range of benefits through our ERP system. It will result in an exciting change in the working culture of SLT, and we welcome this as we move forward.

# The Internet...in your hand and on the go

CARRIER GRADE



Mobitel's 4G LTE systems and carrier grade  
Wi-Fi give mobile appliances high speed  
internet access, anywhere and anytime.



# Social and Environmental Capital

We are mindful of the environments in which we conduct our business operations. We aim to continually uplift local communities, as well as prudently manage our ecological footprint.

## Social Capital

### → SLT's Social Responsibility Policy

Our social responsibility policy aims to bring together all our corporate social responsibility (CSR) activities, optimise the utilisation of financial resources and maintain international standards for the internal processes and systems.

### → Outreach

#### Events →

We organised a special event at the Public Grounds at Mahiyanganaya to celebrate World Children's Day on October 2016.



SLT's Annual Jana Gee Tharuwa Wee Competition 2016.

#### Support →

We provided support to the bone marrow transplant unit at the Cancer Hospital in Maharagama; with donations of medical equipment and medicines.

#### Sponsorships →

We were the principal sponsor of the inaugural 'Internet Governance Forum' in Sri Lanka; which saw the participation of industry professionals from across the Nation.

SLT was the main sponsor of the Junior National Championships 2016, held at the Mahinda Rajapakse Stadium in May. The championship was in its 17th consecutive year and attracted young and upcoming athletes from across the island.

We were the principal sponsor of the inaugural 'Internet Governance Forum' in Sri Lanka; which saw the participation of industry professionals from across the Nation.

### Programmes →

We conducted 11 *Manduam Paramitha Poya Day* programmes, in association with the *Amadahara* programme of the media network *Swarnawahini*, to provide school bags, stationery, medicines and fruit saplings to 1,100 deserving students.

We rewarded the high achievers of the GCE A/L examinations, by presenting them with ultra-high speed broadband connections to aid in their undergraduate studies.

Our *Virusara Varaprasada* programme was launched to empower veterans and their families.

To highlight awareness on ecological conservation, we launched the #LastClick campaign; the winners of which were lead on a tour to the UNESCO World Heritage Site of *Sinharaja Forest Reserve*.

Adverse weather conditions in the past year lead us to initiate a relief programme, to provide aid to affected individuals and families.



School Material Distribution Programme by SLT Human Capital Solutions (Private) Limited.

We introduced bespoke post-paid mobile plans for state sector employees, media personnel, *Samurdhi* recipients and senior citizens.

Mobitel enabled an unique feature within mCash to enable patrons to donate directly to the historic *Sri Dalada Maligawa*. The service is also available for Etisalat customers.

Mobitel, along with the National Dangerous Drug Control Board (NDDCB) initiated a nation-wide programme towards the reduction of substance abuse in Sri Lanka.

We renovated the NDCCB call-centre and provided the organisation with an advanced digital platform for easing the handling of complaints.



Promoting Traditional Rice Cultivation as part of SLT's Preserving Heritage for Tomorrow Initiative for 2016.

Further details on these activities and more can be accessed from our corporate website.

### **Launches →**

Mobitel introduced the 'CHAMP' child watch; a wrist-attached, monitoring device that can help parents track their children's location.

We launched the Zero One Awards, an inaugural platform that serves to recognise digital excellence in Sri Lanka. Details can be accessed from [www.01awards.lk](http://www.01awards.lk)

## Publications →

We continued our annual custom of printing and distributing a corporate calendar highlighting cultural diversity. Our 2017 calendar featured the many traditional varieties of rice that are cultivated in Sri Lanka, and which consequently form an important part of this country's heritage. In tandem with this, we initiated a CSR project, titled '*Ape Uruma Vee, Rata Saru Karavee'*; upon which agriculturists were shown how they could use ICT to develop and further their profession.

## Environmental Capital

We strive to ensure that all our products and services comply with environmental regulations, and hence minimise their effects on the environment.

Our Akaza cloud platform helps reduce carbon footprints by eliminating the need for paper-based systems and storage space.

Similarly, our e-work, e-commerce, e-health, e-learning, and e-banking conversions help minimise carbon footprints, by contributing to, amongst other factors, decreases in transport and commuting, and saving physical space.

We promote eco-friendly gift items in our gift shops; which are crafted by local artisans. This helps in contributing to their sustainable livelihoods as well as helping in the recycling of material.

## → Digital Initiatives

We launched an online awareness programme highlighting the importance of conserving corals in Sri Lanka. This was hosted on Facebook, in the form of a gaming application. The programme was aimed at the technologically-adept youth segment, and it was a marked success.

## → Employee Awareness Programmes

We launched an employee awareness programme to enlighten our staff on the importance of conserving nature, and the practices that can be implemented to further this goal.

## → Energy Management

We are committed to managing our energy footprint, and engaged in the following measures throughout the year.

We replaced electric geysers with solar water heaters in five circuit bungalows that are owned by us for employees' recreational purposes. These bungalows similarly saw the installation of bio-gas plants on the premises; which eliminate the need for liquefied petroleum gas (LPG), as well as provide organic fertiliser and a handy solution for garbage disposal.

We replaced fluorescent tube lights and CFL bulbs with energy-efficient LED lighting on our premises.

We launched an experimental project to study the viability of using solar power as the main source for several service access gateways. 17 of our sites island-wide have been covered under this scheme, and we are monitoring results as they come.

## → Reducing Energy and Emissions

Our efforts in this sector have continued to be fruitful. We have seen a decrease in the consumption of electricity as well as fossil-fuel resources for our operations. This has positively reduced our greenhouse gas (GHG) emissions as well as contributed to reductions in incurred costs.

# Regulatory Capital

We ensure that all our operations comply with the specifications detailed by relevant regulatory bodies. The following section details some of the aspects that constitute our regulatory capital.

We witness significant and rapid changes in the telecommunications sector of Sri Lanka.

This has resulted in the introduction of computer-based telecommunications services to the industry. These developments in technology have markedly reduced the cost of traditional telecommunications services. Consumers can therefore avail of the increased affordability of services such as the Internet.

This change has furthered developments such as 4G LTE (fourth generation Long-Term Evolution) and IPTV (Internet Protocol Television). Fifth Generation (5G) technology is soon to emerge on to the market as well.

This progress and innovative measures are regulated by telecommunications regulations such as parliamentary laws, case laws and regulatory rules. Nonetheless, there is friction here in the competing demands imposed by political interventionists and lobbyists.

These regulations are important for a multitude of reasons. They facilitate relationships between different operators and contribute to the maintenance of technical compatibility. The fair pricing of services is ensured and anti-competitiveness is singled out. Finally, 'universal service' is achieved; whereupon the greatest number of households are connected to the network.

Our market is regulated by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL); which is a fully-consolidated Government entity.

SLT was previously able to monopolise this sector, as the 'Department of Telecommunications' under the Sri Lankan Government. During this period, we experienced limited regulatory measures as we functioned directly under the Government. Nevertheless, with the rising importance of telecommunications services for both the national economy and elsewhere, this monopoly was abolished.



## Regulatory Licensing

Licensing is an important component of regulatory measures, as it authorises an entity to provide services or operate facilities. A telecommunications licensee is permitted to provide a distinct service over a specific type of network for a pre-determined period of time. A wide range of licensing approaches are available world-wide.

SLT currently possesses an operator licence from the TRCSL that is valid for ten years, with an expiration date of 8 February 2022.



## Functions and Activities of the Regulatory Division of SLT

The following are some of the activities that fall under this division:

- Obtaining necessary licences (operator, spectrum, vendor, etc.) from the regulator;
- Assuring regulatory compliance with all relevant bodies;
- Administration of TRC directives;
- Regulating tariffs;
- Handling interconnections;
- Negotiating with Government entities;
- Monitoring the actions of other regulators to identify and correct any issues of malpractice;
- Managing customer relations and complaints;
- Ensuring quality of service.

## → Regulatory Assets of SLT

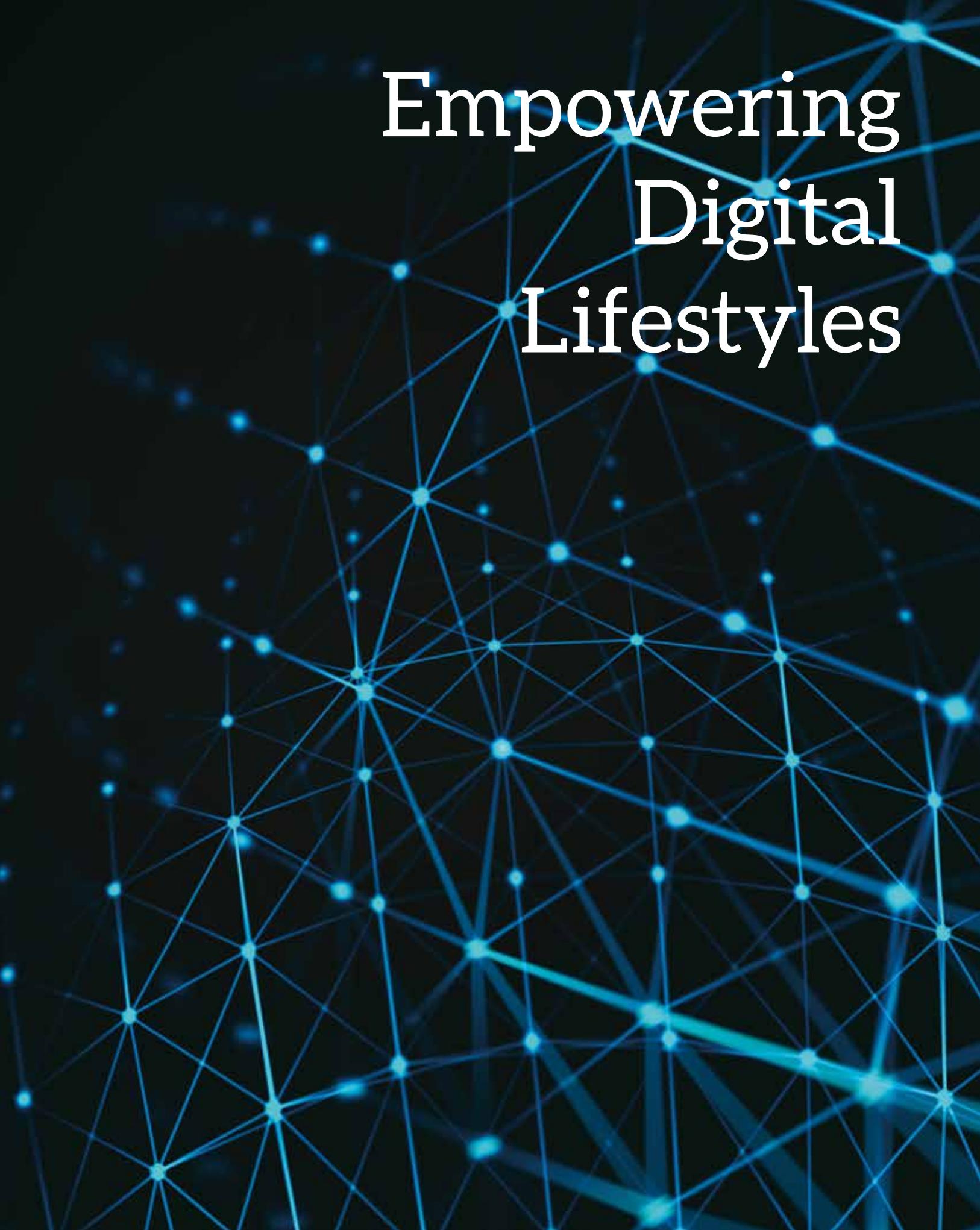
The following are the regulatory assets that are currently in our possession:

- Island-wide copper network;
- Fibre network extending over 25,000 km;
- 4G LTE network;
- Spectrum radio frequencies (Maritime radio, CDMA, Wi-Fi, LTE etc.);
- Telecommunications towers (262 island-wide);
- Telecommunications exchanges island-wide;
- Brand names (SLT, Mobitel, PEO TV, etc.);
- Goodwill.

## → Regulatory Risks Faced by SLT

The spread of wireless high-speed broadband solutions such as 4G LTE is exponential. All operators do not possess advanced technology at times, and this can adversely affect market competition. The spread of technologies such as fibre needs to be regulated, as unregulated ventures by other operators negatively affect our wholesale and retail businesses. Finally, a legal framework needs to be established to protect operators from unregulated charging and taxing by local authorities and Government agencies (e.g. through the Thoroughfare Act or the Central Environment Act).

# Empowering Digital Lifestyles



**We are in the midst —————  
of exciting times.  
Developments in  
technology spurn us  
forward into the future  
at an ever-faster pace.  
The world is an  
increasingly-connected  
place where we share,  
create and explore  
the myriad forms of  
information that is  
available to us. Our lives  
are getting richer, as  
borders are being erased  
and new relationships are  
being formed.**



Nevertheless, all progress comes with a price. The market has changed, rapidly and inexorably, and the success that traditional telecommunications providers enjoyed on the market is a product of a bygone era. The industry is now dominated by OTT service and content providers and power rests in the hands of the consumer. Individuals are increasingly able to tailor and adapt the many platforms and services on offer to craft the ultimate bespoke digital experience.

Telecommunications providers need to be increasingly mindful of these trends if they are to survive at all amongst the competition. A huge part of the struggle is in understanding the consumer and realising that no two consumers are the same. Hence, the earlier metrics that were used to rank and assess consumers along the lines of the data and bandwidth they used are redundant. A more comprehensive digital fingerprint has to be developed for every individual. This can be achieved through the increased digitisation of operators' internal processes and even radical new approaches, such as through the utilisation of artificial intelligence (AI).

The developments of these processes need to be consolidated with the support of wider geopolitical and socio-economic parties. We witness that disparities in technology use and access still persist, and in some regions, they are of particular concern. The development and roll-out of new technologies need to be effectively streamlined to reduce inequality as much as possible. A failure to do so would result in the creation of glaring 'technological bubbles', which could have unwholesome socioeconomic and political ramifications to the detriment of all.

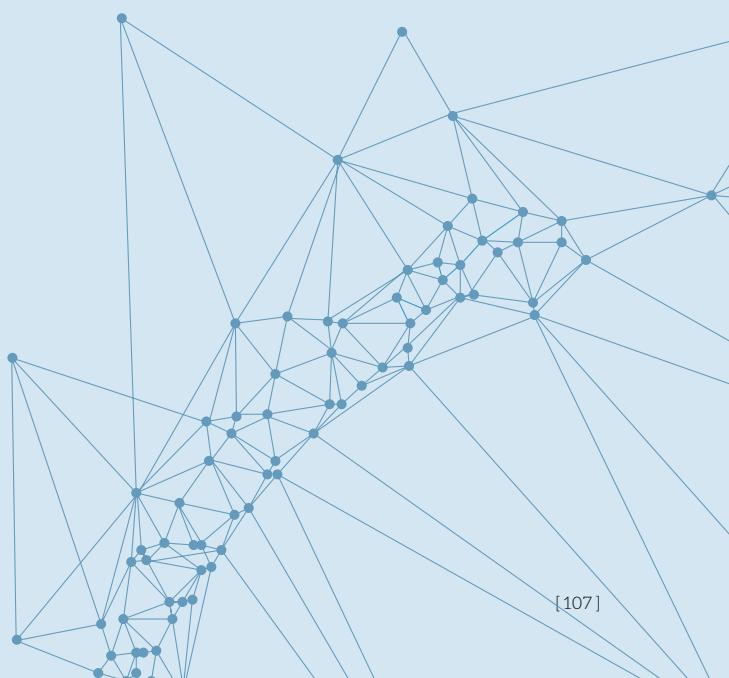
Similarly, turbulent times call for increased action by regulators, and part of these efforts lie with telecommunications providers as well. We witness this urgency in the present, as the world, despite its many advances, still falls party to unwelcome trends. Technology-wise, these include the proliferation of misinformation on the Internet, cyber-crime and cyber-violence, and the eroding of human relationships as people isolate themselves into 'echo-chambers' on social media. A failure to address and rectify such issues would have disastrous consequences on the progression of the telecommunications industry as a whole, as consumers would become increasingly suspicious and averse to novel developments and innovation.

Nonetheless, the influence that OTT service providers wield over the industry will not dissipate in the years to come. Telecommunications operators should correspondingly adapt to this trend. This may involve joining forces with OTT players to develop new business models, such as those based on the creation of premium content or the optimisation of video services. The development of premium content could entail the creation of tiered packages, targeted advertising and integrated billing mechanisms. Similarly, optimised video services could involve using analytic technology to identify a target audience and creating curated content of interest to the user. Ideally, this would represent a veritable value-added service that would resonate strongly with users.

There must also be a holistic adaptation of upcoming technologies to all spheres of the economy and correspondingly; an individual's life. Sectors such as commerce and entertainment represent fully-integrated examples, but much more work has to be done to popularise these services in education and healthcare. The education sector requires content that is not just engaging, but retentive; and healthcare users require high-quality solutions that are accurate to the minutest degree.

Finally, there is the omnipresent issue of ecological sustainability that must be addressed. The rising problems of eWaste and the taxing effects that the production and disbursement of technology pose on the environment need solutions that are rapid, prudent and effective.

As ever, we eagerly anticipate the developments on the horizon, and SLT is well-poised to lead forward for the benefit and success of all individuals in Sri Lanka.





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# Annual Report of the Board of Directors on the Affairs of the Company

The Directors are pleased to present their report and the Audited Financial Statements of the Company, Sri Lanka Telecom PLC and the Group, which includes its subsidiaries for the financial year 2016.

## → Formation

Sri Lanka Telecom ('SLT') was formed by an Incorporation Order made under Section 2 of the State Industrial Corporations Act No. 49 of 1957 and published in the Extraordinary Gazette No. 596/11 of 6 February 1990. Subsequently, in terms of an Order made by the Minister of Posts and Telecommunications ('the Minister') on 24 July 1991 under Section 23 of the Sri Lanka Telecommunications Act No. 25 of 1991 and published in the Gazette No. 675 of 9 August 1991 all properties, rights and liabilities (other than those excluded by the agreement entered into between the Minister and SLT as per subsection 2 of Section 23 of the Sri Lanka Telecommunication Act) to which the Department of Telecommunications ('DOT') was entitled or subject to immediately before the transfer date of 1 September 1991 were vested with SLT.

SLT was converted to a public limited company on 25 September 1996, under the Conversion of Public Corporations of Government owned Business Undertakings into Public Limited Companies Act No. 23 of 1987; vide Extraordinary Gazette No. 942/7 dated 25 September 1996.

SLT was re-registered under the Companies Act No. 07 of 2007 as Sri Lanka Telecom PLC (SLT PLC) on 4 June 2007.

## → Principal Group Activities and Review of the Business

The Group provides a broad portfolio of telecommunication services across Sri Lanka, the main activity being domestic and international fixed and mobile telephone services. In addition, the range of services provided by the Group include, *inter alia*, internet services, IPTV, wireless broadband, data services, domestic and international leased circuits, frame relay, satellite uplink and maritime transmission.

Annual Report 2016 ————— Sri Lanka Telecom PLC  
Stewardship  
Messages  
Business Model  
Management Discussion and Analysis  
Empowering Digital Lifestyles  
→ **Financial Reports**  
Supplementary Information

The Company's interest in subsidiaries and the business activities of respective subsidiaries are as follows:

Name of the Subsidiary	Business Activity
Mobitel (Private) Limited	Mobile telephone services
eChannelling PLC	Information infrastructure for the healthcare industry
Sri Lanka Telecom (Services) Limited	Total network solutions
SLT Publications (Private) Limited	Directory publication services
SLT Human Capital Solutions (Private) Limited	Human resources solutions
SLT VisionCom (Private) Limited	IPTV services
Sky Network (Private) Limited	Wireless broadband services
SLT Property Management (Private) Limited	Property management
SLT Campus (Private) Limited	Higher education

A detailed review of the Company's activities, the development of its businesses and an indication of likely future developments are given under Management Discussion and Analysis.

## → Board of Directors

In terms of Section 168 (1) (h) of the Companies Act No. 07 of 2007, the names of persons who held the office as Directors of the Company as at 31 December 2016 are given below:

Name of Director	Position	Date of appointment	Date of re-election
Mr P G Kumarasinghe Sirisena	Chairman	23.01.2015	13.05.2015
Mr Chan Chee Beng	Director	05.06.2008	12.05.2016
Mr Lawrence Paratz	Director	26.05.2010	12.05.2016
Ms Lai Choon Foong	Director	09.05.2014	13.05.2015
Ms Nilanthi Pieris	Director	03.02.2015	13.05.2015
Ms Chandra Ekanayake	Director	03.02.2015	13.05.2015
Mr W K H Wegapitiya	Director	02.12.2015	12.05.2016
Mr Rohan De Silva	Director	30.12.2015	12.05.2016

## Resignation →

Mr Jeffrey Jay Blatt, Independent Non-Executive Director tendered his resignation from the Directorate with effect from 31 August 2016.

Brief profiles of the Directors are contained in the Board of Directors' section in the Annual Report

## → Appointment and Re-Election of Directors

In terms of the Articles of Association of the Company, the Directors are authorised to appoint any person to be a Director either to fill a casual vacancy or as an additional Director, provided that the total number of Directors do not exceed the maximum No. of Directors specified in the Articles of Association of the Company. The Directors appointed during the year will hold office only until the next Annual General Meeting ('AGM') and will offer themselves for re-election by the shareholders.

In addition, one-third of the Directors (or the number nearest to one-third) retire by rotation at each AGM and offer themselves for reappointment by the shareholders.

Ms Lai Choong Foong and Ms Chandra Ekanayake, who have been longest in office since their last election, retire by rotation in terms of Articles 91 and 92 of the Articles of Association of the Company and being eligible offer themselves for re-election.

## → Board Subcommittees

In terms of Section 186 of the Companies Act, the Articles of Association of the Company and the Listing Rules the following mandatory and voluntary subcommittees have been appointed by the Board so that a small group of committee members may focus in detail on a particular issue and to ensure that sufficient attention is being paid to the detail of specific issues.

- Audit Committee
- Remuneration and Nomination Committee
- Senior Tender Board
- Technology Subcommittee
- Related Party Transactions Review Committee

The Risk Management Committee was folded into the Audit Committee to enhance the effectiveness of risk management and governance.

Information on the Subcommittees is given under 'Corporate Governance' on page 25.

## → Directors' Indemnities and Insurance

The Company maintains Directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its Directors and officers.

## → Interest Register and Directors' Interest in Contracts with the Company

An Interest Register is maintained by the Company as per the requirement of the Companies Act No. 07 of 2007. The Directors have made necessary declarations as provided in Section 192 (2) of the aforesaid Companies Act. The Interest Registers are available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

The Company carries out transactions in the ordinary course of business at commercial rates with entities in which a Director of the Company is the Chairman or Director of such entities or holds substantial interest in such entities.

The Directors have no direct or indirect interest in any contract or proposed contact with the Company for the year ended 31 December 2016, other than those disclosed in Note 33.2 to the Financial Statements.

The Directors have declared all material interest in contacts involving the Company and have refrained from voting on matters in which they have a material interest in.

## → Related Party Transactions

Transactions if any that could be classified as Related Party Transactions in terms of LKAS 24 - 'Related Party Disclosures' are given in Note 33 to the Financial Statements.

The Board in terms of the Listing Rules has appointed a Related Party Transactions Review Committee ('RPT - RC') to review transactions carried out between related entities except those set out in Rule 9.5 of the Listing Rules.

## → Directors' Shareholding

The Directors and the Chief Executive Officer did not hold shares in the Company or its subsidiaries during the financial year under review.

## → Remuneration and Other Benefits of Directors

The remuneration and other benefits received by the Directors are given in Note 7 to the Financial Statements on page 147 as required by Section 168 (1) (f) of the Companies Act.

## → Stated Capital

The Stated Capital of the Company, as at 31 December 2016, was Rs. 18,048,600,000/-, divided into 1,804,860,000 ordinary shares. There were no changes to the issued capital of the Company during the year under review.

Details of the Company's Stated Capital are set out in Note 29 to the Financial Statements.

## Substantial shareholding →

The following shareholders held more than 5% of the issued shares as at 31 December 2016.

Secretary to the Treasury (Government of Sri Lanka)	49.50%
Global Telecommunications Holdings NV. of the Netherlands	44.98%

## Voting rights →

Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. A shareholder entitled to attend and vote at a general meeting may appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

On a show of hands, every shareholder present in person or by proxy (or being a corporation present by a duly authorised representative) shall have one vote and on a poll every shareholder who is present in person or by proxy (or being a corporation present by a duly authorised representative) shall have one vote for every share held by him.

## → Financial Statements

The Financial Statements of the Group and the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No. 07 of 2007.

The significant accounting policies adopted by the Group and the Company in preparing the Financial Statements are set out on Note 3 to the Financial Statements. These policies, and applicable estimation techniques, have been reviewed by the Directors, who have confirmed them to be appropriate for the preparation of the 2016 Consolidated Financial Statements. The policies adopted are consistent with those adopted in the previous financial year.

The aforementioned Financial Statements for the year ended 31 December 2016, certified by the Chief Financial Officer and signed by two Directors are given on page 121 of this Report.

A Statement by the Directors of their responsibilities for preparing the Financial Statements is included in the Statement of Directors' Responsibilities on page 115, while the Independent Auditors' Report is set out in page 119 of this Report.

## → Financial Results and Appropriations

	2016		2015	
	Company Rs. million	Group Rs. million	Company Rs. million	Group Rs. million
Revenue	43,131	73,801	40,565	68,022
Profit	1,725	4,790	1,728	3,724
Reserves	59,000	68,678	58,702	65,240

Results of the Company and of the Group are given in the Income Statement on page 120. The movement of the reserves are given in the Statement of Changes in Equity on pages 122 and 123 of the Annual Report.

## → Dividends

The Directors recommend the payment of a first and final dividend of Rs. 0.89 per share (2015 – Rs. 0.89 per share) for the financial year ended 31 December 2016 payable on 2 June 2017 to the shareholders registered as at 24 May 2017, subject to the approval of the shareholders.

As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Directors have signed a Certificate stating that in their opinion, the Company based on the information available, satisfies the Solvency Test immediately after the dividend distribution is made and have obtained a Certificate from the Auditors in terms of Section 57 of the Companies Act.

## → Property, Plant & Equipment

The movements in property, plant & equipment during the year are set out in Note 13 to the Financial Statements. Current status of value of properties is disclosed on page 153.

## → **Auditors**

KPMG, Chartered Accountants served as the External Auditors of the Company during the year under review. The Audit fees payable and fees payable for non-audit services rendered are as follows:

Fees for Audit and Related services	Rs. 11 million (2015 - Rs. 9 million)
Fees for Non-Audit services	Rs. 5 million (2015 - Rs. 7 million)

Based on the written representation made by the Auditors, the Directors are satisfied that the Auditors have had no interest or relationship with the Company or its subsidiaries other than that of External Auditors.

Keeping in line with the Audit Committee recommendation to rotate the Auditors, a resolution will be placed before the shareholders to appoint Messrs Ernst & Young, Chartered Accountant as Auditors of the Company for the financial year ending 31 December 2017 in place of the retiring Auditors.

Messrs Ernst & Young have expressed their willingness to be appointed as Auditors of the Company. A resolution to appoint them and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

## → **Statutory Payments and Compliance with Laws and Regulations**

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid or where relevant provided for in the Financial Statements.

The Company has also ensured that it complied with the applicable laws and regulations, including the Listing Rules of the Colombo Stock Exchange.

## → **Environmental Protection**

After making adequate enquiries from management, the Directors are satisfied that the Company and its subsidiaries operate in a manner that minimises the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Group operates.

## → **Donations**

The Directors have approved donations amounting to Rs. 2 million for charitable purposes for the year 2016. (2015 - Rs. 2 million). This amount includes contributions on account of Corporate Social Responsibility ('CSR') initiatives as well.

## → **Employment Policies**

The employment policies of SLT cover issues such as diversity, employee well-being and equal opportunities. The Company takes its responsibility towards the physically disabled seriously and does not discriminate any employee or prospective employee, based on physical disability. Employees who become disabled during their service at SLT will be retained in employment wherever possible and will be given rehabilitation and training.

The Group companies operate within a framework of Human Resource policies, practices and regulations appropriate to their market sector. Policies and procedures for recruitment, training, career development and the Code of Ethics for Employees promote equality of opportunity regardless of gender, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin. The aim is to encourage a culture in which all employees have the opportunity to develop fully, according to their individual abilities and the needs of the Group.

The number of persons employed by SLT is given in Note 7.1 on page 148.

## → Sustainability Reporting

The Group is conscious of the direct and indirect impact on the environment due to its business activities. Every endeavour is made to minimise the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the Group in recognition of its responsibility as a corporate citizen are disclosed more fully on pages 99 to 102 of this Report.

## → Post Balance Sheet Events

No events had occurred since the reporting date and the approval of these Consolidated Financial Statements, which would require adjustments to or disclosure in, these Consolidated Financial Statements.

## → Going Concern

The Directors have reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future to justify adopting the going concern basis in preparing the Financial Statements.

## → Annual General Meeting (AGM)

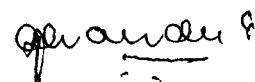
The AGM will be held at 10.00 a.m. on Wednesday, 24 May 2017 at the King's Court, Cinnamon Lakeside Colombo, Sir Chittampalam A Gardiner Mawatha, Colombo 2. Details of the meeting and the resolutions to be proposed are set out in a separate Notice of Meeting which accompanies this Annual Report.

By Order of the Board,

Sri Lanka Telecom PLC



**P G Kumarasinghe Sirisena**  
Chairman



**Ms Chandra Ekanayake**  
Director



**Mahesh Athukorale**  
Company Secretary

17 April 2017  
Colombo

# Statement of Directors in Relation to their Responsibility for the Preparation of Financial Statements

The responsibility of the Directors in relation to the Financial Statements of the Company and the Group is set out in the following statement. The responsibility of the Independent Auditors, in relation to the Financial Statements, prepared in accordance with the provisions of the Companies Act No. 07 of 2007 ('the Act'), is set out in the Independent Auditors' Report on page 119.

The Financial Statements comprise –

- Statement of Profit or Loss and Other Comprehensive Income, which present a true and fair view of the profit and loss of the Company and the Group for the financial year; and
- Statement of Financial Position, which present a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and which comply with the requirements of the Act and SLFRSs.

The Directors are required to ensure that, in preparing these Financial Statements:

- appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- all applicable Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, as relevant, have been followed;
- judgements and estimates have been made which are reasonable and prudent.

The Directors are also required to ensure that the Company and of the Group have adequate resources to continue its operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the Group, and to ensure that the Financial Statements presented comply with the requirements of the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which these Auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the Independent Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Directors are required to prepare the Financial Statements and to provide the Independent Auditors with every opportunity to take whatever steps and undertake whatever inspections that they may consider to be appropriate to enable them to give the Independent Auditors' opinion.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

## → Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid or where relevant provided for, except as specified in Note 32 to the Financial Statements covering contingent liabilities.

By Order of the Board,

Sri Lanka Telecom PLC



**Mahesh Athukorale**  
Company Secretary

17 April 2017  
Colombo

# Audit Committee Report

As at 31 December 2016

We are pleased to present our report for the financial year ended 31 December 2016.

The Board is ultimately responsible for the Group's system of internal controls and risk management, and it discharges its duties in this area by:

- Focusing on issues relevant to the integrity of the Company's financial reporting;
- Determining the nature and extent of the significant risks which are acceptable in achieving the Group's strategic objectives; and
- Ensuring that management implements effective systems of internal controls and conducts risk identification, assessment and mitigation.

The Board of Directors has delegated the responsibility of assisting the Board on the responsibilities (as set out in Section 1.3 of this Report) to the Audit Committee ('the Committee') in SLT and its subsidiaries except Mobitel (Private) Limited which has its own Audit Committee.

Following a review by the Committee and the Board, the Risk Management Committee was folded into the Committee to enhance the effectiveness of risk management and governance.

## 1.1 Audit Committee Terms of Reference and Internal Audit Charter →

During the financial year, the Committee reviewed and updated the duties and responsibilities of the Committee set out in its Terms of Reference to be in line with best industry practice. The Committee has conducted its affairs in compliance with the Terms of Reference, which are available on the Company's website [www.slt.lk](http://www.slt.lk).

## 1.2 Composition of Audit Committee →

The Committee comprise five NEDs whose biographical details are set out on pages 6 to 9, of whom three are Independent Directors.

The composition of the Committee meets the requirements of the Listing Rules of CSE and is as follows:

Mr Chan Chee Beng – Chairman  
Ms Lai Choon Foong  
Ms Chandra Ekanayake  
Ms Nilanthi Pieris  
Mr Rohan De Silva

Mr Chan Chee Beng and Ms Lai Choon Foong are members of international and Malaysian professional accounting bodies. The Committee members have a good mix of skills, expertise and experience in commercial, telecommunications, financial and audit matters due to the current senior positions or previous positions in other organisations.

The Company Secretary functions as the Secretary of the Committee.

## 1.3 Activities of Audit Committee →

The role and responsibilities of the Committee are set out in full in its written Terms of Reference.

The major activities undertaken by the Committee during the financial year are summarised below:

### **1.3 a. Internal control and risk management →**

The Committee had reviewed the overall adequacy and effectiveness of the systems of internal control in the Group through the review of key internal and external audit findings reported by the Internal Auditors and External Auditor, and discussions with senior management.

The Committee reviewed the status of risk management activities in the Group presented by the management which included the risk profile, changes to the key risks and mitigation plans, to ensure that key risks were identified, managed and tracked.



### **1.3 b. Financial reporting →**

The Committee reviewed the quarterly financial results and annual audited Financial Statements of the Group with the management and discussed with the External Auditor, before recommending their approval and release of the financial results to the CSE.

The Committee discussed with the management to ensure that matters relating to financial reporting set out in its Terms of Reference, listing requirements of the CSE, provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Monitoring Board had been complied with.

### **1.3 c. External audit →**

The Committee had assessed and was satisfied that the independence of the External Auditor has not been impaired by any event or service that gives rise to a conflict of interest; and had ensured that the appointment of the External Auditor complies with the Companies Act and any other related legislation.

The Committee reviewed the audit plan of the External Auditor including their scope of work, audit approach and proposed fees for their quarterly reviews of the financial results and statutory audit of the Financial Statements for the financial year.

The Committee also deliberated on the review and audit results, issues and resolution of issues reported by the External Auditor together with them and management.

The Audit Committee having considered the importance of periodic rotation of Auditors in line with good corporate governance practice recommended a change of Auditors at the forthcoming Annual General Meeting as KPMG has been the Auditors of the Company since 2010. The Committee

recommends to the Board the appointment of Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the financial year ending 31 December 2017, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### **1.3 d. Group internal audit function →**

The Group has an independent internal audit function which reports directly to the Committee. The function provides assurance on the effectiveness of governance, internal control and risk management in the Group.

The Committee reviewed and approved the risk-based annual internal audit plan which included the use of external specialist assistance for special and technical audits and assessed the performance of the internal audit function against the plan.

The Head of Internal Audit presented the key audit or investigation findings and recommendations arising from the internal audits or investigations conducted to the Committee and ensured that timely corrective action was taken by management to address the issues.

### **1.4 Meetings of Committee →**

The Committee had five meetings during the financial year 2016 and the attendance at these meetings is shown in the Corporate Governance Report on page 24. The Group Chief Executive Officer, Chief Financial Officer and Group Chief Internal Auditor attended all meetings by invitation. The External Auditor was also requested to attend the meetings as and when required.

The Chairman of the Committee reported the proceedings and significant issues discussed at the Committee meeting to the Board after every Committee meeting. The minutes of the Committee meetings were circulated to the Board.

The Committee dealt with the following key activities during the financial year 2016:

Month of meeting	Key activities
February	<ul style="list-style-type: none"> <li>→ Reviewed and approved the internal audit plan</li> <li>→ Reviewed and discussed draft audited Financial Statements with External Auditor and management</li> <li>→ Reviewed and recommended 4th quarter 2015 financial results to the Board for approval</li> <li>→ Recommended reappointment of KPMG as External Auditor of the Group for financial year 2016</li> <li>→ Reviewed internal audit findings, recommendations and management action with Internal Audit Head and management</li> </ul>
March	<ul style="list-style-type: none"> <li>→ Reviewed and recommended the draft audited Financial Statements for financial year ended 31 December 2015 for approval of the Board</li> <li>→ Reviewed audit findings and recommendations on technical audits carried out by External Specialist Auditors</li> <li>→ Reviewed audit findings, recommendations and management action from internal audit reports</li> </ul>
May	<ul style="list-style-type: none"> <li>→ Reviewed the interim Financial Statements for 1st quarter 2016 and recommended for approval of the Board</li> <li>→ Reviewed the findings, recommendations and management action from an audit of a SLT subsidiary</li> </ul>
August	<ul style="list-style-type: none"> <li>→ Reviewed the interim Financial Statements for 2nd quarter 2016 and recommended for approval of the Board</li> <li>→ Reviewed audit findings and recommendations on a technical audit carried out by External Specialist Auditors</li> <li>→ Reviewed audit findings, recommendations and management action from internal audit reports</li> </ul>
November	<ul style="list-style-type: none"> <li>→ Reviewed the interim Financial Statements for the 3rd quarter 2016 and recommended for approval of the Board</li> <li>→ Reviewed audit findings, recommendations and management action from internal audit reports of subsidiary companies</li> <li>→ Reviewed and approved changes to the Group Internal Audit Charter</li> <li>→ Reviewed and approved the internal audit plan for 2017</li> <li>→ Reviewed the progress of the internal audit plan of 2016</li> <li>→ Reviewed and updated the Terms of Reference of the Group Audit Committee.</li> </ul>

## 1.5 External Auditors' fees →

The fees paid to the External Auditor during the financial year 2016 are disclosed in Note 7 to the Financial Statements.

On behalf of the Group Audit Committee,



**Chan Chee Beng**  
 Chairman  
 Audit Committee

17 April 2017

# Independent Auditors' Report



**KPMG**  
 (Chartered Accountants)  
 32A, Sir Mohamed Macan Markar Mawatha,  
 P. O. Box 186,  
 Colombo 00300,  
 Sri Lanka.

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 Fax : + 94 - 11 244 5872  
       + 94 - 11 244 6058  
       + 94 - 11 254 1249  
       + 94 - 11 230 7345  
 Internet : [www.lk.kpmg.com](http://www.lk.kpmg.com)

## → To the Shareholders of Sri Lanka Telecom PLC

### Report on the Financial Statements →

We have audited the accompanying Financial Statements of Sri Lanka Telecom PLC ('the Company'), and the Consolidated Financial Statements of the Company and its subsidiaries ('Group'), which comprise the Statement of Financial Position as at 31 December 2016 and the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and Notes, comprising a summary of Significant Accounting Policies and other explanatory information set out on pages 120 to 178 of the Annual Report.

### Board's responsibility for the Financial Statements →

The Board of Directors ('Board') is responsible for the preparation of these Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility →

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditors' judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion →

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on other legal and regulatory requirements →

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

(a) The basis of opinion and scope and limitations of the audit are as stated above

(b) In our opinion:

→ We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

→ The Financial Statements of the Company give a true and fair view of its financial position as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

→ The Financial Statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.



CHARTERED ACCOUNTANTS  
 Colombo

17 April 2017

# Statement of Profit or Loss and Other Comprehensive Income

(All amounts in Sri Lanka rupees million)

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For the year ended 31 December	Notes	Group		Company	
		2016	2015	2016	2015
Revenue	6	73,801	68,022	43,131	40,565
Operating costs	7	(53,675)	(48,014)	(33,228)	(30,421)
Operating profit before depreciation and amortisation		20,126	20,008	9,903	10,144
Depreciation	13	(13,776)	(12,567)	(8,509)	(7,524)
Amortisation of intangible assets	14 & 15	(624)	(652)	(227)	(249)
<b>Operating profit</b>		5,726	6,789	1,167	2,371
Refunds on Telecommunication Development Charge (TDC)	8	-	-	-	-
Other income		988	280	874	171
Dividend income		-	-	749	713
Interest expense and finance costs	9	(250)	(270)	(25)	(30)
Foreign exchange (loss)/gain	9.a	(979)	(2,128)	(570)	(916)
Interest income	10	1,012	844	448	486
<b>Profit before tax</b>		6,497	5,515	2,643	2,795
Income tax expenses	11	(1,707)	(1,791)	(918)	(1,067)
<b>Profit for the year</b>		4,790	3,724	1,725	1,728
<b>Other comprehensive income</b>					
Defined benefit plan actuarial (loss)/gain	26	233	(8)	249	4
Tax on other comprehensive income	23	(70)	(1)	(70)	(1)
<b>Other comprehensive income for the year net of tax</b>		163	(9)	179	3
<b>Total comprehensive income for the year</b>		4,953	3,715	1,904	1,731
<b>Profit attributable to:</b>					
Owners of the Company		4,790	3,724	1,725	1,728
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		4,953	3,715	1,904	1,731
Earnings per share					
- Basic (Rs.)	12	2.65	2.06	0.96	0.96

The Notes on pages 125 to 178 form an integral part of these Financial Statements.

# Statement of Financial Position

(All amounts in Sri Lanka rupees million)

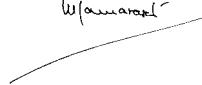
As at 31 December	Notes	Group		Company		
		2016	2015	2016	2015	
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant & equipment	13	108,649	99,283	81,524	70,081	
Intangible assets and goodwill	14	3,713	2,891	879	1,084	
Financial prepayments	15	-	-	-	-	
Investments in subsidiaries	16	-	-	14,220	14,220	
Deferred tax assets	23	51	37	-	-	
Other receivables	18	3,033	2,908	3,021	2,908	
<b>Total non-current assets</b>		<b>115,446</b>	<b>105,119</b>	<b>99,644</b>	<b>88,293</b>	
<b>Current assets</b>						
Inventories	19	1,585	874	1,146	561	
Trade and other receivables	20	18,287	14,033	16,162	13,091	
Current tax receivable		146	1	146	-	
Other investments	17	764	1,043	705	641	
Cash and cash equivalents	21	6,682	5,475	314	475	
<b>Total current assets</b>		<b>27,464</b>	<b>21,426</b>	<b>18,473</b>	<b>14,768</b>	
<b>Total assets</b>		<b>142,910</b>	<b>126,545</b>	<b>118,117</b>	<b>103,061</b>	
<b>Equity</b>						
Stated capital	29	18,049	18,049	18,049	18,049	
Insurance reserve	27	680	605	680	605	
Retained earnings		49,858	46,586	40,271	40,048	
Equity attributable to equity holders of the company		68,587	65,240	59,000	58,702	
Non-controlling interest		91	-	-	-	
<b>Total equity</b>		<b>68,678</b>	<b>65,240</b>	<b>59,000</b>	<b>58,702</b>	
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Grants	28	9	16	9	16	
Borrowings	22	14,859	14,949	13,809	12,025	
Deferred income	24	2,340	2,370	2,297	2,315	
Deferred tax liabilities	23	4,517	3,600	4,507	3,594	
Employee benefits	26	4,538	4,353	3,984	3,892	
Trade and other payables	25	2,743	2,935	252	252	
<b>Total non-current liabilities</b>		<b>29,006</b>	<b>28,223</b>	<b>24,858</b>	<b>22,094</b>	
<b>Current liabilities</b>						
Borrowings	22	18,081	9,446	14,726	4,147	
Deferred income	24	1,435	2,027	576	661	
Current tax liabilities		413	447	-	15	
Trade and other payables	25	25,297	21,162	18,957	17,442	
<b>Total current liabilities</b>		<b>45,226</b>	<b>33,082</b>	<b>34,259</b>	<b>22,265</b>	
<b>Total liabilities</b>		<b>74,232</b>	<b>61,305</b>	<b>59,117</b>	<b>44,359</b>	
<b>Total equity and liabilities</b>		<b>142,910</b>	<b>126,545</b>	<b>118,117</b>	<b>103,061</b>	

The Notes on pages 125 to 178 form an integral part of these Financial Statements.

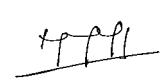
I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

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 17 April 2017.

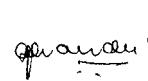
Signed for and behalf of the Board,



Udeni K Samararatne  
Chief Financial Officer



P G Kumarasinghe Sirisena  
Chairman



Chandra Ekanayake  
Director

17 April 2017

# Statement of Changes in Equity – Group

(All amounts in Sri Lanka rupees million)

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	Notes	Stated capital	Insurance reserve	Retained earnings	Total equity	Non-controlling interest	Attributable to owners of the Company
<b>Balance as at 1 January 2015</b>	18,049	560	44,522	63,131	–	–	63,131
<b>Total comprehensive income for the year</b>							
Net profit for the year 2015	–	–	3,724	3,724	–	–	3,724
<b>Other comprehensive income</b>							
Defined benefit plan actuarial (loss)/gain, net of tax	–	–	(9)	(9)	–	–	(9)
<b>Total other comprehensive income</b>	–	–	(9)	(9)	–	–	(9)
<b>Total comprehensive income for the year</b>	–	–	3,715	3,715	–	–	3,715
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contribution by and distribution to owners</b>							
Dividends to equity shareholders	–	–	(1,606)	(1,606)	–	–	(1,606)
<b>Insurance reserve</b>							
Transfer to insurance reserve	27	–	45	(45)	–	–	–
<b>Balance as at 31 December 2015</b>	18,049	605	46,586	65,240	–	–	65,240

	Notes	Stated capital	Insurance reserve	Retained earnings	Total equity	Non-controlling Interest	Attributable to owners of the Company
<b>Balance as at 1 January 2016</b>	18,049	605	46,586	65,240	–	–	65,240
<b>Non-controlling interest</b>	–	–	–	–	–	91	91
<b>Total comprehensive income for the year</b>							
Net profit for the year 2016	–	–	4,790	4,790	–	–	4,790
<b>Other comprehensive income</b>							
Remeasurement of defined benefit liability	–	–	163	163	–	–	163
<b>Total other comprehensive income</b>	–	–	163	163	–	–	163
<b>Total comprehensive income for the year</b>	–	–	4,953	4,953	–	–	5,044
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contribution by and distribution to owners</b>							
Dividends to equity shareholders	–	–	(1,606)	(1,606)	–	–	(1,606)
<b>Insurance reserve</b>							
Transfer to insurance reserve	27	–	75	(75)	–	–	–
<b>Balance as at 31 December 2016</b>	18,049	680	49,858	68,587	91	–	68,678

The Notes on pages 125 to 178 form an integral part of these Financial Statements.

# Statement of Changes in Equity – Company

(All amounts in Sri Lanka rupees million)

	Notes	Stated capital	Insurance reserve	Retained earnings	Total equity
<b>Balance as at 1 January 2015</b>	18,049	560	39,968	58,577	
<b>Total comprehensive income for the year</b>					
Net profit for the year 2015	-	-	1,728	1,728	
<b>Other comprehensive income</b>					
Defined benefit plan actuarial (loss)/gain, net of tax	-	-	3	3	
<b>Total other comprehensive income</b>	-	-	3	3	
<b>Total comprehensive income for the year</b>	-	-	1,731	1,731	
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contribution by and distribution to owners</b>					
Dividends to equity shareholders	-	-	(1,606)	(1,606)	
<b>Insurance reserve</b>					
Transfer to insurance reserve	27	-	45	(45)	-
<b>Balance as at 31 December 2015</b>	18,049	605	40,048	58,702	

	Notes	Stated capital	Insurance reserve	Retained earnings	Total equity
<b>Balance as at 1 January 2016</b>	18,049	605	40,048	58,702	
<b>Total comprehensive income for the year</b>					
Net profit for the year 2016	-	-	1,725	1,725	
<b>Other comprehensive income</b>					
Remeasurement of defined benefit liability	-	-	179	179	
<b>Total other comprehensive income</b>	-	-	179	179	
<b>Total comprehensive income for the year</b>	-	-	1,904	1,904	
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contribution by and distribution to owners</b>					
Dividends to equity shareholders	-	-	(1,606)	(1,606)	
<b>Insurance reserve</b>					
Transfer to Insurance Reserve	27	-	75	(75)	-
<b>Balance as at 31 December 2016</b>	18,049	680	40,271	59,000	

The Notes on pages 125 to 178 form an integral part of these Financial Statements.

# Statement of Cash Flow

(All amounts in Sri Lanka rupees million)

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For the year ended 31 December	Notes	Group		Company	
		2016	2015	2016	2015
<b>Cash flows from operating activities</b>					
Cash generated from operations	30	21,269	23,454	11,236	12,980
Interest received		995	849	431	491
Interest paid		(1,487)	(1,209)	(1,243)	(709)
Tax paid		(1,053)	(1,665)	(236)	(177)
Gratuity paid	26	(258)	(164)	(223)	(143)
<b>Net cash generated from operating activities</b>		<b>19,466</b>	<b>21,265</b>	<b>9,965</b>	<b>12,442</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant & equipment		(23,800)	(20,340)	(20,610)	(16,113)
Acquisition of intangible assets	14	(1,363)	(37)	(22)	(7)
Proceeds from disposal of property, plant & equipment		404	40	388	20
Proceeds/(purchase) of short-term investments		412	5,962	67	6,011
Investments in subsidiaries		-	-	-	(25)
<b>Net cash/(used) in investing activities</b>		<b>(24,347)</b>	<b>(14,375)</b>	<b>(20,177)</b>	<b>(10,114)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		9,513	3,464	9,032	2,816
Finance lease principal repayments		(72)	(68)	(50)	(47)
Repayment of borrowings		(8,195)	(7,855)	(3,626)	(4,291)
Dividends paid to the equity shareholders		(1,606)	(1,606)	(1,606)	(1,606)
<b>Net cash (used)/generated from financing activities</b>		<b>(360)</b>	<b>(6,065)</b>	<b>3,750</b>	<b>(3,128)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(5,241)</b>	<b>825</b>	<b>(6,462)</b>	<b>(800)</b>
<b>Movement in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the year		4,620	3,774	223	1,002
Effect of exchange fluctuation on cash and cash equivalents		5	21	5	21
		4,625	3,795	228	1,023
(Decrease)/increase in cash and cash equivalents		(5,241)	825	(6,462)	(800)
<b>At the end of year</b>	21.a	<b>(616)</b>	<b>4,620</b>	<b>(6,234)</b>	<b>223</b>

The Notes on pages 125 to 178 form an integral part of these Financial Statements.

# Notes to the Financial Statements

(All amounts in Sri Lanka rupees million)

## 1 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 separate Financial Statements relates to Sri Lanka Telecom PLC. The Consolidated Financial Statements of the Company as at and for the year ended December 2016 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Financial Statements of all companies within the Group are prepared for a common financial year which ends on 31 December 2016.

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, directory publishing and provision of manpower. The Company is a quoted public Company which is listed on the Colombo Stock Exchange.

## 2 Basis of Preparation

### (a) Statement of compliance →

The Financial Statements of the Group and the Company which comprises the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) as laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 and 2007.

### (b) Approval of Financial Statements

#### by Directors →

The Financial Statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 17 April 2017.

### (c) Basis of measurement →

The Financial Statements have been prepared on the historical cost basis applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements except for the following item:

- The liability for defined benefit obligation recognised are actuarially valued and recognised at the present value of the defined benefit obligation.

The Financial Statements have been prepared on a going concern basis.

### (d) Functional and presentation currency →

These Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency and the Group's presentation currency. All financial information presented in rupees has been rounded to the nearest million, unless otherwise indicated.

### (e) Use of estimates and judgements →

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following Notes:

- Note 13 – Property, plant & equipment
- Note 14 – Intangible assets
- Note 20 – Trade and other receivables
- Note 32 – Provisions and contingencies
- Note 23 – Deferred tax
- Note 24 – Deferred income
- Note 26 – Employee benefits

### (f) Changes in accounting policies →

No changes in accounting policies have taken place during the year ended 31 December 2016.

## 3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in Financial Statements, and have been applied consistently by the Group entities.

**(a) Basis of consolidation →****(i) Business combinations →**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain or bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**(ii-b) Interest in subsidiaries →**

Set out below are the Group's subsidiaries and Sub-subsidiaries as at 31 December 2016:

Name of entity	Place of business/ country of incorporation	Percentage of ownership	Principal activities
Mobitel (Private) Limited	Colombo/Sri Lanka	100.00%	Mobile service provider
Sri Lanka Telecom (Services) Limited	Colombo/Sri Lanka	99.99%	Providing network solutions for corporate customers and small business
SLT VisionCom (Private) Limited	Colombo/Sri Lanka	100.00%	Providing IPTV support service
SLT Publications (Private) Limited	Colombo/Sri Lanka	100.00%	Directory information and publication services
SLT Human Capital Solutions (Private) Limited	Colombo/Sri Lanka	100.00%	Providing workforce solutions
Sky Network (Private) Limited	Colombo/Sri Lanka	99.94%	Wireless broadband operations
SLT Property Management (Private) Limited	Colombo/Sri Lanka	100.00%	Managing SLT real estate resource
SLT Campus (Private) Limited	Colombo/Sri Lanka	100.00%	Higher education services and business management
eChannelling PLC	Colombo/Sri Lanka	87.59%	Providing information infrastructure for the healthcare industry

**(ii) Subsidiaries →**

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements from the date on which control commences until the date on which control ceases.

**(ii-a) Critical judgements in applying the entity's accounting policies →**

The Directors have concluded that the Group controls all subsidiaries as it has majority control and voting rights over its subsidiaries as depicted in Note (ii-b), below:

**(iii) Non-controlling interest (NCI) →**

NCI are measured at their proportionate share of acquiree's identifiable net assets at the date of acquisition. Changes in the Group interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**(iv) Loss of control →**

When the Group loses control over a Subsidiary, it derecognises the asset and liabilities of the Subsidiary and any related NCI (if applicable) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest in the former subsidiary is measured at fair value when control is lost.

**(v) Transactions eliminated on consolidation →**

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated.

**(b) Foreign currency →****(i) Foreign currency transactions →**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in Statement of Profit or Loss and Other Comprehensive Income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

**(c) Financial instruments →**

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

**(i) Non-derivative financial assets and financial liabilities – Recognition and derecognition →**

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(i-i) Non-derivative financial assets – Measurement →**

**Financial assets at fair value through profit or loss** A financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**Held-to-maturity financial assets** These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables	These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Loans and receivables comprise cash and cash equivalents, staff loans and trade and other receivables, including related party receivables.
Available-for-sale financial assets	These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to Statement of Profit or Loss and Other Comprehensive Income.

## (i-ii) Non-derivative financial liabilities – Measurement →

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

## (i-iii) Fair value measurement →

SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement requires an entity to determine the following:

1. The particular asset or liability that is the subject of the measurement.
2. For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).
3. The principal (or most advantageous) market for the asset or liability.
4. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

### Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

#### → Level 1

Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

#### → Level 2

Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

#### → Level 3

Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

**Amortised cost**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

**(i-iv) Reclassifications →**

Reclassifications of financial assets, other than as set out below or of financial liabilities between measurement categories are not permitted following initial recognition.

Held-for-trading non-derivative financial assets are transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are transferred out of the available-for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets are reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any

gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification is amortised to the profit or loss over the remaining life of the financial asset, using the effective interest method.

**(i-v) Derivative financial instruments →**

The Group holds derivative financial instruments to hedge its interest rate risk exposure.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognised in profit or loss.

**(i-vi) Impairment →****Non-derivative financial assets →**

Financial assets not classified at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes –

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost	The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the Statement of Profit or Loss and Other Comprehensive Income.
Available-for-sale financial assets	<p>Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to the Statement of Profit or Loss and Other Comprehensive Income. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in Statement of Profit or Loss and Other Comprehensive Income.</p> <p>If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through Statement of Profit or Loss; otherwise, it is reversed through OCI.</p>

### Non-financial assets →

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in CGU on *pro rata basis*.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (d) Property, plant & equipment →

#### **(i) Recognition and measurement →**

Items of property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that asset.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

#### **(ii) Subsequent costs →**

The cost of replacing part of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant & equipment are recognised in profit or loss.

#### **(iii) Depreciation →**

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant & equipment. In the year of acquisition, depreciation is computed on proportionate basis from the month the asset is put into use and no depreciation will be charged to the month in which the particular asset was disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	5 – 40 years
Ducts, cables and other outside plant	5 – 12.5 years
Submarine cables	19 – 25 years
Telephone exchanges	8 – 12.5 years
Transmission equipment and towers	12.5 – 40 years
Motor vehicles	5 years
CDMA handsets	3 years
PABX system	1 – 6 years
Other fixed assets	4 – 10 years

#### **(iv) Capital work in progress →**

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation.

Major spare parts and project-related inventory qualify as property, plant & equipment when the entity expects to use them during more than one period and are used in connection with specific items of property, plant & equipment.

#### **(v) Derecognition →**

The carrying amount of an item of property, plant & equipment is derecognised on disposal. Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment, and are recognised net within 'other income' in the Statement of Profit or Loss and Other Comprehensive Income.

When replacement costs are recognised in the carrying amount of an item of property, plant & equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

#### **(vi) Borrowing cost →**

Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as a part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **(e) Intangible assets →**

##### **(i) Goodwill →**

Goodwill arises on the acquisition of subsidiaries.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see Note 3 (a) (i).

**(Subsequent measurement →**

Goodwill is measured at cost less accumulated impairment losses.

**(ii) Other intangible assets →**

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

**(iii) Licenses →**

Separately acquired licences are shown at historical cost. Expenditures on license fees that is deemed to benefit or relate to more than one financial year is classified as license fee and is being amortised over the license period on a straight line basis.

**(iv) Subsequent expenditure →**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill is recognised in profit or loss as incurred.

**(v) Amortisation →**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	2 – 10 Years
License and spectrum fees	2 – 10 Years

**(f) Leased assets →**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

For operating leases, the leased assets are not recognised on the Group's Statement of Financial Position.

**(g) Inventories →**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle. Value of inventories includes expenditure incurred in acquiring, conversion costs and other costs incurred in bringing them to their existing location and condition.

**(h) Share capital →****Ordinary share capital →**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(i) Government grants →**

Government grants are recognised initially at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in the Statement of Profit or Loss and Other Comprehensive Income as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the profit or loss on a systematic basis over the useful life of the asset.

**(j) Employee benefits →****(i) Defined contribution plans →**

A defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognised as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Employees' Provident Fund →**

All employees of the Company are members of the Sri Lanka Telecom Provident Fund to which the Company contributes 15% of such employees' basic salary and allowances.

All employees of subsidiaries of the Group are members of Employees' Provident Fund (EPF), to which the respective subsidiaries contribute 12% of such employees' basic salary

and allowances. Employees of Sri Lanka Telecom (Services) Limited are members of Employees' Provident Fund (EPF), where the Company contribute 15% of such employees' basic salary and allowances.

#### **Employees' Trust Fund →**

The Company and other subsidiaries contribute 3% of the salary of each employee to the Employees' Trust Fund.

#### **(ii) Defined benefit plans →**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by an independent actuary using Projected Unit Credit method as recommended by LKAS 19 - 'Employee Benefits'. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield on Government Bonds at the reporting date and have maturity dates approximating to the terms of the Company's obligations.

The Group recognises actuarial gains and losses that arise in calculating the Group's obligation in respect of a plan in other comprehensive income.

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 26 Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 - 'Employee Benefits'. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

#### **(iii) Termination benefits →**

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

#### **(iv) Short-term benefits →**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or leave encashment plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **(k) Trade and other payables →**

Trade and other payables are stated at their cost.

#### **(l) Commitments and contingencies →**

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments and of its subsidiaries for which the Company is also liable severally or otherwise are also included with appropriate disclosures.

#### **(m) Revenue →**

##### **(i) Goods →**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

#### **Equipment sale →**

Revenue from sales of telecommunications equipment is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecommunications equipment and ongoing service) is allocated to those components that are separable based on the estimated fair value of the components.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

### **Sale of directories →**

Revenue from publication sales relating to advertising revenue is recognised on publishing the advertisement on the telephone directory and a copy delivered to the subscriber on a percentage of completion method.

### **(ii) Services →**

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the profit and loss in proportion to the services delivered at the reporting date. In respect of services invoiced in advance, amounts are deferred until provision of the service.

### **Domestic and international call revenue and rental income →**

#### **Fixed line →**

Revenue for call time usage by customers is recognised as revenue as services are performed on accrual basis. Fixed rental is recognised as income on a monthly basis in relation to the period of services rendered.

#### **Mobile revenue →**

Mobile revenue comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, and the provision of other mobile telecommunications services. Mobile monthly access charges are invoiced and recorded as part of a periodic billing cycle. Air time, either from contract customers as part of the invoiced amount or from prepaid customers through the sale of prepaid cards, is recorded in the period in which the customer uses the service.

### **Revenue from other network operators and international settlements →**

The revenue received from other network operators, local and international, for the use of the Group's telecommunication network are recognised, net of taxes, based on usage taking the traffic minutes/per second rates stipulated in the relevant agreements and regulations and based on the terms of the lease agreements for fixed rentals.

Revenue arising from the interconnection of voice and data traffic between other telecommunications operators is recognised at the time of transit across the Group's network and presented on gross basis. The relevant revenue accrued is recognised under income in the Income Statement and interconnection expenses recognised under operating costs in profit or loss.

### **Revenue from broadband →**

Revenue from Data services and IPTV services is recognised on usage and the fixed rental on a monthly basis when it is earned net of taxes, rebates and discounts.

### **Revenue from other ICT services →**

The revenue from other telephone services are recognised on an accrual basis based on fixed rental contracts entered between the Group and subscribers.

### **Deferred income →**

The connection fees relating to Public Switch Telephone Network (PSTN) are deferred over a period of 15 years. Revenue is recognised on an annual basis irrespective of the date of connection.

IRU revenue relating to leasing of SEA-ME-WE 4 cable capacity are recognised on a straight line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue. In the event that a customer terminates an IRU prior to the expiry of the contract and releases the Company from the obligation to provide future services, the remaining unamortised deferred revenue is recognised in the period the contract is terminated.

Backhauling revenue which is leasing of SEA-ME-WE 3 cable capacity is recognised on a straight line basis over the period of contracts. Amounts received in advance for any services are recorded as deferred revenue.

Revenue from the sale of prepaid CDMA cards is deferred until such time as the customer uses the call time, downloadable quota or the credit expires.

Sale of mobile recharge cards and reloads for prepaid subscribers are initially recognised as deferred revenue until such time as the subscribers use the services or credit period expires.

**CDMA revenue →**

The connection fees relating to Code Divisional Multiple Access (CDMA) connections are recognised as revenue at the point the connection is activated.

**(n) Expenditure →**

The expenses are recognised on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant & equipment in a state of efficiency is charged against income in arriving at the profit for the year.

**(o) Lease payments →**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed determining whether an arrangement contains a lease.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specific asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

**(p) Finance income and expenses →**

The Group's finance income and finance cost include:

- Interest income from repurchase agreements
- Interest income from fixed deposits
- Staff loan interest income
- Interest expense from borrowings
- Interest expense arising from leases
- Foreign exchange gains or losses

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

**(q) Income tax →**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

**(i) Current taxation →**

Income tax expense comprises current and deferred tax. Income tax expense is recognised or profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

Provisions for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

**(ii) Deferred taxation →**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax is not recognised for the undistributed profits of subsidiaries as the Parent Company has control over the dividend policy of its subsidiaries and distribution of those profits. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

No deferred taxation is provided for Mobitel (Private) Limited due to the fact that the income taxes are computed and paid at 2% on revenue.

**(iii) Economic Service Charge (ESC) →**

ESC is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is deductible from the income tax liability. Any unclaimed payment can be carried forward and set-off against the income tax payable as per the relevant provision in the Act.

**(iv) Sales tax →**

Revenue, expenses and assets are recognised net of the amount of sale tax, except: where sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable.

**(r) Earnings per share →**

The Group presents basic Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**(s) Insurance reserve →**

The Company transfers annually from the retained earnings an amount equal to 0.1% of additions to property, plant & equipment to an insurance reserve. An equal amount is invested in a sinking fund to meet any funding requirements for potential losses from uninsured property, plant & equipment. The insurance reserve is maintained to recover any losses arising from damage to property, plant & equipment, except for motor vehicles, that are not insured with a third-party insurer.

**(t) Dividend distribution →**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

Provision for final dividends is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders.

**(u) Comparatives →**

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the Financial Statements are amended, comparative amounts are reclassified unless it is impracticable.

**(v) Statement of Cash flow →**

The Cash Flow Statement has been prepared using the 'indirect method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 07 - 'Statement of Cash Flows'. Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. The cash and cash equivalent include cash in hand, balances with banks, placements with banks, money at call and short notice.

**(w) Events after the reporting period →**

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in respective Notes to the Financial Statements.

**(x) Directors' Responsibility Statement →**

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements.

**(y) Critical accounting estimates, assumptions and judgements →**

In the preparation of these Financial Statements, a number of estimates and assumptions have been made relating to the performance and the financial position of the Group. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the presentation of its financial performance and position. These particular policies require subjective and complex judgements, often as a result of the need to make estimates about the effect of matters that are uncertain.

**(i) Depreciation of property, plant & equipment →**

The Company assigns useful lives and residual values to property, plant & equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Where the Company determines that the useful life of property, plant & equipment should be shortened or residual value reduced, it depreciates the net carrying amount in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Company's Financial Statements when the change in estimate is determined.

**(ii) Impairment of property, plant & equipment and intangible assets →**

The Company assesses the impairment of property, plant & equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important and which could trigger an impairment review include the following:

- a. obsolescence or physical damage;
- b. significant changes in technology and regulatory environments;
- c. significant under performance relative to expected historical or projected future operating results;
- d. significant changes in the use of its assets or the strategy for its overall business.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash-generating units require significant judgement.

**(iii) Revenue recognition →**

Judgement is required in assessing the application of the principles of revenue recognition in respect of revenues. This includes presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

**(iv) Valuation of receivables →**

The provision for impairment losses for trade and other receivables reflects the Company's estimates of losses arising from the failure or inability of customers to make required payments. The provision is based on the ageing of customer accounts, customer credit-worthiness and the Company's historical write-off experience etc. Changes to the provision may be required if the financial condition of its customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs.

**(z) New accounting standards issued but not effective as at reporting date →**

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for the financial periods beginning on or after 1 January 2017. The following Accounting Standards have not been applied in preparing these Financial Statements and the Group plans to apply these standards on the respective effective dates.

New accounting standard	Possible impact on the financial statements
<p><b>SLFRS 15 Revenue from Contracts with Customers</b></p> <p>SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.</p> <p>SLFRS 15 is effective for annual periods beginning on or after 1 January 2018.</p>	<p>The group is still in the process of quantifying the implications of this standard, however we expect the following indicative impacts:</p> <ul style="list-style-type: none"> <li>→ Under SLFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the balance sheet and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees.</li> <li>→ Certain costs incurred in fulfilling customer contracts will be deferred on the balance sheet under SLFRS 15 and recognised as related revenue is recognised under the contract. Such deferred costs are likely to relate to the provision of deliverables to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred.</li> <li>→ Currently, the group defers only the material connection charges. The transition to SLFRS 15 will result in higher revenue being deferred and recognised on a straight-line basis over the average customer life time. Eg: Connection charges from Smartline, LTE &amp; CDMA.</li> <li>→ Under SLFRS 15, additional revenue will be allocated to all equipment and handsets with reference to the asset's relative standalone value within the contract, regardless of contract pricing. As a result, on adoption of SLFRS 15, there will be an acceleration of revenue for these items, with a corresponding reduction in ongoing service revenue over the contract period. The difference between the revenue and the customer charge will be recognised as a contract asset – a receivable arising from secured cash flows – on the balance sheet; currently corresponding revenue in relation to devices given for free is not unbundled and recognised separately from the service components.</li> </ul>

## New accounting standard

## Possible impact on the financial statements

When SLFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of SLFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of SLFRS 15 on each line item in the Financial Statements in the reporting period. The Group currently intends to reflect the cumulative impact of SLFRS 15 in equity on the date of adoption.

SLFRS 15 contains both quantitative and qualitative disclosure requirements for annual and interim periods. Under the new standard, the Group should disclose more information about its contracts with customers than is currently required under LkAS 18 Revenue, including but not limited to;

- disaggregated information about revenue: Eg. Major product line such as PSTN, Broadband, Mobile & IPTV
- assets recognised stemming from the costs to obtain or fulfil a contract with a customer:  
Eg. Commissions & subcontractors cost
- contract balances such as contract asset (Eg. equipment and handsets given for free by SLT and Mobitel), contract liability (Deferred income)
- significant judgments when applying the new standard such as timing of the satisfaction of performance obligation, method used for recognising revenue (i.e. output method)

The Group does not expect significant impact on its Financial Statements resulting from the application of SLFRS 9.

**SLFRS 9 – Financial Instruments**

SLFRS 9 replaces the existing guidance in LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 contains three principal classification categories for financial assets – i.e. measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The existing LKAS 39 categories of Held-to-maturity, Loans and receivables and Available-for-sale are removed.

SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

**SLFRS 16 – Leases**

SLFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16 replaces existing leases guidance including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019.

The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

## 4 Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management processes are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the Group activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management processes/guidelines and procedures, and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee is assisted in its oversight role by internal reviews of risk management controls and procedures. The results of which are reported to the Audit Committee.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these Financial Statements.

### 4.1 Credit risk →

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arise principally from the Group's receivables from customers.

Carrying amount of financial assets represents the maximum credit exposure.

#### 4.1.1 Trade receivables →

The Group having a very well-established credit policy for both International Interconnect Customers and Domestic Customers to minimise the credit risk. A separate committee has been established to evaluate and recommend the credit worthiness for the International Interconnect Customer. Further, prepaid sales are used as a means of mitigating credit risk.

Domestic service is offered to a new customer only after scrutinising through a internal blacklisted data base. The Group has a well-established credit control policy and process to minimise the credit risk. Customers are categorised according to the segments and credit limit has been fixed as per their average monthly bill value. Customer usage and bill payments are monitored as per the credit limit. Credit limit will be periodically revised as per the past monthly bill value. High risk voice customers are subjected to auto disconnection when they reached the threshold limit. Credit control actions and recovery actions are taken for the overdue customers and defaulted customers to minimise the credit risk. High revenue-generated customers including corporate customers are monitored individually.

As at 31 December 2016, the maximum exposure to credit risk for trade by geographic region was as follows:

Rs. million	Group		Company	
	2016	2015	2016	2015
Sri Lanka	18,278	15,802	12,853	11,880
Middle East	499	533	263	482
Asia	1,449	510	654	372
Europe	1,433	754	1,339	973
Australia	173	35	102	37
Other	161	451	125	151
<b>Total trade receivables</b>	<b>21,993</b>	<b>18,085</b>	<b>15,336</b>	<b>13,895</b>

As at 31 December 2016, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

Rs. million	Group		Company	
	2016	2015	2016	2015
Wholesale customers	4,390	5,120	3,795	4,388
Retail customers	14,439	10,751	10,945	8,043
Others	3,164	2,214	596	1,464
	21,993	18,085	15,336	13,895

As at 31 December the Group's most significant customer was Lanka Government Information Infrastructure (Private) Limited which accounted for Rs. 256 million of trade receivables (2015 - Rs. 320 million).

#### Impairment →

As at 31 December 2016, the aging of trade receivables that were not impaired was as follows:

Rs. million	Group		Company	
	2016	2015	2016	2015
Past due 1 year	104	131	25	29
Past due 2 years and above	51	4	51	2
	155	135	76	31

Management believes that the unimpaired amounts that are past due more than 2 years are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk.

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

Rs. million	Group impairment	Company impairment
Balance as at 1 January 2015	6,560	5,077
- Impairment loss recognised	1,177	865
- Amounts written off	(172)	(162)
Balance as at December 2015	7,565	5,780
- Impairment loss recognised	1,358	871
- Amounts written off	(1,254)	(1,254)
<b>Balance as at 31 December 2016</b>	<b>7,669</b>	<b>5,397</b>

#### 4.1.2 Other investments →

The Group limits its exposure to credit risk by investing only in Government Debt Securities, Repos and in short-term deposits with selected bankers with Board approval.

#### 4.1.3 Cash and cash equivalents →

The Group held cash and cash equivalents of Rs. 6,682 million as at 31 December 2016 (2015 - Rs. 5,475 million).

#### 4.1.4 Employee loans →

The Group limits its exposure to credit risk by ensuring the loan balance are recovered from the employees monthly salary, or if the employee leaves such amounts are recovered from the employees' EPF balance.

#### 4.2 Liquidity risk →

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures its liquidity is maintained by investing in short, medium and long-term financial instruments to support operational and other funding requirements. The Group determines its liquidity requirements by the use of both short and long-term cash forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding adequacy for at least a 12-month period and the same is reviewed on an annual basis.

Short and medium-term requirements are regularly reviewed and managed by the treasury division.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted:

Rs. million	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years
<b>Group</b>					
<b>As at 31 December 2016</b>					
Bank overdrafts	7,298	7,298	-	-	-
Bank borrowings and others	21,883	8,136	6,948	6,799	-
Vendor financing	3,583	2,564	678	341	-
Lease liabilities	176	83	87	6	-
	32,940	18,081	7,713	7,146	-

Rs. million	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years
<b>As at 31 December 2015</b>					
Bank overdrafts	855	855	-	-	-
Bank borrowings and others	16,857	4,972	4,014	7,871	-
Vendor financing	6,435	3,562	2,154	719	-
Lease liabilities	248	57	58	133	-
	24,395	9,446	6,226	8,723	-

Rs. million	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years
<b>Company</b>					
<b>As at 31 December 2016</b>					
Bank overdrafts	6,548	6,548	-	-	-
Bank borrowings and others	21,862	8,115	6,948	6,799	-
Lease liabilities	125	63	62	-	-
	28,535	14,726	7,010	6,799	-
<b>As at 31 December 2015</b>					
Bank overdrafts	252	252	-	-	-
Bank borrowings and others	15,745	3,860	4,014	7,871	-
Lease liabilities	175	35	35	105	-
	16,172	4,147	4,049	7,976	-

## 4.3 Market risk →

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### 4.3.1 Currency risk →

The Group is exposed to currency risk on services provided, services received and borrowings that are denominated in a currency other than the Sri Lankan Rupees (LKR).

The Group manages its currency risk by a natural hedging mechanism to a certain extent by matching currency outflows for repayments of foreign currency loans and services with currency inflows for services settled in foreign currencies.

The summary of quantitative data about the Group's exposure to foreign currency was as follows:

Group
USD million

### As at December 2016

Foreign trade receivables	26
Secured loans	(24)
Unsecured loans	(129)
Trade payables	(11)
Net statement of financial position exposure	(138)

### As at December 2015

Foreign trade receivables	16
Secured loans	(52)
Unsecured loans	(109)
Trade payables	(3)
Net statement of financial position exposure	(148)

	Company USD million
<b>As at December 2016</b>	
Foreign trade receivables	<b>18</b>
Secured loans	-
Unsecured loans	<b>(129)</b>
Trade payables	<b>(4)</b>
Net statement of financial position exposure	<b>(115)</b>
<b>As at December 2015</b>	
Foreign trade receivables	<b>14</b>
Secured loans	-
Unsecured loans	<b>(109)</b>
Trade payables	<b>(1)</b>
Net statement of financial position exposure	<b>(97)</b>

The following significant exchange rates have been applied during the year:

Rs.	Average rate		Year end spot rate	
	2016	2015	2016	2015
USD	<b>145.60</b>	136.16	<b>149.75</b>	144.06
EUR	<b>161.16</b>	150.55	<b>157.93</b>	157.32

### Sensitivity analysis →

A reasonable possible strengthening (weakening) USD would have an impact on the Group's borrowings. This analysis assumes that all other variables, in particular interest rates remain constant.

Rs. million	Profit or loss		Balance sheet	
	Strengthening	Weakening	Strengthening	Weakening
<b>Group</b>				
<b>2016 December</b>				
USD (10%)	(2,543)	2,543	(2,543)	2,543
<b>2015 December</b>				
USD (10%)	(2,325)	2,325	(2,325)	2,325
<b>Company</b>				
<b>2016 December</b>				
USD (10%)	(1,937)	1,937	(1,937)	1,937
<b>2015 December</b>				
USD (10%)	(1,574)	1,574	(1,574)	1,574

### 4.3.2 Interest rate risk →

Interest rate risk mainly arises as a result of Group having interest sensitive assets and liabilities, which are directly, impacted by changes in the interest rates. The Group's borrowings and investments are maintained in a mix of fixed and variable interest rate instruments and periodical maturity gap analysis is carried out to take timely action and to mitigate possible adverse impact due to volatility of the interest rates.

To minimise the adverse impact of variable interest rate borrowings due to an upward movement of USD interest rates in the market, the Company has obtained an interest rate SWAP and arrangements are being made to obtain an interest rate CAP.

Short-term interest rate management is delegated to the treasury operations while long-term interest rate management decisions require approval from the Board of Directors.

Interest rate sensitivity of the Company was computed within the floor interest rate (Minimum) of 2.5% as stipulated in the loan agreement. The Group interest rate sensitivity was computed based on a 100 basis point increase or decrease. This analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant. The sensitivity of interest rate movement is shown below:

Rs. million	Profit or loss		Increase in interest rate	Decrease in interest rate		
	2016	2015				
<b>Group</b>						
<b>2016 December</b>						
Variable rate instruments			(115)	111		
<b>2015 December</b>						
Variable rate instruments			(96)	85		
<b>Company</b>						
<b>2016 December</b>						
Variable rate instruments			(80)	75		
<b>2015 December</b>						
Variable rate instruments			(21)	10		

## 4.4 Analysis of financial instruments by measurement basis →

### Financial liabilities →

Type of the Financial Instrument (2016)	Note	Fair value through profit or loss Group/Company	Other financial liabilities (Note 4.4.1)	
			Group	Company
Trade and other payables	25	-	28,040	19,209
Borrowings	22	-	32,940	28,535
<b>Total</b>		-	<b>60,980</b>	<b>47,744</b>

Type of the Financial Instrument (2015)	Note	Fair value through profit or loss Group/Company	Group	Company
Trade and other payables	25	-	24,097	17,694
Borrowings	22	-	24,395	16,172
<b>Total</b>		-	<b>48,492</b>	<b>33,866</b>

**4.4.1** These financial instruments are carried at amortised cost in the Financial Statements. The Company does not anticipate the fair value of these instruments to be significantly different to their carrying values and considers the impact as not material for disclosure.

### 4.5 Capital Management →

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of stated capital and reserves. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	Group		Company	
	2016	2015	2016	2015
Total borrowings	32,940	24,395	28,535	16,172
Total equity	68,587	65,240	59,000	58,702
Total capital	101,527	89,635	87,535	74,874
Gearing ratio (%)	32.4	27.2	32.6	21.6

## 5 Operating Segments

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Board of Directors, (the Chief Operating Decision Maker – CODM) reviews internal management reports on at least quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Fixed ICT operations includes supply of fixed telecommunication services.
- Mobile ICT operations includes supply of mobile telecommunication services.
- Other segment operations includes Directory publication and support services. None of these segments meet the quantitative thresholds for determining reportable segments in 2016 or 2015.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax. As included in the internal management reports that are reviewed by the Board of Directors (BOD). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### **Segmental reporting – For the year ended**

**31 December 2016 →**

(All amounts in Sri Lanka rupees million)

### **Information about reportable segments →**

	Fixed ICT operations		Mobile ICT operations		Other segments operations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
External revenues	<b>39,766</b>	37,213	<b>33,556</b>	30,195	<b>479</b>	614	<b>73,801</b>	68,022
Inter-segment revenue	<b>3,365</b>	3,352	<b>2,401</b>	2,363	<b>2,383</b>	2,379	<b>8,149</b>	8,094
Reportable segment revenue	<b>43,131</b>	40,565	<b>35,957</b>	32,558	<b>2,862</b>	2,993	<b>81,950</b>	76,116

#### **Reportable segment**

Profit before tax	<b>2,643</b>	2,795	<b>4,909</b>	3,363	<b>(206)</b>	170	<b>7,346</b>	6,328
Interest revenue	<b>448</b>	486	<b>529</b>	332	<b>35</b>	26	<b>1,012</b>	844
Interest expenses	<b>(25)</b>	(30)	<b>(206)</b>	(228)	<b>(19)</b>	(12)	<b>(250)</b>	(270)
Depreciation and amortisation	<b>(8,736)</b>	(7,773)	<b>(5,581)</b>	(5,364)	<b>(83)</b>	(82)	<b>(14,400)</b>	(13,219)
Reportable segment assets	<b>118,117</b>	103,061	<b>45,464</b>	42,606	<b>1,868</b>	1,940	<b>165,449</b>	147,607
Capital expenditure	<b>20,632</b>	16,120	<b>4,492</b>	4,218	<b>39</b>	39	<b>25,163</b>	20,377
Reportable segment liabilities	<b>59,117</b>	44,359	<b>22,335</b>	22,936	<b>1,617</b>	1,462	<b>83,069</b>	68,757

	2016	2015
<b>Revenue</b>		
Total revenue for reportable segments	<b>79,088</b>	73,123
Revenue for other segments	<b>2,862</b>	2,993
<b>Reportable segment revenue</b>	<b>81,950</b>	76,116
Elimination of inter-segment revenue	<b>(8,149)</b>	(8,094)
<b>Consolidated revenue</b>	<b>73,801</b>	68,022

## Notes to the Financial Statements

Annual Report 2016 ————— Sri Lanka Telecom PLC  
 Stewardship  
 Messages  
 Business Model  
 Management Discussion and Analysis  
 Empowering Digital Lifestyles  
 → **Financial Reports**  
 Supplementary Information

	2016	2015	
<b>Profit or loss</b>			
Total profit or loss for reportable segments	7,552	6,158	
Profit or loss for other segments	(206)	170	
Reportable segment profit before tax	7,346	6,328	
Elimination of inter-segment profits	(849)	(813)	
Consolidated profit before tax	6,497	5,515	
<b>Assets</b>			
Total assets for reportable segments	163,581	145,667	
Assets for other segments	1,868	1,940	
	<b>165,449</b>	<b>147,607</b>	
Elimination of inter-segment assets	(22,539)	(21,062)	
Consolidated total assets	142,910	126,545	
<b>Liabilities</b>			
Total liabilities for reportable segments	81,452	67,295	
Liabilities for other segment	1,617	1,462	
	<b>83,069</b>	<b>68,757</b>	
Elimination of inter-segment liabilities	(8,837)	(7,452)	
Consolidated total liabilities	74,232	61,305	
	Reportable segment totals	Adjustments	Consolidated totals
<b>Other material items (2016)</b>			
Interest revenue	1,012	-	1,012
Interest expense	(250)	-	(250)
Capital expenditure	25,163	-	25,163
Depreciation and amortisation	(14,400)	-	(14,400)
<b>Other material items (2015)</b>			
Interest revenue	844	-	844
Interest expense	(270)	-	(270)
Capital expenditure	20,377	-	20,377
Depreciation and amortisation	(13,219)	-	(13,219)

## 6 Revenue

The significant categories under which revenue is recognised are as follows:

	Group		Company	
	2016	2015	2016	2015
Release of deferred connection charges	480	529	480	529
Rental income	6,746	6,580	5,000	4,959
Domestic call revenue	24,585	23,102	4,684	4,738
Receipts from other network operators – Domestic	1,802	1,874	683	729
International call revenue	1,477	2,250	563	776
Receipts from other network operators – International	100	102	-	2
International settlements (in-payments)	10,233	9,765	7,162	6,677
CDMA revenue	1,075	1,290	1,075	1,290
Broadband revenue	12,753	11,351	7,235	6,913
Data and other services	14,550	11,179	16,249	13,952
	73,801	68,022	43,131	40,565

## 7 Operating Costs

The following items have been included in arriving at operating profit before depreciation and amortisation:

	Group		Company	
	2016	2015	2016	2015
Staff costs (Note 7.1)	17,398	15,557	12,232	11,014
Directors' emoluments	31	21	18	19
Payments to international network operators	1,515	1,444	1,515	1,444
Payments to other network operators				
- International	2,051	2,953	1,827	2,209
- Domestic	2,507	2,107	847	786
International Telecommunication Operators Levy	2,807	1,861	1,599	1,052
Auditors' remuneration				
Audit				
- KPMG	12	11	11	9
- Other Auditors	5	4	-	-

	Group		Company	
	2016	2015	2016	2015
Non-audit				
- KPMG	5	7	5	7
- Other Auditors	10	4	10	4
Repairs and maintenance expenditure	4,387	3,871	3,142	3,054
Provision for doubtful debts	1,417	1,188	912	882
Impairments/(reversals) of inventory	273	201	273	201
Impairment of property, plant & equipment (Note 13)	137	886	137	190
Other operating expenditure	21,120	17,899	10,700	9,550
	53,675	48,014	33,228	30,421

## 7.1 Staff costs →

	Group		Company	
	2016	2015	2016	2015
Salaries, wages, allowances and other benefits	15,456	13,746	10,727	9,612
Post-employment benefits				
- Defined contribution plans	1,259	1,177	941	875
- Defined benefit obligations (Note 26)	683	634	564	527
	17,398	15,557	12,232	11,014
Average number of persons employed	9,775	9,972	5,734	5,756

## 8 Refunds on Telecommunication Development Charge (TDC)

In accordance with the Finance Act No. 11 of 2004, all Telecommunication Gateway Operators are required to pay a levy defined as the Telecommunication Development Charge (TDC) to the Government of Sri Lanka, based on international call minutes terminated in the country. This levy was made effective from 3 March 2003, where initially the levy was defined in such a way that operators were allowed to claim the 2/3rd of the TDC against the costs of network development charges.

The TDC refund received in 2014 corresponds to the period from April 2009 to July 2010 which was the last claim obtained under the respective regulation. As the said regulation was received with effect from July 2010 while eliminating the reimbursement process, the final claim requested from TRC applicable for the above period was received on year 2014.

First revision to this regulation was introduced with effect from 15 July 2010 with an International Telecommunication Operators Levy (ITOL) TDC rate change from USD cents 3.80 to USD cents 1.50. Through the same revision, the disbursement process of TDC was removed from the regulation. As stated above the revised ITOL rate prevailed until such time the rate was revised to USD cents 3.00 per minute with effect from January 2012, in accordance with the Budget Proposal for 2012 and ITOL rate was further revised again to USD cents 6.00 per minute with effect from January 2016 in accordance with the Budget Proposal for 2016.

Mobitel Private Limited Recognises Telecommunications Development Charge (TDC) in Profit or Loss on a straight-line Basis over 10 years, as disclosed in Note 34.

## 9 Interest Expense and Finance Costs

	Group	Company	
	2016	2015	2016
Rupee loans [see Note (a) below]	165	3	148
Foreign currency loans [see Note (a) below]	1,010	975	812
Other charges [see Note (b) below]	314	52	304
<b>Total interest and finance cost</b>	<b>1,489</b>	<b>1,030</b>	<b>1,264</b>
Interest capitalised	(1,239)	(760)	(1,239)
<b>Net total interest and finance cost</b>	<b>250</b>	<b>270</b>	<b>25</b>
			30

(a) Interest cost of the Company relates to the USD loans and Rupee loans. Interest cost of the Group relates to rupee loans, USD loans and vendor financing.

(b) Other charges mainly include interest cost of finance leases and overdraft facilities.

### 9. a Foreign exchange (loss)/gain →

	Group	Company	
	2016	2015	2016
Net foreign exchange (loss)/gain	(979)	(2,128)	(570)
			(916)

#### (a) Foreign currency (loss) or gain of the Company mainly includes -

- i. Exchange gain of Rs. 132 million (2015 – Rs. 385 million) arising from revaluation of receivables, fixed deposits and bank balances maintained in USD.
- ii. Exchange loss of Rs. 702 million (2015 – Rs. 1,301 million) arising from revaluation of USD syndicate loan.

#### (b) Foreign currency (loss) or gain of the Group mainly includes -

- i. Exchange gain of Rs. 139 million (2015 – of Rs. 400 million) arising from revaluation of the receivables, fixed deposits and bank balances maintained in USD.
- ii. Exchange loss of Rs. 147 million on payment to foreign suppliers (2015 – Rs. 418 million).
- iii. Exchange loss of Rs. 971 million (2015 – Rs. 2,110 million) arising from revaluation of USD syndicate loan and other term loans.

## 10 Interest Income

	Group		Company	
	2016	2015	2016	2015
<b>Interest income from</b>				
Treasury Bills	1	-	-	-
Repurchase agreement – Repos	527	375	13	48
Fixed deposits	98	172	52	141
Staff loan interest	386	297	383	297
	<b>1,012</b>	<b>844</b>	<b>448</b>	<b>486</b>

The interest income on bank deposits reflect the prevailing rates on the date of respective investments.

- (a) The weighted average interest rates on restricted funds in bank deposits and Government Securities in LKR were 9.07% and 7.12% (2015 – 7.06% and 6.07%) and USD was 2.76% (2015 – 3.16%).
- (b) The weighted average interest rates on investments in Government Securities were 6.16 % (2015 – 5.83%).
- (c) The weighted average interest rates on staff loans are between 12% and 14% (2015 – 12% and 14%).

(d) According to the Section 137 of the Inland Revenue Act No. 10 of 2006, any person who derives income from the secondary market transactions in Government Securities is entitled to a notional tax credit in relation to the tax payable by such a person. Notional tax credit would be determined by grossing up of the income from the secondary market transactions to an amount equal to 1/9th. Accordingly, Company has accounted for Rs. 1 million as notional tax credit for the year 2016 (2015 – Rs. 3 million). The Group has accounted for Rs. 1 million as notional tax credit for the year 2016 (2015 – Rs. 3 million).

## 11 Income Tax Expenses

Tax recognised in statement of profit or loss

Current tax expense	Group		Company	
	2016	2015	2016	2015
Current year	881	987	75	275
	<b>881</b>	<b>987</b>	<b>75</b>	<b>275</b>
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences (Note 23)	826	804	843	792
	<b>826</b>	<b>804</b>	<b>843</b>	<b>792</b>
<b>Tax expense</b>	<b>1,707</b>	<b>1,791</b>	<b>918</b>	<b>1,067</b>

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### Tax recognised in other comprehensive income - Group →

	2016			2015		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Defined benefit plan actuarial (loss)/gain	233	(70)	163	(8)	(1)	(9)
	233	(70)	163	(8)	(1)	(9)

### Tax recognised in other comprehensive income - Company →

	2016			2015		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Defined benefit plan actuarial (loss)/gain	249	(70)	179	4	(1)	3
	249	(70)	179	4	(1)	3

Reconciliation of effective tax rate	Group/2016		Group/2015	
	%		%	
<b>Profit before tax</b>	-	<b>6,497</b>	-	<b>5,515</b>
Tax using the Company's domestic tax rate	28.00	1,819	28.00	1,544
Effect of different tax rates [Notes (a) and (b) below]	-8.93	(580)	-5.44	(300)
Non-deductible expenses	11.84	769	14.16	781
Income not subject to tax	-4.65	(301)	-4.24	(234)
	<b>26.26</b>	<b>1,707</b>	<b>32.48</b>	<b>1,791</b>

Reconciliation of effective tax rate	Company/2016		Company/2015	
	%		%	
<b>Profit before tax</b>	-	<b>2,643</b>	-	<b>2,795</b>
Tax using the Company's domestic tax rate	28.00	740	28.00	783
Non-deductible expenses	17.52	463	18.75	524
Income not subject to tax	-10.78	(285)	-8.59	(240)
	<b>34.74</b>	<b>918</b>	<b>38.16</b>	<b>1,067</b>

Current income tax charge of the Group/Company is made up as follows:

	Group		Company
	2016	2015	2016
			2015
Sri Lanka Telecom PLC	75	275	75
Mobitel (Private) Limited	800	638	-
Sri Lanka Telecom (Services) Limited	-	2	-
SLT Human Capital Solutions (Private) Limited	4	2	-
SLT Publications (Private) Limited	-	68	-
SLT VisionCom (Private) Limited	2	2	-
Sky Network (Private) Limited	-	-	-
SLT Property Management (Private) Limited	-	-	-
SLT Campus (Private) Limited	-	-	-
	881	987	75
			275

- (a) Pursuant to agreements dated 15 January 1993 and 26 February 2001, entered into with the Board of Investment of Sri Lanka under Section 17 of the Board of Investment Act No. 4 of 1978, 15 years tax exemption period granted to Mobitel (Private) Limited expired on 30 June 2009 and as per the agreement, Mobitel (Private) Limited opted for the turnover based tax option in which 2% was charged on the turnover for a further period of 15 years commencing from 1 July 2009.
- (b) As per the amendment to Inland Revenue Act No. 22 of 2011, for the year of assessment 2015/16, SLT Human Capital Solutions (Private) Limited is liable for income taxes at the rate of 10% on their taxable income.

(c) As per the agreement with the Board of Investment of Sri Lanka (BOI) dated 19 November 2009, under Section 17 of BOI Act No. 4 of 1978, the Sky Network (Private) Limited is exempt from income tax for a period of 6 years. For the above purpose, the year of assessment shall be reckoned from the year in which the Company commences to make profits or any year of assessment not later than two years reckoned from the date on which the Company commences commercial operation, whichever is earlier as may be specified in a certificate issued by the Board. In view of the above, the Company is not liable to income tax on business profit.

## 12 Earnings per Share

The basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	Group		Company
	2016	2015	2016
			2015
Net profit attributable to equity holders (Rs. million)	4,790	3,724	1,725
Weighted average number of ordinary shares in issue (million)	1,805	1,805	1,805
Basic earnings per share (Rs.)	2.65	2.06	0.96

Diluted EPS is the same as computed above, as the Company does not have any instrument that will potentially dilute the shareholdings.

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## 13 Property, Plant & Equipment

Group	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
As at 1 January 2015	357	3,079	91,524	22,020	72,371	35,365	18,785	243,501
Additions	-	-	685	50	1,912	1,859	17,300	21,806
Transfers from capital work-in-progress	-	224	3,213	666	2,493	1,324	(7,920)	-
Disposals	-	-	(103)	(96)	(80)	(103)	-	(382)
Adjustments	-	-	-	-	-	-	-	-
<b>As at 31 December 2015</b>	<b>357</b>	<b>3,303</b>	<b>95,319</b>	<b>22,640</b>	<b>76,696</b>	<b>38,445</b>	<b>28,165</b>	<b>264,925</b>

### Accumulated depreciation

As at 1 January 2015	-	(1,831)	(71,858)	(16,052)	(35,231)	(27,594)	-	(152,566)
Disposals	-	-	103	97	74	103	-	377
Impairment loss	-	-	-	-	(696)	(190)	-	(886)
Depreciation charge	-	(99)	(3,008)	(1,023)	(5,718)	(2,719)	-	(12,567)
<b>As at 31 December 2015</b>	<b>-</b>	<b>(1,930)</b>	<b>(74,763)</b>	<b>(16,978)</b>	<b>(41,571)</b>	<b>(30,400)</b>	<b>-</b>	<b>(165,642)</b>
<b>Carrying value as at 31 December 2015</b>	<b>357</b>	<b>1,373</b>	<b>20,556</b>	<b>5,662</b>	<b>35,125</b>	<b>8,045</b>	<b>28,165</b>	<b>99,283</b>

Group	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
As at 1 January 2016	357	3,303	95,319	22,640	76,696	38,445	28,165	264,925
Additions at cost	-	-	416	33	34	2,231	20,571	23,285
Transfers from capital work-in-progress	-	193	9,051	3,966	5,211	10,288	(28,709)	-
Disposals	-	-	(184)	-	(65)	(80)	-	(329)
<b>As at 31 December 2016</b>	<b>357</b>	<b>3,496</b>	<b>104,602</b>	<b>26,639</b>	<b>81,876</b>	<b>50,884</b>	<b>20,027</b>	<b>287,881</b>
<b>Accumulated depreciation</b>								
<b>As at 1 January 2016</b>	<b>-</b>	<b>(1,930)</b>	<b>(74,763)</b>	<b>(16,978)</b>	<b>(41,571)</b>	<b>(30,400)</b>	<b>-</b>	<b>(165,642)</b>
Disposals	-	-	181	-	64	78	-	323
Impairment loss	-	(1)	(9)	(83)	-	(44)	-	(137)
Depreciation charge	-	(95)	(3,141)	(1,340)	(6,008)	(3,192)	-	(13,776)
<b>As at 31 December 2016</b>	<b>-</b>	<b>(2,026)</b>	<b>(77,732)</b>	<b>(18,401)</b>	<b>(47,515)</b>	<b>(33,558)</b>	<b>-</b>	<b>(179,232)</b>
<b>Carrying value as at 31 December 2016</b>	<b>357</b>	<b>1,470</b>	<b>26,870</b>	<b>8,238</b>	<b>34,361</b>	<b>17,326</b>	<b>20,027</b>	<b>108,649</b>

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Company	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
As at 1 January 2015	357	3,052	90,752	22,042	23,058	33,282	18,235	190,778
Additions at cost	-	-	685	50	111	1,526	15,208	17,580
Transfers from capital work-in-progress	-	224	3,213	666	1,275	1,324	(6,702)	-
Disposals	-	-	(103)	(96)	(14)	(49)	-	(262)
Adjustments	-	-	-	-	-	-	-	-
<b>As at 31 December 2015</b>	<b>357</b>	<b>3,276</b>	<b>94,547</b>	<b>22,662</b>	<b>24,430</b>	<b>36,083</b>	<b>26,741</b>	<b>208,096</b>

Company	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Accumulated depreciation</b>								
As at 1 January 2015	-	(1,831)	(71,280)	(16,077)	(15,071)	(26,298)	-	(130,557)
Disposals	-	-	103	96	8	49	-	256
Impairment loss	-	-	-	-	-	(190)	-	(190)
Depreciation charge	-	(99)	(2,944)	(1,023)	(1,063)	(2,395)	-	(7,524)
<b>As at 31 December 2015</b>	<b>-</b>	<b>(1,930)</b>	<b>(74,121)</b>	<b>(17,004)</b>	<b>(16,126)</b>	<b>(28,834)</b>	<b>-</b>	<b>(138,015)</b>
<b>Carrying value as at 31 December 2015</b>	<b>357</b>	<b>1,346</b>	<b>20,426</b>	<b>5,658</b>	<b>8,304</b>	<b>7,249</b>	<b>26,741</b>	<b>70,081</b>

Company	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
As at 1 January 2016	357	3,276	94,547	22,662	24,430	36,083	26,741	208,096
Additions at cost	-	-	416	33	34	1,827	17,781	20,091
Transfers from capital work-in-progress	-	193	9,051	3,966	2,552	10,031	(25,793)	-
Disposals	-	-	(184)	-	-	(16)	-	(200)
<b>As at 31 December 2016</b>	<b>357</b>	<b>3,469</b>	<b>103,830</b>	<b>26,661</b>	<b>27,016</b>	<b>47,925</b>	<b>18,729</b>	<b>227,987</b>
<b>Accumulated depreciation</b>								
As at 1 January 2016	-	(1,930)	(74,121)	(17,004)	(16,126)	(28,834)	-	(138,015)
Accumulated depreciation on disposals	-	-	182	-	-	16	-	198
Impairment loss	-	(1)	(9)	(83)	-	(44)	-	(137)
Depreciation charge	-	(95)	(3,079)	(1,340)	(1,173)	(2,822)	-	(8,509)
<b>As at 31 December 2016</b>	<b>-</b>	<b>(2,026)</b>	<b>(77,027)</b>	<b>(18,427)</b>	<b>(17,299)</b>	<b>(31,684)</b>	<b>-</b>	<b>(146,463)</b>
<b>Carrying value as at 31 December 2016</b>	<b>357</b>	<b>1,443</b>	<b>26,803</b>	<b>8,234</b>	<b>9,717</b>	<b>16,241</b>	<b>18,729</b>	<b>81,524</b>

- (a) On 1 September 1991, the Department of Telecommunications (DoT) transferred its entire telecommunications business and related assets and liabilities to SLT. A valuation of the assets and liabilities transferred to SLT was performed by the Government of Sri Lanka. The net amount of those assets and liabilities represents SLT's Contributed Capital on incorporation and the value of property, plant & equipment as determined by the Government of Sri Lanka. Valuers were used to determine the opening cost of fixed assets on 1 September 1991 in the first statutory accounts of SLT. Further, SLT was converted into a public limited company, Sri Lanka Telecom Limited (SLTL), on 25 September 1996 and on that date, all of the business and the related assets and liabilities of SLT were transferred to SLTL as part of the privatisation process.
- (b) The cost of fully-depreciated assets still in use in the Company as at 31 December 2016 was Rs. 51,686 million (2015 – Rs. 53,843 million). The cost of fully depreciated assets still in use in the Group as at 31 December 2016 was Rs. 57,367 million (2015 – Rs. 55,005 million).
- (c) No assets have been mortgaged or pledged as security for borrowings of the Group.
- (d) The Directors believe, pertaining to lands and buildings which were vested from the corporation to the Company, that the Company has freehold title to land and buildings transferred at incorporation of the Company (to take over the assets and liabilities of the Corporation at the Conversion of SLT into a public limited company on 25 September 1996), by operation of law, although no specific title documents are available for each of such lands. The Company has initiated a process to obtain a title

document from the Government authorities, in order to confirm the list of lands so vested with the Company.

- (e) The property, plant & equipment is not insured except for buildings and equipment situated at SLT headquarters and Welikada premises. Further, all the motor vehicles have been insured. An insurance reserve has been created together with a sinking fund investment to meet any potential losses with regard to uninsured property, plant & equipment. At the reporting date, the insurance reserve amounted to Rs. 680 million (2015 – Rs. 605 million) (Note 27).
- (f) Impairment of assets of Company mainly consists of the carrying value of IPTV CPE Rs. 44 million (2015 – Rs. 50 million), Next Generation Network (NGN) Rs. 83 million (2015 – Nil) and building Rs. 1 million (2015 – Nil) were impaired due to the floods as well as the explosion at the Salawa army camp. Impairment provision for pay phones Rs. 9 million (2015 – Nil) and IPTV Equipment and Switches NIL (2015 – Rs. 140 million). Impairment of assets of Group mainly consists of carrying value of IPTV CPE Rs. 44 million (2015 – Rs. 50 million), Next Generation Network (NGN) Rs. 83 million (2015 – Nil), Building Rs. 1 million (2015 – Nil). Impairment of Network assets Nil (2015 – Rs. 696 million), pay phones Rs. 9 million (2015 – Nil) and IPTV Equipment and Switches NIL (2015 – Rs. 140 million).
- (g) The Company capitalised borrowing costs amounting to Rs. 1,239 million during the year (2015 – Rs. 760 million). Borrowing cost capitalised from a Group perspective amounted to Rs. 1,239 million (2015 – Rs. 760 million).
- (h) The property, plant & equipment includes assets acquired under finance leases, the net book value of which is made up as follows:

	Group	Company	
	2016	2015	2016
Cost	557	557	440
Accumulated depreciation	(423)	(358)	(349)
<b>Carrying value</b>	<b>134</b>	<b>199</b>	<b>91</b>
			138

(i) Property, plant & equipment include submarine cables.  
 The total cost and accumulated depreciation of all cables under this category are as follows:

	Group/Company	
	2016	2015
Cost	11,189	6,640
Accumulated depreciation as at 1 January	(5,045)	(4,887)
Depreciation charge for the year	(152)	(158)
Carrying amount	5,992	1,595

## 14 Intangible Assets

Group →

	Goodwill	Licences	Software	Others	Total
<b>Cost</b>					
Balance as at 1 January 2015	394	4,061	2,775	330	7,560
- Acquisitions	-	-	-	37	37
<b>Balance as at 31 December 2015</b>	<b>394</b>	<b>4,061</b>	<b>2,775</b>	<b>367</b>	<b>7,597</b>
Balance as at 1 January 2016	394	4,061	2,775	367	7,597
- Acquisitions	410	22	813	118	1,363
<b>Balance as at 31 December 2016</b>	<b>804</b>	<b>4,083</b>	<b>3,588</b>	<b>485</b>	<b>8,960</b>
<b>Accumulated amortisation</b>					
Balance as at 1 January 2015	253	1,279	2,286	330	4,148
- Amortisation	-	380	178	-	558
<b>Balance as at 31 December 2015</b>	<b>253</b>	<b>1,659</b>	<b>2,464</b>	<b>330</b>	<b>4,706</b>
Balance as at 1 January 2016	253	1,659	2,464	330	4,706
- Amortisation	381	157	3	541	
<b>Balance as at 31 December 2016</b>	<b>253</b>	<b>2,040</b>	<b>2,621</b>	<b>333</b>	<b>5,247</b>
<b>Carrying Amounts</b>					
<b>December 2016</b>	<b>551</b>	<b>2,043</b>	<b>967</b>	<b>152</b>	<b>3,713</b>
<b>December 2015</b>	<b>141</b>	<b>2,402</b>	<b>311</b>	<b>37</b>	<b>2,891</b>

The goodwill in the Group consists of goodwill arising on acquisition of Mobitel (Private) Limited and eChannelling PLC.

Goodwill is allocated to the Group's Cash-Generating Units (CGUs). A summary of the goodwill allocation is presented below:

	2016 %	2015 %
Mobitel (Private) Limited	141	141
eChannelling PLC	410	-
<b>Total</b>	<b>551</b>	<b>141</b>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections, based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	2016 %	2015 %
Growth rate	8-10	6-9
Discount rate	12	10

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. No impairment charge has been recognised for the year ended 31 December 2016 for the above CGU (2015 - Nil).

## Company →

	Licences	Software	Others	Total
<b>Cost</b>				
Balance as at 1 January 2015	1,430	1,698	330	3,458
- Acquisitions	-	7	-	7
<b>Balance as at 31 December 2015</b>	<b>1,430</b>	<b>1,705</b>	<b>330</b>	<b>3,465</b>
<b>Balance as at 1 January 2016</b>	<b>1,430</b>	<b>1,705</b>	<b>330</b>	<b>3,465</b>
Acquisitions		22	-	22
<b>Balance as at 31 December 2016</b>	<b>1,430</b>	<b>1,727</b>	<b>330</b>	<b>3,487</b>
<b>Accumulated amortisation</b>				
Balance as at 1 January 2015	318	1,484	330	2,132
- Amortisation	142	107	-	249
<b>Balance as at 31 December 2015</b>	<b>460</b>	<b>1,591</b>	<b>330</b>	<b>2,381</b>
Balance as at 1 January 2016	460	1,591	330	2,381
- Amortisation	143	84		227
<b>Balance as at 31 December 2016</b>	<b>603</b>	<b>1,675</b>	<b>330</b>	<b>2,608</b>
<b>Carrying amounts</b>				
<b>December 2016</b>	<b>827</b>	<b>52</b>	-	879
<b>December 2015</b>	<b>970</b>	<b>114</b>	-	1,084

## 15 Financial Prepayments

	2016	2015
As at 1 January	<b>1,097</b>	1,097
Acquired/Incurred during the period	-	-
As at 31 December	<b>1,097</b>	1,097
Amortisation		
As at 1 January	1,014	920
Amortisation for the year	83	94
As at 31 December	<b>1,097</b>	1,014
Carrying amount - Current	-	83
Carrying amount - Non-current	-	-
As at 31 December	-	83

## 16 Investments in Subsidiaries

	2016	2015
Opening net book amount	<b>14,220</b>	14,189
Impairment of investment	-	-
Additions	-	31
<b>Closing net book amount</b>	<b>14,220</b>	14,220

Details of the subsidiary companies in which the Company had control as at 31 December are set out below:

Name of the Company	Investment Rs. million	Company holding %	Investment Rs. million	Company holding %
Mobitel (Private) Limited [See Note (b) below]	<b>13,980</b>	100	13,980	100
SLT VisionCom (Private) Limited [See Note (e) below]	100	100	100	100
SLT Publications (Private) Limited [See Note (c) below]	50	100	50	100
Sri Lanka Telecom (Services) Limited [See Note (a) below]	25	99.99	25	99.99
SLT Human Capital Solutions (Private) Limited [See Note (d) below]	1	100	1	100
Sky Network (Private) Limited [See Note (f) below]	-	99.94	-	99.94
SLT Property Management (Private) Limited [See Note (g) below]	14	100	14	100
SLT Campus (Private) Limited [See Note (h) below]	50	100	50	100
	<b>14,220</b>		<b>14,220</b>	
<b>Sub-subsidiaries</b>				
eChannelling PLC [see Note (i) below]	642	87.59	-	-

The Directors believe that the fair value of each of the companies listed above do not differ significantly from their book values.

- (a) This investment in subsidiary company consists of 2,500,000 shares representing 99.99% of stated capital of Sri Lanka Telecom (Services) Limited.
- (b) The Company owns 1,320,013,240 shares representing 100% of the entire ordinary share capital of Mobitel (Private) Limited.
- (c) This investment in subsidiary company consists of 5,000,000 shares representing the entire stated capital of SLT Publications (Private) Limited.
- (d) This investment in subsidiary company consists of 50,000 shares representing the entire stated capital of SLT Human Capital Solutions (Private) Limited.
- (e) This investment in subsidiary company consists of 10,000,000 shares representing the entire stated capital of SLT VisionCom (Private) Limited.
- (f) This investment in subsidiary company consists of 42,071,251 shares representing a 99.94% holding of the issued stated capital and 6,000,000 12% cumulative and redeemable preference shares of Sky Network (Private) Limited. The investment is fully impaired.
- (g) This investment in subsidiary Company consists of 1,500,001 shares representing the entire stated capital of SLT Property Management (Private) Limited.
- (h) This investment in subsidiary company consists of 5,000,001 shares representing the entire stated capital of SLT Campus (Private) Limited.
- (i) This investment in subsidiary Company consists of 106,974,618 shares representing the 87.59% holding of the issued Share Capital of eChannelling PLC.

All the subsidiaries except for Mobitel (Private) Limited are audited by KPMG.

## 16.1 Acquisition of subsidiary →

On 14 September 2016 Mobitel (Private) Limited acquired 87.59% shares of eChannelling PLC through a voluntary offer for a total cash consideration of Rs. 641.85 million.

eChannelling PLC is consolidated as a subsidiary for the financial year ended 31 December 2016.

### (a) Identifiable assets acquired and liabilities assumed →

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note Rs. million
<b>Assets</b>	
Property, plant & equipment	11.90
Intangible assets	121.34
Inventories	0.39
Trade and other receivables	34.22
Short-term investments	167.66
Investment in equity shares	2.02
Cash in hand and at bank	32.34
<b>Total assets</b>	<b>369.87</b>
<b>Liabilities</b>	
Employee benefit obligation	4.52
Deferred tax liability	0.65
Trade and other payables	34.18
Amounts due to related parties	3.56
Other current liabilities	4.52
<b>Total liabilities</b>	<b>47.43</b>
<b>Total identifiable net assets at fair value</b>	<b>322.44</b>

### (b) Measurement of fair values →

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation techniques
Property, plant & equipment	Market value
Intangible assets	Market value
Short-term investments	Market value

### (c) Goodwill →

Goodwill arising from the acquisition has been recognised as follows:

Costs of the acquisition	732
Less: Fair value of identifiable net assets	322
<b>Goodwill</b>	<b>410</b>

## 17 Other Investments

### Current investments →

	Group		Company	
	2016	2015	2016	2015
Fixed deposits/Repo	<b>762</b>	1,043	<b>705</b>	641
Investment in equity shares	<b>2</b>	-	-	-
	<b>764</b>	1,043	<b>705</b>	641

Fixed deposits and Repo are classified as loans and receivables and measured at amortised cost. Fixed deposits and Repo with a carrying value of Rs. 705 million (2015 – Rs. 618 million) are restricted at bank.

Investment in equity shares comprises of investment made by eChannelling PLC in other companies.

Interest rates of other investments are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Fixed deposits – Restricted at bank	<b>9.07</b>	7.06	<b>9.07</b>	7.06
Repurchase agreement – Restricted at bank	<b>7.12</b>	6.07	<b>7.12</b>	6.07
Fixed deposits – LKR	<b>10.00-12.00</b>	6.00-7.00	<b>Nil</b>	Nil
Fixed deposits – USD	<b>2.00-2.76</b>	2.00-3.16	<b>2.76</b>	3.16
Repurchase agreement – Repo	<b>6.00-10.75</b>	4.00-7.00	<b>6.16</b>	5.83

The Group's exposure to credit and market risk and fair value information related to other investment are disclosed in Note 4.

## 18 Other Receivables

	Group		Company	
	2016	2015	2016	2015
Non-current	<b>3,033</b>	2,908	<b>3,021</b>	2,908
Current	<b>701</b>	719	<b>700</b>	711
	<b>3,734</b>	3,627	<b>3,721</b>	3,619
Employee loans	<b>3,247</b>	3,096	<b>3,234</b>	3,088
Prepaid staff cost	<b>487</b>	531	<b>487</b>	531
	<b>3,734</b>	3,627	<b>3,721</b>	3,619
Prepaid staff cost 1 January	<b>531</b>	537	<b>531</b>	537
Additions	<b>199</b>	138	<b>199</b>	138
Amortisation	<b>(243)</b>	(144)	<b>(243)</b>	(144)
Prepaid staff cost at 31 December	<b>487</b>	531	<b>487</b>	531

The Group provides loans to employees at concessionary rates. 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 similar loans.

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

The employee loans are classified as loans and receivable and subsequently measured at amortised cost.

## 19 Inventories

	Group		Company	
	2016	2015	2016	2015
CDMA equipment	69	406	69	406
Cable and networks	468	577	468	577
Other consumables	2,118	591	1,594	238
	2,655	1,574	2,131	1,221
Provision for change in carrying value of inventories	(1,070)	(700)	(985)	(660)
	1,585	874	1,146	561

(a) Inventories include telecommunication hardware, CDMA handsets, consumables and office stationery. Inventory is stated net of provisions for slow-moving and obsolete items.

## 20 Trade and Other Receivables

	Group		Company	
	2016	2015	2016	2015
Domestic trade receivables	18,265	15,802	12,840	11,880
Foreign trade receivables	3,728	2,283	2,496	2,015
	21,993	18,085	15,336	13,895
Less: Provision for bad and doubtful receivables	(7,669)	(7,565)	(5,397)	(5,780)
Less: Interest/revenue in suspense	(19)	(19)	-	-
Trade receivables - Net	14,305	10,501	9,939	8,115
Amount due from subsidiaries [Note 33.1 (k)]	-	-	4,441	3,821
Amount due from related companies [Note 33.2 (b)]	103	67	103	67
Advances and prepayments [See Note (a) below]	1,833	1,726	610	258
Employee loans (Note 18)	701	719	700	711
Other receivables [See Note (b) below]	1,345	1,020	369	119
<b>Amounts due within one year</b>	<b>18,287</b>	<b>14,033</b>	<b>16,162</b>	<b>13,091</b>

(a) Advances and prepayments of the Company mainly consist of advances on building rent of Rs. 9 million (2015 – Rs. 8 million), payments for software maintenance of Rs. 457 million (2015 – Rs. 181 million), Prepaid Frequency charges Rs. 70 million (2015 – Rs. 51 million), Advances and prepayments of the Group mainly consist of advances on building and tower rent of Rs. 142 million (2015 – Rs. 152 million), payments for software maintenance of Rs. 457 million (2015 – Rs. 181 million), Prepaid TRC Frequency Rs. 286 million (2015 – Rs. 953 million) and current

portion of financial prepayment Rs. 83 million (2015 – Rs. 83 million).

(b) Other receivables of the Company consist of refundable deposits of Rs. 132 million (2015 – Rs. 113 million). Other receivables of the Group mainly consist of refundable deposits of Rs. 132 million (2015 – Rs. 113 million), receivables from sales agents Rs. 127 million (2015 – Rs. 96 million) and site rentals receivables from other operator. Rs. 457 million (2015 – Rs. 492 million).

## 21 Cash and Cash Equivalents

	Group		Company	
	2016	2015	2016	2015
Cash at bank and in hand	909	389	314	37
Call deposits	-	438	-	438
Fixed deposits	244	9	-	-
Repurchase agreements – Repo	5,529	4,639	-	-
	6,682	5,475	314	475

### 21 a. For cash flow purpose →

#### Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
Cash and cash equivalents	6,682	5,475	314	475
Bank overdrafts	(7,298)	(855)	(6,548)	(252)
	(616)	4,620	(6,234)	223

## 22 Borrowings

	Group		Company	
	2016	2015	2016	2015
<b>Current (due within one year)</b>				
Bank overdrafts	7,298	855	6,548	252
Bank borrowings and others [See Note 22 (e) below]	8,136	4,972	8,115	3,860
Vendor financing	2,564	3,562	-	-
Lease liabilities	83	57	63	35
	18,081	9,446	14,726	4,147

	Group		Company	
	2016	2015	2016	2015
<b>Non-current (due after one year)</b>				
Bank borrowings and others [See Note 22 (e) below]	13,747	11,885	13,747	11,885
Vendor financing	1,019	2,873	-	-
Lease liabilities	93	191	62	140
	14,859	14,949	13,809	12,025
<b>Total borrowings</b>	<b>32,940</b>	<b>24,395</b>	<b>28,535</b>	<b>16,172</b>

(a) The interest rate exposure of the borrowings of the Group and the Company were as follows:

	Group		Company	
	2016	2015	2016	2015
Total borrowings				
- At fixed rates	18,774	13,359	18,726	13,291
- At floating rates	14,166	11,036	9,809	2,881
	32,940	24,395	28,535	16,172

The currency exposure of the borrowings of the Group and the Company as at the reporting date were as follows:

	Group		Company	
	2016	2015	2016	2015
Foreign currency	22,950	23,267	19,367	15,745
Local currency	9,990	1,128	9,168	427
	32,940	24,395	28,535	16,172

(b) Effective interest rates of the Group and the Company are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
<b>Average effective interest rates:</b>				
- Bank overdrafts	10.00 - 13.23	6.39 - 10.00	11.37	6.39
- Bank borrowings (USD loan)	1.24 - 4.22	4.86	4.22	4.86
- Bank borrowings	7.65 - 10.93	7.65 - 8.25	10.93	-
- Lease liabilities	8.00 - 16.00	8.00 - 16.00	8.00 - 10.00	8.00 - 10.00
- Vendor financing	3.21 - 3.81	2.3 - 4.33	-	-

(c) Maturity analysis of the Group and the Company is as follows:

	Group		Company	
	2016	2015	2016	2015
<b>Maturity of non-current borrowings: (excluding finance lease liabilities)</b>				
- Between 1 and 2 years	7,626	6,168	6,948	4,014
- Between 3 and 5 years	7,140	8,590	6,799	7,871
	<b>14,766</b>	<b>14,758</b>	<b>13,747</b>	<b>11,885</b>

(d) Analysis of the finance lease liabilities of the Group and the Company as follows:

	Group		Company	
	2016	2015	2016	2015
<b>Finance lease liabilities – minimum lease payments</b>				
- Not later than 1 year	103	108	74	79
- Later than 1 year and not later than 5 years	99	191	67	128
	<b>202</b>	<b>299</b>	<b>141</b>	<b>207</b>
<b>Less: future finance charges on finance leases</b>	<b>(26)</b>	<b>(51)</b>	<b>(16)</b>	<b>(32)</b>
<b>Present value of finance lease liabilities</b>	<b>176</b>	<b>248</b>	<b>125</b>	<b>175</b>
Representing lease liabilities:				
- Current	83	57	63	35
- Non-current	93	191	62	140

(e) During the year, the Company drew down USD 45 million (equivalent to Rs. 6,524 million) from the term loan of USD 75 million.

(f) The loan covenants include submission of Audited Financial Statements to the lenders within a specified period from the financial year end, maintenance of covenant ratios and to maintain adequate accounting records in accordance with Sri Lanka Accounting Standards.

(g) The Directors believe that the Company and the Group will have sufficient funds available to meet its present loan commitments.

(h) Lease liabilities of the Company and the Group are effectively secured by the lessor against the rights to the title of the asset.

(i) Bank borrowings and supplier credits of Mobitel (Private) Limited, a subsidiary of the Company, are secured, *inter alia*, by corporate guarantees given by the Company.

(j) Mobitel (Private) Limited has borrowed Rs. 481 million during the year for the purpose of Capital Expansion Projects.

(k) Guarantee facilities amounting to Rs. 26 million (2015 - Rs. 26 million) were provided to Sri Lanka Telecom (Services) Limited to obtain facilities for working capital requirements.

## 23 Deferred Income Tax Liabilities and Assets

### Recognised deferred income tax (assets)

#### and liabilities →

Deferred income tax (assets) and liabilities are calculated on all taxable and deductible temporary differences arising from differences between accounting bases and tax bases of assets and liabilities. Deferred income tax is provided under the liability method using the principal tax rate of 28% (for the year 2015 – 28%).

The movement in the deferred income tax account is as follows:

	Group		Company	
	2016	2015	2016	2015
At beginning of the year	3,563	2,759	3,594	2,801
Release to Statement of Comprehensive Income (Note 11)	826	804	843	792
Release to Statement of Other Comprehensive Income (Note 11)	70	1	70	1
(Over)/under provision of DT relevant to previous years	-	-	-	-
At end of year	4,466	3,563	4,507	3,594

The amounts shown in the Statement of Financial Position represents the following:

	Group		Company	
	2016	2015	2016	2015
Deferred tax liabilities	4,517	3,600	4,507	3,594
Deferred tax assets	(51)	(37)	-	-
	4,466	3,563	4,507	3,594

The taxable and deductible temporary differences mainly arise from property, plant & equipment, deferred income, provision for defined benefit obligations and other provisions.

## Notes to the Financial Statements

Deferred tax assets and liabilities of the Group are attributable to the following:

Group	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant & equipment	-	-	10,012	7,626	10,012	7,626
Defined benefit obligations	(982)	(1,096)	-	-	(982)	(1,096)
Provisions	(2,094)	(2,181)	-	-	(2,094)	(2,181)
Deferred income	(771)	(786)	-	-	(771)	(786)
Tax losses	(1,706)	-	-	-	(1,706)	-
<b>Tax (assets) liabilities before set-off</b>	<b>(5,546)</b>	<b>(4,063)</b>	<b>10,012</b>	<b>7,626</b>	<b>4,466</b>	<b>3,563</b>
Set-off of tax	5,546	4,063	(5,546)	(4,063)	-	-
<b>Net tax (assets) liabilities</b>	<b>-</b>	<b>-</b>	<b>4,466</b>	<b>3,563</b>	<b>4,466</b>	<b>3,563</b>

Movement in deferred tax balances during the year

	Balance 1 January 2015	Recognised in comprehensive income	Recognised in other comprehensive income	Recognised directly in equity	Balance 31 December 2015	Recognised in profit or Loss	Recognised in other comprehensive income	Balance 31 December 2016
Property, plant & equipment	6,453	1,173	-	-	7,626	2,386	-	10,012
Defined benefit obligations	(987)	(109)	1	-	(1,096)	44	70	(982)
Provisions	(1,841)	(340)	-	-	(2,181)	87	-	(2,094)
Deferred income	(856)	70	-	-	(786)	15	-	(771)
Tax losses	(10)	10	-	-	-	(1,706)	-	(1,706)
	2,759	804	1	-	3,563	826	70	4,466

Deferred tax assets and liabilities of the Company are attributable to the following:

Company	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant & equipment	-	-	10,006	7,620	10,006	7,620
Defined benefit obligations	(975)	(1,089)	-	-	(975)	(1,089)
Provisions	(2,046)	(2,150)	-	-	(2,046)	(2,150)
Deferred income	(772)	(787)	-	-	(772)	(787)
Tax loss	(1,706)	-	-	-	(1,706)	-
<b>Tax (assets) liabilities before set-off</b>	<b>(5,499)</b>	<b>(4,026)</b>	<b>10,006</b>	<b>7,620</b>	<b>4,507</b>	<b>3,594</b>
Set-off of tax	5,499	4,026	(5,499)	(4,026)	-	-
<b>Net tax (assets) liabilities</b>	<b>-</b>	<b>-</b>	<b>4,507</b>	<b>3,594</b>	<b>4,507</b>	<b>3,594</b>

### Movement in deferred tax balances during the year

	Balance 1 January 2015	Recognised in comprehensive income	Recognised in other comprehensive income	Recognised directly in equity	Balance 31 December 2015	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2016
Property, plant & equipment	6,450	1,170	-	-	7,620	2,386	-	10,006
Defined benefit obligations	(983)	(107)	1	-	(1,089)	44	70	(975)
Provisions	(1,810)	(340)	-	-	(2,150)	104	-	(2,046)
Deferred income	(856)	69	-	-	(787)	15	-	(772)
Tax losses	-	-	-	-	-	(1,706)	-	(1,706)
	2,801	792	1	-	3,594	843	70	4,507

### Unrecognised deferred tax (assets)

#### and liabilities →

Deferred income tax assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The Group did not recognise deferred tax assets in respect of tax losses of subsidiaries amounting to Rs. 44 million (2015 – 190 million).

The adjusted tax losses available to carry forward as at 31 December 2016 are as follows:

	Adjusted tax losses available for carry forward as at 31 December	
	2016	2015
SKY Network (Private) Limited	-	52
SLT VisionCom (Private) Limited	44	138
	44	190

### 24 Deferred Income

#### Deferred Income →

- The connection fees relating to Public Switch Telephone Network (PSTN) are deferred over a period of 15 years. Revenue is recognised on an annual basis irrespective of the date of connection.
- Revenue from the sale of prepaid credit, Internet is deferred until such time as the customer uses the call time, downloadable quota or the credit expires.
- Backhauling revenue which is leasing of SEA-ME-WE 3 cable capacity is recognised on a straight line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue.
- Directory income includes amounts collected for directories not yet printed. Such income will be recognised as income depending on the percentage of directories distributed to the end customer as described in accounting policy (m) (i).
- IRU revenue relating to leasing of SEA-ME-WE 4 cable capacity is recognised on a straight-line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue. In the event that a customer terminates an IRU prior to the expiry of the contract and releases the Company from the obligation to provide future services, the remaining unamortised deferred revenue is recognised in the period the contract is terminated.

	Group		Company	
	2016	2015	2016	2015
<b>At end of year</b>				
- Representing deferred income - Current	3,775	4,397	2,873	2,976
- Representing deferred income - Non-current	1,435	2,027	576	661
	2,340	2,370	2,297	2,315
	3,775	4,397	2,873	2,976

## 25 Trade and Other Payables

	Group		Company	
	2016	2015	2016	2015
<b>Amounts due within one year</b>				
Domestic trade payables	2,743	1,890	307	318
Foreign trade payables	1,562	464	480	183
Amount due to subsidiaries [Note 33.1 (k)]	-	-	3,954	3,050
Amount due to related companies [Note 33.2 (b)]	87	46	87	46
Capital expenditure payables [See Note (a) below]	10,462	10,965	7,749	8,778
Social security and other taxes [See Note (b) below]	1,090	1,355	1,062	824
Interest payable	210	229	-	-
Other payables [See Note (c) below]	9,143	6,213	5,318	4,243
	25,297	21,162	18,957	17,442
<b>Amounts due after one year</b>				
International direct dialling deposits	232	232	232	232
PSTN guarantee deposits	20	20	20	20
Domestic trade payables	794	673	-	-
Capital expenditure payables	1,697	2,010	-	-
	2,743	2,935	252	252

(a) Capital expenditure payables of the Company mainly consist of contractors' payables and retention of Rs. 6,743 million (2015 – Rs. 7,642 million) and advances on network restoration after roadworks of Rs. 1,017 million (2015 – Rs. 1,115 million). Capital expenditure payables of the Group mainly consist of contractors' payable and retention of Rs. 11,163 million (2015 – Rs. 9,829 million) and advances on network restoration after roadworks of Rs. 1,017 million (2015 – Rs. 1,115 million).

(b) Social security and other taxes of the Company mainly consist of Telecommunication Levy (TL) of Rs. 498 million (2015 – Rs. 485 million), Cess Rs. 74 million (2015 – Rs. 70 million), IDD Levy of Rs. 8 million (2015 – Rs. 14 million), EPF payable of Rs. 117 million (2015 – Rs. 91 million), VAT Payable Rs. 80 million (2015 – Rs. Nil). Social security and other taxes of the Group mainly consist of Telecommunication Levy (TL) of Rs. 913 million (2015 – Rs. 852 million), Cess of

Rs. 146 million (2015 – Rs. 131 million), IDD Levy payable of Rs. 8 million (2015 – Rs. 29 million). VAT payable Rs. 552 million (2015 – Rs. Nil).

(c) Other payables of the Company mainly consist of dividend payable to the Government of Sri Lanka of Rs. 246 million (2015 – Rs. 244 million), payable for unpaid supplies of Rs. 2,169 million (2015 – Rs. 1,746 million), International Telecommunication Operators' Levy payable of Rs. 207 million (2015 – Rs. 157 million) and accrued expenses and other payables of Rs. 1,217 million (2015 – Rs. 1,243 million). Other payables of the Group mainly consist of dividend payable to the Government of Sri Lanka of Rs. 246 million (2015 – Rs. 244 million), payable for unpaid supplies of Rs. 2,169 million (2015 – Rs. 1,746 million), International Telecommunication Operators' Levy payable of Rs. 207 million (2015 – Rs. 224 million) and accrued expenses and other payables of Rs. 3,662 million (2015 – Rs. 2,852 million).

## 26 Employee Benefits

	Group		Company	
	2016	2015	2016	2015
Total employee benefit liability as at 1 January	4,353	3,875	3,892	3,512
<b>Movement in present value of employee benefit liabilities</b>				
Current service cost	455	410	389	352
Interest cost	221	224	175	175
Actuarial loss/(gain)	(233)	8	(249)	(4)
Benefit paid during the year	(258)	(164)	(223)	(143)
Balance as at 31 December	4,538	4,353	3,984	3,892
<b>Expenses recognised in the Income Statement</b>				
Current service cost	455	410	389	352
Interest cost	221	224	175	175
	676	634	564	527
<b>Recognised in Other Comprehensive Income</b>				
Actuarial (gain)/loss	(233)	8	(249)	(4)
	(233)	8	(249)	(4)

The principal actuarial assumptions used were as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Discount rate (long-term)	10.0 – 12.0	10.0 – 10.5	11.0	10.0
Future salary increases	8.5 – 9.5	8.5 – 9.5	8.5	8.5

In addition to above, demographic assumptions such as mortality, withdrawal, retirement age were considered for the actuarial valuation. In 2016 – 1967/70 Mortality Table issued by the Institute of Actuaries London (2015 – 1967/70 Mortality Table) was taken as the base for the valuation.

The provisions for defined obligations of Sri Lanka Telecom PLC, SLT Human Capital Solution (Private) Limited, SLT Publications (Private) Limited, Sri Lanka Telecom (Services) Limited and Mobitel (Private) Limited are actuarially valued by Messrs Actuarial and Management Consultants (Private) Limited and Messrs Piyal S Goonetilleke and Associates respectively. The employee benefit liability of all other companies in the Group are based on gratuity formula.

The provision for defined benefit obligations is not externally funded.

### Sensitivity analysis →

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below.

The sensitivity of the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate as depicted in the following table.

## Notes to the Financial Statements

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 → **Financial Reports**  
 Supplementary Information

### Sri Lanka Telecom PLC →

	Effect on charge to the Statement of Profit or Loss and Other Comprehensive Income		Effect on net defined benefit liability	
	Increase	Decrease	Increase	Decrease
<b>2016</b>				
Discount rate (Change by 1%)	(168)	186	(168)	186
Salary increment rate (Change by 1%)	208	(191)	208	(191)
<b>2015</b>				
Discount rate (Change by 1%)	(179)	200	(179)	200
Salary increment rate (Change by 1%)	221	(201)	221	(201)

### Mobitel (Private) Limited →

	Effect on charge to the Statement of Profit or Loss and Other Comprehensive Income		Effect on net defined benefit liability	
	Increase	Decrease	Increase	Decrease
<b>2016</b>				
Discount rate (Change by 1%)	(24)	27	(24)	27
Salary increment rate (Change by 1%)	27	(24)	27	(24)
<b>2015</b>				
Discount rate (Change by 1%)	(23)	27	(23)	27
Salary increment rate (Change by 1%)	28	(25)	28	(25)

### 27 Insurance Reserve

	Group/Company	
	2016	2015
As at 1 January	605	560
Transferred from retained earnings	75	45
As at 31 December	680	605

As stated in Accounting Policy 3 (s) the Company transfers annually from the retained earnings an amount equal to 0.1% of additions to property, plant & equipment to an insurance reserve. An equal amount is invested in a sinking fund to meet any funding requirements for potential losses from uninsured property, plant & equipment.

Management regularly monitors the charges made against the insurance reserve and the adequacy of the provision made.

## 28 Grants

	Group		Company	
	2016	2015	2016	2015
Balance at 1 January	<b>16</b>	22	<b>16</b>	22
Grant credited to profit or loss	(7)	(6)	(7)	(6)
Balance at 31 December	<b>9</b>	16	<b>9</b>	16

Grant in Company and Group consists of Exchange equipment received from Alcatel CIT France in 2005.

## 29 Stated Capital

	Company	
	2016	2015
Issued and fully paid		
1,804,860,000 ordinary shares	<b>18,049</b>	18,049

The stated capital is made up as follows:

	Holding %	Number of shares	Holding %	Number of shares
Government of Sri Lanka	49.50	<b>893,405,709</b>	49.50	893,405,709
Global Telecommunications Holdings N.V.	44.98	<b>811,757,869</b>	44.98	811,757,869
Public shareholders	5.52	<b>99,696,422</b>	5.52	99,696,422
	<b>100.00</b>	<b>1,804,860,000</b>	100.00	1,804,860,000

## 30 Cash Generated from Operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2016	2015	2016	2015
Profit before tax	<b>6,497</b>	5,515	<b>2,643</b>	2,795
Adjustments for:				
Depreciation (Note 13)	<b>13,776</b>	12,567	<b>8,509</b>	7,524
Grant received less amortisation (Note 28)	(7)	(6)	(7)	(6)
Amortisation of intangible assets (Note 14)	<b>541</b>	558	<b>227</b>	249
Amortisation of financial prepayments (Note 15)	<b>83</b>	94	-	-
Provision/write-off of bad and doubtful debts	<b>1,417</b>	1,188	<b>912</b>	882
Provision for fall in value of inventories	<b>273</b>	201	<b>273</b>	201

	Group	Company	
	2016	2015	2016
		2015	
Interest expense and finance costs (Note 9)	250	270	25
Foreign exchange (loss)/gain (Note 9. a)	979	2,128	570
Interest income (Note 10)	(1,012)	(844)	(448)
Connection fees less amortisation	(622)	(579)	(103)
Profit on sale of property, plant & equipment	(404)	(33)	(388)
Impairment of assets (Note 13)	137	886	137
Provision for retirement benefit obligations (Note 26)	676	634	564
	22,584	22,579	12,914
			12,566
Changes in working capital			
- Receivables and prepayments	(5,796)	(1,862)	(4,096)
- Inventories	776	(1,307)	902
- Payables	3,705	4,044	1,516
Cash generated from operations	21,269	23,454	11,236
			12,980

## 31 Capital Commitments

The Group and the Company have purchased commitments in the ordinary course of business as at 31 December 2016 are as follows:

	Group	Company	
	2016	2015	2016
		2015	
Property, plant & equipment			
- Approved but not contracted	19,261	28,468	19,261
- Approved and contracted	13,229	13,724	12,863
	32,490	42,192	32,124
			40,306

### Operating lease commitments

The future minimum lease payments are other commitment payments as follows:

- Not later than 1 year	116	85	116	85
- Later than 1 year and not later than 5 years	191	95	191	95
	307	180	307	180

### Other financial commitments →

Except for any regular maintenance contracts entered into with third parties in the normal course of business, there are no other material financial commitments that require separate disclosures.

## 32 Contingencies

- (a) Global Electroteks Limited initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from Sri Lanka Telecom PLC ('SLT') for alleged unlawful disconnection of interconnection services. Further trial will be held on 17 May 2017.
- (b) Appeal Case filed by Directories Lanka (Private) Limited (DLPL) against SLT against the dismissal of CHC 2/2006(3) claimed damages of Rs. 250 million, for alleged unfair competition with regard to artwork on the cover page of the Directory by SLT. The proceedings have not commenced. DLPL appealed against the above order.
- (c) 12/2008 CBCU, an Inquiry by Sri Lanka Customs - A consignment of CDMA equipment was detained in October 2008 by the Customs Authority. Subsequently, the equipment were cleared pending the inquiry, based on a cash deposit and bank guarantee submitted by SLT. The Order was delivered in October 2014 imposing a mitigated forfeiture of Rs. 1,820,502,062/- on SLT. SLT has filed case in Court of Appeal under CA/writ/387/2014 against this Order and Interim Order was issued by Court on 9 March 2016, Precluding Respondents from enforcing order dated 17 October 2014. Next date of the Case is 18 September 2017.
- (d) Customs Case No. ADP/031/2009 - Goods valued at USD 996,785.65, which was imported under the last consignment of equipment for NGN Phase II expansion project, was detained by the Customs in May 2009. Subsequently, the equipment was cleared in July 2009. Pending the Inquiry. Presently, awaiting the decision of the Customs Department.
- (e) Ahmedabad City Civil Court, India 802/2014 - Legal action filed in April 2014 against SLT claiming for damages of Indian Rs. 161,521,447.00 for malicious prosecution in relation to the SLT - Dhiraagu undersea cable. Commercial Court of Ahmedabad dismissed the suit based on Jurisdiction on 16 January 2017.
- (f) Debt Recovery Officers who were attached to SLT had filed legal proceedings in Labour Department (Labour Commissioner) and Labour Tribunal and number of proceeding initiated under each forum are 47 and 21 respectively. The relief claimed includes EPF, ETF and compensation with regard to proceedings initiated before the Labour Commissioner and includes reinstatement or compensation under the Proceedings before Labour Tribunal.

In addition to the above referred cases, there are other claims by employees and third parties for damages and other relief. In the opinion of the Directors' none of these actions are likely to result in a material liability to the Company and its subsidiaries.

The Company has provided guarantees on behalf of its subsidiaries for following credit and trade finance facilities:

- (i) USD 102 million (2015 - USD 147 million) for Mobitel (Private) Limited for the GSM rollout stages 6 and 7.
- (ii) Facilities amounting to Rs. 26 million (2015 - 26 million) for Sri Lanka Telecom (Services) Limited to obtain facilities for working Capital requirement.
- (iii) With regard to cases detailed above, pending the outcome of the appeals and hearings, no provisions have been recognised in the Financial Statements up to 31 December 2016.

## 33 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. A related party transaction takes place with a transfer of resources or obligations between related parties, regardless of whether a price is charged.

### 33.1 →

	Company	
	2016	2015
<b>(a) Mobitel (Private) Limited →</b>		
<b>Sale of goods and services</b>		
Provision of E1 links	2,910	2,833
Interconnection charges	295	312
TDM, VOIP platform and transit	129	190
	3,334	3,335
<b>Purchase of goods and services</b>		
Call charges on official mobile phone	87	62
Interconnection charges	1,479	1,704
Antenna tower space	798	585
Building rent	4	3
Commission on bill collection	6	4
	2,374	2,358

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As per the TRC approval dated 19 May 2014, Mobitel is entitled to receive discounts if the Company uses more than 3,500 E1 Links.

Further, Mobitel receives discounts on infrastructure services provided by Sri Lanka Telecom PLC.

The Company has provided guarantees on behalf of Mobitel for the following loans and obligations:

USD 102 million (2015 – USD 147 million) for Mobitel (Private) Limited for the GSM rollout stages 6 and 7.

	Company	
	2016	2015

### (b) Sky Network (Private) Limited →

<b>Sale of goods and services</b>		
Supply of services	-	-
<b>Purchase of goods and services</b>		
Service provisioning	-	-

Impairment of related party receivable amounting Rs. 61 million was made during the year.

	Company	
	2016	2015

### (c) SLT Publications (Private) Limited →

<b>Sale of goods and services</b>		
Supply of services	5	5
<b>Purchase of goods and services</b>		
Directory distribution and other services	-	148

SLT Publications (Private) Limited provides event management services to SLT PLC. As per the agreement, SLT Publications entitle to receive a retainer for the services provided.

	Company	
	2016	2015

### (d) Sri Lanka Telecom (Services) Limited →

<b>Sale of goods and services</b>	5	4
<b>Supply of services</b>		
<b>Purchase of goods and services</b>	150	316

The Company has provided guarantees on behalf of Sri Lanka Telecom (Services) Limited for the following loans and obligations:

Facilities amounting to Rs. 26 million (2015 – Rs. 26 million) for Sri Lanka Telecom (Services) Limited to obtain facilities for working capital requirements.

	Company	
	2016	2015

### (e) SLT Human Capital Solutions (Private) Limited →

<b>Sale of goods and services</b>	3	6
<b>Supply of services</b>		
<b>Purchase of goods and services</b>	1,791	1,477

**(f) SLT VisionCom (Private) Limited →****Sale of goods and services**

	5	2
Supply of services	5	2

**Purchase of goods and services**

	139	123
Service provisioning	139	123

**Ad-Insertion revenue →**

Sri Lanka Telecom received an ad-insertion revenue from SLT VisionCom (Private) Limited amounting to Rs. 5 million. SLT's share of revenue is based on the following percentages:

	34%
Advertisement on PEO TV - EPG	34%

	17%
Channel advertisement	17%

**Service Fee →**

Sri Lanka Telecom PLC pays VisionCom (Private) Limited the total cost incurred plus a 5% margin which amounted to Rs. 139 million in 2016.

	Company	
	2016	2015

**(g) SLT Property Management (Private) Limited →****Sale of goods and services**

Supply of services	-	-
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**Purchase of goods and services**

Service provisioning	-	-
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**Company**

2016      2015

**(h) SLT Campus (Private) Limited →****Sale of goods and services**

Supply of services	13	-
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**Purchase of goods and services**

Service provisioning	11	-
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**(i) eChannelling PLC →****Sale of goods and services**

Supply of services	-	-
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**Purchase of goods and services**

Service provisioning	-	-
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**(j) Fees for secondment of personnel and services provided to/by SLT PLC →**

SLT Publications (Private) Limited	45	43
SLT Human Capital Solutions (Private) Limited	-	3
	<b>45</b>	<b>46</b>

		Company
	2016	2015

**(k) Outstanding balances arising from sale/purchase of services →****Receivable from subsidiaries**

Mobitel (Private) Limited	3,861	3,266
SLT Publications (Private) Limited	167	241
SLT Human Capital Solutions (Private) Limited	152	158
SLT VisionCom (Private) Limited	18	31
Sri Lanka Telecom (Services) Limited	41	10
Sky Network (Private) Limited	6	62
SLT Property Management (Private) Limited	23	13
SLT Campus (Private) Limited	173	40
eChannelling PLC	-	-
	<b>4,441</b>	<b>3,821</b>

**Payable to subsidiaries**

Mobitel (Private) Limited	3,389	2,372
SLT Publications (Private) Limited	119	132
SLT Human Capital Solutions (Private) Limited	373	317
Sri Lanka Telecom (Services) Limited	52	222
Sky Network (Private) Limited	1	1
SLT Campus (Private) Limited	20	6
eChannelling PLC	-	-
	<b>3,954</b>	<b>3,050</b>

### 33.2 Transactions with other related parties →

	Group		Company	
	2016	2015	2016	2015
<b>(a) Maxis Communications Berhad and its subsidiaries →</b>				
<b>Sale of goods and services</b>				
Sale of SEA-ME-WE 3 cable capacity	11	10	11	10
International incoming traffic	74	117	74	117
	85	127	85	127
<b>Purchase of goods and services</b>				
International outgoing traffic	40	43	40	43
<b>(b) Outstanding balances arising from sale/ purchase of services →</b>				
<b>Receivable from related companies</b>				
Maxis Communications Berhad and its subsidiaries	103	67	103	67
<b>Payable to related company</b>				
Maxis Communications Berhad and its subsidiaries	87	46	87	46

### (c) Government-related key institutions →

The Government of Sri Lanka holds 49.5% of the voting rights of the Company as at 31 December 2016 through the Secretary to the Treasury and those have significant influence over the financial and operating policies of the Company. Accordingly, the Company has considered the Government of Sri Lanka as a related party according to LKAS – '24 Related Party Disclosure'.

During the year ended 31 December 2016, the Company has carried out transactions with the Government of Sri Lanka and other Government-related entities in the ordinary course of business.

The Company identified individually significant transactions with Key Government related entities as given below:

- (i) Revenue from provision of telecommunication services during the year ended 31 December 2016 amounted to Rs. 3,631 million (2015 – Rs. 3,845 million) and receivables as at 31 December 2016 amounted to Rs. 1,695 million (2015 – Rs. 784 million).
- (ii) Deposits, repurchase agreements (Repo) and Borrowings of the Group at/from Government banks amounted to Rs. 5,666 million (2015 – Rs. 1,465 million) and Rs. 3,532 million (2015 – Rs. 287 million) as at 31 December 2016.
- (iii) Dividend payable to the Government amounting to Rs. 244 million (2015 – Rs. 244 million).

### 33.3 Transactions with key management personnel →

Key Management Personnel comprise the Directors and Chief Officers of the Company and the Group.

	Group	Company	
	2016	2015	2016
Short-term benefits	234	269	209
Post-employment benefits	22	29	21
Salaries and other benefits	256	298	230
			215

All transactions during the year and balances as at the reporting date between the following companies have been eliminated in preparing the Consolidated Financial Statements:

Mobitel (Private) Limited  
 Sri Lanka Telecom (Services) Limited  
 SLT Publications (Private) Limited  
 SLT Human Capital Solutions (Private) Limited  
 SLT VisionCom (Private) Limited  
 Sky Network (Private) Limited  
 SLT Property Management (Private) Limited  
 SLT Campus (Private) Limited  
 eChannelling PLC

Related party transactions disclosed above should be read in conjunction with Note 16 to the Financial Statements.

### 34 Non-Uniform Accounting Policies

The impact of non-uniform accounting policies adopted by the subsidiary company has been adjusted in the Consolidated Financial Statements as set out below:

#### Adjustment due to different accounting policies of the Parent and the Group entity →

Sri Lanka Telecom PLC accounts for refunds on Telecommunication Development Charge (TDC) on cash basis when the payment is received whereas Mobitel (Private) Limited recognises it in the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis.

Therefore, the recognition of the refund by Mobitel (Private) Limited was eliminated and is recognised on cash basis in the consolidated accounts.

	Group impact	
	2016	2015
Reversal of deferred revenue recognised in Statement of Profit or Loss and Other Comprehensive Income by Mobitel (Private) Limited	(100)	(100)

### 35 Events after the Reporting Date

The Board of Directors of the Company has recommended a first and final dividend of Rs. 0.89 per share (2015 – Rs. 0.89 per share) on voting shares of the Company to be paid by way of cash dividend for the financial year ended 31 December 2016.

Further, this dividend is to be approved at the Annual General Meeting to be held on 24 May 2017. This proposed final dividend has not been recognised as a liability as at 31 December 2016. Under the Inland Revenue Act No. 10 of 2006, a WHT of 10% has been imposed on dividend declared. Final dividend proposed for the year amounts to Rs. 1,606,325,400/-, in compliance with Sections 56 and 57 of Companies Act No. 07 of 2007.

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with the Section 57, prior to recommending the final dividend. A Statement of Solvency completed and duly signed by the Directors on 5 April 2017 has been audited by KPMG.

Except as disclosed above, no other events have arisen since the Statement of Financial Position date which require changes to, or disclosure in the Financial Statements.

# Supplementary Information

## Our Subsidiary Businesses

### → Sri Lanka Telecom (Services) Limited

#### Business domain →

ICT based infrastructure solutions and systems integrated solutions to corporate customers and small businesses.

#### **Key achievements →**

- Completed the first 100 million project for the Institute of Technology, University of Moratuwa (IUTM).
- Won accolades from leading ICT product manufacturers 3M and Cyberoam.
- Entered into a partnership with the Oracle Corporation.
- Partnered with Schneider Electric SE to promote a building management system (BMS).
- Obtained the ICTAD ELV 1 Grade.
- Strengthened the Company's image as the ICT solutions provider in the construction industry.

### → SLT VisionCom (Private) Limited

#### Business domain →

Internet protocol television (IPTV) support services delivered through SLT PEO TV.

#### **Key achievements →**

- Increased subscriber base by 54% in 2016, with a revenue growth of 44%.
- Introduced new sporting and Tamil language channels.
- Added over 100 new movies and a video on demand (VoD) pack to the VoD library.
- Launched the PEO TV mobile application to enable mobile streaming as well as promote product information.
- Relaunched the PEO TV website with cutting edge features and commenced broadcasting of corporate events.
- Struck 6,000 PEO TV powered TV points in the hotel/enterprise sector.

### → SLT Publications (Private) Limited

#### Business domain →

Directory information and publication services

#### **Key achievements →**

- The flagship directory: SLT Rainbow Pages Western Province was published and distributed during the year.
- Directory information was shared through digital directory products and the call centre.
- The Rainbow Pages web portal and mobile application saw informational and technological improvements throughout the year.
- The Events and Activation event helped organised several major events throughout the year.
- The niche market directory services saw continued improvements throughout the year.

### → SLT Human Capital Solutions (Private) Limited

#### Business domain →

Human Resources (HR) solutions to local and foreign markets.

#### **Key achievements →**

- Won Asia's Best Employer Brand Award in the categories 'CEO with HR Orientation' and 'HR Event of the Year' in 2016.
- Won the Annual SLT Dealership Award for 'The Most Outstanding Dealer in ADSL and PEO TV' and was the first runner up in the 'LTE Sales' category in 2015.
- Recorded a turnover of over Rs. 2 billion.

### → SLT Campus (Private) Limited

#### Business domain →

Higher education services in ICT and Business Management.

#### **Key achievements →**

- Obtained full accreditation for the Engineering Degree programmes from the Ministry of Higher Education & Highways. The degrees are recognised by the University Grants Commission (UGC) of Sri Lanka and are in line with the Washington Accord.
- Signed a Memorandum of Understanding (MoU) with Lancaster University, UK to offer 2+2 joint degree programmes to students.
- Entered into a partnership with Deakin University, Australia to offer 2+2 model degrees in Electrical and Electronics Engineering and Mechatronics Engineering to students.
- Signed a MoU with Trinity College Dublin, Ireland to collaborate in the research and training of students and staff.
- Entered into a Letter of Intent (LoI) with Texas Tech University, USA.
- Signed a MoU with the Georgia Institute of Technology, USA to further collaborations.
- Established a Postgraduate Research Unit (PGRU) in December 2015.
- Introduced courses in mobile robotics, enterprise resource planning (ERP), mobile application development and web development at the PELC of the SLTC City Campus.

### SLT Property Management (Private) Limited

#### Business domain →

Management of SLT's real estate resources.

#### **Key achievements →**

- Leased out Company property in Colombo 05 to the World Health Organisation.
- Finalised the civil contractor for the construction of a property in Anuradhapura.
- Promoted FTTH and ICT solutions to the construction industry in partnership with the SLRS.
- Explored opportunities in commercialising the unused space on SLT premises.

### → Sky Network (Private) Limited

#### Business domain →

Implementation and management of wireless broadband projects of SLT.

#### **Key achievements →**

- Completion of SLT's 4G LTE Phase 0 Implementation.

### → eChannelling

#### Business domain →

Mobile healthcare services, software and ICT service provision to the healthcare sector.

#### **Key achievements →**

- Introduced an eChannelling mobile application for iOS and Android platforms.
- Relaunched the eChannelling website.
- Introduced value added services in advanced booking, pencil booking and D-Doctor notification services.
- Service became ready for third party API integration.
- Introduced more than 70 hospitals to the network.
- Acquired the services of SLT as a telecommunications partner.
- Launched a channelling service through Sri Lanka Post.
- Shifted all major private hospitals to the ECL network.

# Ten Year Progress – Group

(All amounts in Sri Lanka rupees million)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Financial position - Group</b>										
Property, plant & equipment	108,649	99,283	90,935	80,506	73,602	67,705	61,258	65,896	57,073	53,881
Total assets	142,910	126,545	122,604	108,047	104,510	96,603	87,030	90,220	93,199	85,372
Current assets	27,464	21,426	25,343	20,598	25,712	24,341	21,238	19,764	32,389	28,609
Current liabilities	45,226	33,082	29,031	26,526	28,091	23,948	22,691	27,403	32,819	16,830
Borrowings	32,940	24,395	27,122	20,690	17,852	14,709	11,316	13,351	21,716	19,285
Equity	68,678	65,240	63,900	59,789	55,987	53,660	49,849	46,311	47,525	41,900
<b>Performance</b>										
Revenue	73,801	68,022	65,040	60,144	56,771	51,644	50,250	48,077	47,044	43,234
Operating profit	5,726	6,789	5,711	6,491	6,055	5,169	5,144	2,547	7,809	9,176
Finance cost	1,229	2,398	211	1,177	2,233	841	1,012	2,024	2,130	2,232
Earnings before tax	6,497	5,515	8,251	7,365	5,851	6,162	5,961	1,395	9,560	8,399
Taxation	1,707	1,791	2,250	1,946	1,930	1,657	2,018	617	2,193	2,759
Earnings after tax	4,790	3,724	6,001	5,419	3,921	4,505	3,943	778	7,367	5,640
<b>Cash flow</b>										
Net operating cash flows	19,466	21,265	20,047	15,386	16,094	20,250	15,260	18,213	16,214	15,090
Net cash used in investing activities	24,347	14,375	23,524	16,507	15,362	22,968	7,975	7,238	15,288	10,073
Net cash used in/(from) financing activities	360	6,065	(5,039)	57	174	1,494	3,965	11,408	526	2,555
<b>Key financial indicators</b>										
Earnings per share (Rs.)	2.65	2.06	3.32	3.00	2.17	2.50	2.18	0.44	4.08	3.12
Return on assets (%)	4.01	5.36	4.66	6.01	5.79	5.36	5.91	2.82	8.38	10.75
Return on equity (%)	6.97	5.71	9.39	9.06	7.00	8.40	7.91	1.68	15.50	13.46
Operating margin (%)	7.76	9.98	8.78	10.79	10.67	10.01	10.24	5.30	16.60	21.22
Asset turnover (No. of times)	0.52	0.54	0.53	0.56	0.54	0.54	0.58	0.53	0.50	0.51
Current ratio (No. of times C.L.)	0.61	0.65	0.87	0.78	0.92	1.02	0.94	0.72	0.99	1.70
Quick asset ratio (No. of times C.L.)	0.57	0.62	0.86	0.69	0.84	0.93	0.88	0.65	0.91	1.61
Gearing ratio (Debt to Rs. 1/- of total equity)	0.32	0.27	0.30	0.26	0.24	0.21	0.19	0.22	0.31	0.32
Interest cover (No. of times interest)	4.53	5.62	8.94	9.44	6.73	11.43	6.89	1.69	5.49	4.76

# Portfolio of Lands

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Valuation of lands transferred on incorporation (conversion of SLT into a public limited company in 1996) and lands acquired after the incorporation are based on valuation reports submitted by a firm of incorporated valuers. The lands valued over Rs. 500,000/- with their respective values are as follows:

Location	Extent (Hectare)	Value of land (Rs. million)	Location	Extent (Hectare)	Value of land (Rs. million)
No. 108 & 109, Walawwaththa Road, Anuradhapura	0.2434	24	Nalandarama Road, Nugegoda	0.1970	156
Maithripala Senanayake Mawatha, Anuradhapura	0.1125	56	High Level Road, Nugegoda	0.1170	116
Maithripala Senanayake Mawatha, Anuradhapura	0.3355	166	Polhengoda Road, Narahenpita	0.3030	240
Galkandehena, Kekirawa	0.1310	12	Pottode, Katunayaka	0.3039	12
No. 14, Nivanthaka Chethiya Road, Anuradhapura	0.0466	4	Thimbirigaskatuwa, Pottode, Negombo	0.6037	24
Mannar Road, Medawachchiya	0.3315	5	Thimbirigaskatuwa, Pottode, Negombo	1.7160	68
Medawachchiya Road, Medawachchiya	0.1468	2	St. Joseph's Street, Negombo	0.6787	191
Nochchiyagama Idama, Nochchiyagama	0.1800	9	Queen Elizabeth Drive, Nuwara Eliya	0.2354	93
Behind the Mosque, Maithripala Senanayake Mawatha, Anuradhapura	0.1769	24	Main Street, Panadura	0.2542	126
Nivanthaka Chethiya Road, Anuradhapura	0.0971	12	Bandaragama	0.2803	55
Galkantha Mawatha, Ampara	0.7657	91	Anguruwatta Road, Horana	0.2177	52
Ratnapura Road, Eheliyagoda	0.0802	14	Sri Gunarathana Mawatha, Panadura	0.2952	47
Station Road, Batticaloa	0.4383	61	Hotel Road, Mount Lavinia	0.1913	95
Lower King's Street, Badulla	0.4020	48	Airport Junction, Ratmalana	0.2076	62
Batticaloa Road, Bibile	0.0890	9	Main Street, Ratnapura	0.3645	86
Lower King's Street, Badulla	0.0340	4	Old Negombo Road, Ja-Ela	0.0870	43
Ridikotaliyagama, Mahiyanganaya	0.0790	5	Minuwangoda Road, Kotugoda	8.0937	440
Circuit Bangalow, Namunukula	0.2100	10	Ragama Road, Ragama	0.2048	40
Senanayake Mawatha, Bandarawela	0.0705	11	Negombo Road, Welisara	2.2280	484
Anduwakelepathana, Haputale	0.4080	32	Old Negombo Road, Wattala	0.1012	80
No. 6, Senanayake Mawatha, Bandarawela	0.2380	56	Aliyamalagala, Anuradhapura	0.2027	2
No. 8, Wakwella Road, Galle	0.1697	50	Post Office Road, Eppawela	0.0914	3
Court Road, Gampaha	0.1523	54	Kuda Galnewa Road, Galnewa	0.1453	1
Lotus Road, Colombo	1.3154	2,600	Police Station Road, Horowpothana	0.4180	2
Dickmans Road, Colombo 5	0.3360	291	Kahatagasdigiliya, Anuradhapura	0.0993	1
No. 5, Anderson Road, Colombo 5	0.1889	299	Padaviya Road, Kebithigollewa	0.2628	8
No. 7, Anderson Road, Colombo 5	0.1363	216	Anuradhapura-Kurunegala Road, Thambuttegama	0.0860	7
No. 9, Anderson Road, Colombo 5	0.1949	308	Hospital Road, Inginiyagala	0.0470	1
No. 17, Sugathodaya Mawatha, Colombo 2	0.2190	346	Badulla Road, Padiyatatalawa	0.1020	2
Main Street, Kalutara	0.3035	108	Panama Road, Pottuvil	0.2570	15
Primrose Hill, Kandy	0.0534	4	No. 63, Cemetery Road, Veedukkadu, Batticaloa	0.1019	5
Prince Street, Kandy	0.2251	89	Ketawala Road, Hali Ela	0.0940	22
Punchi Borella, Maradana	0.2625	212	Ella Road, Namunukula	0.1485	9
Baseline Road, Welikada	3.0880	1,099	Dammeria Estate Road, Passara	0.2460	17
Tangalle Road, Matara	0.2880	148	Poonagala Road, Balagala	0.1264	5
Satellite Earth Station, Padukka	13.8960	165	Railway Station Road, Ella	0.0330	4
			Haputalegama Road, Diyathalawa	0.0226	6

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Location	Extent (Hectare)	Value of land (Rs. million)
Wellawaya Road, Koslanda	0.0440	3
Ettampitiya Road, Pattiyagedara	0.1568	6
Wellawaya Road, Monaragala	0.3160	41
Vishaka Hill, Bandarawela	0.0958	11
Divitotawela, Welimada	0.1112	11
Ella Road, Wellawaya	0.1300	10
Kurunegala Road, Mukalanhena Village	0.3190	9
Old Town-Madampe Road, Ihalagama Village	0.1048	12
Marawila-Nattandiya Road, Ihalagama Village	0.0507	5
Puttalam	0.3054	42
Galle Main Street, Baddegama	0.1340	8
Galle Road, Elpitiya	0.1460	6
Galle Road, Gintota	0.0513	5
Galle Road, Habaraduwa	0.0796	8
Akuressa Road, Imaduwa	0.2150	4
Galle Road, Kosgoda	0.0920	6
Galle Road, Nagoda	0.1230	1
Church Street, Galle	0.2520	50
Donald Janz Road, Galle	0.0510	5
Makumbura Road, Udugama	0.1391	3
Dunaly Estate, Galaha	0.1253	2
Gonahena, Nawalapitiya	0.2782	22
No. 6, Galaha Road, Peradeniya	0.1089	28
Pussellewa Exchange, Nuwara Eliya Road	0.2155	9
Udawalagedara Watta, Gampola	0.0285	6
Nittambuwa Road, Kirindiwela	0.2129	17
Naligama Road, Mirigama	0.1874	15
Kandy Road, Pasyala	0.0534	4
Negombo Road, Veyangoda	0.0889	7
New Kandy Road, Waliveriya	0.0438	7
Rideeyagama Road, Ambalanthota	0.1720	3
No. 66, Barrak Street, Hambantota	0.1920	7
No. 6, Tower, Hill Road, Hambantota	0.2150	11
Kotuwegoda Road, Tangalle	0.1960	31
Tissamaharama Road, Tissamaharama	0.0820	5
Beliatta Road, Walasmulla	0.0803	8
Kotabo Road, Weeraketiya	0.1700	10

Location	Extent (Hectare)	Value of land (Rs. million)
Danbar Road, Hatton	0.8306	41
Pundaluoya	0.2620	2
Talawakelle	0.1813	9
Debathgama Road, Gevilipitiya	0.1200	1
Kandy Road, Ballapana	0.1031	4
Bulathkohupitiya Road, Kegalle	1.4515	244
Kegalle Road, Ampe North, Kotiyakumbura	0.1012	6
Aranayaka Road, Mawanella	0.0910	6
Nawa Rohala Road, Warakapola	0.0867	6
Alawwa-Giriulla Road, Alawwa	0.0760	3
No. 67, Gettuwana, Kurunegala	0.2730	27
No. 116/53, Tank Circular Road, Kurunegala	0.2060	24
Galgamuwa-Ehetuwewa Road, Arsonwewa	0.1580	2
Pannala-Kurunegala Road, Pahala Narangamuwa	0.1010	1
Hettipola Road, Dolahamuna	0.0980	5
No. 7, Gattuwana Circular Road, Gattuwana, Kurunegala	0.1210	12
Madampe-Narammala Road, Kuliyapitiya	0.2298	45
No. 139, Kandy Road, Kurunegala	0.9200	164
Wariyapola Road, Narammala	0.0970	5
Anuradapura Road, Nikadalupotha	0.1180	1
Puttalum Road, Nikaweratiya	0.0850	4
Negombo Road, Pannala	0.0940	3
Polgahawela-Kegalle Road, Galaboda, Polgahawela	0.1998	8
Wariyapola-Ganewatta Road, Wariyapola	0.1077	4
Kalmunai Road, Akkaraipattu	0.2050	49
Yard Road, Kalmunai	1.2250	170
Telecom Road, Paiyagala North	0.0253	3
Mangala Road, Beruwala	0.2100	21
Telecom Road, Palligoda, Matugama	0.0597	8
Telecom Road, Pahala Welgama, Bulathsinghala	0.1934	1
Telecom Road, Meegahatenna	0.2618	2
Digana	0.1986	8
Galagedara Exchange, Rambukkana Road	0.1386	5
Kadugannawa Exchange, Kandy Road	0.0356	3
Primrose Hill, Kandy	0.1233	2
Rikillagaskada	0.1300	4

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Station Road, Mannar	0.3238	10	Saviapragasa Vidyasalai Veethy Road, Vavuniya	0.4047	40
Akuressa	0.0711	14	Eramadu Road, Pulmoddai	0.3103	5
Matugoba, Kotapola	0.1770	2	Nilaveli Road, Nilaveli	0.0581	2
Dickwella	0.1554	2	Temple Road, Mutur	0.2838	8
Beruwewela, Hakmana	0.1260	6	Pulmoddai Road, Kuchchaveli	0.0690	1
Kamburupitiya	0.0890	7	Periyathumunai Road, Kinniya	0.1080	7
Godauda, Dickwella	0.1036	4	Off Main Street, Hingurakgoda	0.0583	4
Ihala Ganegama, Malimbada	0.0690	7	Main Street, Valachchenai	0.2036	6
Urubokka	0.1290	4	Trinco Road, Eravur	0.0925	13
Pelena, Weligama	0.1069	15	Kandapola	0.0894	7
Matale Road, Dambulla	0.4150	25	Badalgama-Mahaoya Road, Badalgama	0.0984	4
Naula	0.3050	6	Digana, Ahaspokuna	0.3560	4
No. 1/3, King Street, Matale	0.3342	66	Balungala Wattta	0.2317	1
Akuramboda Wattta, Pallepola	0.0970	3	Telicom Road, Pahala, Nebeda	0.1032	1
Exchange Building, Badalgama	0.0303	1	Telicom Road, Agalawatta	0.0080	1
Negombo-Mirigama Road, Kelepitimulla Village	0.1710	6	Ibbagamuwa-Keppettipola Road, Rideegama	0.2530	3
St. Christopher Lane, Kochchikade	0.0410	5	Bulathkohupitiya Road, Moradana Pahala	0.0969	1
Wennappuwa-Lunuwila Road, Wennappuwa	0.0900	5	Watawala	0.1210	4
Police Station Road, Ragala	0.0791	10	Watagoda	0.1850	2
Gonakele, Maturata	0.1670	5	Upcot	0.1495	1
Gampola Road, Thawalantenna	0.0982	12	Maskeliya	0.1046	2
Welimada Road, Udupussellawa	0.0906	4	Ginigathhena Land, Kurundugolla	0.1310	2
Ragala Road, Wathumulla	0.0770	3	Killarney Estate Road, Bogawantalawa	0.1247	3
Telecom Road, Urugala-Ingiriya	0.2800	28	Mavihena Road, Kandalama	0.1555	2
Batticaloa Road, Pollonnaruwa	0.3129	9	Pathirajakanda Estate Road, Pathirajakanda	0.1010	1
New Town, Ratnapura	0.0632	5	Galle Road, Ambalangoda	0.7900	15
Embilipitiya-Pelmadulla Road, Kahawatta	0.0250	1	Chilaw-Puttalam Road, Rajakadaluwa	0.1490	6
Kalawana-Weddagala Road, Obokka	0.2060	2	Chilaw-Puttalam Road, Kuruwikulam	0.2023	3
Ratnapura Road, Kiriella	0.0875	2	Poonagala Estate, Ampitikanda	0.1920	5
Ratnapura Road, Kolonna	0.3320	3	Haldummulla	0.0990	2
Kuruwita-Udakada Road, Delgamuwa, Kuruwita	0.0653	2	Beddegama, Namunukula	0.1373	3
New Town, Ratnapura	0.0531	4	Madulsima	0.3870	15
Nivitigala-Kahawatta Road, Nivitigala	0.2830	3	Batticaloa Road, Lunugala	0.1346	13
Pelmadulla-Kuttapitiya Road, Pelmadulla	0.0950	5	Mahakele Road, Kandaketiya	0.0253	2
Rakwana-Godakawela Road, Rakwana	0.2035	2	Exchange Building, Makandura	0.4040	6
Batticaloa Road, China Bay	0.0678	4	Exchange Building, Balangoda	0.0807	11
Lane Off Inner Harbour Road, Trincomalee	0.3294	65	Minnana Town, Awissawella	0.3655	22
Post Office Road, Kantalai	0.1244	9	Havelock Road, Colombo 5	0.0253	30
Mannar Road, Vavuniya	0.3060	33	Vaverset Place, Colombo 5	0.0179	18
Station Road, Vavuniya	0.1500	18	IDH Road, Kalapaluwawa, Angoda	0.0364	6

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Godaporagahalanda, Malabe	0.0248	3
Madiwela, Kotte	0.0278	4
Kongahawatta, Talawathugoda, Kotte	0.0278	4
Battaramulla, Kotte	0.0185	6
No. 478, Kaduwela Road, Thalangama North	0.0354	8
Udumullahena Watta, Kotuwegoda, Kotte	0.0311	5
Bogahawitta, Nawala	0.0304	12
Millennium City, Athurugiriya	0.0197	2
Asdiyapokunawatta, Mulleriyawa, Angoda	0.0379	4
Primrose Hill, Kandy	0.0751	6
Heiyantuduwa, Biyagama	0.0506	7
Hettiyavita, Biyagama	0.0374	5
Walawewwatta, Delgoda	0.0320	3
Ketakelagahawatta, Ranmuthugala, Kadawatha	0.0329	5
Ihala Karagahamuna, Kadawatha	0.0430	3
Puwakgahalanda, Siyambalape	0.0202	2
Mawaramandiya Road, Makola North	0.0192	2
Pitipana North, Homagama	0.0253	2
Panagoda, Homagama	0.0253	3
Mattegoda, Nugegoda	0.1265	36
No. 320/2, Old Kottawa Road, Embuldeniya, Nugegoda	0.0234	7
Gangodawila, Nugegoda	0.0186	7
Sudharshi Mawatha, Kalubowila	0.0241	10
No. 67, Mahinda Place, Kirulapone	0.0244	24
Delgahalanda, Ihala Bope, Padukka	0.0266	1
Rukmalgama, Maharagama	0.0817	8
Srimathi Road, Keselwatta, Panadura	0.0632	15
St. Anthony's Road, Moratumulla, Moratuwa	0.0276	4
3A, Rawatawatte Road, Moratuwa	0.0202	4
Millagahakanatta, Molpe, Ratmalana	0.0257	3
Kahatagahalanda Estate, Makandana, Ratmalana	0.0177	2
Gorakagahawatta, Wethara	0.0253	2
Batakeththara, Piliyandala	0.0253	4
Bokundara, Piliyandala	0.0316	4
Godaparagahalanda, Honnanthara, Piliyandala	0.0519	5
Kandawala Estate, Borupana, Ratmalana	0.0190	4
Madangahawatta, Laxapathiya, Moratuwa	0.0253	4
Keerakotuwa, Nawanuge Road, Peliyagoda	1.6432	325
Awissawella, Ratnapura Road, Welikanna	0.1623	3
Kotawera Pallegama, Welimada	0.0526	2

Location	Extent (Hectare)	Value of land (Rs. million)
Puttalam Road, Chilaw	0.2708	54
Kiribathkumbura, Pilimathalawa	0.5805	11
No. 47/1A, Church Road, Mattakkuliya	0.0303	15
Nawalapitiya Road, Ginigathena	0.1420	3
Alpitiya Road, Alpitiya	0.1789	2
Dambulla Road, Ibbagamuwa	0.1011	2
Telecom Road, Dodangoda	0.1510	9
Namadagala Village, Medamahanuwara	0.1247	1
Pallekele-Kundasale	0.0899	9
Pugoda Road, Giridara, Dompe	0.0050	1
Mandawala Road, Owtigama, Pugoda	0.0253	2
Ukuwela, Matale	0.0506	1
Magammana, Homagama	0.0151	1
Telecom Road, Mahaaruggoda	0.0759	4
Kudugalla Road, Wattegama	0.1511	7
No. 27, Station Road, Batticaloa	0.0585	9
Karainagar	0.0507	1
Ariyalai, Jaffna	0.0658	4
Point Pedro, Jaffna	0.0809	3
Pandathirippu, Jaffna	0.0514	1
Pesalei	0.0908	1
Dalupothawatta, Pillewatta, Udugampola	0.0025	1
<b>Total</b>		<b>11,995</b>

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# Abbreviations

<b>4G</b>	- Fourth Generation	<b>KPO</b>	- Knowledge Process Outsourcing
<b>ADSL</b>	- Asymmetric Digital Subscriber Line	<b>KPI</b>	- Key Performance Indicator
<b>ASPI</b>	- All Share Price Index	<b>LEARN</b>	- Lanka Education and Research Network
<b>API</b>	- Application Programming Interface	<b>LED</b>	- Light Emitting Diode
<b>BPM</b>	- Business Process Management	<b>LGN</b>	- Lanka Government Network
<b>BPO</b>	- Business Process Outsourcing	<b>LTE</b>	- Long-Term Evolution
<b>BPR</b>	- Business Process Re-engineering	<b>Mbps</b>	- Megabits per second
<b>BSS</b>	- Billing Support System	<b>MEF</b>	- Metro Ethernet Forum
<b>CDMA</b>	- Code Division Multiple Access	<b>MEN</b>	- Metro Ethernet Network
<b>CEA</b>	- Communications Enabled Applications	<b>MIMO</b>	- Multiple-Input and Multiple-Output
<b>CLI</b>	- Caller Line Identification	<b>MPEG</b>	- Moving Picture Experts Group
<b>CRM</b>	- Customer Relationship Management	<b>MPLS</b>	- Multiprotocol Label Switching
<b>DC HSPA+</b>	- Dual-Carrier High Speed Packet Access	<b>MSAN</b>	- Multi-Service Access Nodes
<b>DEL</b>	- Direct Exchange Line	<b>NBN</b>	- National Backbone Network
<b>E1</b>	- E - Carrier System Level 1	<b>NED</b>	- Non-Executive Director
<b>EBITDA</b>	- Earnings Before Interest, Taxes, Depreciation and Amortisation	<b>NFC</b>	- Near Field Communication
<b>EFTNS</b>	- External Fixed Telecommunications Network Services	<b>NGN</b>	- Next Generation Network
<b>EPF</b>	- Employees' Provident Fund	<b>NOC</b>	- Network Operating Centre
<b>ERP</b>	- Enterprise Resource Planning	<b>NRI</b>	- Network Readiness Index
<b>ETA</b>	- Electronic Travel Authorisation	<b>OSS</b>	- Operational Support System
<b>ETF</b>	- Employees' Trust Fund	<b>OTT</b>	- Over the Top
<b>FCR</b>	- Fault Clearance Rate	<b>PEO TV</b>	- Personalised Entertainment Option Television
<b>FTTB</b>	- Fibre-To-The-Building/Business	<b>PoP</b>	- Point of Presence
<b>FTTC</b>	- Fibre-To-The-Curb	<b>PSTN</b>	- Public Switched Telephone Network
<b>FTTH</b>	- Fibre-To-The-Home	<b>PTC</b>	- Pacific Telecommunications Council
<b>FTTN</b>	- Fibre-To-The-Node	<b>RAS</b>	- Revenue Assurance System
<b>Gbps</b>	- Gigabits per second	<b>SAFA</b>	- South Asian Federation of Accountants
<b>GDP</b>	- Gross Domestic Product	<b>SBN</b>	- SLT Backbone Network
<b>GITR</b>	- Global Information Technology Report	<b>SDH</b>	- Synchronous Digital Hierarchy
<b>GPS</b>	- Global Positioning System	<b>SDM</b>	- Space Division Multiplex
<b>GRI</b>	- Global Reporting Initiative	<b>SEA ME WE</b>	- South East Asia-Middle East-West Europe
<b>GSR</b>	- Global Symposium for Regulators	<b>SLBN</b>	- Sri Lanka Telecom Broadband Network
<b>GTH</b>	- Global Telecommunications Holdings	<b>SLFRS</b>	- Sri Lanka Accounting Standards
<b>HDTV</b>	- High Definition Television	<b>SLIM</b>	- Sri Lanka Institute of Marketing
<b>HSPA</b>	- High Speed Packet Access	<b>SME</b>	- Small and Medium Enterprise
<b>ICT</b>	- Information and Communication Technologies	<b>SMS</b>	- Short Message Service
<b>ICTA</b>	- Information and Communication Technology Agency of Sri Lanka	<b>SOA</b>	- Service Oriented Architecture
<b>IDD</b>	- International Direct Dialling	<b>STM-1</b>	- Synchronous Transport Module Level-1
<b>IFRS</b>	- International Financial Reporting Standards	<b>SVOD</b>	- Subscription Video on Demand
<b>IGW</b>	- International Gateway	<b>TRCSL</b>	- Telecommunication Regulatory Commission of Sri Lanka
<b>IMS</b>	- IP Multimedia Subsystem	<b>UMTS</b>	- Universal Mobile Telecommunications System
<b>INED</b>	- Independent Non-Executive Director	<b>VDSL</b>	- Very High Bit Rate Digital Subscriber Line
<b>IoT</b>	- Internet of Things	<b>VoD</b>	- Video on Demand
<b>IP</b>	- Internet Protocol	<b>VoIP</b>	- Voice over Internet Protocol
<b>IP-VPN</b>	- Internet Protocol Virtual Private Network	<b>VPN</b>	- Virtual Private Network
<b>IPTV</b>	- Internet Protocol Television	<b>WAP</b>	- Wireless Access Protocol
<b>ISP</b>	- Internet Service Provider	<b>WiMAX</b>	- Worldwide Interoperability for Microwave Access
<b>ITU</b>	- International Telecommunication Union		

# Notice of Annual General Meeting

Annual Report 2016

Sri Lanka Telecom PLC

Stewardship  
Messages  
Business Model  
Management Discussion and Analysis  
Empowering Digital Lifestyles  
Financial Reports  
→ **Supplementary Information**

**SRI LANKA TELECOM PLC**  
(Company Registration No. PQ 7)  
Lotus Road, Colombo 01.

NOTICE IS HEREBY GIVEN that the Twentieth (20th) Annual General Meeting of Sri Lanka Telecom PLC will be held on 24 May 2017 at 10.00 a.m. at the Kings Court, Cinnamon Lakeside Hotel Colombo, No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02 for the purpose of conducting the following Ordinary Business:

## Agenda

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31 December 2016 with the Report of the Auditors thereon.
2. To declare a first and final dividend of Eighty Nine Cents (0.89 Cents) per share as recommended by the Directors.
3. To re-elect as a Director, Ms Lai Choon Foong, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
4. To re-elect as a Director, Ms Chandra Ekanayake, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
5. To appoint Auditors in place of those retiring:

To consider and if thought fit to pass the following resolution as an Ordinary Resolution to appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company in place of the retiring Auditors, Messrs KPMG, Chartered Accountants from the conclusion of this Annual General Meeting and their remuneration be fixed by the Directors.

## Ordinary Resolution

"Resolved that Messrs Ernst & Young, Chartered Accountants be appointed as the Auditors of the Company, in place of the retiring Auditors, Messrs KPMG, Chartered Accountants, to hold the office from the conclusion of this Annual General Meeting and that their remuneration be fixed by the Directors."

6. To authorise the Directors to determine and make donations to charities.
7. To transact any other business of which due notice has been given.

By Order of the Board  
Sri Lanka Telecom PLC



**Mahesh Athukorale**  
Company Secretary

17 April 2017  
Colombo

## Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.

# Form of Proxy

I/We ..... (holder of NIC No. ....) of ..... being a member/members of Sri Lanka Telecom PLC hereby appoint ..... (holder of NIC No. ....) of ..... whom failing\*

Mr P G Kumarasinghe Sirisena	whom failing*
Mr Chan Chee Beng	whom failing*
Mr Lawrence Michael Paratz	whom failing*
Ms Lai Choon Foong	whom failing*
Ms Chandra Ekanayake	whom failing*
Ms Nilanthi Pieris	whom failing*
Mr W K H Wegapitiya	whom failing*
Mr Rohan De Silva	

as my/our\* proxy to represent me/us\* to speak and vote for me/us\* and on my/our\* behalf as indicated below at the 20th Annual General Meeting of the Company, to be held on 24 May 2017 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31 December 2016 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a first and final dividend of Eighty Nine Cents (0.89 Cents) per share as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director, Ms Lai Choon Foong, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director, Ms Chandra Ekanayake, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
5. To appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine and make donations to charities.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our hand/seal given on this ..... day of ..... Two Thousand and Seventeen.

.....  
Signature

\*Please delete what is inapplicable.

Note: Instruction as to completion appears overleaf.

**Instructions as to completion of Form of Proxy →**

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. Please indicate with an "X" in the space provided, how your proxy is to vote on each resolution. If no indication is given the proxy in his/her discretion will vote as he/she thinks fit.
3. In the case of a corporate member the proxy must be executed in accordance with the Articles of Association. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company, Sri Lanka Telecom PLC, Lotus Road, Colombo 01 not later than 48 hours before the time fixed for the holding of the meeting.

# Corporate Information

## Name of the Company

Sri Lanka Telecom PLC

## Legal Form

A public limited liability company incorporated in Sri Lanka in September 1996, under the Conversion of Public Corporations of Government Owned Business Undertakings into Public Limited Companies Act No. 23 of 1987 and quoted on the Colombo Stock Exchange in January 2003.

## Company Registration Number

PQ 7

## Stock Exchange Listing

1,804,860,000 Ordinary Shares of the Company are listed in the Colombo Stock Exchange.

## Registered Address

Telecom Headquarters, Lotus Road,  
Colombo 01.

## Board of Directors

Mr P G Kumarasinghe Sirisena – Chairman  
Mr Chan Chee Beng  
Mr Lawrence Paratz  
Ms Lai Choon Foong  
Ms Nilanthi Pieris  
Ms Chandra Ekanayake  
Mr W K H Wegapitiya  
Mr Rohan De Silva

## Audit Committee

Mr Chan Chee Beng – Chairman  
Ms Lai Choon Foong  
Ms Chandra Ekanayake  
Ms Nilanthi Pieris  
Mr Rohan De Silva

## Remuneration and Nomination Committee

Mr Chan Chee Beng – Chairman  
Mr P G Kumarasinghe Sirisena  
Mr Lawrence Paratz

## Technology Subcommittee

Mr Lawrence Paratz – Chairman  
Mr W K H Wegapitiya  
Mr Rohan De Silva

## Senior Tender Board

Ms Lai Choon Foong – Chairperson  
Mr Lawrence Paratz  
Ms Nilanthi Pieris  
Mr W K H Wegapitiya  
Mr Rohan De Silva

## Related Party Transactions Review Committee

Ms Nilanthi Pieris – Chairperson  
Mr Chan Chee Beng  
Ms Lai Choon Foong  
Ms Chandra Ekanayake

## Auditors

KPMG (Chartered Accountants),  
No. 32A, Sir Mohamed Macan Markar Mawatha,  
Colombo 03.

## Company Secretary

Mr Mahesh Athukorale

## Credit Rating

By Fitch Ratings Lanka Limited

**AAA (lka)**

(National long-term rating)

**B+**

(Local and foreign currency)

By Standard & Poor's

**B+**

(Local and foreign currency)

## Bankers

Bank of Ceylon  
Citibank N.A.  
Commercial Bank of Ceylon PLC  
Deutsche Bank  
Hatton National Bank PLC  
HSBC Bank  
Nations Trust Bank PLC  
NDB Bank PLC  
People's Bank  
Sampath Bank PLC  
Seylan Bank PLC  
Standard Chartered Bank



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## This is an Integrated Annual Report

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Sri Lanka Telecom

