



Sri Lanka Telecom
One Country. One Voice.

Sri Lanka Telecom PLC
Annual Report 2013

changing
your world

Changing
Your
World.

Changing Your World.

If you don't create change, change will create you



For a full search facility, please go to the pdf of our Annual Report and Accounts 2013 in the investor relations section of our website and use a word search.

Over one hundred and fifty years spent in connecting people from one end of the island to the other has given Sri Lanka Telecom a deep understanding of Sri Lankan lives - Sri Lankan ambitions - Sri Lankan dreams. This is why we have placed such emphasis on being a company that stays relevant to the people we serve, one that keeps ahead of its own industry standards and uses global best practices as its benchmark. A company, in short, that is willing and able to intelligently evolve.

Our stakeholders are numbered in thousands and ultimately our mission is to serve each one of them with a consistently rising curve of value. This report describes how we have introduced a series of strategically planned, positive changes to your company at every level of operation; changes that will see us drive service excellence, product superiority, network access and overall revenue generation to standards that will set industry benchmarks, again. Changes, in fact, that will change your world.

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About Sri Lanka Telecom

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 customers...

Multi-National & Enterprise Customers	Public sector Institutions	Other Operators / Wholesale Customers	SME and Retail Customers	Domestic Users	Mobile Users
---------------------------------------	----------------------------	---------------------------------------	--------------------------	----------------	--------------

We serve them through...

Intelligent Solutions	Global Services	Backbone / Wholesale Services	Triple-play Services	Mobile Services
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By using...

Strong Brand & Reputation	Dedicated Workforce	Superior Network and Technology Platforms	Innovation	Suppliers
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Sri Lanka Telecom PLC. (SLT) is one of Sri Lanka's most valuable blue chip companies with a market capitalisation as at 31 December 2013 topping Rs.66 billion. Sri Lanka Telecom is the national ICT solutions provider and the leading broadband and backbone infrastructure services provider in the country. The two main shareholders of Sri Lanka Telecom as at year end were the Government of Sri Lanka which held 49.5% through the Secretary to the Treasury and Global Telecommunication Holdings N.V. of Netherlands, which owned a 44.98% stake. The balance shares are publicly traded.

The SLT Group has a customer base of over six million including multinational corporations, large and small corporate, public sector, retail and domestic customers.

Over
150
years of trusted service

Operational footprint



Telephone



Internet



Data



PEO TV



International



Wholesale



Mobile

Over
36 34

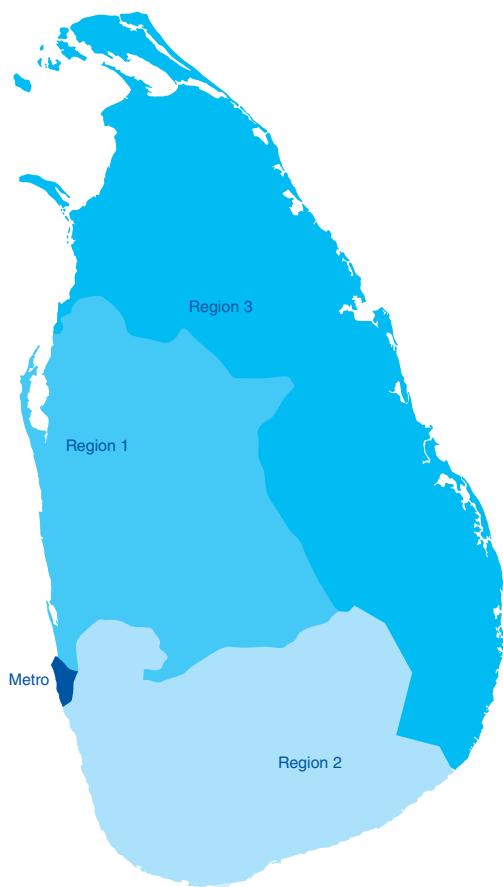
No. of
Teleshops

No. of Regional
Offices

22

No. of Maintenance
Centres

Area	No. of Fixed Telephones
Metro	574,930
Region 1	467,759
Region 2	337,642
Region 3	134,493



Group's key business areas;

- > Telephone (Megaline & Citylink)
- > Internet, Broadband (ADSL, VDSL2, 4G LTE, FTTx)
- > Data services (Enterprise & SME Solutions)
- > Entertainment TV (PEO TV - IPTV)
- > International Services (Global business)
- > Wholesale (Communication infrastructure)
- > Mobile (2G, 3G & 4G)

Group structure

Collective synergies
of the group
harnessed for
national aspirations



**SLT VisionCom
(Private) Limited**
IPTV support services

**Mobitel (Private)
Limited**
Mobile Service Provider

**SLT Human Capital
Solutions (Private)
Limited**
(Formerly known as SLT
Manpower Solutions (Pvt.) Ltd.)
Providing workforce solutions

**SLT group is driving
its diversification
strategy into new
areas, including
human capital and
property management
services.**

**SLT Publications
(Private) Limited**
Directory publication
services

**SKY Network
(Private) Limited**
Wireless Broadband
operations

**SLT Property
Management (Private)
Limited**
Managing Group's properties
for better utilization of resources
and stretching its operations into
diversified businesses

**Sri Lanka Telecom
(Services) Limited**
Providing total network
solutions to corporate and
small business customers.

Financial highlights

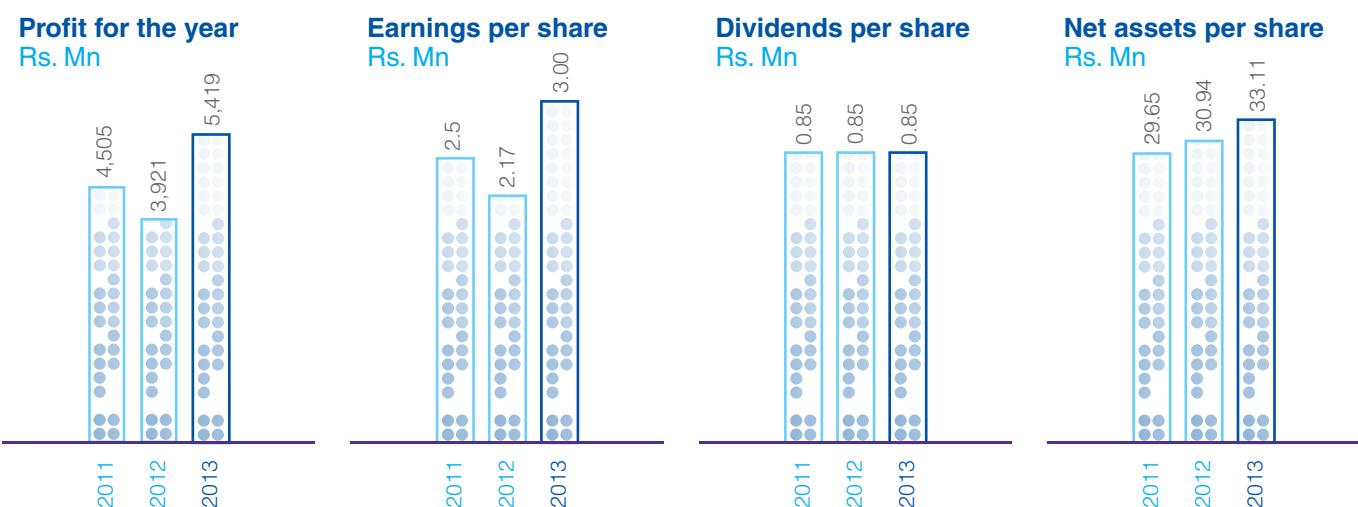
	2013	2012	Change
Group			
Rs. Bn			
Revenue			
	60.14	56.77	5.94%
Rs Mn			
Operating Profit	6,491	6,055	7.20%
Profit before Tax	7,365	5,851	25.88%
Profit after Tax	5,419	3,921	38.20%
Earnings Per Share (Rs.)	3.00	2.17	38.20%
Company			
Rs Bn			
Revenue			
	36.78	34.72	5.93%
Rs Mn			
Operating Profit	3,156	2,582	22.23%
Profit before Tax	5,014	4,567	9.79%
Profit after Tax	3,635	3,246	11.98%
Earnings Per Share (Rs.)	2.01	1.80	11.98%

Revenue

60
(Rs. Billion)

**Enhanced growth
of key parameters
strengthening the
progress of the
Company as well as
the Group**

Group



Profit before tax	Profit after tax	Share price	EPS
7.37 (Rs. Billion)	5.42 (Rs. Billion)	37.20 (Rs.)	3.00 (Rs.)
EBITDA ↑ 5.36%	Profit after tax ↑ 38.20%	<p>“We are moving in line with development of the country while deriving benefits for the whole group. The salutary initiatives taken during the year contributed to obtaining impressive results with consistent growth recorded during the period, while strengthening its capabilities in tandem with modern technologies and infrastructure facilities; in aligning the group with government’s vision of realizing a digital economy.”</p>	



Snapshot of material aspects

Material Aspect 1:

National Economic Development

- » Reason for materiality:
Developing Sustainable
Infrastructure

1

Material Aspect 2:

Consistent Returns to all Stakeholders

- » Reason for materiality:
Reaching Diverse Markets

2

Material Aspect 3:

Sustainable Value for Customers

- » Reason for materiality:
Product Responsibility

3

Material Aspect 4:

People Power

- » Reason for materiality:
Developing a multi-disciplinary,
knowledge-based talent pool

4

In our 2013 integrated annual report, we have set out the story of Sri Lanka Telecom for the year, noting key positives and negatives. Further detail can be found in later chapters and online.

Material Aspect 5:
Community Empowerment and Capacity Building

- » Reason for materiality:
Broadening Community Access



Material Aspect 6:
Environment

- » Reason for materiality:
Environmental Management and Resource Efficiency



Material Aspect 7:
Responsible Stewardship

- » Reason for materiality:
“Think Green” Technology



Moving towards changing the future...

Total integrated solutions provider

SLT group provides a full range of ICT facilities and services in the areas of voice, data, broadband, wholesale, enterprise, TV and mobile services. One of the key strategic objectives is to drive broadband-based consumer and enterprise services by expanding the broadband footprint via core and access technology projects.

Personal and Business connections



SLT telephone connections are available as Megaline and Citylink. Both Megaline and Citylink offer a range of value added services.

Megaline

Megaline is the most reliable and superior quality wireline telephone connection that enables you to enjoy uninterrupted Voice, Broadband and PEO TV.

Citylink

Citylink, the wireless telephone network that uses CDMA 2000 network technology offers high clarity voice telephony and offers a diverse range of value added services to meet your communication needs.

Internet



Broadband

Revolutionizing internet usage across the country whilst expanding Sri Lanka's broadband capacity, SLT Broadband offers consistent, uninterrupted, high-speed internet access up to 16 Mbps downloading speed. Through the i-Sri Lanka project the company enhances and upgrades its existing fixed network, by expanding the fibre network to bring it closer to customers through Fibre-to-the-Node (FTTN) deployment.

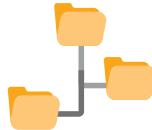
Dial-up

SLTNet offers a wide range of postpaid and prepaid dial up packages to suit your needs.

IDD

SLT offers the most premium quality international call service in Sri Lanka which is available for almost all international destinations. So you can now enjoy the highest voice quality for international calls which is similar to your experience when you make a local call on your SLT landline.

Also SLT now offers affordable rates to all countries, with per second billing that ensures that you pay only for the exact time you spend on the call.

Data

SLT's Intelligent Solutions are aimed at equipping large enterprises and SME businesses with the full range of ICT solutions to help succeed in the global arena. Speed, connectivity and security are key demands businesses make and SLT's wide portfolio of services is perfectly poised to meet and exceed these expectations.

Mobile

Sri Lanka Telecom Mobitel, is a fully-owned subsidiary of SLT. The company offers mobile telephony services, high-speed broadband, Enterprise Solutions, IDD services and a host of Value Added Services. Mobitel was the pioneer in South Asia to launch a Super 3.5G network, to successfully demonstrate HSPA + MIMO technology and successfully trial 4G/LTE technology. Introduction of Dual Carrier HSPA+ technology and 4G-LTE service makes Mobitel's mobile broadband speeds the fastest in the country.

PEO TV

SLT PEO TV gives the platform to enjoy the best of local and international news and entertainment from around the world at a click of a button, revolutionizing traditional TV experience with characteristic features such as digital quality pictures, Time Shifted TV, Rewind TV to play, pause live TV and Video on Demand with content such as movies, music, educational and much more.

Wholesale

An array of wholesale services for fixed and mobile operators, ISPs, and communication services resellers, external gateway operators (EGOs), data communication service providers and virtual service providers. As the premier National Backbone Network (NBN) provider, SLT has deployed an islandwide fully secured fiber network to fulfil domestic transport requirements of service providers.

Chairman's statement

Dear Shareholder,

On behalf of the Board of Directors, I warmly welcome you to the 17th Annual General Meeting of Sri Lanka Telecom PLC, and am pleased to present to you the Annual Report and Financial Statements for the year ended 31 December 2013. As this report will show, this has been an exceptional year for your company, during which we have laid a solid foundation for our next phase of growth, which I am certain will propel SLT into new vistas of opportunity and achievement.

> Global Economic Roundup

Throughout 2013, growth in the global economy was subdued with growth rates reaching only 2.3% for the year, regardless of the improving global financial conditions. Given the severity of the economic downturn that persisted for the past two years, this restrained growth was only to be expected. It is noteworthy however, that the new policy initiatives introduced by key developed economies in late 2012, did manage to reduce the global financial risks and helped stabilise consumer, business and investor confidence during 2013, albeit with only a very limited impact on global growth patterns for the year.

In the US, automatic spending cuts and uncertainties associated with budget issues put a damper on overall consumer spending in the latter part of the year; despite the strengthening of private sector demand throughout 2013. In contrast to the economic woes that plagued many of the developed nations, emerging economies continued to register much stronger growth with a large number of lesser developed countries also demonstrating better than average growth; which steeply outpaced global growth patterns throughout the year.

> Sri Lanka's Economic Highlights 2013

Sri Lanka's economic performance for 2013 too strongly mirrored the trend of other emerging economies in the region, with Government of Sri Lanka (GoSL) targeting to achieve the twin goals of being a US\$ 100 billion GDP economy and US\$ 4,000 per capita income by year 2016. With the country's economy demonstrating favourable growth throughout the year, a series of well-timed macro level activations were initiated to stimulate growth and reinforce the stability of the

economic framework. A bid to further augment economic growth saw the gradual easing of the country's monetary policy in mid-2013. Seeking to secure a firm credit appetite among private sector investors, the CBSL further eased the country's monetary policy regime in the latter part of the year. Resulting in an immediate reduction in short term interest rates, this move was also intended to foster a healthy level of credit growth among the private sector.

Meanwhile, continuing with the trend of the past few years, inflation continued

to remain at single digit levels throughout the year. Characterized by subdued international commodity prices and reduced domestic supply side pressures, inflation rates for the year remained stable, alongside well contained demand driven inflationary pressures. An analysis of recent YoY inflation figures also indicates that inflation volatility has

Group Revenue	Group Profit before tax
60 (Rs. Billion)	7.37 (Rs. Billion)



Developing Economy

I find it very gratifying to see that Sri Lanka Telecom (SLT) has demonstrated coherent growth, during the year, amidst the challenges imposed by a multi-faceted competitive environment.

Nimal Welgama
Chairman



smoothened, an environment supportive of single-digit levels in the years ahead.

Heightened by expectations of a sustained growth, the external sector also fared well during the year, with exports showing progressive improvement throughout the year. Despite a sudden resurgence in the latter part of the year, imports experienced a marginal decline during the year that led to the narrowing of country's trade deficit for 2013.

Another notable feature for 2013 is the degree of resilience exhibited by the rupee in comparison to other currencies of the region, a testament to the growing stability of Sri Lanka's economy.

All these efforts by the GoSL are aimed at achieving the country's development goals. Posting consistently healthy GDP growth for the past four consecutive years, the latest results for 2013, indicate the growing versatility of Sri Lanka's economy

Sri Lanka's economic performance for 2013 too strongly mirrored the trend of other emerging economies in the region, with the GoSL targeting to achieve the twin goals of being a US\$ 100 billion GDP economy and US\$ 4,000 per capita income by year 2016.

> Global Telecommunications Industry at a Glance

In today's complex commercial environment, data services have emerged as the key driver of industry growth; particularly given the near obsolescence of conventional voice mediums. Moreover, the advent of smart-phones has caused an unprecedented increase in the global demand for mobile broadband services. Growing exponentially by 45% YoY for the

past four years, the demand for multi-faceted mobile broadband subscriptions has compelled modern telecommunications service providers to continuously augment their offerings to the market. Engaging diverse mediums that support multiple OS and multiple device environments, dynamic service providers are expected to convey a plethora of applications including mCommerce applications and Cloud computing options. Embracing these demand driven parameters, modern day service providers are expected to stay ahead by improving, innovating and managing technology, processes and people.

Chairman's statement

The group reported Rs.60.1Bn revenue with 5.9% growth when compared to the previous year. The growth of revenue was mainly driven by the revenue increases of SLT, the holding company and its mobile arm Mobitel.

> Performance Overview

I find it very gratifying to see that Sri Lanka Telecom PLC (SLT) has demonstrated coherent growth during the year, amidst the challenges imposed by a multi-faceted competitive environment. Regardless of the monumental changes that are taking place, the group has performed remarkably well during 2013. Our performance, both as a group and from the company's perspective has been above par. Positive results were recorded across all spheres of the business and are indicative of SLT's versatility in the face of change: group revenue increased to Rs 60.1Bn, EBITDA to Rs 18.9Bn, Profit before Tax was Rs 7.4Bn, Profit after Tax was Rs 5.4Bn and Investments were Rs 21Bn.

During the year 2013, the group reported Rs.60.1Bn revenue with 5.9% growth when compared to the previous year. The growth of revenue was mainly driven by the revenue increases of

SLT, the holding company and its mobile arm Mobitel. Meanwhile the group has been able to manage its operational costs at Rs. 41.2Bn with a sustainable increase of 6.2% compared to the previous year. The group reported Rs.18.9Bn Earnings Before Interest Tax Depreciation and Amortization (EBITDA) for the year 2013. Healthy revenue growth coupled with operating cost management, increased EBITDA by 5.4% when compared to the previous year. EBITDA margin remained at 31.5%. Increase in EBITDA and the favourable outcome of non-operational affairs, resulted in an impressive 25.9% Year on Year (YoY) growth of Group Net Profit Before Tax (NPBT) of the year under review to Rs. 7.4Bn. The Group Net Profit After Tax (NPAT) increased to Rs. 5.4Bn with 38.2% growth.

> Change in Motion for Sri Lanka and for SLT

The year has been one of momentous change for us at SLT. Leveraging on

our 150 year old telecommunications legacy, we sought an unprecedented paradigm shift in pursuance of a future-ready business platform, particularly in the wake of Sri Lanka's ambitions to be a regional knowledge hub. Spearheaded by these aspirations, the Government of Sri Lanka (GoSL) too continued to accelerate country-wide infrastructure developments, in tandem with the growing momentum of the peace initiatives and post war economic development programme. While creating a favourable business environment enriched with emerging opportunities, this economic resurgence I believe underpins the country's profile as a destination of choice for foreign direct investments.

The GoSL's mandate for national economic progress envisions a SMART Sri Lanka, showcasing the ultimate technology in the voice and data space. Promoting digital economy and wide-spread user access vis-à-vis multiple access mediums including broadband, smart devices and cloud computing options remains the crux of the SMART concept. By transcending conventional boundaries, the SMART network seeks to provide the data hungry consumer with efficient solutions to mainstream needs, while seamless network integration facilitates widespread access to a host of special value added services.

As the national ICT enabler, we believe, SLT is the only contender deemed capable of driving the vision to bring forth a SMART Sri Lanka. As the largest integrated communications service provider, following successful negotiations with the regulatory authorities, SLT was granted a 10 year license in 2013 to operate Sri Lanka's national ICT backbone to fully support the requirements of the Telecommunications Regulatory Commission of Sri Lanka. As the country's core ICT platform, the National Backbone Network (NBN) would drive the SMART revolution within the country by facilitating high-speed seamless connectivity both locally and globally. Being the single largest undertaking ever embarked on by SLT, the development of the NBN is an ambitious venture that would alter the dimension of Sri Lanka's ICT landscape.

With the country on a fast-track towards regional ICT supremacy, it is critical that as the nation's vanguard ICT service provider, SLT is ready to complement this journey. By strengthening its technology leadership amidst the country's evolving broadband footprint, SLT expects to harness the full potential of broadband connectivity while combining the best-in-class service standards that offer customers the ultimate in convenience and en-suite connectivity. Realignment of SLT's strategic business priorities culminating with a mammoth reconstitution of technology, processes and people was deemed the only way to elicit the desired change dimension. Having wide-ranging manifestations across the entire business, a multi-functional transformation strategy is deemed to play a pivotal role in reinforcing SLT as the frontrunner in

Sri Lanka's ICT milieu. As key components of the transformation strategy, the Network Modernization and Transformation programme is expected to reengineer SLT's core backbone network, while the i-Sri Lanka initiative would layout the provisioning architecture for the undertaking. Meanwhile, an all-encompassing customer-centric transformation is expected to give SLT an unparalleled edge vis-à-vis a superior provisioning, delivery and service mechanism.

> Overview of Subsidiaries

I am indeed very pleased to note that all subsidiaries have displayed tremendous capabilities during 2013.

Mobitel (Pvt) Ltd., continued to grow both in strength and stature throughout the year. In tandem with the company's expansion agenda, island-wide network coverage was significantly enhanced during the year. Also focusing on technology enhancements, Mobitel's expansion programme saw a series of successful NGN roll outs including 4G/LTE deployments, during the year. With the expansion programme well aligned to group goals, I am reassured that Mobitel is enroute to realize exponential growth in the years ahead.

SLT VisionCom (Pvt) Ltd., also performed commendably well during the year, demonstrating PEO TV operation's growth in all key revenue streams. Successfully penetrating identified niche markets, the company also managed to generate new revenue streams during 2013. Embodying the commitment to deliver the ultimate entertainment experience, PEO TV is expected to launch a new IPTV platform that is expected to transform the viewer perceptions. Sri Lanka Telecom (Services) Ltd., continued to successfully service both the corporates and small business customer vis-à-vis total network and system integration solutions, having undertaken a series of large scale projects during 2013. While emphasizing on the development of the core business, SLT Publications (Pvt) Ltd., SLT's directory publication services progressed well to also engage in a well-planned business diversification strategy that is interlinked to the company's primary objectives.

The formation of SLT Human Capital Solutions (Pvt) Ltd., marks a significant milestone in SLT's business diversification agenda. Envisioning the provision of total workforce solutions, the company is expected to be key driver of non-traditional revenues for SLT in the future. SLT Property Management (Pvt) Ltd., was also established during the year, to streamline and maximize the utilization of the group's extensive property portfolio.

Sky Networks (Pvt) Ltd., was a driver of SLT's 4G LTE and Wi-Fi investments across the country, managing several projects which are designed to upgrade broadband capabilities and increase bandwidth levels across the country.

> Future Outlook

I believe the Sri Lanka's future growth trajectory is strongly appended to the infrastructure competencies of the country, of which the NBN is a core facilitator. By cohesively supporting the NBN through carrier grade wireless technology and fiber-optic architecture, SLT is well placed to capture significant synergies in the longer term. The unmatched capabilities of SLT's NGN structure would help articulate a multi-layered ICT platform that would convey Voice, Networking, Data Hosting, Managed Services and Cloud Computing options. By providing integrated solutions for large scale corporates while simultaneously supporting the growing SME segment and the public sector through extensive broadband connectivity, SLT aims to convey meaningful value and nation-wide economic progress. While NGN delivers tangible ICT solutions, SLT's superior customer-centric service components would transpire to create a new dimension of service assurance and fulfilment for the customer. Epitomizing the "One country, One voice" philosophy, SLT expects to build on these core competencies to render a truly SMART nation on par with global standards.

> Appreciations

Being a part of one of the most dynamic global industries, I cannot deny the importance of state-of-the-art technology. Having said that, I believe technology will remain only a vehicle to reach

the desired destination, while it is the human element with a shared vision that steers the course to success. In the spirit of people power, I must acknowledge that SLT's achievements are the results of a profound team effort. Let me take this opportunity to thank the Group CEO of SLT and CEOs of each of the subsidiaries, the respective senior management teams and each and every member of the SLT team for their steadfast support and unquestionable loyalty. Your commitment to SLT's success is truly inspiring.

I wish to also express my sincere thanks to the Board of Directors of SLT for their valuable contribution and active participation in supporting and guiding the strategic vision of SLT. I take this opportunity to bid farewell to Mr Sandip Das who resigned from the Board on 24 April 2013, and thank him for his contribution during his tenure.

To our valued stakeholders, thank you for the trust and confidence placed in us at all times. As always, SLT remains committed to bring you unimaginable possibilities that will help you to change your life on your terms.

Nimal Welgama
Chairman

Group CEO's review

ICT has become a pivotal component of how today's lives are structured and as ICT capabilities become more and more complex, the ensuing solutions are becoming simpler and easier - driving more people to adopt a digital lifestyle.

Lalith De Silva
Group Chief Executive Officer



Company Revenue (Rs. Bn)

2011 - 32.29

2012 - 34.72

2013 - 36.78

It is with a deep sense of pride and accomplishment that I present to you, the annual report and statement of accounts of your company, for the year ended 31st December 2013. It has been a year during which your company excelled to overcome challenging conditions and continued its forward thrust, putting in place a long-term strategy towards building a strong and sustainable organisation.

Our industry is perhaps the fastest changing landscape within the global economy, which makes it one of the most challenging yet exciting; requiring the frontrunners to innovate, strategise and excel in human as well as technology capabilities in order to sustain their leadership positions. In this landscape, companies such as ours must constantly reinvent our offerings as a strategy towards building value to our stakeholders and creating a business that consistently fulfills the aspirations of the investors. In presenting our first ever integrated report modelled on the triple-bottom-line approach, we have made an attempt to map our value creation story by detailing the multiple ways in which we utilise the capital available to us to create and sustain such value.

ICT has become a pivotal component of how today's lives are structured and as ICT capabilities become more and more complex, the ensuing solutions are becoming simpler and easier - driving more people to adopt a digital lifestyle. In Sri Lanka too, the impact of ICT has been enormous and its influence, palpable – more and more, customers are moving away from traditional voice communications to non-voice enabled products that provide information at anytime - anywhere - on any device. Sri Lanka today enjoys 100% telephone penetration and is steadily working towards improving its broadband penetration as well, with an aim to achieve a 75% ICT literacy by 2016. The success of our company has been our capacity to ride on the opportunities thus created, in catering to the evolving needs of Sri Lankans through a suite of ICT technologies and services.

In order to achieve this success, we have also had to change from within – and this has been a truly exhilarating experience. A structured programme was implemented to promote a change in the internal culture – to foster new values and attitudes, teamwork and mutual trust, innovation and creativity and an outcome focused decision making regime. We have instilled among our people the desire for continuous improvement and the quest to constantly lift the bar in quality and service delivery. I envision that this new culture, both people and organisation focused, would drive our company and the country to new heights, as we continue to serve the nation diligently in fulfilling our duties as the National ICT Service Provider.

We have instilled among our people the desire for continuous improvement and the quest to constantly lift the bar in quality and service delivery.

during the year, boosted by the increased island-wide penetration of fixed line and mobile service platforms. As at end of the financial year, the group's customer base stood at 1.5 million fixed line subscribers and 5 million mobile subscribers. SLT provided enterprise ICT solutions to over 70% of the top 100 listed corporates in the country, while in the broadband sphere, we witnessed a remarkable growth towards a customer base of over 400,000 fixed broadband users, contributing to SLT's overall market share and bottom-line.

> Financial Performance Highlights

Our island-wide footprint was extended further during the year with the share of the population relying on SLT's services continuing to expand. Notable growth was observed in SLT's market share for both voice and data

During the year, our top line experienced a 6% YoY growth over the same period last year while judicious cost management initiatives enabled the company to achieve a bottom line

1

A culture has been established where learning opportunities are appreciated and capitalised on, thereby creating a pool of knowledge hungry resources.

2

An upgrade from the existing SMW4 cable system, the new SMW5 architecture is expected to represent super capacity levels in excess of 100G.

3

Strengthening the National Backbone Network (NBN) to cater to future telecommunications needs of all operators of the country.



Backbone of the developing economy

PAT
11.98%

PBT
9.79%

of Rs.3,635 million, a commendable increase. Consequently PBT (Profit Before Tax) grew from Rs. 4,567 million to Rs.5,014 million in the year under review, a growth of 10% over the corresponding figure. Meanwhile, the natural

Group CEO's review

Our long term strategy envisions SLT retaining its leadership position through the adoption of best practices and new technology, facilitated through mega long-term investments.

hedging impact caused by the relative stability of the rupee led to greatly improved foreign exchange income for the year under review.

As margins continue to be challenged by the prevailing competitive market environment, your company remains extremely cost conscious in an effort to mitigate the impact to the bottom line. Stringent monitoring and aggressive recovery strategies applied during the year led to a notable reduction in bad debt to Rs.522 million from Rs.543 million recorded in the previous year, a YoY drop of 4%.

Focusing on efficiently managing other key operational costs, SLT embraced more energy efficient practices. In particular, much effort went into improving SLT's waste management methodology during the year. Meanwhile the transport fleet was also revamped, with greater emphasis on the use of energy efficient hybrid vehicles to realize further

cost benefits to the company while simultaneously reducing SLT's carbon footprint. Moreover, procurement practices were also streamlined across the group. Leveraging on the strengths of the group's collective bargaining power, the negotiation process was restructured for economies of scale advantages and long term purchasing efficiency.

> Contributing to National Progress

Sri Lanka's ICT industry has come a long way since its humble beginnings as a mere telegraphy operation 150 years ago. Recognized as one of the most dynamic in the region, the country's ICT industry today facilitates seamless connectivity and world-class information, communication and entertainment services. The Global Network Readiness Index (NRI) ranks Sri Lanka second only to India in the SAARC region, though both the countries have identical scores. It is pertinent to note that the country's telephone



Building the Information Super Highway

penetration has now reached 100% including both fixed and mobile users, with exponential growth being recorded in broadband internet subscriptions and usage. For nearly eight years, domestic call rates have been as low as Rs 1 per minute – one of the lowest rates in the world, while the government's focus on growing the data segment has resulted in data prices also coming down by nearly 90%. In fact, Sri Lanka is on record as the country with the lowest entry level broadband prices in the whole world. As one of the top 5 export earners, Sri Lanka's IT/BPO sector has experienced a tremendous evolution in the past few years. Moreover, with aspirations to propel the IT/BPO sector into a billion dollar industry, the Government of Sri Lanka's economic policy paper "Road Map 2013" strongly favours the ICT industry as a key proponent of success.

With ambitious investment plans to take the industry to the next level, Sri Lanka is well poised to become the ICT hub of the region. This would require pioneering technological innovations that provide holistic end-to-end communication solutions to a broad range of key industries, including Tourism, Naval, Maritime, Aviation, Commerce and Tertiary Education, amongst others.

A versatile ICT platform is a critical tool towards achieving the GoSL's goal of a US\$ 100 billion GDP economy and US\$ 4,000 per capita income by 2016. The first step in creating a resourceful ICT platform is strengthening the National Backbone Network (NBN), with an aim to cater to future needs of all ICT operators of the country. With a significantly enhanced bandwidth, the NBN's fibre-optic architecture would undoubtedly enhance connectivity and speed, while bridging the digital divide in the country.

Reengineering the national ICT infrastructure is indeed a colossal undertaking, and the Government of Sri Lanka awarded the massive task of building the National Backbone Network (NBN) to SLT in 2013. Covering all 329 divisional secretariats in Sri Lanka within a 5 year time window, the NBN aspires to deliver high speed uninterrupted access at all times, to every business and household in the country. By facilitating access to sophisticated ICT solutions, the NBN would empower companies to deliver greater value to their stakeholders, while higher bandwidth and seamless high-speed connectivity would help convert households into SMART hubs and transform the way in which individuals perceive communication technology. Increasing the capacity of global connectivity hand-in-hand with the development of national backbone is an essential prerequisite to facilitate the anticipated exponential traffic growth and the envisaged high speed-connectivity experience. In 2013, SLT took a strategic initiative to invest in the upcoming SMW5 global connectivity cable. The SMW5 cable would facilitate capacity levels in excess of 100G in addition to SLT's existing global connectivity realized through SMW3 and SMW4 cables.

> A Shift in Strategic Focus

SLT's strategic focus remains strongly aligned to the national agenda. Complementing the country's ICT transformation journey, SLT is committed to serve as a catalyst in establishing the communication backbone, which in turn would become the foundation for virtually all other economic sectors.

Accordingly, SLT's strategic business focus came under review during the year. Moving away from a purely company focused growth agenda, the business was refocused to the bigger picture; in empowering the growth of the national economy, which in-turn would ensure growth of the company

as well. Focus shifted to achieving greater operational versatility and dynamic business models that would augment group capabilities. The strategy envisions SLT retaining its leadership position through the adoption of best practices and new technology, facilitated through mega long-term investments.

The rigorous planning process which preceded the strategic plan included exhaustive analysis of global best practices, the competitive framework and strategies to bridge the gaps identified therein. The journey towards the new strategy was a transparent and democratic one, where brainstorming sessions were

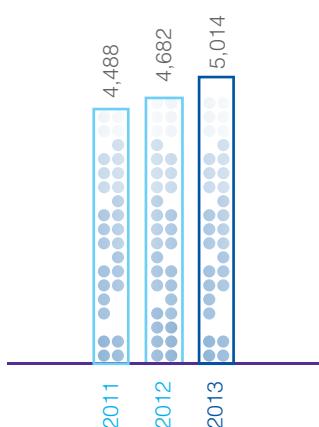
held across the company to obtain input from a cross section of employees representing all disciplines and staff categories. Our strategic focus now encompasses revenue and profit performance on one hand and operational aspects such as capacity building, efficiency improvement and preventive maintenance on the other.

Having understood that people are the crucial element in implementing the new strategic focus, an extensive culture change initiative to reshape employee attitudes and behaviour patterns and align them to support a robust, future ready business model



SLT's 4G LTE was launched by Hon. Ranjith Siyambalapitiya, Minister of Telecommunications and Information Technology in the presence of Hon. Athauda Seneviratne, Senior Minister Rural Affairs and Mr. Lalith De Silva, Group CEO of SLT

Company NPBT
Rs. Mn



The strategy envisions SLT retaining its leadership position through the adoption of best practices and new technology, facilitated through mega long-term investments.

Group CEO's review

We have taken steps to improve IT infrastructure, encompassing the best of customer relationship management (CRM), enterprise resource planning (ERP) and end-to-end service assurance (E2E SA) tools.



Inspecting MSAN of i-Sri Lanka project

was undertaken during the year. Our aim was to establish a vigorous quality framework which would realign the focus of the total workforce of approximately 8000 employees with long-term corporate goals. The multi-dimensional change philosophy, which is discussed in greater detail in the Management Discussion section of this report, aims to reshape the mindset of employees towards a more customer-centric approach that would drive a sustainable business model for the future. By creating a blueprint for shared goals, this customer-centric transformation

strategy is expected to create a new dimension of service assurance and customer fulfilment. Using a world renowned change management process as the key change agent, we aim to guide our employees to relentlessly pursue the desire for knowledge and perennially reinforce their abilities in cognizance with the changing industry landscape, thereby staying a step ahead of the competition.

It is indeed a proud moment for me to see how well the entire SLT team has wholeheartedly welcomed this cultural paradigm shift.

Company EBITDA - (Rs. Mn)

2012

9,286

2013

9,960

Their willingness to embrace the proactive change agenda has been a tremendous boost in our journey to shed the preconceptions of a telco provider and redefine ourselves as a customer focused ICT enabler. In one of the strongest endorsements of the change management programme, 2013 marked the first in many years with zero incidents of industrial disputes.

During the year under review, we focused on continuous development activities for our team with a plethora of knowledge sharing sessions, skills development programmes, and training and development programmes to cover all professions and all categories of employees. Employees at all levels were given basic training in human resource management, performance management as well as financial literacy. A culture has been established where learning opportunities are appreciated and capitalised on, thereby creating a pool of knowledge-hungry resources.

Effectively complementing the customer-centric transformation, we were also awarded the ISO 9001:2008 Quality Management System certification during the year. With the implementation of ISO 9001:2008 QMS, your company is now geared to provide better services to customers while building strong bonds and creating a more open culture for customer interactions and customer satisfaction.

Several initiatives were undertaken during the year to improve customer experience and service quality, which included improvements to project and programme management philosophy, streamlining procurement practices and strengthening contract management. Furthermore, we have taken steps to improve IT infrastructure, Service Oriented Architecture (SOA) framework, encompassing the best of Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), End-to-End Service Assurance (E2E SA), Data Warehousing (DWH) and Business Intelligence (BI) tools. In tandem, the brand and marketing capabilities of the group were also strengthened to deliver greater value to customers.

I must also stress, that in no way is the customer-centric transformation a means to an end. It is in fact a concept that demands perpetual evaluation and responsiveness on our part, given that customer satisfaction remains at the crux of the entire concept. I believe the success of the methodology depends on establishing a more proactive customer rapport to help assess the changing face of customer needs in the future. To stay ahead, it is therefore imperative that we continue to foster timely and relevant customer communications. While helping us to stay focused, these exchanges would also reshape our perception of what the customer needs.

> Future-ready Infrastructure

As Sri Lanka's premier ICT service provider, it is our foremost duty to develop a robust ICT infrastructure that supports the country's aspiration to achieve the regional hub status for Knowledge, Naval and Maritime, Aviation, Commerce, Energy and Tourism. Our efforts towards achieving this goal require massive long-term investments in technology, people and processes. Underpinning our endeavour to create an agile business blueprint, we also remain committed to implement global best practices for Project Management, Knowledge Management and Enterprise Risk Management which would



Mr. Anusha Palpita, DG of TRCSL handing over NBN license to Mr. Lalith De Silva, Group CEO of SLT

drive a new dimension of functionality and versatility at all levels of the business.

Our effort to reengineer the entire network towards a fully-fledged Next Generation Network (NGN) is well underway. In parallel, SLT's capacity building effort is taking care of upgrading the core backbone and establishing the National Backbone Network (NBN) - as the sole NBN licence holder. While revolutionizing SLT's core infrastructure platform, NGN is expected to transform Sri Lanka's ICT readiness by replacing conventional legacy platforms in favour of an optical fibre based backbone network that extends the network

edge closer to the customer. With NGN migration being a pre-requisite for Telecommunications Regulatory Commission of Sri Lanka (TRCSL) licensing requirements, the progress made towards NGN migration during the year helped secure SLT's operating license, for a further period of 10 years.

For the first time in the history of your company, we have earmarked investments exceeding Rs. 25 Bn (in the last 2 years) which will be directed towards core technology related projects such as NGN and NBN, and also to improve access technologies such as 4G LTE, Carrier-grade Wi-Fi and Fibre-to-the-home connectivity. Furthermore, investment is being channelled to accelerate the growth of Enterprise and SME business segments as well as to enable a robust and resilient public sector.

Identifying that broadband is the catalyst for development, GDP growth and innovation efficiency of a country, we are deploying multiple platforms to deliver superior yet affordable broadband services to the masses. Riding on SLT's world class fibre optic transport and backbone network, a full range of fixed broadband



NGN enabled broadband ports -

739,296

access technologies such as ADSL2+, VDSL2, FTTx and 4G/LTE has been unleashed by the company enabling download speeds of up to 100Mbps.

Though dominance in technology is critical in the ICT industry, I firmly believe that our competitive edge would hinge on our promise of delivery, service excellence and customer experience. Our ongoing initiatives in steering the company through an all-encompassing, customer-centric transformation would provide SLT an unparalleled edge through a superior provisioning, delivery and service regime. My vision is that SLT should redefine the industry norms in setting the benchmark for exceptional customer assurance and fulfilment standards as a truly market-driven, customer-centric business entity.

Total number of customers migrated to NGN -

618,139

> Subsidiary Performance

I am glad to note that all subsidiaries performed exceptionally well during the year, to achieve commendable results while complementing the group's strategic agenda.

Group CEO's review

The ICT revolution that has taken hold of the country in the past few years has led to an unprecedented demand for internet and networking facilities. With the NBN rollout, the industry will certainly be empowered to provide high speed broadband access at affordable and competitive prices.

The performance of SLT Publications (Private) Ltd., was once again noteworthy with the company launching a number of new publications during the year, while pursuing diverse business interests.

SLT VisionCom (Private) Ltd., too experienced unprecedented growth in 2013, with revenue crossing the Rs. 1 billion mark and the subscriber count reaching 90,000 customers.

Sri Lanka Telecom (Services) Ltd., continued to perform well with notable increases in volume, turnover and profits. Providing intelligent business solutions, the company successfully completed a series of high profile projects for a number of high ranking companies in Sri Lanka, adding to the existing portfolio of accomplishments.

Sky Networks (Pvt) Ltd., was a driver of SLT's 4G LTE and Wi-Fi investments across the country, managing several

projects which are designed to upgrade broadband capabilities and increase bandwidth levels across the country.

Branching out into non-traditional business lines led to the revamping of SLT Human Capital Solutions (Private) Ltd., as well as setting up of SLT Property Development (Private) Ltd., during the year 2013. An independent HR solutions provider accessible to corporates across Sri Lanka, SLT Human Capital Solutions (Private) Ltd., provides total HR solutions geared for the modern commercial environment. SLT Property Development (Private) Ltd., was established as an entity that ensures the effective utilisation of company's vast real estate base.

The performance of these subsidiaries is reviewed in much broader detail on pages 60 to 62.

> ICT solutions for CHOGM

The main highlight in SLT's event calendar for the year was the much awaited Commonwealth Heads of Government Meeting (CHOGM) hosted by Sri Lanka in November 2013. As the key ICT enabler for the CHOGM, SLT comprehensively supported all events held across the country. Intelligent communication solutions were formulated to service multiple geographic locations and key forums of the CHOGM. The specially designed Wi-Fi access network, which was backhauled by a high speed, reliable and resilient optical fibre ring architecture, ensured uninterrupted service availability. The largest ever Wi-Fi deployment in Sri Lanka, this module was equipped with the capability of facilitating 2,500 concurrent users.

> A Promise for the Future

I am indeed proud that SLT's progress has remained above par, regardless of the highly competitive nature of the business environment that we operate in. We have remained steadfast in our commitment to transfer sustainable value to all stakeholders associated with our business.

The ICT revolution that has taken hold of the country in the past few years has led to an unprecedented demand for internet and networking facilities. With the NBN rollout, the industry will certainly be empowered to provide high speed broadband access at affordable and competitive prices. Access to world class broadband technologies such as ADSL2+, VDSL2, 4G LTE, Carrier-grade Wi-Fi and Fibre technologies would transform the potency of Sri Lanka's economy. Serving over 4.5 million people across one million households via a plethora of telecommunication products, we will strive to extend our reach to empower more communities and help them share the fruits of Sri Lanka's development. In addition to being the national ICT enabler for the consumer segment, SLT is committed towards supporting the country's growing SME segment through a range of customized communication



Connectivity for CHOGM 2013 in Sri Lanka



Submarine Cable System to connect Sri Lanka to the world

solutions. Moreover, as the preferred partner of the biggest corporate and public sector entities in the country, our state-of-the-art “Intelligent Solutions” will undoubtedly be a major catalyst in achieving GoSL’s road map for national progress.

Although much work remains to be done to achieve the desired results, it is indeed encouraging to see that we are on the right track. It is reassuring to note that the measured steps taken at present to augment the country’s ICT capabilities, would certainly elicit cohesive socio-economic change in the longer term. Powered by SLT’s infrastructure solutions and unrivalled service platform, the ICT industry is set to achieve unparalleled growth as a high value added industry that would feature a great many job opportunities for the youth of Sri Lanka.

As the undisputed leader in Sri Lanka’s ICT sector, I believe it is our duty to lead by example. Captioned by our seven core values, we remain committed to herald in Sri Lanka’s ICT revolution. By truly epitomizing our brand promise of effectively providing seamless connectivity with world-class information, communication and entertainment services, we pledge to connect one country with one voice.

> Appreciations

This has been my first year in office as Group CEO of this great company. I feel privileged to have the honour of leading the Sri Lanka Telecom Group in one of the most dynamic and transformative phases of the history of the Group as well as the country.

It is my duty to thank the Chairman and Board Directors for their valuable guidance and advice, extended readily to me and the senior management alike.

I have received the unstinted support of the senior management who have committed their vast knowledge and skills, and their time, to mould our shared vision for the company.

My sincere appreciation is extended to every single member of the SLT team; they have embraced the new culture and risen to the challenges thrown at them. Each individual contribution has been an inspiration.

The momentum we have achieved already has positioned us well to build a company that is truly a benchmark of business excellence.

Lalith De Silva

Group Chief Executive Officer

Board of Directors

We are committed to ensuring that our Board is strong, working effectively and able to respond to the opportunities and challenges we face.



Mr. Nimal Welgama

Chairman/Director

Mr. Nimal Welgama joined the Board of Sri Lanka Telecom PLC on 20th May 2010 as an independent Non Executive Director and was appointed Chairman of the Board. He is also a Director/Chairman of Mobitel (Private) Limited, SLT Publications (Private) Limited, SLT VisionCom (Private) Limited, SLT Human Capital Solutions (Private) Limited, Sky Network (Private) Limited, SLT Hong Kong Limited, SLT Property Management (Private) Limited and a Director of Sri Lanka Telecom (Services) Limited. Mr. Welgama is the CEO of the Upali Group of Companies and also serves as a member of the Monetary Board of the Central Bank of Sri Lanka.



Mr. Chan Chee Beng

Director

Mr. Chan Chee Beng, a Malaysian, was appointed to the Board of Directors on the 5th of June 2008 and subsequently to the Board of Mobitel (Pvt) Ltd. and SLT Property Management (Private) Limited. He also serves as a member of the Audit Committee.

He has more than 30 years of experience in investment banking, financial management and accounting including stints with Ernst & Young and Morgan Grenfell & Co. Ltd prior to joining the Usaha Tegas Sdn Bhd ("UTSB") Group in 1992 as head of corporate finance. He is presently an executive director of UTSB and serves on the Boards of several other companies in which UTB has significant interests such as Maxis Berhad (listed on Bursa Malaysia Securities Berhad) ("Maxis"), Maxis Communications Berhad and Binariang GSM Sdn Bhd, having an operational base in Malaysia, Bumi Armada Berhad ("BAB") (listed on Bursa Malaysia Securities Berhad), an offshore oil and gas service provider.

He is also a director of Yu Cai Foundation and MEASAT Satellite Systems Sdn Bhd ("MSS"), a regional satellite operator, and a Director in a non-executive capacity on the Board of MEASAT Global Berhad ("MGB"), the holding Company of MSS. He is a member of the Audit and Nomination Committees of BAB and Maxis and a member of the Audit Committee of MGB.

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.



Mr. Jeffrey Jay Blatt

Director

Mr. Jeffrey Jay Blatt was appointed to the Board of Sri Lanka Telecom PLC on 5 June 2008 as an independent non-executive director, and sits on the Senior Tender Board, Technology Sub Committee, Remuneration Committee and the Nomination Committee. He is also a Director of SLT Visioncom (Pvt) Limited and SLT Hong Kong Limited. Mr. Blatt acts as Special Counsel to Astro All Asia Networks PLC and Astro Malaysia Holdings Berhard ('Astro'), as well as Usaha Tegas Sdn. Bhd. ('UT Group'), in Malaysia, and is of Counsel at the law firm of Tilleke & Gibbins in Thailand leading its Telecom, Media and Communications ('TMT') practice. From 2011 through 2014 he has been named as one of Asia's leading TMT lawyers by the Legal 500 Asia Pacific, and by Chambers Asia Pacific. His clients at Tilleke & Gibbins include Microsoft, Apple Computer, AT&T, Facebook, Workpoint Entertainment and a variety of other international clients in the telecom, broadcasting and media space.

Prior to his current positions, he was the Senior Vice President of Business Affairs and General Counsel, at Astro and the Group General Counsel of the UT Group in Malaysia. Before moving to Malaysia, he was a partner in the nationally recognised law firms of Irell & Manella LLP, and Blakely, Sokoloff, Taylor and Zafman, in Los Angeles, California, and represented technology companies including Apple Computer, Sun Microsystems, Intel, Broadcom, and Sony Electronics. He also represented entertainment companies in multimedia and special effects matters including Sony Pictures Entertainment and Light Storm Entertainment.

Mr. Blatt attended the Lewis and Clark Law School, Oregon, USA and holds a Juris Doctor (J.D.) degree, cum laude, as well a Bachelor of Science (B.S.) degree in Engineering from the University of California, Los Angeles (UCLA) and a Master of Science (M.S.) degree with Distinction, from Tiffin University, Ohio. He is a member of the California and United States Federal Bars, and is a registered United States Patent Attorney.



Mr. Shameendra Rajapaksa

Director

Mr. Shameendra Rajapaksa joined the Board of Sri Lanka Telecom PLC on the 26th May 2010 as an independent Non Executive Director and serves on the Senior Tender Board and the Technology Sub Committee. He also serves as a Director of SLT Publications (Private) Limited, SLT Hong Kong Limited and SLT Property Management (Private) Limited. Mr. Rajapaksa is a Director of Sri Lankan Airlines Ltd and is the Private Secretary to the Minister of Finance and Planning.

He had served as a Director of Sri Lanka Ports Authority and as the Private Secretary to the Minister of Ports and Aviation. His previous professional experience includes Head of Engineering Services at S2 Technologies Inc, Director of Development at Leads to Wealth Inc, Engineer at Sun Microsystems Inc and Software Team Lead at NASA ISS Earthkam Programme, all based in California, USA.

Mr. Rajapaksa holds a Bachelor of Science degree in Computer Engineering from the University of California, San Diego (UCSD). He is a member of the Institute of Electrical and Electronics Engineers (IEEE).

Board of Directors



Mr. Jayantha Dharmadasa

Director

Mr. Jayantha Dharmadasa is a business personality with over 35 years of experience in Business Management and over 27 years in the Health Care Industry.

Having completed his education at S. Thomas' College, Mt. Lavinia, he joined the family business Conglomerate i.e. Nawaloka Group of Companies. Mr. Dharmadasa is a Fellow Member of the Institute of Certified Professional Managers (FCPM). He was appointed to the Board of Sri Lanka Telecom PLC as an independent Non-Executive Director with effect from 26th May 2010. He also serves as the Director of SLT VisionCom (Pvt.) Ltd., SLT Human Capital Solutions (Pvt.) Ltd., and Galadari Hotels (Lanka) PLC. Mr. Dharmadasa is the Chairman of Nawaloka Holdings (Pvt.) Ltd. In addition, he holds the Chairmanship of Nawaloka Hospitals PLC, Nawaloka Medical Centres (Pvt.) Ltd., Nawaloka Metropolis Clinical Laboratories (Pvt.) Ltd., Nawaloka Constructions Co. (Pvt.) Ltd., Nawaloka Polysacks – Sharjah, Sasiri Polysacks (Pvt.) Ltd., Nawaloka Aviation (Pvt.) Ltd., Ceyoka (Pvt.) Ltd., Nawaloka Trading Co. Ltd., Kola (Pvt.) Ltd., Concord Ventures Exports Lanka (Pvt.) Ltd., Sahas Wear (Pvt.) Ltd., New Ashford International (Pvt.) Ltd., Nawaloka Petroleum (Pvt.) Ltd., and Nation Lanka Finance PLC.

He is the President of Sri Lanka Cricket, the Chairman of the Outstanding Song Creators Association (OSCA) and Cinestar Foundation. He was the past Chairman of National Film Corporation and Past President of Asian Cricket Council.



Mr. Kalinga Indatissa

Director

Mr. Kalinga Indatissa joined the Board of Sri Lanka Telecom PLC on 26th May 2010 as an Independent Non- Executive Director. He is the Chairman of the Audit Committee and serves on the Senior Tender Board. He is also a Director of the SLT Human Capital Solutions (Pvt) Ltd., and SLT Property Management (Pvt) Ltd.

Mr Indatissa is a senior legal practitioner who counts more than 28 years of active practice. He was appointed a Presidents Counsel in 2012.

He was also a Director of the Sri Lanka Foundation and has been appointed as the Competent Authority reviewing underutilised assets and enterprises. He has also served as a Director at the Employees Trust Fund Board and Lecturer at Sri Lanka Law College and also as a visiting lecturer of Sri Lanka Hotel School and Sri Lanka Police Higher Training Institute. He served as a member of the Interim Committee of the Sri Lanka Cricket Board from 2010-2011.

Earlier he held the position of an Examiner and Lecturer in Civil Procedure, Law of Evidence and Criminal Law at the Sri Lanka Law College. He was a tutor in Criminal Law, Criminal Procedure, Administrative Law, Law of Evidence and Civil Procedure, Sri Lanka Law College.

He has also penned numerous books on the laws pertaining to computer crime, civil procedure and criminal law in Sri Lanka.



Mr. Lawrence Paratz

Director

Mr. Lawrence Paratz was appointed to the board of Sri Lanka Telecom PLC as an Independent Non-Executive Director with effect from 26th May 2010.

Mr. Lawrence Paratz holds an M. Sc. (Telecommunication Systems) with Distinction, and was awarded the Philips prize from Essex University, and an M. Eng. Sc. from the University of Queensland.

He is a Fellow of Engineers Australia (FIEAust) and an alumnus of the Stanford University Executive Development Programme. He also holds Bachelor's Degrees 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 a Director and Chief Executive of Acacia Australia Pty Ltd, he was responsible for development of an integrated proposal for delivery of national broadband communication for Australia.

He has served as a Director of Maxis Communication Berhad, and as Chairman of the Technology Committee of the Board. He is a former senior executive of Telstra Corporation (Australia). He is a Director of Vernet Pty Ltd, a Company providing ultra high speed Broadband to Universities and Research Establishments in Australia, and of Real Thing Entertainment Pty Ltd, an Australian technology company specialising in voice and conversation technology.

He also serves as a Director of mobile operator Mobitel (Pvt) Ltd. and of SLT Property Management (Pvt) Ltd.

Mr. Paratz has held executive responsibility for multi- billion dollar programmes and integrations including network transformations and deployments across multiple technologies, with extensive experience in 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 invited speaker at the Australian Health Informatics Conference, and the Australian Academy of Technological Sciences and Engineering.

He was formerly Chairman of the On-Trac@Peter Mac Adolescent and Young Adult Cancer Programme, and has been involved in a number of initiatives in e-health.



Ms. Pushpa Wellappili

Director

Ms. Pushpa Wellappili is a member of Sri Lanka Administrative Service. She holds a Bachelor of Science (Hons) Degree in Mathematics and Statistics from the University of Jaffna, a Bachelor of Laws Degree from the Open University of Sri Lanka and a Master of Laws (LL.M) degree from the University of Colombo. She is also an attorney- at law of the Supreme Court of Sri Lanka.

Ms. Wellappili was appointed to the Board of Directors on the 28th June 2012 as a Non-executive Director and serves as a member of the Audit Committee.

She currently holds the position of Deputy Secretary to the Treasury in the Ministry of Finance and Planning. She has over 30 years of experience in the public service and has held a various posts since joining the public service.

Leadership team

Leadership grooming in progress for the next generation



Lalith De Silva

Group Chief Executive Officer, Sri Lanka Telecom

He joined Sri Lanka Telecom as its GCEO in 2013, making him the first local CEO following the company's privatisation in 1996. Prior to this appointment, De Silva was the CEO of Mobitel (Private) Limited for two terms, which is a wholly owned subsidiary of SLT. The first was in 2002 - following the acquisition of Mobitel by SLT and the next in 2011. Having pioneered Mobitel in the establishment of its GSM network, he was instrumental in laying the foundation for its rapid technological and exponential market growth. He commenced his engineering career at IBM in Sri Lanka and followed it up in Australia and is a globally recognised ICT and Programme Management Specialist. He has held a plethora of high ranking positions such as Advisor to SLT, Board Director/ Consultant Sri Lankan Airlines, Board Director Mobitel (Private Limited) and Senior Advisor to Saudi Telecom, and is an experienced telecommunications professional with over three decades of extensive international private sector experience spanning across a wide range of industries.

De Silva is a Fellow of the Institute of Consulting (FIC) of UK and a Fellow of the Chartered Management Institute of UK (FCMI). He is the Founder Chairman of the Project Management Institute in Sri Lanka. He functioned as its Chairman until 2009, and currently serves as an Advisor. At present, De Silva is reading for a PhD at the University of Colombo.



**Ranjith Ganganath
Rubasinghe**

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

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 12 years. He is a Chartered Engineer, Representative Fellow of the Council and the Chairman of the Electrical & Electronic Engineering Sectional Committee of the Institution of Engineers, Sri Lanka (IESL) with a MBA from the University of Colombo, BSc Engineering in Electrical and Electronics, a Postgraduate Diploma in Engineering. Rubasinghe is also a certified member of the Sri Lanka Institute of Marketing (SLIM) and an associate member of the Institute of Personal Management (IPM).

He adds to his diverse portfolio by displaying expertise in ICT Management, Human Resource Management, Marketing and Operational & Financial control. At SLT, he served as head of



Malraj Balapitiya

**Chief Executive Officer, SLT
Publications (Private) Limited
& SLT VisionCom (Private)
Limited**

section "RAINBOW PAGES" (2006-2008) and as the Chief Executive Officer of SLT Manpower Solutions (Pvt) Ltd since 2008. Not limiting to the service provided to SLT Group only, he was able to transform the organization to SLT Human Capital Solutions (Pvt) Ltd in 2013 with the mission to be the Leading Human Asset Management Partner in Sri Lanka.

He has led the organization to win the award for "Excellence in HR through Technology" at Global HR Excellence Awards 2013, Asia's Best Employer Brand Award 2012 and award for "Best in Recruitment and Consulting" at Asian Leadership Award 2011. Among his personal achievements, he was awarded 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.

Balapitiya is a professionally qualified Chartered Engineer and a Fellow Member of the Institute of Engineers of Sri Lanka. He counts nearly 30 years of work experience at various stratas 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 (Pvt.) Ltd.

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 recognized by the Government of Sri Lanka.

In 2011 he was appointed as the CEO of SLT Vision com (Pvt.) Ltd, in addition to his present position of CEO of SLT Publications (Pvt.) Ltd. 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.

Leadership team



Prabath Gunathunge

**Chief Executive Officer,
SLT Property Management
(Private) Limited**

Prabath 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 Post Graduate Institute of Management in 2000.



Prasanna Perera

**Chief Executive Officer, Sri
Lanka Telecom (Services)
Limited**

Prasanna Perera joined Sri Lanka Telecom Services in 2003 as Head of Marketing and was appointed CEO of the Company subsequently. He is a member of Sri Lanka Institute of marketing (SLIM), Higher National Diploma in Business Management (NIBM), Chartered Institute of Marketing (UK), and has a Master of Business Management from University of Lincoln, UK. Prior to moving to Sri Lanka Telecom Services, he served in several senior managerial positions at the Metropolitan Group, EDS Lanka and Lanka Communication Services. During his career spanning 22 years, Prasanna worked in the ICT industry with his exposure ranging from software development to communication companies and also serving as visiting Lecturer in marketing and management of some institutions.



Mahinda B. Herath

**Chief Executive Officer, Sky
Network (Private) Limited**

Mahinda is a Chartered Engineer holding a Degree in Engineering from University of Moratuwa and a Masters in Industrial Mathematics from University of Sri Jayawardenapura. In a career spanning over 29 years in the SLT Group, he has gained multi-disciplinary exposure in the fields of engineering, management, regulation and business; having previously held positions such as Engineer, Deputy General Manager, Head of Province and General Manager Regulatory Affairs and International Business apart from the wide-ranging technical and managerial training he has received from reputed international Operators such as Telia AB of Sweden, France Telecom, AT & T of USA and KDD of Japan, he has

also gained certifications in Telecommunication Regulation from Commonwealth Telecommunications Organisation (CTO), Australian Communication & 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. Mahinda is currently spearheading two key projects in SLT; namely the fixed TD-LTE rollout and the carrier-grade Wi-Fi rollout.



Priyantha Perera

Chief Administrative Officer

Joined SLT in 1982, armed with a BSc from the University of Moratuwa in Electronics and Telecommunications. He is a Chartered Engineer with a Post Graduate Diploma in Marketing from the CIM (UK) and a Fellow and a Past Council Member of The Institution of Engineers, Sri Lanka, a member of IET (UK) and CIM (UK), and also a Competent Toastmaster.

He has experience in areas such as regional management, project management, technology strategy formulation and execution, technical operation, technical evaluation, marketing management and Company transformation. He has led special Company-wide cross-functional teams on 'productivity improvement' and 'paradigm shift' in SLT such as 5S and Breakthrough Thinking.



Ajantha Seneviratne

Chief Business Strategies Officer (Subsidiaries)

Joined SLT in 1993. He holds a BSc. (1987) in Electronics and Telecommunications from the University of Moratuwa and has obtained the Post Graduate Diploma in Industrial Engineering from OUSL. He has an MBA from the University of Sri Jayawardanepura. He is a Chartered Engineer and is a member of The Institution of Engineers, Sri Lanka. He brings with him over ten years of marketing experience.



S. K. Lal Ranjith

Chief Corporate Officer

Joined SLT in 1984 as an Engineer. He holds a BSc (1983) in Electronics and Communication from the University of Moratuwa and an MBA from the PIM of the University of Sri Jayawardanepura. He has also completed a Post Graduate Diploma in Marketing from the CIM (UK) and is a Chartered Marketer cum Chartered Engineer with membership of The Institution of Engineers, Sri Lanka and CIM (UK). He is also a Toastmaster.



K. A. Kiththi Perera

Chief Enterprise & Wholesale Officer

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

He has experience in dealing with Enterprise and Government customers over the last 12 years and was instrumental in introducing Metro Ethernet Technology to Sri Lanka. He has provided voice-data integrated enterprise solutions connected with high speed resilient connectivity services to many customers.

Leadership team



Udeni K. Samaratne

Chief Financial Officer

Is a Member of the Chartered Association of Certified Accountants, United Kingdom and a Member of the Chartered Institute of Management Accountants, United Kingdom.

He has worked in companies such as Richard Pieris PLC a diversified conglomerate, Lanka Ashok Leyland PLC a heavy commercial vehicle manufacturer, Noritake Ltd of Japan one of the world's largest porcelain ware producers, Ferrero Ltd a Luxembourg based company which is one of the world's largest chocolate manufacturers and at Ceat Kelani Holdings Ltd the leading tyre manufacturer of Sri Lanka. Before joining SLT he held the position of Group General Manager Finance for the Ceat Kelani Holdings Ltd group of companies. He has over 25 years of finance experience gained both locally and internationally.



D. W. R. Wijeweera

Chief Information Officer

Joined SLT in 1982 and served as Head of the Billing Division in 2001 and became CIO of SLT in 2005. He is a member of The Institution of Engineers, Sri Lanka (C.Eng.), IIESL, IET (UK) and CSSL. He has been engaged in major IT projects to provide the strategic IT road map for SLT. As Programme Manager he implemented the Integrated OSS, BSS and in the recent past it was integrated with CRM system by him, as a project director.



P. Roshan Kaluarachchi

Chief Marketing Officer

Joined SLT in 2010 as Chief Marketing Officer. He holds a Postgraduate Diploma in Marketing - UK and is a Chartered Marketer - UK. He is also a Fellow of Chartered Institute of Marketing (FCIM) - UK, and a member of The Sri Lanka Institute of Marketing (MSLIM). He holds a Masters in Business Studies from the University of Colombo. He is a veteran in the field of Marketing with over 20 years of practice in the entire spectrum of Marketing and Sales Management in both Multinational and Blue Chip Companies in Sri Lanka. He has exposure in Marketing Communications, Distribution Channel Development & Management, Product Development & Management, Communication Channel Management, Market Activation, Market Research,

Contact Centre Operations, Brand Management and Sales. He has cross industry experience covering FMCG, Consumer Durables, Telecommunications both Fixed and Mobile categories in Sri Lanka. He was a member of the Panel of Judges for SLIM Brand Excellence Awards 2013. Prior to joining SLT, Mr. Kaluarachchi served as General Manager - Marketing at Mobitel where his aggressive strategic marketing leadership contributed towards the company becoming the second largest mobile operator within a short span of 3 years.

**M. B. P. Fernandez****Chief Network Officer**

Joined SLT in 1991. He has a BSc Eng in Electronics and Telecommunications from the University of Moratuwa and an MBA from the University of Sri Jayewardenepura. He is a Chartered Engineer and a Fellow Member of the Institute of Engineers, Sri Lanka with 23 years of experience in operations, maintenance, project management, customer service and marketing. He also serves as Director of Sri Lanka Telecom (Services) Ltd. He was a resource person for many institutes such as TTI, IPM, etc.

**Chinthaka C. Wijesuriya****Chief Regional Officer**

Joined SLT in 1984 and served as Regional Head in 2001 and became 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 wide experience in the telecommunications industry, in areas such as operations, maintenance, sales, marketing, customer service, quality management and project management.

**Mohan Padmaperuma****Chief Transformation and Development Officer**

Joined SLT as an Engineer in 1984. He holds a BSc in Electronics and Telecommunication from University of Moratuwa (1983). He is a Chartered Engineer and a Fellow member of the Institution of Engineers, Sri Lanka. He brings with him experience in the Emirates Telecommunication Company from 1989 – 1991.

**J.P. Bandularathna****Chief Internal Auditor**

Joined SLT in 1994 as Head of Internal Audit. He holds a Bachelor of Commerce Degree (B.Com) University of Sri Jayawardenapura, Fellow member of the Institute of Chartered Accountants of Sri Lanka (FCA), Fellow member of the Certified Management Accountants of Sri Lanka (FCMA), Master of Science in Information Systems Degree {M.Sc (IS)} Sri Lanka Institute of Information Technology and member of Certified Information Systems Auditor (CISA) Information Systems Audit & Control Association, USA. He is responsible for Internal Audit function not only for the SLT PLC but also in subsidiary companies in the group and he maintains the same position for over 20 years.

Management discussion & analysis

> Report Profile

This integrated report is designed to capture the performance of Sri Lanka Telecom (SLT) for the year ended 31st December 2013. Underpinning SLT's commitment to derive a sustainable business model, the report presents a comprehensive coverage of both financial and non-financial aspects of the business, demonstrative of SLT's promise to generate meaningful value for all stakeholders associated with the business. As such, the report aims to convey SLT's strategic priorities, operational and functional highlights, governance mechanisms, financial highlights and corporate accountability aspects that impact on all stakeholders including shareholders, customers, employees and business partners.

Any inquiries or suggestions regarding this report should be directed to:

The Company Secretary,
Sri Lanka Telecom,
Lotus Road, Colombo 1,
Sri Lanka.

Telephone: +94 112399478,
Email: mathukorale@slt.com.lk

> Scope and Boundary of the Report

Prepared in accordance with the Global Reporting Initiatives (GRI) G3.1 Level B.

In addition to a comprehensive coverage of SLT's activities, the report also covers the performance of the following subsidiary companies:

- SLT Human Capital Solutions (Private) Limited
- SLT Property Management (Private) Limited
- SLT Publications (Private) Limited
- SLT VisionCom (Private) Limited
- Sri Lanka Telecom (Services) Limited
- SKY Network (Private) Limited
- Mobitel (Private) Limited

In preparing our first integrated report we have sought to tell our story of the year ending 31st December 2013 in a comprehensive and concise manner.



**Exceeding
6.5 million
customer-base
of fixed, mobile,
broadband, PEO TV
users**

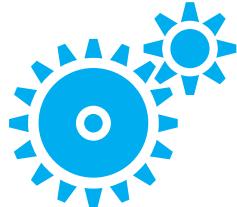


Powering a rising economy

> Defining the Report Content

The report content has been defined using the criteria laid out under the GRI guidelines for sustainability reporting. All information contained herein has been obtained from the following sources

- Governance and risk information from the Governance boards
- Financial information from Finance Department
- Business performance information obtained at divisional level
- Sustainability information, CSR project information and data obtained from Corporate Group
- HR information and data obtained from the Human Resources Group
- Environmental data obtained from the Network and Administration Groups
- Information regarding the performance of subsidiaries obtained from relevant subsidiaries



By focusing on the fundamentals and keeping a tight grip on risks and costs, we can continue to deliver a distinctive combination of growth and returns for our investors.

While demonstrating our commitment to sustainable progress, the report aims to highlight SLT's policies and practices that ensure business operations are conducted profitably and responsibly, in a manner that conveys value to all direct and indirect stakeholders associated with SLT.

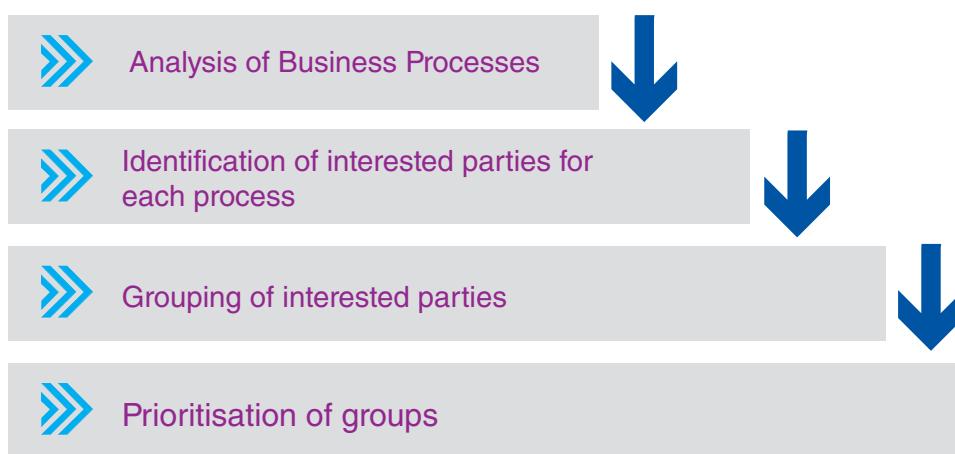
> Stakeholder Identification Process

Given the nature and scope of the business, SLT's operations continue to impact the lives of most Sri Lankans in some way or the other. Despite the vast numbers, SLT remains committed to fulfil the expectations of all stakeholders linked to the business. A common problem that arises with having numerous stakeholders is that their various self-interests may not be aligned and may in fact be in conflict with each other. The stakeholder identification process plays a pivotal role in bridging this gap. Identification and prioritisation of the needs of each such stakeholder cluster remains the key to facilitating short term needs and long term value transference, where a systematic approach to stakeholder mapping forms the basis of all interactions.

The identification process is followed by an analysis of strategies best suited in order to build relations, as well as the allocation of responsibilities, within the company towards engagement.

> SLT's approach to Sustainability

SLT's approach to sustainability underscores the importance of developing a sustainable business model that would convey meaningful value to all stakeholders of the business. By understanding pertinent social and environmental issues that persist in the modern commercial landscape, SLT continues to incorporate these aspects into the overall focus of the organization. This ubiquitous attitude to sustainability has redefined the way in which SLT conducts its day-to-day business. Moreover, a sustainable operational blueprint of this nature remains the only way to justify economic value for all corporate stakeholders, while simultaneously safeguarding the environment and also ensuring meaningful societal change.



Management discussion & analysis

SLT's Sustainability Matrix					
Triple Bottom Line Criteria	Economic		Social		Environmental
Stakeholder Group	Shareholders	Customers	Employees	Society	Environment
	Delivering long term sustainable economic benefits	Developing sustainable technology solutions Ensuring superior service standards	Ensuring equal opportunity and diversity Ensuring sustainable skills and competency development	Community empowerment Capacity building in line with national development goals	Reduction in the carbon footprint Energy efficiency
SLT's Approach to Sustainability	Strengthening the national economy through a robust ICT infrastructure that would empower businesses and create employment	Customer relationship management	Improving employee engagement and rapport	Uplifting society • Improving quality of life • integrate communities	Water management
		Develop transparent, responsible sourcing	Reshape employee attitudes to ensure long term sustainable goal congruence		Waste reduction
	Introduce pioneering technology that provides holistic end-to-end communication solutions and a competitive edge		Ensuring employee health and safety Ensuring employee well-being		
Sustainability Management Framework					
Sustainability strategy	Stakeholder management	Risk management	Governance	Reporting	

> Understanding the relevance of Material Aspects

Materiality assessment parameters set out by the GRI guidelines have been established to determine the areas that are material to the business. Each material aspect is observed in relation to its relevance either to the organization

or to society as a whole. By mapping these internal and external drivers against organisational performance, the exercise aims to gauge the triple bottom line impact

resulting from these material aspects, which in turn help to assign the strategic focus of the business.

Relevance to the organization	Potential short- and long-term business impact	Sustainable infrastructure	Building national ICT infrastructure and creating a sound business framework to support the future plans of the company and the country	Shareholders, employees and regulatory authorities
	Ethical relevance and policy considerations	Reaching diverse markets	Introducing timely, relevant technologically advanced ICT solutions that enhance connectivity and empower businesses, eg: managed services, cloud computing and modern IPTV entertainment platform	Shareholders and customers
	Peer practices and accepted social norms	Product responsibility	Promoting best practices across the value chain through high-end enterprise, SME and wholesale solutions and domestic triple-play services together with attractive product enhancements	Shareholders, employees, suppliers and customers
	Stakeholder reactions and reputational risk	Developing a multi-disciplinary, knowledge-based talent pool	Nurturing manpower resources to drive long term sustainable progress for SLT	
Assessment Criteria	Material Issue	Reason for Materiality		Material Stakeholder Group
Significance to society and other stakeholders	Awareness of issue	Broadening community access	Empowering communities by introducing most suitable technologies to ensure cost and maintenance efficiency	All rural and provincial communities across the country
	Evidence of impact	Product responsibility	Contribute to national economic development through greater broadband availability and affordability together with significant product enhancements that cater to multiple customer segments	Customers
	Industry and competitor response	Environmental management and resource efficiency	Following through on the national pledge to reduce the impact of the Group's carbon footprint by employing efficient utilisation and effective waste management practices that have a minimal impact on the environment	Society as a whole
		"Think Green" Technology	Applying environmentally friendly practices and promoting "Green" based technologies while promoting an online working environment and digital lifestyle to minimize user-generated carbon emissions	National economy and society as a whole
		Community empowerment and capacity building	Commitment to deliver meaningful change to society in line with national development priorities. Promote CSR activities that contribute to education, national ICT development and support infrastructure capacity building for industry peers in order to minimize investment duplications by peer operators	National economy and society as a whole

Management discussion & analysis

> Stakeholder Engagement

Material Issues pertaining to the stakeholder	Engagement Process	Frequency of Engagement	Division Responsible	Key Initiatives for the Year
» Customers				
Improve customer relationship and retention	<ul style="list-style-type: none"> • One-to-one interactions • Contact Centre • Engage and interact through the website and social media • Mailers • Newsletters • Brochures • Customer satisfaction survey 	<ul style="list-style-type: none"> • Regular basis • Regular basis • Regular basis • Monthly basis through the bill • Need-based • Need-based • Quarterly and need based 	CMO CRO CEO - VC CEO - Publication	Quarterly Brand Health Track Study Regional Account Management Customer gathering
Improve SME customer relationship and retention	<ul style="list-style-type: none"> • Proposals by regional sales staff • SME Customer Forums • Customer visits and meetings • Product awareness programmes • ICT workshops for SME business owners and IT Managers - • Market surveys • Newsletters 	<ul style="list-style-type: none"> • Regular basis • Once in two months • Regular basis • Regular basis • Monthly • Need-based • Once in two months • Once a year 	CMO CRO CEO - Publication	SME forums Field sales campaign
Improve enterprise customer relationship and retention	<ul style="list-style-type: none"> • Proposals by sales staff • Enterprise Customer Forums • Customer visits and meetings • Newsletters 	<ul style="list-style-type: none"> • Regular basis • Quarterly • Regular basis • Need-based 	CEWO	Enterprise forums
» Dealers				
Strengthening brand presence and improving sales	<ul style="list-style-type: none"> • Dealer meetings • Dealer satisfaction surveys • Dealer review and awareness sessions • Dealer reward programmes 	<ul style="list-style-type: none"> • Quarterly • Quarterly • Need based • Quarterly 	CMO CRO	Dealer convention
» Business partners				
Better return, innovation and industry growth	<ul style="list-style-type: none"> • Partner meetings • Projects and events • Post evaluation reviews 	<ul style="list-style-type: none"> • Need based 	CEWO CEO – VC CNO CRO	

Material Issues pertaining to the stakeholder	Engagement Process	Frequency of Engagement	Division Responsible	Key Initiatives for the Year
» Employees				
Employee welfare, satisfaction and retention	<ul style="list-style-type: none"> • Employee satisfaction survey • Change management initiative – Group meetings and one-to-one meetings • Information sharing through Intranet • Change management ideas, feedback and engagement through the intranet/change web page • Employee affinity • Grievance handling • Transfer handling • Emails • Notice boards • Cultural and religious associations • Award ceremonies • Involvement in community projects 	<ul style="list-style-type: none"> • Regular basis • Regular basis • Regular basis throughout the year • Annually • Need-based • Need-based • Regular basis • Regular basis • Need-based • Annually • Need-based 	CHRO CCO	“Change” programme and internal communication campaigns
» Shareholders				
Dividend, innovation and industry growth	<ul style="list-style-type: none"> • Quarterly results • Annual report • Sustainability report • Annual general meetings • CSE fillings • Media releases • Rating reviews 	<ul style="list-style-type: none"> • Quarterly • Annually • Annually • Annually • Need-based • Regular basis • Annually 	Company Secretary CCO	AGM and rating reviews to rating agencies
» Suppliers				
Better return, innovation and industry growth	<ul style="list-style-type: none"> • Procurement policy and vendor selection process • Vendor satisfaction surveys • Vendor review and awareness sessions • Vendor reward programmes • Quality improvements 	<ul style="list-style-type: none"> • Need-based • Annually • Annually • Annually • Regular basis 	CAO CEO - Publications	Awareness on new business strategy and culture
» Government				
Investment & infrastructure development, better return, innovation and industry growth	<ul style="list-style-type: none"> • Meetings with Treasury, TRCSL, BOI, Customs and other regulatory bodies • Annual report and quarterly reports • Strategy and operational presentations • Media releases • Customer forums 	<ul style="list-style-type: none"> • Need-based • Annually and quarterly • Need-based • Weekly basis • Annually 	CCO CEO - Publication	Monthly meeting with the regulator Forums

Management discussion & analysis

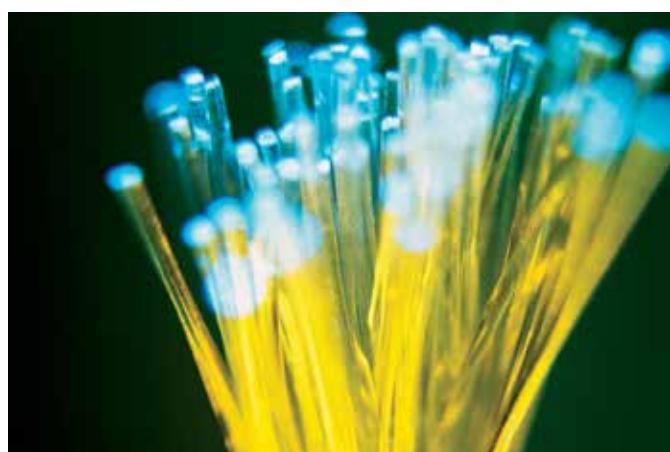
Material Issues pertaining to the stakeholder	Engagement Process	Frequency of Engagement	Division Responsible	Key Initiatives for the Year
» Media and pressure groups				
Quality affordable service with good after sales service, investment and infrastructure development, innovation and industry growth	Meetings Briefings Media releases Website Social media Mailers	Need-based Need-based Weekly basis Regular basis Regular basis Monthly bill	CCO CMO	Website revamp and social media and media relations drive
» Community				
Community investment and infrastructure development	Community projects Media releases Website Social media Mailers Events and activations	Monthly Weekly Regular basis Regular basis Monthly bill Need-based	CCO CMO	Website revamp and social media drive

Sri Lanka's position in the "Doing Business Index" moved up to 81st place in 2013, up 8 places from the ranking achieved in the preceding year.

> Governance

Good governance remains the cornerstone to creating a sustainable business model to ensure consistent results in all spheres of the business. While statutory and regulatory compliance is only a minimum standard, SLT's clearly defined policies and practices form the basis of an uncompromising governance framework that underpins sustainability goals of the business. Leading by example, SLT's clear concise communications,

ethical code of conduct and transparent reporting practices, demonstrate the strong commitment to fulfill sustainability goals and transmit long term economic, social and environmental value. For further details on SLT's comprehensive governance mechanism, please refer the Corporate Governance Report, captioned on page 98 to 107 of this report.



Highest reliability through fibre optic technology

> Macro-Economic Highlights

The year 2013 was one of steady growth for Sri Lanka's economy which continued to perform as expected, in correlation to the stable growth patterns established in the preceding year. Building on solid economic fundamentals, the country's economy expanded well, to post robust GDP growth during the year. Moreover, the well managed macro-economic policies applied by the GoSL helped curb inflation during the year, with rates being restricted to single digit levels throughout 2013. The benefits of this managed growth model translated into a lower unemployment rate and improved labour productivity as measured by GDP per worker. Meanwhile, the gap in the poverty head count index further narrowed during the year, indicative of the overall improvement in livelihoods among the general population. With the business and consumer confidence index also showing signs of definite improvement, Sri Lanka's position in the "Doing Business Index" moved up to 81st place in 2013, up 8 places from the ranking achieved in the preceding year.

Building on the post-war growth momentum, the GoSL led infrastructure development programme was also accelerated during the year. Laying much of the groundwork for a spate of massive development, the GoSL activated a series of large scale projects including the development of highways and other express ways, city development and modernization projects and port and airport development initiatives etc. Meanwhile, initial negotiations also commenced to introduce a mega integrated resort facility to upgrade the country's profile on par with regional tourist destinations.

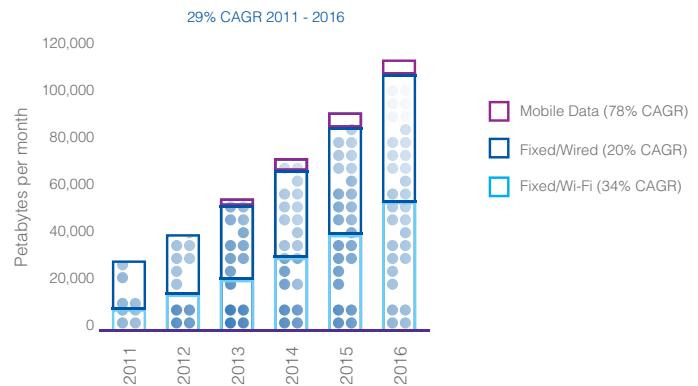
These efforts are widely seen as complementary to the massive tourism development drive which aims to attract 2.5 million tourists by 2016. With the tourism industry growing steadily, this target appears an achievable one, given that tourist arrivals for the year significantly overshot expected targets to reach 1.27 million arrivals as at the end of the year. Meanwhile, on par with developed economies, Sri Lanka's overall youth literacy rate also reached an all-time high. While being a key driver of ICT growth in the country, the YoY growth in the IT literacy rate is indicative of the country's potential to transform into a regional ICT hub in the years ahead.

> Global Telecommunication Trends

The dynamism of the global telecommunications industry in the recent past has completely revolutionized conventional practices. Consequently, the advent of mobile and data substitutions have lessened the demand for traditional voice services where industry growth is now predominantly driven by data mediums, with the internet being held largely responsible for creating a "SMART World".

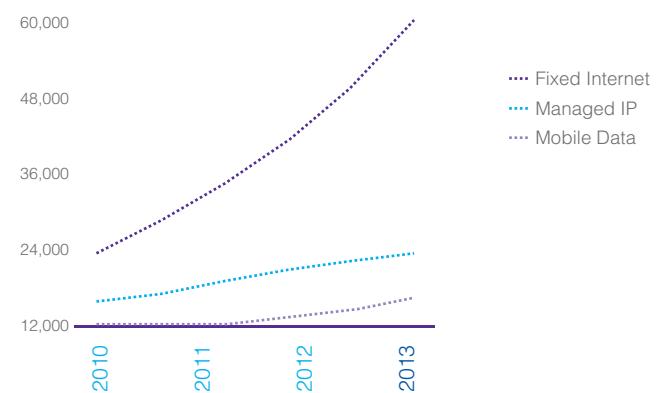
SLT's clear concise communications, ethical code of conduct and transparent reporting practices, demonstrate our strong commitment to fulfil sustainability goals and transmit long term economic, social and environmental value.

Global IP Traffic Petabytes per month



Source: Cisco VNI Global Forecast, 2011-2016

Global IP Traffic Petabytes per month*



Source: Cisco Visual Networking Index 2011. *Petabyte = 10^{15} bytes

However, despite average global internet penetration reaching 40% by the end of 2013, large chunks of Asia and Africa remain unconnected.

Management discussion & analysis

Investing in new infrastructure and technology remains the key to improving connectivity levels to reach a wider geographical periphery, while also fulfilling the growing appetite for higher speed and greater broadband economy.

> Overview of the Telecommunication Industry in Sri Lanka

Sri Lanka's telecommunications industry too has mirrored many of these global trends, with rapid growth observed in both fixed and mobile broadband penetration levels leading to a considerable growth in the volume of internet subscriptions across the country.

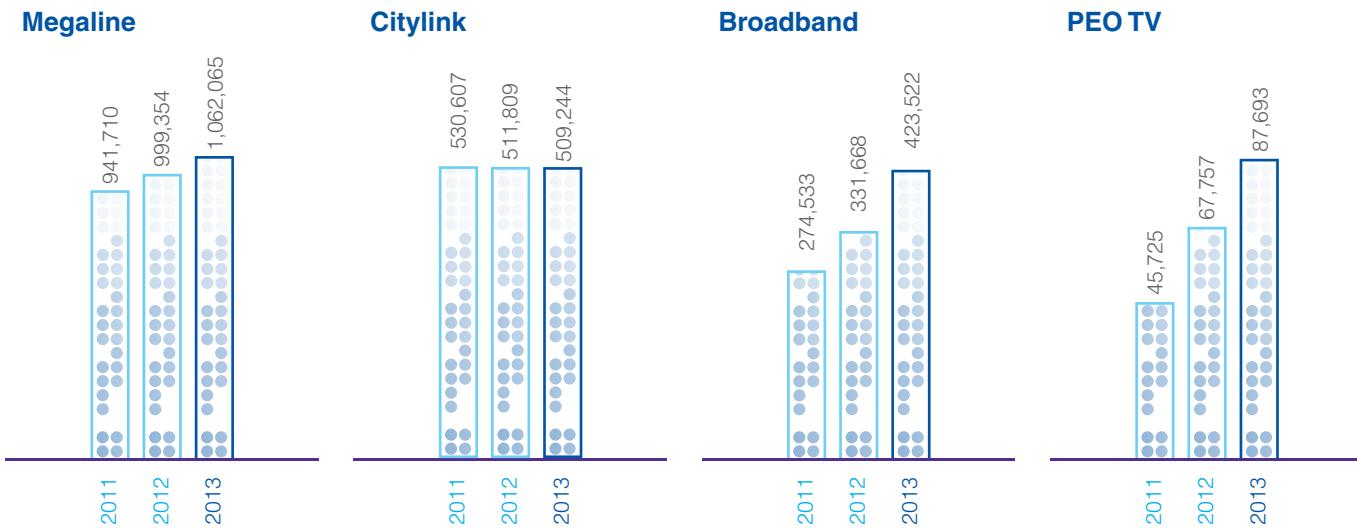
Type of Operator	No. of Operators
Fixed Access Telephone Service	3
Cellular Mobile Phones	5
Data Communications and ISPs	15
External Gateway Operators	10

» Number of System Licenses	43
» Total number of fixed phones	2,732,423
» Number of cellular mobile subscribers	20,234,698
» Mobile subscription per 100 people – 2013 Sep	98.78
» Internet and email subscribers - fixed	437,725
» Internet and email subscribers - mobile	1,037,901

General Statistics – Telecommunications industry Sri Lanka

Source : TRCSL

> Customer base growth



World class ICT infrastructure and solutions would undoubtedly have a positive impact on expanding the productive capacity of the economy, while facilitating sustainable economic growth in Sri Lanka

The growing appetite for broadband services has also resulted in the demand for wider coverage, together with greater economy and affordability of broadband services. The only way to achieve this is through robust infrastructure capabilities vis-à-vis superior fibre optic networks that would drive the broadband revolution across Sri Lanka in line with the GoSL's long term ICTA objectives.



The Case for Developing the National ICT Infrastructure

Vast economic benefits can be realized through reliable telecommunication infrastructure, capable of adequately catering to the immediate and long term information technology needs of a developing nation and that seeks to tap into global ICT markets. Improved ICT infrastructure has the potential to enable a smarter workforce and improve efficiencies through reduced travel. Fast and easy access to government and other information services produce a well-informed population, enable high quality jobs and educated citizens to these opportunities, paving the way for poverty alleviation through life-long learning.

Needless to say, ICT is not a magic pill, neither is it an alternative to other development investments, but if applied in conjunction with other initiatives, ICT would play a pivotal role in Sri Lanka's development agenda. Moreover, world class ICT infrastructure and solutions would undoubtedly have a positive impact on expanding the productive capacity of the economy, while facilitating sustainable economic growth in Sri Lanka

Global Network Readiness Index: Sri Lanka's ranking

**72nd
in 2012** **69th
in 2013**

Lowest Price for entry level broadband:
Sri Lanka's ranking

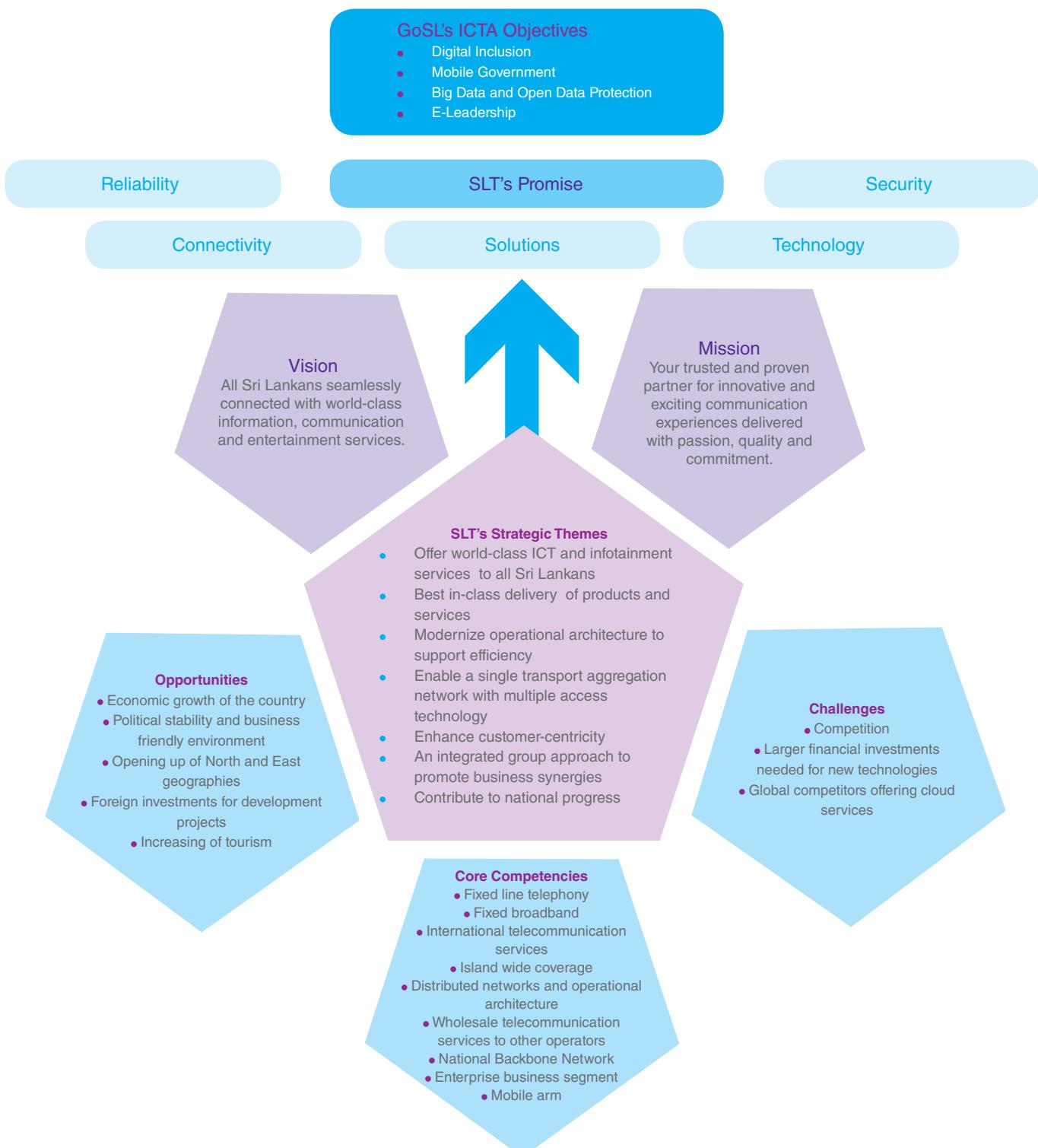
**Lowest
in the entire world**



Empowering ICT education

Management discussion & analysis

> Enabling a future ready nation – SLT's active participation



> Supporting Sustainable National Progress – National Backbone Network (NBN)

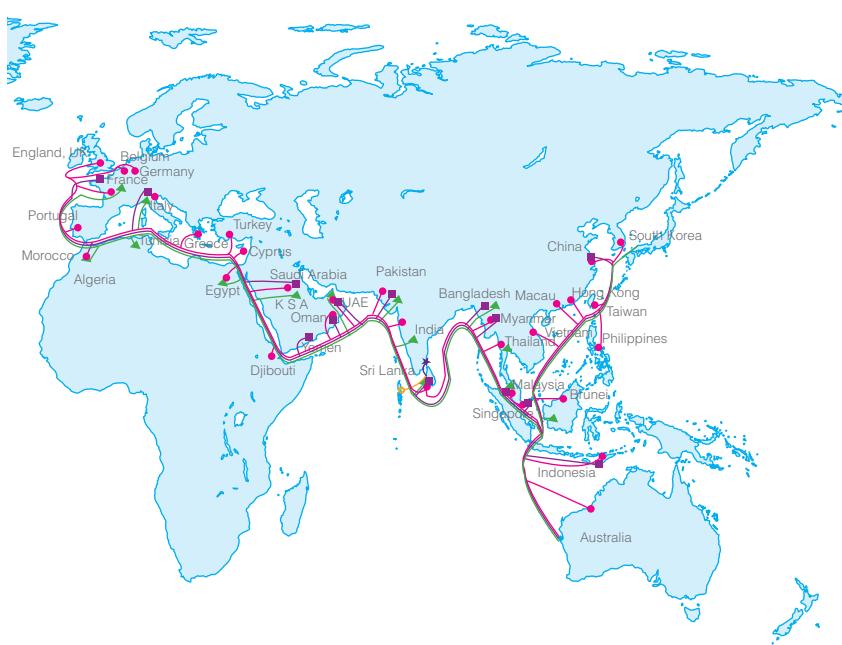
To cover all 329 Divisional Secretariats within the next 5 years.

Facilitate Backbone connectivity across Sri Lanka for all operators.

- High-speed connectivity.
- Uninterrupted access to services. (e-learning, e-health, e-commerce)
- Highest redundancy

Broadband Access to Services

- xDSL, Metro Ethernet/ IP-VPN, Wi-Fi, LTE
- Improved accessibility to services
- More affordable services



Sri Lanka's Global Connectivity

- SEA-ME-WE - 3
- SEA-ME-WE - 4
- SEA-ME-WE - 5 (New cable system scheduled to commence operations by 2016)
- Dhiraagu - SLT
- Bharat - Lanka



Transforming Lifestyles

The complexities of modern lifestyles have led to the increased dependency on broadband services for daily business, educational and social lives. Internet users are now generating content and uploading them onto the web to be shared within their circles of friends. This can only be done with the wide deployment of the broadband network. Obviously, broadband has become the most critical infrastructure in modern society. Not content with the current broadband services on offer, consumers continue to demand greater digital economy. Sophisticated ICT infrastructure and services remains the only way to fulfil the insatiable demand for connectivity, while supporting parallel platforms for interactive television, distance learning, online education, e-health, and opportunities for Cloud Computing, private business networking and much more at superior speed, with high quality and reliability.

> Upgrade of the SEA-ME-WE 4 Cable

Commissioned in 2005, the SEA-ME-WE 4 cable system is an ultra-high-capacity fibre optic submarine cable system that uses linear and ring fibre network architecture to link South East Asia to Western Europe via the Middle East. Measuring approximately 20,000 kilometres and equipped with a total of 16 cable landing stations, the SEA-ME-WE 4 cable network is owned by a consortium of 17 leading telecom carriers spread across 15 countries. Dhiraagu-SLT and Bharat-Lanka are some of the key partnerships that have resulted from the operation of this SEA-ME-WE 4 cable system.

Management discussion & analysis

During the year, SLT took proactive steps to upgrade the SEA-ME-WE 4 cable and expand network capacity for all 16 landing stations, enhancing the capabilities of the system by almost threefold to accommodate speeds of up to 100 Gbps. Having selected the contractors for the assignment, the system upgrade was commissioned in 2013 and is expected to be available for commercial use by the end of 2014.

Sustainable Technologies - Introducing Next Generation Networks (NGN)
SLT's Communication Backbone (Core Network)

NGN is an optical fibre based backbone network that extends the network edge closer to the customer. The customer premises are connected through fibre or copper connectivity; therefore "SLT broadband" is a fibre based broadband service. This, together with other network modernization efforts, has enabled SLT to provide very high speed connectivity and many other next generation network features to its customers. This broadband initiative will

SLT took proactive steps to upgrade the SEA-ME-WE 4 cable and expand network capacity, enhancing the capabilities of the system by almost threefold to accommodate speeds of up to 100 Gbps.

enable customers to experience the consistent, uninterrupted high speed internet services delivered on the network while enjoying services like high speed internet browsing, large file downloads, cloud computing, voice over IP, IPTV, online music, video conferencing, high quality video on demand, music on demand etc., instantly at the click of a link.

> Next Generation Access – i-Sri Lanka Initiative

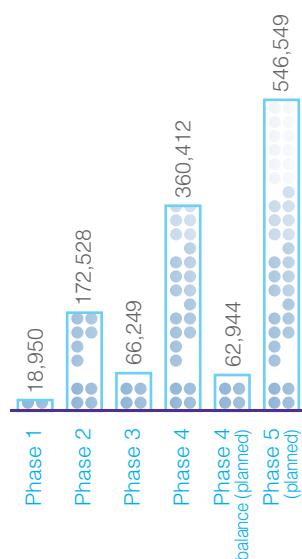
An ambitious project conceptualized to facilitate unlimited access at unprecedented high speeds, the i-Sri Lanka initiative aims to deploy superfast broadband access with minimal disruptions. Using fiber-to-the-cabinet (FTTC), fiber-to-the-building (FTTB) and fiber-to-the-home (FTTH) that extends connectivity via Multi-Service Access Nodes (MSANs) located in close proximity to the desired location, the i-Sri Lanka programme expects to deliver uninterrupted connectivity at all times. Literally transforming the internet experience of users, FTTH connectivity supports download speeds of between 40 Mbps and 100 Mbps, thereby increasing reliability and quality of broadband data speeds while significantly reducing maintenance and replacement costs. Having commenced the deployment of high speed capabilities in 2010, the i-Sri Lanka project continues to progress steadily with 50% of the island-wide FTTC deployments completed as at the end of 2013, while more than 90% of the work is expected to be completed by 2014.

Supporting future growth and diversity - SEA-ME-WE-5 project

A new strategic investment in 2014, would see the laying of the SEA ME WE 5 international undersea cable system operating on OTN/DWDM technology that supports multiple wavelengths in each 100G capacity, in one single core pair of submarine cable. With the participation of over 18 international countries, SMW5 consortium extends its reach from East (Singapore) to West (France). An ambitious project that entails building a double landing cable station strategically located in Matara in contrast to the existing single landing cables of SMW4 and SMW3 located in Colombo and Mt.Lavinia respectively.



NGN migration - phase by phase progress





Building country's ICT infrastructure

> SLT's Service Assurance and Customer Fulfilment

The revamping of the customer service infrastructure in 2010 marked the commencement of SLT's envisioned journey to pursue a new service dimension that would convey the next generation service levels to all customers. Encompassing a gamut of customer service offerings under one umbrella, the new model would challenge conventional wisdom and seek to offer the best In-class end-to-end solutions for all manner of ICT requirements. With much of the operational structure already revamped, the next phase of this customer-centric transformation agenda was rolled out in 2013. Involving a massive cultural shift that would underpin human behavioural aspects, the transformation agenda would likely be a huge challenge. To begin the monumental process of change, a comprehensive roadmap was drawn up to outline the way forward. Using world renowned change management tools to enable the desired change, SLT proceeded to follow a strict itinerary to integrate the required behavioural changes. Firstly the need for change was conveyed to create awareness and encourage participation among SLT's staff. Seen as an ideal opportunity to ensure employee goal congruence in line with corporate objectives, the changeover process strongly encouraged employee participation at every stage. Advocating the desire to participate and support change, SLT's customer-centric transformation is an inclusive strategy that aims to imbibe a versatile new service culture which would transmit meaningful value for both direct and indirect stakeholders associated with the business. Several initiatives were taken by the Regional Group during 2013 to improve the service provisioning and service assurance processes.

- **Enhancing the work force management system for OPMC field teams**

The Work Force Management system for OPMC field teams, which was used in a limited scope in selected areas, was enhanced to cover all field teams by introducing smart phones for the teams and by modifying the software platform. This is expected to further improve the fault clearance rate and thereby improve customer satisfaction.

300 Net-book computers were also distributed among field teams during 2013, which effectively increased the capabilities of staff attending to Broadband and PEO TV product related maintenance duties. A parallel programme of improving the technical skills of field teams engaged in attending to Broadband and PEO TV related service issues was also implemented with the support of a series of training and development programmes.

- **Augmenting the PEO TV Customer Support Unit**

The Broadband Customer Support Unit, which provides online technical support to SLT Broadband and PEO TV customers, was strengthened by adding more customer service agents and supported systems. Furthermore, higher-level Broadband troubleshooting capabilities were developed in Regional Teams to ensure more faults can be rectified even without customer visits. All these initiatives led to significantly high Broadband troubleshooting and fault

Encompassing a gamut of customer service offerings, the new model would challenge conventional wisdom and seek to offer the best in-class end-to-end solutions for all manner of ICT requirements.

management rate, SLT's primary customer satisfaction index, which peaked to its highest level in two years, during December 2013.

A daily progress reporting system was initiated during 2013 with the support of the Information Security section, which enabled all operational units to track their performance in real-time. This helped improve the percentage of new connections delivered within the promised time, and thereby increased customer satisfaction levels.

- **Tools Day Programme**

Use of proper tools and test equipment is a major factor contributing to improving the quality of service provisioning and service fault restoration. A continuous process of identifying tools and test equipment requirements was carried out during the year and the availability of essential tools was ensured at all times. A special 'Tools Day' programme is held annually to distribute tool bags and other equipment and raise awareness of proper usage of tools among the Regional Group staff.

Management discussion & analysis

- Enhancement of CPE Repair Centres**

The CPE Repair Centres operational under the Regional Group were reorganized under a single section during 2013. The operations of these repair centres were further enhanced by providing the necessary infrastructure and technical skills for staff, especially for CDMA CPE repairs. This helped the company save a significant amount that was previously spent in repairing CDMA CPE through external parties.

- > Commitment to the Triple Bottom Line**

SLT's sizable influence on the national economy serves to underscore the importance of working to attain sustainable value for all stakeholders associated with the business. While achieving a balance between commercial success and long term sustainability objectives, SLT's commercial aspirations are deeply interlinked to the pursuit of a sustainable business platform that would cultivate meaningful economic, environmental and social change in the future. Moreover,

a proactive attitude to sustainability prompts an integrated approach that aligns corporate goals to sustainability initiatives and sets the benchmark for responsible stewardship to ensure the commitment to the triple bottom line. Firmly affixed to SLT's versatile business model, the philosophy for defining commitment to the triple bottom line aspects, underpins the strength of SLT's 150 year legacy of unparalleled service to the nation.



A giant step towards enhancing customer satisfaction

SLT Achieves ISO 9001:2008 Certification

The year saw SLT being awarded ISO 9001:2008 certification for Quality Management System (QMS) by the Sri Lanka Standards Institution (SLSI). This certification covers all the local and international services provided by SLT and the operations of its branch offices located island-wide, including services provided across a broad spectrum of residential customers to blue-chip companies, in addition to the critical role as the National Backbone Service Provider and the leading Wholesale Service Provider of domestic and international connectivity.

While demonstrating the robustness of SLT's QMS, the ISO 9001 certification further underscores the ability to consistently provide products that fulfil customer requirements above and beyond accepted norms. Moreover, the certification also proves the commitment towards continually enhancing customer satisfaction through innovation and perpetual improvement.



Consistent Quality at all levels of the business

SLT is awarded ISO/IEC 27001:2005 Security Management standard

For the third consecutive year SLT was accredited with the ISO/IEC 27001:2005 standard for Security Management, awarded by the world renowned certification body, Bureau Veritas.

The scope of the certification process is a comprehensive analysis of all systems and procedures, spanning SLT's island-wide IT Operations including Systems Administration, Billing, Operational Support Systems, System Development, Network and End User Support, Network Operations such as SLT NOC and island-wide broadband network operations including IP-VPN/MPLS/Data services and Internet Service Provider (SLTNET) Broadband Services, Internet Data Centre (SLT iDC), Network Management and Network Security, Disaster Recovery Centre and core support services such as Power and AC operations and physical security management. Moreover, the certification also ensures customer service standards are in conformity with internationally accepted benchmarks.



SLT Group CEO receiving ISO certification



Economic -

We will continuously improve our financial performance by setting high objectives for growth and value creation while delivering competitive performance in these areas. We will maintain an open dialogue with our stakeholders and comply with all mandatory regulations and reporting standards with due consideration to the direct and indirect impacts on stakeholders resulting from the course of our business activities

Goals

- Achieve significant revenue growth for 2014
- Grow the customer base
- Explore non-traditional business channels
- Retain market dominance



Environmental -

We will work to continuously improve our environmental performance by setting high objectives and integrating environmental and bioethical considerations into our daily business.

Goals

- Reduce group energy consumption by 10%
- Improve the waste management process



Social -

By setting high objectives and integrating social, human rights and health and safety considerations into our daily business, we will act as value creators to the community by facilitating enduring social change, across a wide strata of society

Goals

- Promote greater gender distribution across all regions
- Achieve zero employee grievances
- Becoming an accident-free organization by 2016
- Ensuring a society free of Child-abuse
- Improving Service fulfilment, Uninterrupted Service and Service Restoration Indices for SLT products.

Bringing together all SLT employees and encompassing over 300 island-wide locations, the massive campaign sought to create awareness and educate the general public on the long term consequences of child abuse.



Child protection awareness campaign was carried out island-wide

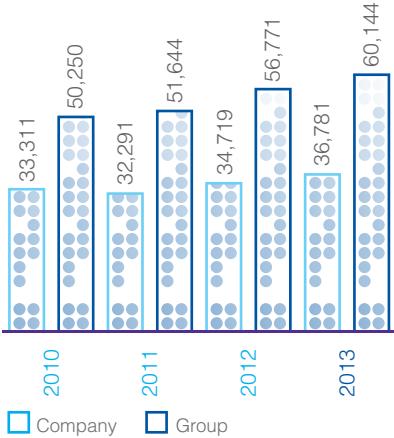
Management discussion & analysis

Financial Review

> Revenue

Revenue at group level reached Rs. 60.14 billion, a 6% growth, primarily driven by mobile voice, broadband, wholesale and enterprise data. At company level, SLT experienced a significant increase in revenue mainly driven by broadband, wholesale and enterprise data, and international revenue. SLT revenue has increased to Rs. 36.78 billion in 2013 from Rs. 34.72 billion in 2012, recording a growth of 6%. Subscriber numbers experienced an upward curve of 6% in wire line, while CDMA saw a decline of 4%. Non-traditional revenue lines including broadband, wholesale, enterprise data and PEO TV recorded significant growth levels.

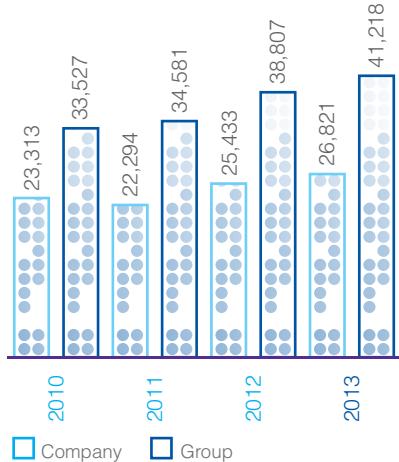
Revenue
Rs. Mn



> Expenditure

Having worked on strategies of prudently managing expenditure in the past, this year too the process was continued with even more emphasis, placing it as a key priority across the group. However, 2013 also has been a challenging year for SLT group with the increase in fuel prices and hike in energy costs which exerted excessive pressure on profitability.

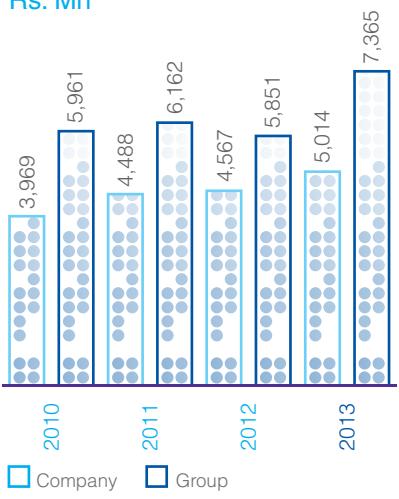
OPEX
Rs. Mn



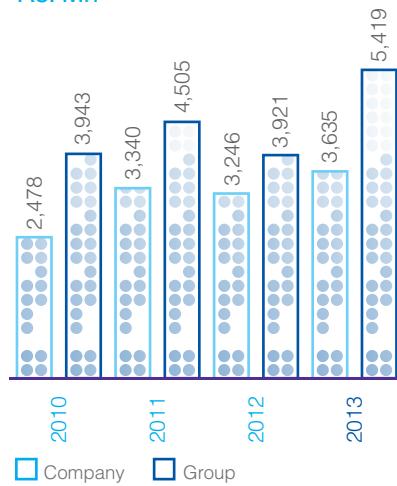
> Interest Cost

There was a noteworthy reduction in interest costs which were positively impacted due to a decreased level of borrowings. This had a positive effect on the bottomline of the company.

Profit Before Tax
Rs. Mn



Profit After Tax Rs. Mn



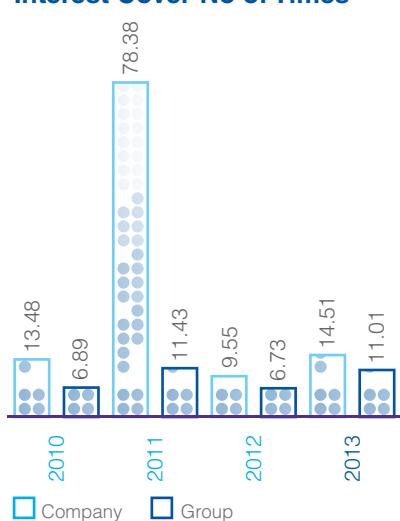
> Profitability

The group recorded a Profit Before Tax (PBT) of Rs. 7.37 billion and Profit for the year of Rs.5.42 billion, an increase of 26% and 38% respectively. Managing of operational costs and favourable impact from non-operational activities resulted in remarkable increase in PBT and profit for the year under review. At company level, SLT posted PBT of Rs. 5.01 billion, an increase of 10% and Profit after tax for the year of Rs. 3.64 billion, an increase of 12% when compared to 2012.

> Interest Cover

Group interest cover saw a favourable trend due to the increase in profitability and repayment of borrowings. Interest cover increased from 6.7 in 2012 to 11.0 in 2013 at the group level, while at company level, there was a substantial increase to 14.5 from 9.6 last year.

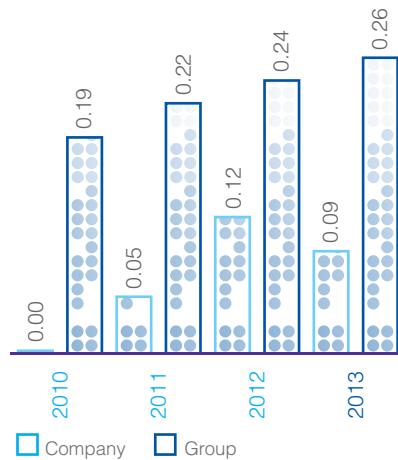
Interest Cover-No of Times



> Gearing

At group level, gearing as at 31st December 2013 and 2012 was 0.26 and 0.24 respectively, while at company level, it was reduced to 0.09 in 2013 compared to 0.12 in 2012.

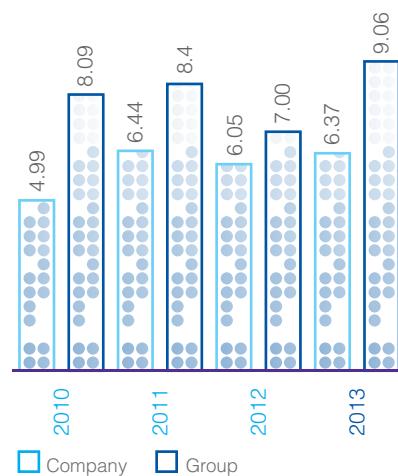
Gearing



> Non-Current Assets

Total non-current assets of the group increased to Rs. 87.45 billion, as against Rs. 78.80 billion from the previous year.

Return On Equity -%

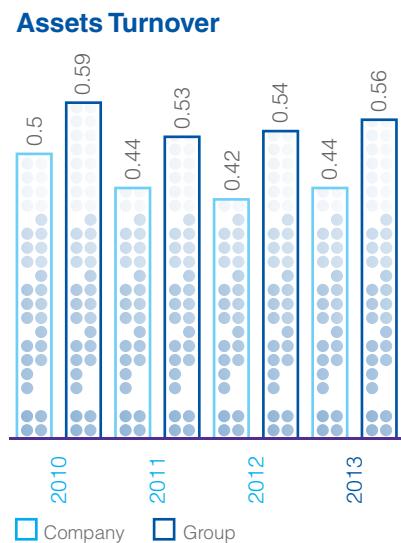
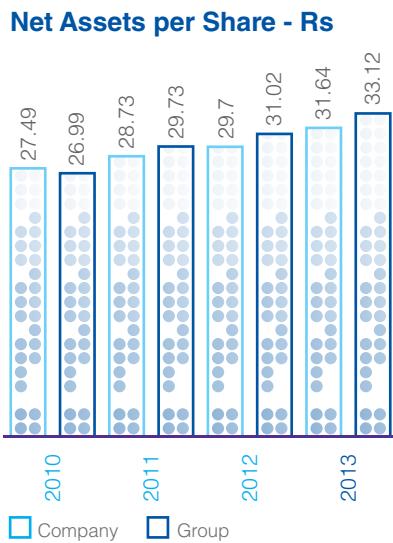


Management discussion & analysis

> Property, Plant and Equipment

Group property, plant and equipment increased by Rs. 6.91 billion from Rs. 73.60 billion in 2012 to Rs. 80.51 billion in 2013.

Revenue at group level reached Rs.60.14 billion, termed through 6% growth, primarily driven by mobile voice, broadband, wholesale and enterprise data. At company level, SLT experienced a significant increase in revenue mainly driven by broadband, wholesale and enterprise data, and international revenue.



Financials are based on new Sri Lanka Accounting Standards applicable for the financial period beginning 1 January 2012.

> Market Presence

Customer Service**36****Teleshops****34****Regional Offices****22****Maintenance Centers**

SLT's extensive regional presence caters to meet the demands of all segments, consumer as well as business

7**Contact Centers**

Technology Experience Center, Mobile Experience Center and Experience Centers located within Teleshops

Customer Experience Centers**Regional Demarcations**

Province	RTOM Area
Metro Central	Havelock Town (HK)
	Kotte (KX)
Metro North	Maradana (MD)
	Wattala (WT)
Metro South	Nugegoda (ND)
	Ratmalana (RM)
Central	Gampola (GP)
	Kandy (KY)
	Matale (MT)
North Central & North Western	Anuradhapura (AD)
	Chillaw (CW)
	Kurunegala (KG)
	Polonnaruwa (PR)
Western (North)	Gampaha (GQ)
	Negombo (NG)

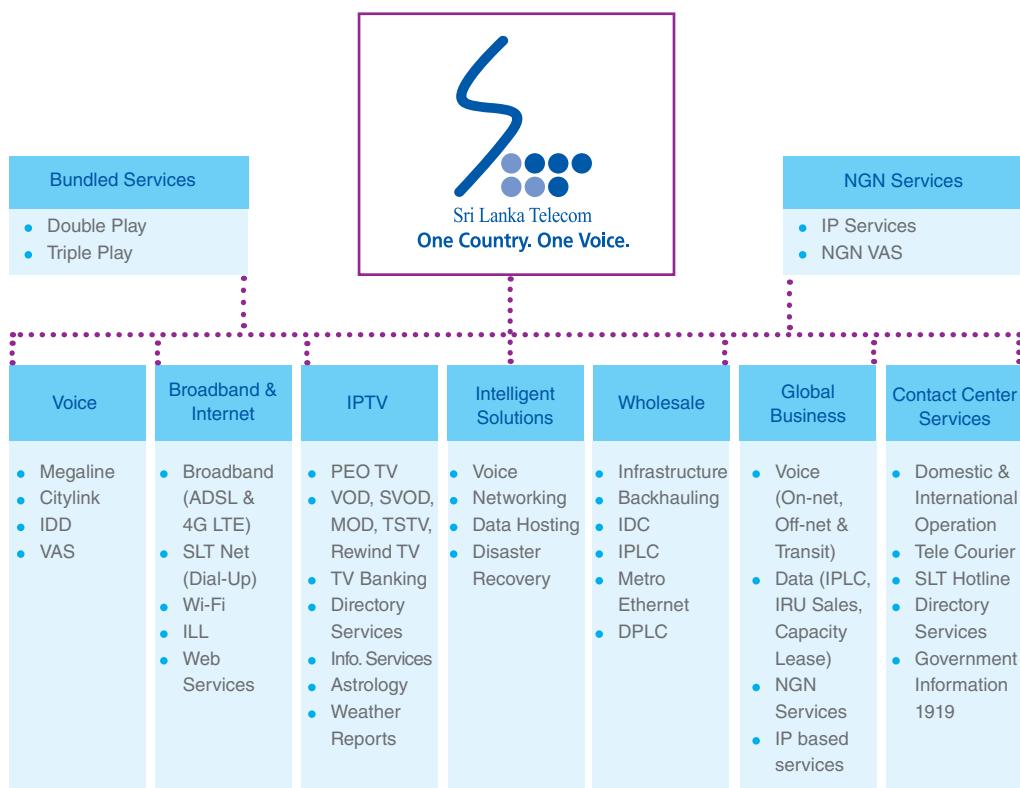


Province	RTOM Area
Sabaragamuwa	Awissawella (AW)
	Kegalle (RN)
	Ratnapura (RN)
Southern	Galle (GL)
	Hambarthota (HB)
	Matara (MH)
Uva	Badulla (BD)
	Bandarawela (BW)
	Hatton (HT)
	Nuwara Eliya (NW)
Western (South)	Kalutara (KT)
	Panadura (PH)
	Ampara (AP)
Eastern	Batticaloa (BC)
	Kalmunai (KL)
	Trincomalee (TC)
Northern	Jaffna (JA)
	Mannar (MB)
	Vavuniya (VA)

4**Regions****12****Provinces**

Management discussion & analysis

> Product Portfolio



Provides an extensive range of services and solutions to cater to the demands of all segments and lifestyles

1.5 Mn
Fixed Telephones

27 %
Broadband Growth

Operational Review

> Key Operational Highlights 2013

> Consumer and SME segment

Industry Overview

As at December 2013	Sri Lanka*	SLT Group	Market Share
Fixed Telephones	2,739,989	1,571,309	57%
Mobile Telephones	20,860,513	5,000,000	24%
Fixed (Internet & Email)	482,651	441,798	92%

*Provisional

Source: TRCSL

> Performance Overview - SLT

All core areas of the consumer and SME segment performed exceptionally well during the year. Following an aggressive marketing drive launched in 2013 to promote standalone products as well bundled offers, the consumer and SME

segment experienced rapid growth in 2013. Consequent to the growing broadband demand across the country, SLT comfortably achieved both volume and revenue targets for all broadband products. However, growth in fixed line space continued to be threatened as mobile operators yet

again campaigned aggressively to encroach into this market. Being the clear leader in the fixed line space however was a definite advantage for SLT. Led by a series of highly focused activations to stem the fixed to mobile migration levels, SLT reinforced its commitment to stimulate this market in the year under review. The efforts proved to be successful as evidenced by a notable 4% YoY growth in the fixed line customer base in 2013. Moreover, results obtained from key service indices also demonstrate significant improvements in all service parameters during 2013, testifying to the success of SLT's broad-based customer-centric transformation strategy.

Product	Sales Achievement 2013 - No. of Connections	Service Fulfilment Index		Uninterrupted Service Index		Service Restoration Index	
		2012	2013	2012	2013	2012	2013
Megaline	100,627	51%	57%	92%	91%	72%	67%
Broadband	143,298						
PEO TV	25,450	53%	56%	93%	94%	34%	52%
Citylink	28,197	91%	89%	95%	96%	76%	76%

86%
SLT's Fixed Broadband Market Share

29%
PEO TV Growth



Regional Business Customer Forum

• Improving Sales Team Performance

An innovative approach for increasing the performance of sales teams was adopted during 2013, where the sales capabilities were identified based on the network resource availability and demographic aspects of the customer base in each

area. The areas considered were the smallest possible units: the coverage area of an MSAN. The sales teams were trained on the technical aspects of the service as well as on telemarketing techniques. Telemarketing was especially useful for promoting broadband services to existing Megaline

customers. With these initiatives, the Regional Group was able to achieve unprecedented broadband sales figures during 2013.

• Nurturing Sri Lanka's SME Sector - SME Customer Forums

Identifying the importance of the SME sector in Sri Lanka's economy, the Regional Group – with the support of the Marketing Group – launched many initiatives to facilitate the ICT requirements of the sector. SME Customer Forums were held to introduce SLT products and services to existing and

Management discussion & analysis

Identifying the importance of the SME sector in Sri Lanka's economy, SLT launched many initiatives to facilitate the ICT requirements of the sector.

potential customers, to identify the industry requirements and issues faced by the customers. The SME sales support team together with Provincial Sales teams organized customer forums for each of the Provinces during the year, which significantly contributed to achieving the revenue targets for the SME sector.

A total of 33 market activation programmes were conducted during the year, to create more awareness on SLT's customized product offerings for SMEs. Entitled "ICT for Business" the series of programmes sought to demonstrate SLT's ability to leverage on group synergies and provide ICT solutions that would benefit SME businesses. While nurturing customer relationships, the interactive forums also included a series of product demonstrations that facilitated hands-on experience.



Business Customer Forum

> Key Communication Activities for the year

Launch of "Abhimaana" campaign phase II





Sri Lanka Telecom
One Country, One Voice.



Feels like my son and his family, are right here with us.

“It's been over a year since my son and his family migrated. They phone regularly but nothing compares to seeing their precious faces. As a retired state sector employee, I'm grateful to my SLT Abhimaana connection. Now I can look at them while talking to them! And because of the Wi-Fi router, I can even talk to them while my daughter, who lives with me, is on the Internet! SLT Abhimaana has truly filled that empty gap in my home.”

As a salute to your noble service to the nation, we give you Abhimaana SLT Broadband - a consistent, uninterrupted, high-speed Internet service for an attractive rate of just Rs. 390/- per month. A wireless router at a special Abhimaana price of Rs. 1,990/- with 1.5 GB capacity and an extra 500 MB free.

BROADBAND ::::
Powered by Megaline

Launch of Wi-Fi campaign



Internet for everyone at home with SLT Broadband.

Hotline 1212 | www.slt.lk



Sri Lanka Telecom
One Country, One Voice.

IDD Super Weekend campaign

IDD SUPER WEEKEND

February
22, 23 & 24

Rs. 2
per minute
(per second
billing)

Call your loved ones
in any of the
above countries and
talk as much as
you want, with crystal clear
voice clarity
at the lowest IDD rate!

All Megaline residential phones are IDD enabled!
Visit your nearest SLT Regional Telecom Office or
Teleshop to enable IDD facility on your Citylink phone.

*Conditions apply.
www.att.lk Hotline: 1212

Avurudu Promo 2013

Jana Gee campaign 2013

WWW & WIN – Customer Award Ceremony

1298 – ‘Wrong Answer Quiz’ Competition

Management discussion & analysis

> New Developments in 2013

- Enhancing Local Connectivity

In May, 2013 SLT launched the VDSL2 (Very-High-Bit-Rate Digital Subscriber Line 2) advanced fixed broadband technology. The addition of this new technology means the company's broadband users could expect speeds of up to 100 Mbps. VDSL2 operates over copper lines, similar to ADSL technologies to deliver high speed internet access. However, enhanced capabilities of the VDSL2 platform can convey unprecedented broadband performance while delivering triple-play services of Telephone, Broadband and PEO TV. VDSL2 is the fastest of the DSL provisions of broadband, and uses a combination of nodes and existing copper telephone cables to provide the highest available frequency of DSL. VDSL2 can achieve incredible speeds, as high as up to 100 Mbps downstream theoretically.

The initial demonstration held at the Sri Lanka Telecom Regional Office in Kegalle recorded data speeds in excess of 90 Mbps.

SLT plans to expand the services to other regions as well by upgrading its fixed broadband network

in the near future. SLT's technology leadership continues to revolutionize internet usage across the country whilst expanding Sri Lanka's broadband capacity, availability and affordability to empower Sri Lankan internet users with consistent, uninterrupted, high-speed broadband internet access with the highest reliability.

- Promoting Global Connectivity

With the development of the country's economy deemed to play a pivotal role in defining the country's future growth prospects, SLT made a concerted effort during the year, to enhance global connectivity levels, in readiness for the future. By establishing partnerships with incumbent carriers around the globe while simultaneously strengthening the island wide network and switching infrastructure, SLT aims to counteract the growing threat of illegal international operators that continues to overshadow the future of global telecommunications industry. While these efforts would certainly underpin SLT's future growth patterns, they are also expected to support the GoSL's efforts to attract large scale foreign direct investments (FDI's) to the country in the years ahead.



Connecting via ICT solutions - Mattala Rajapaksa International Airport

> Key project highlights for 2013

- SLT is assigned the role of Total Solutions Provider for Mattala Rajapakse International Airport (MRIA)

The total communications solution introduced by SLT will facilitate MRIA's commercial partners including Airport and Aviation Services (SL) Limited, Sri Lanka Custom, Ceylon Petroleum Corporation, Bank of Ceylon, Peoples Bank, Foreign Employment Agency, State Intelligence Service, Sri Lanka Air Force, Department of Immigration and Emigration, SriLankan Airlines and Sampath Bank. Furthermore, the SriLankan Airlines office in the MRIA is also given an IP voice-data integrated solution as a managed service.

- SLT ties up with HDFC to enhance customer convenience by adding doorstep bill payments

SLT entered into an agreement with The Housing Development Finance Corporation Bank (HDFC), to facilitate bill payments at the customers' own doorstep through mobile collection teams. The agreement signed by the two institutions would increase customer convenience and enhance the customers' experience with the company. SLT's bill payment system has already been enabled at over 3000 different locations as well as online through the company's website. With the signing of this agreement, the bill payment facility has been extended to HDFC Bank's branch network of 32 branches located across the country. Concurrently, SLT will make use of the Bank's doorstep banking facility that deploys mobile collection teams comprising over 300 HDFC employees, to make regular visits to SLT customers' homes as well as nearby central locations, offering a more convenient option for customers to settle their bills without travelling travel long distances to bill payment locations. The service is particularly useful for

Connecting multiple geographic locations across the country through cutting-edge “Intelligent Solutions”, SLT provided a fully integrated business communication solution to the CHOGM 2013. Also using the largest ever Wi-Fi deployment in Sri Lanka, SLT’s solution was structured to facilitate 2,500 concurrent users.

customers in rural areas, where the door-to-door distance between customers' homes and the nearest bill payment centres prevent the timely settlement of bills, resulting in line disconnections and inconvenience caused to customers. By channeling the synergies of HDFC's doorstep banking concept, SLT expects to create a sustainable alternative that also enhances the customers' overall experience with SLT.

- **SLT introduces the first ever “drive through” bill payment facility**

Once again cementing its position as the country's vanguard telecommunication operator, SLT launched yet another “first” to Sri Lanka by introducing the first ever “drive-through” bill payment facility. Initiated in July 2013 at SLT's Maradana Teleshop the “drive-through” bill payment facility is aimed at increasing customer convenience while adding value to the customers' overall experience with SLT. In a bid to enhance the customer experience at each and every customer touch point, the new “Drive Through” offering not only augments SLT's multiple settlement options but also complements the cosmopolitan lifestyles of the modern customer.

With the introduction of this latest bill payment facility, customers are now able to pay their SLT and Mobitel bills to the SLT counter from the comfort of their vehicle, thus saving time and eliminating the hassle of parking.

- **SLT aligned to the theme of the World Telecommunication and Information Society Day (WTISD) 2013: “ICTs and improving road safety”**

Under the banner “ICT and improving road safety”, SLT was commissioned by the Sri Lanka Police under a directive by the Ministry of Defense, to install a Closed Circuit Television (CCTV) monitoring system at 30 selected street junctions in Colombo city and the suburbs. Following the successful installation of a series of 107 cameras spanning these identified locations, SLT enabled the country's first and largest (CCTV) surveillance system vis-à-vis the advanced fibre optic based Metro Ethernet Network (MEN) infrastructure. SLT's Internet Protocol based (IP/MPLS) communication

backbone network and fibre ring architecture was upgraded to 1 Gbps Ethernet to deliver the high speed capabilities required for data/video transfer and to improve reliability and security for mission critical data. The new system also allows the Sri Lanka Police Department to carry out real-time video monitoring, control cameras remotely, record, store and playback videos.

- **SLT connects CHOGM 2013**

SLT was appointed as the official ICT services provider for the Commonwealth Heads of Government Meeting (CHOGM) 2013, held in Colombo in November 2013. SLT's brief was to provide comprehensive communication solutions to multiple geographic locations where key forums of the CHOGM were held, including the CHOGM Opening Ceremony, Main Conference, Heads of Government Retreat and Secretariat Functions, Business Forum, Youth Forum, People's Forum and Media Centre (Media

Centre at BMICH for 1000+ local and foreign media professionals). Connecting multiple geographic locations across the country through cutting-edge “Intelligent Solutions”, SLT provided a fully integrated business communication solution encompassing virtual private network connectivity, internet data centre facility, local area networks, dedicated business internet through leased lines with symmetric bandwidth, ethernet connectivity, fixed broadband services, high speed Wi-Fi access, telephone and fax services, ICT equipment and optical fibre connectivity to CHOGM event venues.

Moreover, the specially designed Wi-Fi access network was backhauled by SLT's high speed, reliable and resilient optical fibre ring architecture to support high user volumes. The largest ever Wi-Fi deployment in Sri Lanka, SLT's CHOGM solutions were structured to facilitate 2,500 concurrent users.



State-of-the-art CHOGM Media Centre

Management discussion & analysis

Performance of subsidiaries have been commendable and have complemented the strategic focus of the Group as a whole

> Performance of Subsidiaries and related services

> Performance Overview: VisionCom (Private) Ltd (PEO TV)

It was an eventful year for PEO TV, with the company's revenue crossing the Rs. 1 billion mark. With all revenue streams contributing consistently towards the top line of the company, total revenue for the year saw a phenomenal 28% YoY growth. The subscriber count also continues to grow exponentially, reaching 90,000 for the year ending 31st December 2013, in large part due to the high specialized marketing and branding agenda that emphasizes a highly customer oriented marketing approach. Consequently by pursuing one-to-one marketing interactions and highly focused ground level activations, PEO TV's sales acquisition costs have remained consistently lower than industry benchmarks. Continuing to maintain a healthy APRU (Average Revenue Per User), PEO TV also explored alternative revenue streams during

the year. Ad-insertions and Event TV are some of the revolutionary new changes brought in during the year under review.

Meanwhile, effective strategic focus and prudent cost management translated into significant operational efficiencies that drove down the cost to revenue ratio for the year, a certain advantage given the highly competitive business environment. PEO TV's growing portfolio of mainstream channels topped 87 as at the end of 2013, including a bouquet of exclusive channels. A series of efforts were also initiated in 2013 to further augment the customers' viewing experience vis-à-vis multiple content streaming encompassing, audio, video and internet options.

PEO TV was awarded the 'Bronze award' in the category of most innovative brand of the year at SLIM Brand Excellence Awards 2013. While testifying to PEO TV's ground-breaking capabilities, the award recognizes the company's innovative thinking and dynamic approach.

Strengthened by the company's credentials, the future looks promising for PEO TV, particularly given the group synergies that would ensue from SLT's NGN transformation agenda. In readiness for these potential benefits, PEO TV expects to launch a new IPTV platform that would revolutionize customer perceptions and be the catalyst in growing company revenues in the future. Continuing with the highly personalized marketing approach, while focusing on exploring non-traditional revenue streams, the company remains committed to enhance service provisioning and improving fault rectification that is on par with international standards.

> Performance Overview: SLT Publication (Private) Ltd (Rainbow Pages)

Being the sole directory provider in the Sri Lankan market, SLT Rainbow Pages continued to dominate the telecom information arena. Continuing with the emphasis on directory information, the company launched four new provincial directories in print version.

Meanwhile, capitalizing on the recent boom in the tourism industry, a new tourism directory in print version was also launched in 2013. An industry specific product, the tourism directory provides comprehensive coverage of essential tourist information. While being distributed to all leading hotels in the country, the directory is also available for purchase at supermarket chains across Sri Lanka. Given the tremendous success of the print version, a digital version of the directory is also in the offing for 2014.

Today Rainbow Pages is accessible to everyone through the associated directory product range such as directory CD, Web, WAP and Call Center. Android and Apple Apps are also available to access directory through smart phones. Prompted by the phenomenal success of the wedding directory website launched in 2012, follow up measures were taken in 2013 to introduce print and CD versions of the directory. The customer receptiveness to the print version has been very encouraging, of particular note is the unprecedented response received from the provinces.



PEO TV receives the Innovative Brand of the Year Award, at the SLIM Brand Excellence Awards 2013



Rainbow Pages product portfolio

Another notable feature for the year was the realignment of the company's strategic focus featuring a business diversification agenda and the ensuing foray into the advertising and publicity arena. With the growing SME sector being the target market for this endeavour, the company aims to evolve into a total advertising solutions provider for this key market in the future.

> Performance Overview: Sri Lanka Telecom (Services) Limited (SLTS)

Leveraging on the company's superior engineering capabilities together with the significant group synergies, SLTS continued to realize notable growth during the year. Supported by notable volume growth in all products and services, all revenue streams demonstrated steady growth throughout as indicated by the 20% YoY increase in the company's revenue in 2013.

The company's SME tools have been especially designed taking into consideration the unique requirements of the small and medium scale entrepreneurs where stronger convergence capabilities, extended reliability, improved scalability, flexibility and cost effective implementation are the unparalleled unique features that characterize SLT's SME product offerings. Aside from providing mainstream network and systems solutions, the company's primary focus for the year was to structure intelligent bespoke offerings that would deploy customer-specific end-to-end networking and communications solutions for large corporates and government institutions.

SLT's Intelligent Solutions encompass the entire gamut of next generation voice, networking, data hosting and managed services to facilitate local businesses to compete in the global arena. Accompanied by speed, connectivity, reliability and security on par with global standards, SLTS' sector-wise communication solutions address the needs of 10 primary economic sectors including: Tourism and Leisure, Banking, IT- BPO and Knowledge Services, Packaging and Branding Industry, Universities and Educational Institutes, Aviation Services, New Zones and Petroleum Refinery, Ports, Transport, Manufacturing and Health Sector.

- Accordingly, a number of key projects were successfully completed during the year, adding to the company's existing portfolio of eminent clients.

Intelligent Solutions implemented during the year:

- SLTS was commissioned to install a total ICT infrastructure solution including comprehensive banking software at a leading local bank. The ensuing benefits of the tailor-made solution would not only enrich the functionality of the banking module, but also allow the bank to augment product offerings and justify further service enhancements in pursuance of a more customer-oriented approach. Moreover, the solution would convey greater cost efficiencies to the bank in the long term, vis-à-vis improved process efficiencies relayed by a reduction in procedural and transactional complexity.

- SLTS also facilitated a fully meshed local area network (LAN) solution for a number of large scale private sector companies, public sector organizations and NGOs. The high-end solutions provided by SLTS were deployed based on the individual customer requirements, where the primary network is equipped with multiple device connectivity that allows greater flexibility and better fault tolerance.

- SLTS also provided a complete wired network solution using fibre optic backbone for CHOGM 2013.

> Performance Overview: SLT Human Capital Solutions (Pvt) Ltd (HCS)

The impressive track record of servicing group HR requirements culminating with the unwavering passion to deliver total HR solutions led to the launch of HCS in 2013. As a non-traditional business avenue, setting up of HCS as an independent unit, under a new brand identity, was indeed a bold step for SLT. However, strengthened by over half a decade of experience in servicing the group, together with the comprehensive portfolio of innovative HR solutions under its belt, incorporating HCS was the obvious next step in the evolution of the unit. Plans are in place to set up a technological university which will take HCS into the education and training realm.

HCS's focus areas;

- **Outsourcing and Shared Services:**

This module encompasses a gamut of offerings ranging from basic headhunting to outsourcing of staff with end-to-end HR management solutions that cover the entire life-cycle of an employee from the recruitment to retirement and everything in between.

- **Shared Services:**

Provision of sales services, technical assistance, call center and data entry operations.

Management discussion & analysis



• Assessment and People Profiling:

A unique HR solution, managed by the dedicated People Profiling cell at HCS. Following intense scrutiny, the recommendations of the profiling cell provides effective support for key HR decisions, including recruitment, rewards, retentions and promotions.

• HR IT Solutions (HRIS)

Developed in-house, HRIS facilitates the automation of the entire people management function by tapping into the latest digital and mobile technology.

• Education and Training

To be incorporated in the planned technology university is a specifically designed curriculum which aims to empower Sri Lanka's youth with a set of timely and relevant skills that would clearly enhance their employability in the country's commercial sector. It will be on par with international practices, and the study programmes will provide youth with the necessary tools to master the required soft skills and acquire the right mind-set to succeed in today's highly competitive business environment.

• Consultancy Services

Extending its services beyond conventional HR consultancy boundaries, HCS also offers clients with specialized client support services and dedicated consultancy services for all key business disciplines.

> Performance Overview: SLT Property Management (Pvt) Ltd (SLTPM)

Envisioned as a potential property development arm, SLTPM Ltd was floated in 2013 with the aim of developing the large number of unutilised/under utilised properties under SLT's ownership. Given the growing demand for property in Sri

Aggressive strategy combined with renewed focus have shaped the subsidiaries' outlook and has set the stage for sustainable growth.

Lanka, it was strongly felt that such idle lands could ideally be channelled towards more lucrative avenues that would not only enhance the value of the property, but also have a positive impact on the SLT Group bottom line. Correspondingly, the broader mission of SLTPM expects to realise the maximum benefits from SLT's current and future properties to enhance the top and the bottom line of Sri Lanka Telecom, while focusing on the advancement of the social well-being of people of Sri Lanka. In tandem with this mission, SLTPM anticipates fulfilling a broader vision in the years ahead, by being "The most sought after partner for investment properties in Sri Lanka".

• SLT 4G LTE implementation

Responding proactively in cognizance with changes in the market environment and intensifying competition, SLT decisively commissioned the 4G LTE initiatives during the year, to increase bandwidth levels and transmit positive coherent change across all levels of society. While securing SLT's position as the undisputed leader in Sri Lanka's ICT landscape, the 4G LTE deployment would also support the GOSL's aggressive moves to create a 100 Billion USD economy and a 4000 USD per capita income by 2016 and relay new ICT opportunities for SLT as an outcome of this vision.

• SLT Wi-Fi Project

The scope of this endeavour is to create a series of carrier grade Wi-Fi hotspots at strategic locations across the country. The project aims to enhance the overall attractiveness of the broadband product offering and capture a wider share of the market. Moreover, by facilitating seamless mobile offloading and roaming for SLT ADSL customers, these Wi-Fi hotspots are expected to provide mobility for the SLT Group's fixed and mobile broadband subscribers, thereby helping to increase the customer acquisition and retention rate, in direct correlation to the growth in the number of hot-spots across the country.

> Performance Overview: Sky Networks (Pvt) Ltd

Playing a pivotal role in driving SLT's strategic investments for 4G LTE and Wi-Fi deployments across the country in 2013, Sky Networks (Pvt) Ltd continued to successfully manage several concurrent undertakings designed to increase bandwidth levels and upgrade broadband capabilities in Sri Lanka.

Sustainable Environmental Practices

> Environmental Agenda

Given the nature of the technology intensive business framework of SLT, the company makes every effort to pursue minimally invasive, eco-friendly practices that would help mitigate the business impact on the environment. SLT is continuously seeking innovative ways to reengineer systems and procedures that would help control the company's environmental footprint and promote long term sustainability. Hence, SLT's "Green Agenda" underscores the need for greater commitment not only at a corporate level, but also seeks to engage employees while also encouraging national level participation to help achieve the country's overall environmental impact.

> Project Evaluation Process – Green Impact Measurement

Given the scope and scale of SLT's projects, the "Green Impact" measurement plays an integral role in embedding sustainable best practices in the process of project evaluation. Using a range of tools, each undertaking is stringently assessed for potential influences on the environment (refer to Strategic Governance Board (SGB) Gate process in page 103). By helping to attain a deeper understanding of the



SLT's "Green" Approach

We will work to continuously improve our environmental performance by setting high objectives and integrating environmental and bioethical considerations into our daily business. Accordingly we will make every effort to minimize the environmental impact of our business through efficient energy management practices and ethical waste management solutions that would reduce our carbon footprint and help retain the natural ecological balance of the environment. In doing so, we aspire to transform into a truly sustainable ICT company in the future.



Students take part in SLT organized tree planting programme

Being a responsible and sustainable business leader is at the heart of our strategy. Beyond driving sustainable practices in our own operations, we recognise the broader value we can deliver to society.

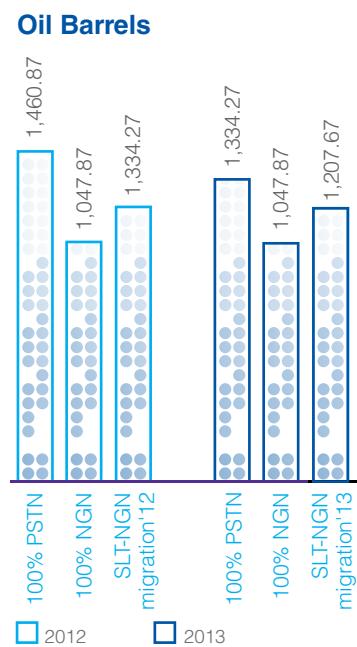
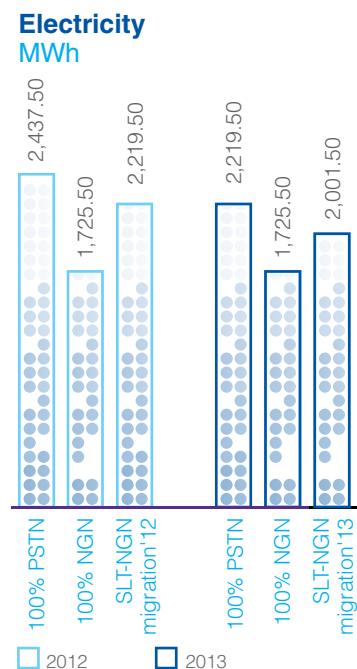
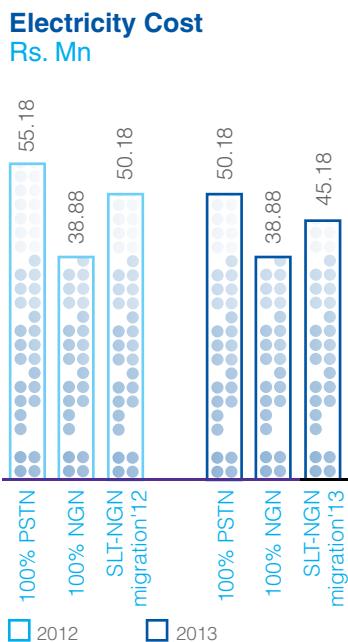
Management discussion & analysis

environmental manifestations resulting from a project, SLT is able to better ensure effective management and control of large scale projects undertaken. Using the investment governance framework outlined below, particularly the G0, G1 and G2 stages of the gating process, SLT is able to systematically gauge the green impact of each investment.

> Reducing the carbon footprint - Savings realized from the migration to New Generation Networks (NGN)

In the capacity as an integrated service provider, SLT has traditionally fulfilled all product and service requirements by switching between multiple platforms. However, under the i-Sri Lanka initiative this multiple switching mechanism would be phased out in favour of the more efficient soft switching structure that would be

While supporting low cost operations in the longer term, NGN migration also facilitates new value added services and features to uplift the lifestyles of the people.



accommodated by a single platform operational system. In addition to the obvious operational efficiencies, migration to NGN of this nature would result in a host of other benefits that have a positive impact in the form of:

- Reduction in energy cost
- Reductions in CO₂ emissions
- Space savings through enhanced compacting
- Conversion to solar power under the concept of renewable power

While supporting low cost operations in the longer term, NGN migration also facilitates new value added services and features to uplift the lifestyles of the people. At present 50% of SLT's network has been converted to NGN, with the project expected to be completed by end 2014.



SLT receiving National Energy Award for the year 2013

Case Study – ‘i-Sri Lanka’ Initiative: Minimizing Environmental and Social Implications

Energy and Waste Management:

- Re-using /Re-locating infrastructure for better performance
- Recycling legacy equipment

Health and Safety

- Ensuring customer, worker and public safety by implementing appropriate earthing systems at the customer premises
- All plants are installed as per industry-specific safety guidelines
- All on-site workers are provided with the required safety equipment and tools to carry out the required tests and ensure the accuracy of all system implementations

Network Modernised

Negombo, Gampaha, Matara, Galle, Avissawella, Panadura, Maharagama, Colombo, Mattegoda, Welikada, Badulla, Kegalle, Hambantota, Maradana and Chilaw

Space

**8500 sq ft
Saving**

Energy

**Rs 70 million
per month
Saving**

> Sustainable Products and Services

> “Green” ICT Solutions

As heightening environmental concerns continue to dominate the modern business agenda, global businesses have been prompted to embrace an increasingly eco-friendly business paradigm in order to stay competitive. Given the dynamism of the global ICT industry, major telcos across the globe are under growing pressure to bridge the “Green” divide. In step with these shifting trends, SLT continues to assess potential “Clean” technologies that would minimize the impact on the environment. In pursuance of this goal, a series of proactive steps were taken in 2013, to launch a number of products and

service enhancements with a significantly lesser carbon footprint.

Cloud computing: A virtual storage mechanism, capable of compacting and storing vast amounts of data remotely. It is a cost effective and efficient alternative that allows users to access existing data or upload new

data easily at any given time, thereby saving storage space. More efficient, eco-friendly service enhancements were also introduced during the year, in a bid to stem the negative impact on the environment.

Management discussion & analysis

> Energy Management

Embracing a strategic approach to energy management, SLT has always advocated the deployment of energy efficient technologies and the application of best practices for energy management at all levels of the business. Accordingly a meticulously laid out energy policy spells out suitable action for each aspect of the business. Moreover, underscored by continuous evaluation, SLT seeks to improve existing systems and practices through training programmes, site assessments and timely realignment of policies and practices to satisfy the changing needs of the business.

> Establishing Best Practices for Energy Management

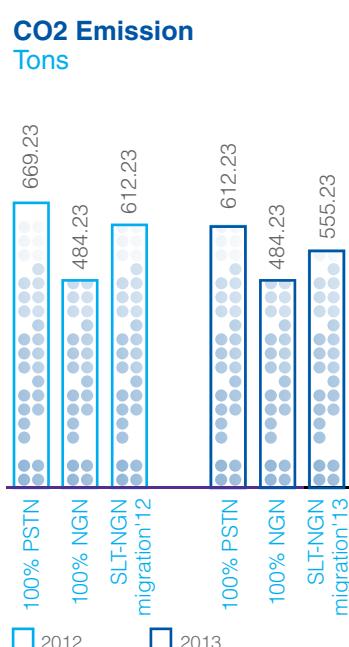
Reducing energy costs remains a key priority for SLT, not only as a means of trimming operational expenses, but also to mitigate the impact on the

environment and subscribe to a more sustainable business model in the longer term. To accomplish these goals, SLT made a tactical move during the year to set up an appropriate framework that would support the company's aim to build sustainable energy management practices in the long term. By appointing the Energy Management Committee as the apex body overseeing the scope of all energy related activities in the company, SLT set up an Energy Council and appointed Energy Ambassadors, during the year, to inculcate the energy saving philosophy among SLT's employees.

A number of key initiatives were launched by the newly appointed Energy Council, as a first step towards adopting a positive approach towards energy management. Key among these steps was the launch of the "Energy Conservation Week".

Utility expenses	2013 (Rs. Mn)	2012 (Rs. Mn)	YoY variance
Electricity	1,855.8	1,663.0	11.6%
Generator Fuel	36.9	47.3	-21.9%
Energy (total)	1,892.7	1,710.3	10.7%
Water	34.7	33.7	3.2%
Postage	236.8	229.6	3.1%
Other	271.5	263.3	3.2%
Total	2,164.2	1,973.6	9.7%

Note: Energy utility cost has gone up due to massive expansion projects which are ongoing. Minimised related costs despite fuel and electricity rate hikes.



Energy Conservation Week -15 to 19 July, 2013

Objective: Create awareness on energy conservation.

Scope: Encourage participants to adopt eco-friendly practices and lifestyle choices

Reach: Island-wide

Target Audience: SLT Employees



Energy Management Committee

- Comprising of a Senior Management team
- Instructing policy level decisions that influence energy management
- Evaluating energy efficient alternatives
- Scheduling energy management initiatives
- Scheduling awareness programmes and trainings on energy related issues



Energy Council

- Ensuring company-wide compliance of energy policies
- Targeting a YoY reduction of 15% on the energy bill



Energy Ambassador

- Provincial Energy Representative reporting to the Energy Council
- Liaise with provincial staff to ensure all energy related activities are communicated
- Perform a leadership role in implementing energy conservation initiatives at a provincial level
- Driving awareness campaigns among provincial staff regarding the importance of energy management and conservation.

Renewable energy sources helped to manage and distribute energy more efficiently, while simultaneously minimizing the power factor

> Energy optimization efforts to minimize the power factor

- Pilot project to introduce renewable energy

In a bid to supplement the company's energy requirements, SLT launched a pilot project to introduce renewable energy sources

> Sri Lanka Telecom wins an award at the prestigious Sri Lanka National Energy Efficiency Awards 2013

SLT was the proud recipient of a Merit Award at the Sri Lanka National Energy Efficiency Awards (SLNEEA) organized by Sri Lanka Sustainable Energy Authority in collaboration with the Ministry of Environment and Renewable Energy. SLT was the only ICT service provider to win this prestigious award in 2013, which recognizes companies' efforts towards energy management and energy conservation systems at all

levels of the organization. The awarding criteria evaluates applicants on a range of diverse areas including management commitment to energy management, employee awareness and training, financial commitments (investments), planning / monitoring / evaluating / reporting, energy performance and the increase of renewable energy share in the energy source portfolio.



Solar Power Systems in place at SLT premises

> i-Sri Lanka programme - New power-saving initiatives for 2013

Initiative	Annual Energy Saving (kW/h)	Annual Financial Saving (Rs.)
Decommissioning the Colombo AT & T Legacy Node	306,600	7,500,000.00
Commissioning of energy efficient lighting	23,259	569,845.00
Installation of occupancy sensors	9,344	228,928.00

Management discussion & analysis

Human Resource Management

- Promoting Best Practices – SLT Employee Policy**

Nurturing an empowered workforce in order to deliver long term sustainable social change has always been at the crux of SLT's workforce management strategy. Formulated in compliance with the Shop and Office Employee Act, the Wages Boards Ordinance and all applicable labour laws in Sri Lanka. SLT's procedures and practices are guided by the workforce management handbook. While emphasizing the importance of practicing best policies and procedures in fairness to all employees, at all times, the company also makes every effort to promote equal opportunity and diversity.

- Additional benefits introduced to permanent employees in 2013**

- Financial assistance scheme – educational loans
- Restructuring the Motor vehicle / motor cycle loan facility to avail the facility to a larger number of employees.
- A number of employees were sponsored to follow Executive Diploma in Business and Accounting conducted by ICASL in 2013

- Automated systems - Introduction of unified help desk for internal employees using modern IT services (Employee Self Service)
- All employees are entitled to make use of SLT's seven holiday bungalows located across the country, including the Kataragama property, which was added to the list in 2013

- Promoting Equality and Diversity**

Promoting equality and diversity has always been a key priority at SLT, where these concepts are deeply ingrained into the fabric of all day-to-day operations. As a starting point in upholding gender equality, SLT ensures a 1:1 ratio of basic salary and remuneration between men and women across all categories and employee grades.

- Composition of governance bodies and breakdown of employees on the governance body as per employee category according to gender, age group, minority group membership, and other indicators of diversity. When appointing members to a governance board it is ensured that a right balance of seniority, age and gender is maintained.

> New Recruits and Employee Turnover Levels

Age Group	2013					
	New recruits			Resignations		
	M	F	Total	M	F	Total
20-30	4	1	5	3	5	8
31-40	-	-	-	7	3	10
41-50	-	-	-	6	3	9
51-55	1	0	1	2	0	2
Total	5	1	6	18	11	29

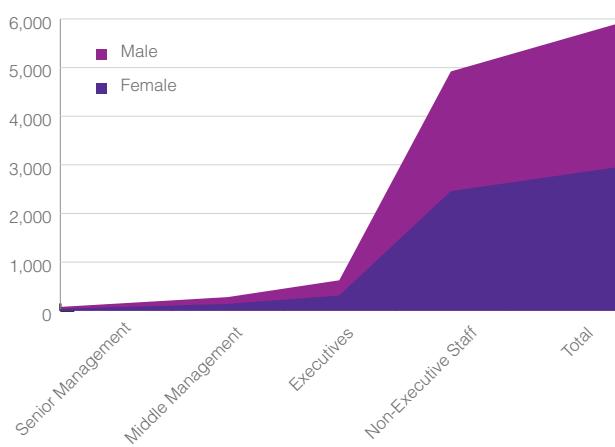


SLT's Social Proclamation

By setting high objectives and integrating social, human rights and health and safety considerations into our daily business, we will act as value creators for our workforce and to the community by facilitating enduring social change, across a wide strata of society

Promoting gender equality across the country	Female	Male
Region 1	22%	78%
Region 2	22%	78%
Region 3	14%	86%
Metro	26%	74%
Other Staff (HQ)	37%	63%

Gender Distribution as per Employee for 2013



> Management Committees 2013

Name of the Committee	Leadership Team	Synergy Group	Operational Review Team	Financial Review	Product Performance Review	Strategic Governance Board	Enterprise Risk Management	Info. Security Mgmt. Forum	Steering Committee of Qty. Mgmt. Sys.	Total
No. of Members	16	40	40	25	30	12	19	15	14	211
Avg. No. of meetings/month	2	Twice a year	2	1	1	1	Once in 2 months	Once in 2 months	1	22
Avg. No. of hours/meeting	4	3	4	3	3	3	1	2	1.5	24.5
Hours spent/month	8	0.5	8	3	3	3	0.5	1	1.5	28.5

> Composition of Board Committees' 2013

Name of the Committee	Audit Committee	Remuneration Committee	Technology Sub Committee	Senior Tender Board	Total
No. of BoD members	4	2	3	4	13
No. of Non BoD members	0	0	0	3	3
Avg. No. of meetings/month	Once in 02 months	Once a year	Once in 02 months	Once in 02 months	19
Avg. No. of hours/meeting	2	2	4	4	12
Hours spent/month	1	0.5	2	2	5.5
Total members	4	2	3	7	16

> Composition of Governance Boards

Name of the Governance Boards	Related members	Cross functional members	Total no. of members	Avg. No. of meeting/month	Avg. No. of hours/meeting	Total hours spent/month
IT	5	11	16	2	2hrs	4hrs
Enterprise Solutions	5	5	10	2		
Transformation	3	9	12	0.5	2hrs	1hrs
Facilities & Services	5	8	13	1	2 hrs	2 hrs
Product	5	13	18	2	2hrs	2 hrs
Network	6	12	18	2	2 1/2 hrs	5hrs
Strategic	12	0	12	1	3 hrs	3 hrs

Management discussion & analysis

- **Screening for labour practices**

SLT has always emphasized the importance of best practices in adhering to the mandatory stipulations of the country's labour laws including but not limited to the Shop and Office Act, Wages Board Ordinance and other industrial practices. It is mandatory for all SLT employees to be made fully aware of all human rights policies and procedures related to certain operations of the company. Accordingly, regular training and awareness sessions are conducted at SLT training centres across the island, to instruct and inform employees to carry out their duties in conformity with these human rights policies and procedures.

In addition, all related clauses and human rights provisions are included as relevant and appropriate in defining the contractual obligations of all third parties dealing with SLT, particularly in the case of suppliers, contractors and outsource partners. Given the soundness of SLT's third party contract, no violation of labour practices have been reported by any third party contractor dealing with the company. Meanwhile, in line with the National Disaster Management

programme, all security personnel are subjected to a comprehensive training involving security awareness and security incident management in relation to the telecommunications industry. Covering a wide range of areas relevant to the scope of their work, the programme agenda includes fire and rescue drills, first aid programmes, firing training at Diyathalawa, in addition to psychological counselling programmes and computer training sessions in accordance with SLT's ISO 9001:2008 certification for Quality Management Systems. A total of over 250 security personnel participated in these training sessions during the year.

- **Creating a communicative work culture - Labour Relations**

Reinforcing the goal to create a communicative culture at SLT continues to strengthen the company's internal communication process, whereby management decisions and all other information are communicated to the staff members via a range of mediums including internal messages circulated through the company intranet, email messages, public announcement via the PA system at SLT HQ etc.

The comparatively low employee turnover is a further testament to the success of SLT's enriching communicative culture.

With close to 100% of all employees being unionized under 31 active trade unions, SLT's Employee Relations and Benefit Management unit follows an open door policy to reach out to all employees. Affording an ideal opportunity for SLT to communicate significant operational changes, such open forums are a two way process that also enable trade union representatives to address member concerns directly with the management. Consequently, union officers are provided easy access to the Deputy General Manager (Employee Relations) even without a prior appointment. Moreover, these regular interactions can also be used as a window for trade unions to approach the Group CEO or even the Chairman, if deemed necessary. These practices have contributed immensely towards enhancing relationships with trade unions and employees, while adding a considerable boost to SLT's competitive business edge. Moreover, as a policy all management decisions or operational changes that directly impact employees' day to day activities are communicated to trade union leaders, prior to implementation. Creating greater employee loyalty towards the company, this open interactive culture has led to an impeccable 100% return-to-work rate following leave of absence owing to maternity leave in 2013. The comparatively low number of resignations as captioned in the table in page 68 is a further testament to the success of SLT's enriching communicative culture. Meanwhile exit interviews for 2013 revealed the primary reason for resignations is due to employees migrating overseas to pursue further career opportunities, yet again confirming SLT's position as an employer of choice in Sri Lanka.

> SLT's Grievance Handling Mechanism

While offering solutions to both job related and personal matters, SLT's grievance handling and counselling process too has contributed positively towards building a greater sense of belonging among staff, while encouraging a more communicative work culture. In 2013, 40 – 50 grievances were reported, with all cases being successfully resolved by the Employee Relations section.

Other initiatives that promote employee relations:

- Regular meetings with trade unions, with at least two formal discussions with trade union representatives per month

- Supporting trade union leaders and active members to participate in externally conducted awareness programmes which highlight the mutual benefits of maintaining cordial relations with the management
- Maintaining a close relationship with the Department of Labour, Employers Federation of Ceylon, etc.
- Sponsorship of trade union events including scholarship programmes ("Nena Abhimani", "Pahasara Arunalu"), education programmes and recreational programmes.
- Organizing various religious events in collaboration with trade unions - e.g. Vesak Kalapaya



Internal launch of Change Management programme

The Customer-Centric Cultural Shift

The Need for Change: Complex service applications and ad-hoc provisioning practices have continuously affected the efficiency of SLT's provisioning and delivery of services, often adversely impacting productivity and impinging the bottom line. Moreover, as volumes grow, the lack of a suitable service allocation mechanism would highlight the inability to keep pace with the exponential growth in the global telecommunications trends and undoubtedly hinder the future progress of the company.

Prompted by these factors, the decision was made to shift from ad-hoc service applications towards a more integrated, customer oriented service model.

Change Management Tools:

Build Awareness - To build awareness among the Senior Management regarding the need for change and help them to foster an understanding of the business refocusing strategy.

Create a Desire - Identifying employee attitudes and willingness to change, while encouraging them to participate and support the change process.

Develop Knowledge - Develop a knowledge sharing culture enabled by a highly focused curriculum including knowledge sharing sessions and resources in libraries to enlighten employees on how to change.

Foster Ability – Implementing the required skills and behaviour among employees through a comprehensive training agenda that covers all key aspects including management training on finance, HR, finance training for non-finance staff and HR training for non-HR staff etc.

Reinforce Changes – Help sustain and manage the proportions of change by recognizing change leaders and work done by those who live in the change.

Focus for 2013 “Enhancing Customer Experience with SLT”:

– Commissioning of a centralized function responsible for planning and overseeing to ensure world class customer centric initiatives across all touch points. SLT seeks to achieve unparalleled customer service as a key differentiator that would result in a competitive edge and support sustainable growth despite market pressures. Deemed to enrich the customer's experience, this endeavour is also expected to nurture greater customer loyalty and develop a buffer to price consciousness in an intensely competitive market. Moreover, positive customer experiences generated as a result of the process are also expected to support SLT's market positioning and reduce the customer acquisition cost. The changeover exercise commenced in 2013, with the launch of an internal programme entitled “Change to lead now.” Culminating with other change management activities and business improvements implemented within the year, steady progress was made to inculcate the change culture across all levels of the company.

Management discussion & analysis

• Employee Health and Safety

The health and safety of employees remains of paramount importance to SLT, particularly given the complex lifestyles of the modern world. Accordingly, every endeavour has been made to ensure a safe and secure work environment not only for SLT employees, but also to ensure the personal safety of outsourced contractors working at the company's premises. Parallel to the efforts made in ensuring workplace safety, SLT has also launched a campaign to promote personal health among employees. While creating a vibrant work-life balance, encouraging employees to make healthy lifestyle choices will also embed sustainable social practices across society as a whole.

> Inculcating a dynamic health and safety mindset

- Employee responsibility towards health and safety:

Health and safety is an integral part of everyday life and it is the duty of all employees to adhere to the following best practices and safety stipulations in order to ensure their own safety and that of others in the workplace.

- Complying with all health and safety guidelines and regulations as stipulated by SLT
- Ensuring the correct usage / application of safety devices and protective gear as per the stipulated requirements
- Promptly reporting any actual or potential hazards / incidents of violation to a member of the safety committee or the Health and Safety Division
- Responsibilities of the Health and Safety Division
- Ensure the implementation of appropriate policies, procedures and audit protocols to periodically review safety in the workplace
- Ensure appropriate risk assessments and audit procedures are carried out to periodically assess the validity of the safety procedures in place

> Safety Initiatives for 2013

- BMI survey
- Dance based workouts
- Yoga programmes
- Diet management
- Stress management therapy programmes

> Safety Programmes

- Engineering safety
- First aid
- Janitorial safety
- Ergonomics for Contact Center operators



Building confidence through sports



Creating an accident-free zone

Working towards an accident free environment can be challenging, however, SLT has continued to educate employees on occupational health and safety to ensure an accident free environment, thereby improving productivity by preventing and controlling all forms of accidents and diseases. The Health and Safety team already began the process of making the goal of an accident free organization a reality by 2016

> Campaigns

Following campaigns were conducted to enhance the healthy employee concept in SLT.

- Blood pressure
- Cleanliness
- Kola kenda
- Avoiding the elevator
- Healthy food & fruits

> Others

- Health and safety week was conducted during October 2013 in Colombo and regions, which included a range of health and safety programmes.

While creating a vibrant work-life balance, encouraging employees to make healthy lifestyle choices will also embed sustainable social practices across society as a whole

- **Employee Career Development**

Annual Performance Appraisal

Annual Performance Appraisal done for the period from 01st January to 31st December for all SLT employees. The weightage given for achievement of targets & objectives at the end of the year during Performance Appraisal is 80% and competency is 20%.

Midyear Performance Evaluation

SLT management has decided to introduce a mid – year performance evaluation with the view to giving more weightage to achievement of targets and objectives.

Quarterly Productivity and Behavioural Evaluation

Quarterly Productivity and Behavioural Evaluation of employees on contract basis tasks.

To motivate and attract high quality staff we provide an allowance based on the performance using this quarterly productivity and behavioural evaluation.

- **Reshaping the workforce - Training and Development**

Being competitive depends in large on ensuring that the workforce is trained and up to date with ever-changing skills and knowledge. Hence, training and development remains a crucial aspect in determining business success and defining a company's competitive edge. It is therefore, imperative to possess an experienced, competent workforce able to contribute to both the productivity and profitability of the company.

- **Major Training Efforts in 2013**

Seminars

- Motivational Lecture for all Executives (3 Sessions) by Mr. Chulananda Perera (Commissioner of Emigration and Immigration).
- Awareness on Metro and Carrier Ethernet

Compulsory training programmes conducted for employees

For Executives

- Performance Management
- HR for non HR Managers

For Non Executives

- Psychological Counselling for Security Staff

Introduction of Knowledge Management Activities

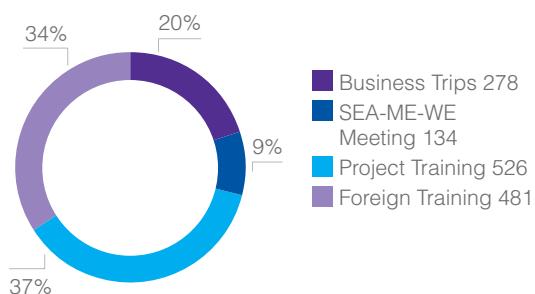
- SLT Quiz 2013 - Conducted to cover all OPMCs to cover all related areas. Notably over 2500 staff participated for the quiz. Top three winning teams were rewarded with air tickets to Malaysia.

Programme	Achievement (No. of staff)
Enhance Competencies of the staff to deliver world class ICT & Infotainment services (Datacom,Optical Fibre, NGN,OSP & Access Tec. Related Training)	923
Enhance Competencies of the staff for best in class delivery of product & services (Cus.Centricity, Cus.Care, IT system related training, etc.)	4662
Enhance Competencies of the staff to implement & maintain single transport & aggregation network (ADSL,IPTV & Backbone related training)	577
Develop required competencies to modernize operational architecture (Re-Skill Workforce to improve operational efficiency)	3225

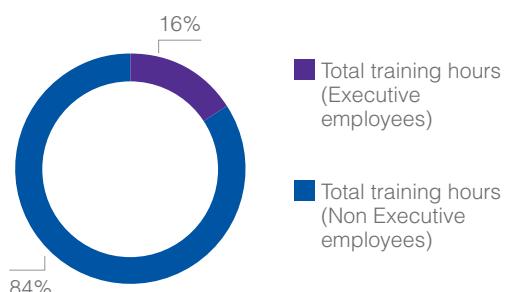
Employee Category	Training Hours (Per Employee) 2013
Executive	8.59
Non-Executive	9.19

Management discussion & analysis

No. of days spent abroad YTD 4Q-13



Training Hours 2013



- Knowledge sharing sessions were introduced to share the knowledge after participating at foreign trainings
- Functionality of SLT library was strengthened and was opened to all staff including SLT subsidiaries

Other major training initiatives

- Out Bound Training (OBT) was conducted for 180 staff to promote team building
- Special emphasis was made to promote PMI standards in Project Management activities- 138 staff were trained

- Psychological counselling session was arranged for security staff for their mental well-being. Over 250 staff were trained.
- To improve the customer service and promote Account Management Discipline - 180 regional staff members were trained.

Having built successful training credentials over the years, the company continues to outsource its training services to corporates and public institutions who seek to benefit from SLT's dynamic training module. Catering to the growing demand for high quality training, SLT's external training arm conducted a large number of programmes during the year.

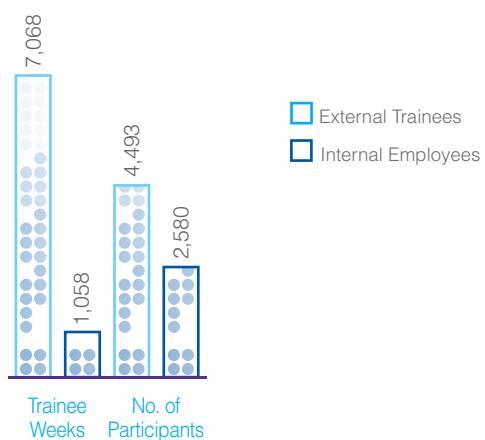
Course	No. of participants	Trainee Weeks
City & Guilds	648	5110.5
Certification in Applied Information Technology (CAIT)	404	1307.3
Others	325	370.6
Total	1377	6788.4

Trainees' Placement

As a CSR initiative, Sri Lanka Telecom provides opportunities to the students of leading educational institutes to complete their industrial training. Accordingly a large number of students are benefitted through this scheme. 2013 figures are:

Trainees' Placement	No. of participants
Vocational Trainees with Payment	336
Inplant Trainees	546
Total	882

External and Internal Trainee Weeks and No. of Participants





Knowledge enhancement through Quiz competitions

> Creating a knowledge-rich society

Strongly captioned by the country's aspirations, SLT has always sought to facilitate a dynamic, knowledge rich society which would lead Sri Lanka into the future. Forming a large part of this endeavour is the massive Knowledge Management (KM) programme initiated in early 2013, which expects to create an environment that promotes innovation and knowledge sharing in response to changing business paradigms. By bringing together the fundamentals of the KM concept in this manner, SLT expects to formalize the inherent learning and knowledge culture practiced by the company for over a decade, with the ultimate goal of achieving a KM certification for the company.

Following a systematic approach, an appropriate KM framework was formulated to map SLT's existing knowledge base, as the first step of the exercise. Underscored by the value of knowledge sharing, SLT's KM programmes are now conducted regularly to encourage and motivate employees to embrace innovation and continuous improvement. While rewarding these innovative efforts, SLT's KM framework also encourages employees to share their experiences and impart their learnings to a wider audience.

Understanding the critical need for up-to-date knowledge, particularly with reference to products and services, SLT engages a specific KM model to motivate staff of the Contact Centre. The system acts as a repository, indexing and retrieval system for all manner of information including, text documents, worksheets, web pages, video, audio, animations etc. Moreover, by providing user interfaces for entering retrieving and managing information, the Contact Center KM module is a veritable ICT tool that is a key proponent of the self-learning culture advocated by SLT.

> Corporate Accountability and Social Responsibility

As a responsible corporate citizen, SLT has long been a key enabler of social change. Directed by a versatile social responsibility and accountability framework, the company endeavours to personify the role as a facilitator of sustainable national development. While corporate social responsibility is a voluntary commitment, SLT's corporate accountability mechanism has been conceptualized to demonstrate the company's commitment towards ethical business practices. While measuring the impact of the company's activities and behaviour in response to the interests of communities directly associated with the business, SLT's corporate accountability indicators also aim to determine the impact of the business on society as a whole.

- **Participation in public policy development and lobbying**

As key enabler of the national economy, SLT's active participation in public policy is primarily to facilitate a robust market environment in the telecom industry. Given that SLT operates under the purview of the Ministry of Telecommunication and Information Technology, all lobbying efforts are channelled through the ministry. Accordingly, participating at a decision making level, SLT continues to lobby the Telecommunication Regulatory Commission Sri Lanka (TRCSL) in an effort

Strongly captioned by the country's aspirations, SLT has always sought to facilitate a dynamic, knowledge rich society which would lead Sri Lanka into the future.

to streamline a national ICT policy that would best serve the interests of the telecom industry and the user public while supporting the development goals of the GoSL. Over the years, these timely moves have yielded positive results that have led to the improvement of overall industry standards and steered the industry to where it is today. Moreover, SLT's working committee has on occasion been called upon to provide advisory services to the Treasury in the process of formulating the national budget.

- **Supporting issues of national importance**
- **SLT calls the nation to protect children with an island-wide awareness campaign**

Protecting children from social evils and providing them a safe environment for their growth, has become a vital part of modern life. Supporting this endeavour, SLT, in collaboration with the National Child Protection Authority of Sri Lanka, launched an aggressive

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campaign to stem the alarming increase in child abuse in the country. Bringing together all SLT employees and encompassing over 300 island-wide locations, the massive campaign sought to create awareness and educate the general public on the long term consequences of child abuse.

• Preserving National Culture and Heritage

SLT Calendar for 2014

Captioned under the theme "Preserving heritage for tomorrow" SLT has, over the years advocated the preservation of Sri Lanka's rich heritage for the future generations. The calendar

which has been the catalyst in driving this endeavour in the past remained the key focus of the effort in 2013 as well. Accordingly, the launch of SLT's 2014 calendar entitled "Medicinal Plants of Sri Lanka" depicts 12 varieties of medicinal plants widely known for their medicinal properties and believed to have been used for this purpose for centuries. Moreover, the calendar also contains a wealth of information that is of great educational value and interest for a wide audience, including information on the plant habitat, general features, characteristics and therapeutic uses.

> Corporate Social Responsibility



To bridge the country's skills gap and attract greater foreign direct investment, SLT strongly supported Sri Lanka's efforts to showcase the country's technological and ICT capabilities



Medicinal Plants of Sri Lanka

Education for Development

SLT's "Education for Development" itinerary remains strongly linked to the GoSL's efforts to uplift the standard of education in the country and consequently improve overall national literacy rates as well. Accordingly, during 2013, SLT took a series of steps to uplift the national education standards in Sri Lanka.

Book donation programme commemorates its 10th consecutive year

Continuing with the book donation agenda founded in 2004, in partnership with the Asia Foundation, a series of distribution programmes were conducted in 2013 as well. An important community investment to enhance information, education and English Language skills of students and teachers across the island, the programme which was initiated under the theme "Spreading the wealth of knowledge," seeks to distribute books and other educational materials to libraries in a range of institutes across the island including schools, universities, vocational institutes as well as other organizations, with an annual distribution of over 100,000 books.

- Sponsorship for posters and books – Green Forest Association
- Nena Guna Thilina Presidential book project – supported the national programme
- Tantalize 2013 (Student Activity Club – APIIT)
- LEARN, SchoolNet, NODES, LakGovNet,

Capacity Building

In a bid to bridge the country's skills gap and attract greater foreign direct investment in 2013, SLT strongly supported Sri Lanka's efforts to showcase the country's technological and ICT capabilities vis-à-vis a number of high profile forums and exhibitions.

Exhibitions (demonstrates technology and capabilities of technologies)

- INFOTEL 2013
- Techno
- Deyata Kirula
- CHOGM

Conferences (provides total ICT requirements for the forums and facilitate as a lead sponsor)

- FutureGov SAARC
- National Law Conference 2013 – Bar Association of Sri Lanka
- 26th Annual Conference and National APEX Awards
- National Engineering Conference – IESL
- Awareness through demonstrations of technology and capabilities to the audiences of exhibitions like INFOTEL 2013, Techno.

Supporting Community Health

Supporting the Trauma Unit at the Batticaloa General Hospital

In 2013, SLT partnered with The Foundation Supporting a National Trauma Service in Sri Lanka (Project BEAP) to initiate the groundwork to set up a trauma unit at the Batticaloa General Hospital. The scope of the project was to set up an emergency treatment unit at the hospital, with specific focus on an emergency surgical facility. The proposed trauma unit is envisaged to be a multi-storey hospital that will initially have four operating theatres (with provision for four more), a 100-bed ward and a number of key services. Providing access to over two million people living in Batticaloa and surrounding districts, the unit would be a considerable boon to the health care system in the entire Eastern province.

Sponsorships

Empowering sports

- Colombo Night Races
- National Olympic Committee – Olympic Day Run, National Olympic Academy sessions
- Gunner Supercross
- Sri Lanka Government Service Sports Meet

Empowering professionalism

- CIM
- CIMA Business Leaders' Summit
- CNCI Achievers' Awards
- National HR Conference

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- National Project Management Excellence Awards
- Annual Conference and National APEX Awards of the OPA
- ICASL Annual Conference
- SLIM International Marketing Conference
- Industrial Excellence Awards
- Leadership Training Programme – Ministry of Wildlife Resources Conservation
- World Summit Awards – ICTA
- CHOGM 2013
- Creative and Digital Mantra 2013 – International Advertising Association

Empowering arts and culture

- Ridee Rayak
- Annual Christmas festival – Sri Lanka Welfare

- Society of the Blind Sinhala / Tamil new year festival – Western Province Deaf Association
- Poson Kalapaya – Tharunyata Hetak
- National Craft Council – SAARC Exhibition
- Ranaviru Upahara Musical Show – Nava Samagi Kreedha Samajaya
- Viru Dana Gee Sara 5 Musical show – Ministry of Defence
- Bakmaha Ulela 2013 – Welfare Association of the Presidential Secretariat
- Amadahara Wesak Kalapaya 2013 – ANCL
- Buddha Rashmi Wesak Festival – Presidential Secretariat
- Dalada Maligawa Project
- Shilpa 2013

Empowering national enterprise

- Deyata Kirula 2013
- Sri Lanka National bibliography 50th Anniversary – National Library and Documentation Services Board
- World Postal Day – Department of Posts
- Reflections of Sri Lanka – Ministry of Industry and Commerce

> SLT's Customer Promise

While improving the customer experience defines SLT's service parameters, responsible product stewardship remains at the crux of the company's efforts to create a socially accountable portfolio of products and services. Assuring customers of the best quality at all times, SLT remains committed to improve the profile of all products and services in conformity with environmental norms and ethical procurement procedures.

By promoting a greater degree of procedural transparency, SLT's competent procurement practices are designed as a failsafe mechanism to ensure all products and services conform to all mandatory health and safety standards. In large part due to SLT's uncompromising attitude to ensure customer health and safety at all times has resulted in an unblemished record with no violations or complaints of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of SLT's products and services at any point in their lifecycle.

Life cycle mapping done at each stage of the product life cycle determines its capabilities and relevance to the current consumer market. Meanwhile, these results are also used to gauge the potential health and safety aspects that may impact the customer, at different stages of product cycle, thereby promoting continuous improvement to rejuvenate the product profile in the customer interest. Over the years,

> Product Responsibility – Improving the customer experience





Personalised entertainment options through SLT PEO TV

efforts to reengineer products in this manner have proved to be a tremendous success for SLT, with the timely release of a number of new and enhanced products as detailed below:

- Megaline Single, Double and Triple Play Packages
- Range of Broadband packages for diverse segments
- SLT trend setter: Minimum 2Mbps speed is introduced for Broadband service with defined peak and off-peak surfing times.

Striving towards product excellence has also led to a stringent labelling policy that goes beyond the accepted benchmark to embrace a series of voluntary disclosures that encourage customers to make an informed choice at every step of the decision making process. Accordingly, a comprehensive business requirement document outlines the process formulation of all products accompanied by a tariff template for products that require TRC Approvals.

Inimitably linked to the labelling policy, SLT's marketing and communications framework strives to emulate the dynamism of the modern telecommunications industry while striking a balance between traditional Sri Lankan values. Spurred by the commitment to uphold the country's cultural and ethnic diversity and depict national integrity, SLT's marketing and communication policy follows a strictly inclusive strategy that aims to convey its value proposition by engaging a comprehensive tri-lingual format that targets the widest possible audience.

Accordingly, the marketing communication brief addresses all pre-launch issues, while the product launch pack spells out the procedure for each product launch including awareness presentation, business rules, service registration instructions, user manuals and FAQs. Further information on SLT's

products and services can be accessed via the Corporate website, Contact Center, front offices and other customer touch points.

Through this all-inclusive labelling and communication policy, SLT has ensured that all regulatory and voluntary disclosures have been fully complied with. Hence, no complaints or breach of regulations have been reported in this regard.

Introducing the next level of customer service

Further efforts to improve the customer experience

- Regular field visits that promote one-to-one interactions with customers and field staff
- Collect feedback via Corporate website, customer touch points, Contact Centre, social media team and internal staff
- Proactive engagement based on the analysis of data received from the above sources
- Random calling of a selected sample of customers
- Broadband quality of service alignment to regulatory requirements
- Brand Health Track studies
- Conducting of researches for selected products/customer segments, from time-to-time

While enhancing the customer experience remains a key priority for SLT, all efforts in this regard are done with the utmost care and due diligence that assures customer privacy is maintained at all times, while meticulous procedures ensure that no customer information or data is lost or misused in any way, at any time.

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> Profile of Mr. Kapila Chandrasena - CEO (Actg)

Kapila Chandrasena was appointed as the Actg. Chief Executive Officer of Mobitel (Private) Limited in April 2013. Mr. Chandrasena is the Chief Executive Officer of SriLankan Airlines' Group since July 2011. He has served as a Member of the Board of Directors of SriLankan since April 2009, and as Chief Executive Officer of Sri Lanka's regional carrier, Mihin Lanka since December 2008. He is an experienced professional in business management, marketing and engineering.

Mr. Chandrasena has served in senior positions in a number of multinational organisations based in the United States, Australia and Sri Lanka. Prior to taking over reigns in companies across multiple industries, Mr. Chandrasena also served in Senior Management and Marketing Positions with Sri Lanka Telecom, NEC Australia Ltd and Hewlett Packard Ltd.

Mr. Chandrasena holds an MBA from the University of Melbourne, prior to which he was conferred a BSc in Marketing / Engineering by the University of Chicago, Illinois, USA.

> CEO's Message

Stemming from the 150 year old legacy of the parent company, Mobitel's core values of professionalism, integrity and service have brought us to the forefront of the mobile telecommunications industry in the country. Epitomizing these values, Mobitel's service credo, "We Care. Always." is deeply ingrained into the very fabric of the business. Permeating across each aspect of our day-to-day operations, these fundamental tenets encourage us to dream bigger and try harder. Indeed our outstanding commitment to excel in all that we do has even won us numerous national and international accolades.

Humbled by our success, we remain committed to deliver the best in-class service at all times, while making every effort to stay competitive, now and in the future. As always, taking a proactive stance, we will continue to realign our strategic focus in cognizance with emerging business trends, thereby delivering meaningful value to all our stakeholders. Moreover, I believe, our tireless pursuit of the most vibrant technologies would help us sustain a credible infrastructure platform to support the future growth of the company.

While technological superiority has traditionally been a key priority for us at Mobitel, operational excellence has emerged as a critical success factor amidst today's competitive commercial environment. As such, we will endeavour to uphold highest standards of governance, integrity, responsibility and accountability as the key pillars that define our operational code. Moving forward, we will leverage on our accomplishments and stay true to our core values, while embracing varying business paradigms in an attempt to build a sustainable business blueprint that would underpin the company's future in the years ahead.

Competition among the five key players in Sri Lanka's mobile operator market persisted during the year. Post imposition of floor pricing the competition has shifted to data and international services.

Moreover, responding to the growing demand for low cost mobile data services and more economical charges for international roaming, in 2013, mobile operators were seen making significant investments towards strengthening capacity and coverage, while the large mobile operators placed much emphasis on the expansion of LTE network.

> Business Review

Continuing from the trend established in the preceding year, 2013 also proved to be one of consistent growth for Mobitel (Pvt) Ltd (Mobitel). While strengthening core competencies was Mobitel's key focus for the year, the company continued to further enhance the robustness of the technology platform and support the development of the national ICT infrastructure. Meanwhile, the growing demand for multi-faceted mobile services underscored the company's broad strategic thrust to increase island-wide mobile broadband penetration levels, while augmenting the overall user experience.

Amidst saturating voice markets, current industry growth continues to be driven largely by data services, where emerging broadband and wireless technologies have catapulted the communication landscape into a new market realm, with video deemed to be the key contributor of future data growth. Moreover, as the exponential growth in smart devices continues to reshape the demand for broadband data services, mobile broadband has been identified as the key driver of growth. Prompted by this rationale, providing high data transfer rates and enhanced application services together with 3G and 4G LTE technologies would be required to support this growth momentum.

Accordingly, during 2013, Mobitel revisited the existing infrastructure and operational

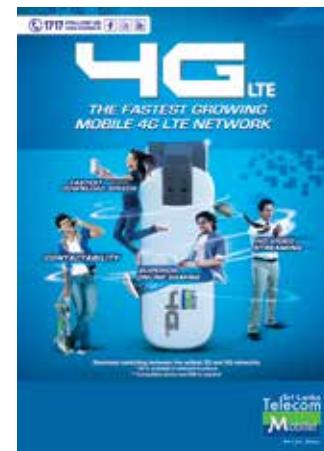
capabilities to assess the level of change deemed necessary to achieve the company's objectives and fulfill the growing demand for mobile data services. Led by a two-pronged approach to achieve the desired results, the company accelerated efforts to enhance network capabilities, while aggressively promoting greater broadband adoption among a larger cross section of users in Sri Lanka. Moreover, envisioning the need for a more dynamic service suite, the company sanctioned efforts to ensure greater affordability in mobile devices, parallel to creating more versatile product offerings equipped to fulfill diverse needs of the modern user.

> Improving Network Capabilities

By pursuing a strategy to improve network capabilities and coverage, Mobitel aspires to validate the GoSL's broader vision to transform Sri Lanka into a knowledge hub of Asia by 2016. In this context Mobitel has continued to invest in state-of-the-art technology together with a comprehensive network expansion agenda that aims to build a formidable network aligned to the national vision. Having already commenced initiatives to augment existing technology, the company proceeded to rollout technology upgrades that would fortify Mobitel's position as the frontrunner among Sri Lanka's mobile service operators. Key among them being the 4G LTE technology upgrade initiated in late 2012 backed by the power of its parent company,

SLT's extensive fibre network. The launch of this network forms a part of Mobitel's ongoing efforts to expand coverage and quality while advocating innovation that delivers the most advanced mobile internet experience for its customers. Adding a considerable boost to the company's network capacity, the enhanced capabilities of the 4G LTE upgrade is expected to herald a whole new dimension of connectivity, quality and speed. With these superior speeds customers can experience faster download speeds, smooth HD video streaming, superior online gaming, etc.

Enterprises and SMEs will also benefit tremendously from Mobitel's 4G LTE network due to the reliability and capability to generate higher average speeds despite accommodating a larger volume of traffic. By investing in Wi-Fi routers that support 4G LTE technology corporate customers would thus be able to fulfill their business data needs more cost effectively and efficiently than ever before.



The initial phase of the Stage VII network expansion is primarily focused on developing mobile network coverage in rural areas which will enable the general public with better access to telecommunication services.

With majority of the planned 4G LTE network upgrade completed by the first half of 2013, the major cities and towns covered include Colombo, Kandy, Jaffna, Galle, Hambantota, Matara, Kaluthara, Rathnapura, Nuwara Eliya, Negombo and Gampaha. Following the successful completion of Stage VII of the 4G LTE network upgrade, Mobitel received approval for the commercial launch of the technology in mid-2013 which led to the live activation of the technology.

Meanwhile, parallel to the 4G capacity extensions, during the year, the company also continued with efforts to grow Mobitel's 2G and 3G coverage across the island.

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> Addressing New Segments

With Sri Lanka's post-war development heightening the threshold for national growth, Mobitel astutely capitalized on a number of emerging opportunities in 2013, to augment the company's market reach vis-à-vis new customer segments. By targeting the right segment of customers with customized service offerings, Mobitel strives to unlock the potential in each of the markets, while generating sustainable value in support of the company's long term commercial aspirations.

To capitalize on the growth in the tourism industry, Mobitel introduced the In-Roamer packages in 2013. A tourist SIM Pack with a bundle offering of Voice, SMS and Data, the In-Roamer packages have an accompanying layered price structure that supports greater flexibility and convenience.

Among the other key segmented offerings introduced during the year is the Family Internet package which offers convenient, high speed Internet connectivity at home. A single package that provides multiple connectivity options, the Family Internet package includes a Wi-Fi router at a special discounted

price and offers a free child filtering facility to ensure safe surfing.

Two other notable additions were also made to the segmented offerings portfolio during the year, namely, the Prepaid Broadband plans that seek to drive greater broadband adoption and the Super Mega Plans aimed at increasing broadband consumption by high user segments.

Furthermore, in a bid to support the widespread use of low cost IDD, the IDD Card concept was extended to the entire island, following the initial launch of the product aimed at capturing the potential IDD market in the North & East regions of the country.

> New product innovation

New product innovation has always played a pivotal role in Mobitel's pursuit of competitive differentiation. Advocating the ubiquitous approach to innovation, Mobitel strives to develop distinctive products that extend beyond the scope of mainstream offerings. During 2013, the company launched a series of new innovations that elicits the next generation of mobile services and complements the desired mobility of modern lifestyles.



The Importance of Collaborative Business Partnerships and Platform Building

Given the potential number of emerging business opportunities, fostering collaborative partnerships has been a key focus area for Mobitel, in pursuing the company's business agenda. Consequently the strong emphasis on product innovation in 2013, prompted Mobitel to aggressively pursue platform building efforts to fulfill these objectives. Accordingly, while building on existing relationships, Mobitel sought to partner with both private sector and government institutions to deliver the measure of change required. The ensuing efforts resulted in a broad range of very successful initiatives that led groundbreaking new changes in the company's product offerings which would undoubtedly strengthen Mobitel's market position in Sri Lanka's mobile landscape, in the years ahead.

• Empowered Travel Solutions

In 2013, a collaborative effort between Mobitel and Sri Lanka Railways led to the extension of the mTicketing service to cover railway services across the country.



In addition to extending the coverage for the mTicketing service, in November 2013, the facility was further augmented with the introduction of the mWarrants, an innovative enhancement specifically introduced to enable state sector employees to purchase train tickets via their Mobitel enabled device by simply dialing 365. The hassle-free procedure allows mWarrant holders a 45-day window to plan their travel itinerary and reserve their train tickets accordingly. With 35,000 – 40,000 mWarrants currently being issued per month, the demand for the product is only expected to soar in the years ahead.

• **Mobile Cash Solutions**

True to Mobitel's credo of 'We Care. Always.', the company introduced yet another service that ideally complements the diverse lifestyles of today. Entitled 'mCash', the service is an initiative to deliver a nationwide Mobile Money service that will provide an unprecedented level of financial inclusion through the empowerment of millions of Sri Lankan citizens with electronic money transfer and payment facilities. mCash is a Central Bank approved supplementary mechanism for money transfers. Available to all postpaid and prepaid Mobitel customers, this facility can be activated by following a simple registration process. Thereafter, they are entitled to transfer money and use their mCash account at over 4,000 mCash merchant points across the country.

This innovative and user friendly service will enable customers to carry out a variety of transactions such as purchasing goods, settling utility bills and sending and receiving money, paying insurance premiums – offering them all-round greater convenience.



• **NFC -based Solutions**

In October 2013, Royal College, Colombo became the first school to implement the student iCard project in Sri Lanka. Endorsed by the Ministry of Education and the Ministry of Telecommunication and Information Technology, the iCard project works on ground-breaking NFC technology. It will initially be used to monitor students' attendance. Apart from this the iCard can also be used as a payment card to be utilised within the school premises including the canteen, bookshop and school bus etc. The multiple uses of the iCard concept underpins the versatility and enriched functionality of the NFC tools, as an ideal complement to

mobile services technology. An outcome of Mobitel's state-of-the art NFC infrastructure, the iCard initiative is a prominent NFC based solution designed by Mobitel, following the success of several other NFC based solutions such as NFC fuel card, NFC based patient smart-card system etc.

• **Learning Solutions**



The launch of student iCard project in October 2013 at Royal College, Colombo

Mobitel was appointed the official telecommunications partner for the Sri Lanka Model United Nations 2013 (SLMUN) conference in August 2013, a collaborative effort that brought together the future leaders of Sri Lanka and the region. The presence of international delegates made the conference an ideal platform for Mobitel to showcase Sri Lanka's future readiness in world-class ICT technologies by supporting the event in the capacity as the Official Telecommunications Partner.

Conference delegates were provided the opportunity to experience superior connectivity on Mobitel's 4G broadband network, parallel to Mobitel's mLearning technology, which allowed students and lecturers to connect to live, real-time virtual classrooms from anywhere in the world. Developed to facilitate an interactive mode of learning, the mLearning platform allows students to follow their curriculum from anywhere in the world, saving both time and money.

• **Integrating low-income communities**

In March 2013, Mobitel in partnership with the Open University of Sri Lanka (OUSL) launched a programme to promote mobile learning among rural women in farming communities. This new endeavour is a follow-through initiative of the Liyasara project launched by Mobitel in the previous year. The project is sponsored by the Commonwealth of Learning (COL) focuses on mobile learning methods aimed at uplifting the quality of life for women and their families in these farming communities,

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where all learning content at the workshops were disseminated through an Interactive Voice Response System activated by mobile technology.

- Mobile Gaming**

In the recent past, the mobile gaming has rapidly developed into one of the fastest growing trends across the globe, with mobile gaming testing the limits of conventional video gaming. Transcending age, gender, language and demographics the exponential growth of mobile gaming has completely altered customer perceptions, giving rise to a whole new dimension of entertainment.

As per the global trend, in Sri Lanka too, the advent of smart devices has catapulted mobile gaming to a whole new realm of entertainment that has swiftly captured the imagination of the consumer. In a bid to tap into the escalating mobile gaming market, Mobitel too engaged in an aggressive campaign to promote the concept among all postpaid, prepaid and broadband users, with particular focus on securing the youth segment in the country. Complemented by the ensuing high speed

capabilities of the 4G LTE network upgrade, Mobitel launched a series of promotions to popularize the mobile gaming in Sri Lanka coupled with a number of value added services. Efforts in 2013 included a number of gaming competitions aimed at delivering the latest trends to the broader island-wide audience. While promoting the company's product and services, the campaign predominantly focused on promoting Mobitel as the network of choice for Online Gaming in Sri Lanka.



Demonstration of online gaming using Mobitel 4G at Infotel 2013

Gaming competitions held in 2013

- Gaming Competition at Royal College held in December 2013
- Online gaming at Techno 2013 and Infotel 2013
- Gaming Competition at Liberty Plaza held in December 2013

> Extending reach through partnerships

- Extending the mTicketing platform to Sri Lankan Airlines**

In May 2013, Mobitel in partnership with the National Carrier, Sri Lankan Airlines pioneered country's first ever mobile air ticket reservation platform under the mTicketing umbrella. A groundbreaking endeavour that now offers Mobitel customers an end-to-end solution by affording them the opportunity to reserve airline tickets via their mobile phone.

- Hosting Google I/O Extended Colombo Conference**

Mobitel hosted the live-streaming of the Google I/O Extended Conference in Colombo at the Sri Lanka Foundation Institute in May 2013, yet another first for Sri Lanka. An event organized locally, for people who are unable to attend the live conference in San Francisco, the Google I/O Extended Colombo Conference enables developers from all over the world to attend local viewing parties hosted by Google offices, Google Developer Groups (GDGs), and student ambassadors.

- Vidunena eLearning project**

Partnering with Felidae, a leading provider of eLearning products and services in Sri Lanka, under the guidance of the Ministry of Education, Mobitel introduced a new-age educational support programme entitled "Vidunena" in June 2013. An eLearning initiative conceptualized and developed by Mobitel, the Vidunena initiative is deemed to be a catalyst, in creating the knowledge-based economy envisioned by the GoSL. Overcoming traditional classroom methods, the

Vidunena platform offers interactive video content and online resources that can be used by both the student and teacher.



The launch of Mobitel Vidunena eLearning project in June 2013

- **Business Solutions Forum for the SME/SOHO sector**

With the primary objective of popularising new business solutions to SME/SOHO sectors, Mobitel together with the parent company, SLT, launched The Business Solutions Forum for Small and Medium Enterprises (SME) across the country, in August 2013. While making inroads into the emerging business entities of the country remains the primary goal of this exercise, the programme agenda also followed a dual strategy aimed at developing the SME sector in Sri Lanka. Targeting a broad range of SME's, the first segment of the programme was appropriately themed 'Accelerating Your Business' and provided an insight into how Mobitel / SLT's products and solutions would help unlock the potential of an SME business. The sessions proved to be highly successful and were well patronized by a large number of SME's, represented by diverse sectors including banking, plantations, tourism, gemology and service related business.

The second segment of the agenda which saw Mobitel partnering with local business chambers and other commercial entities to conduct a series of workshops aimed at assisting SME/SOHOs to manage their business operation sessions more efficiently and effectively.

A special feature of the workshop included a session on optimizing electricity consumption to enhance profits. Moreover, these forums also afforded a platform for enterprise owners to enhance efficiency by experiencing Mobitel/SLT Solutions. The entire programme was also simultaneously webcasted live through Mobitel's mEvent platform, enabling it to be viewed via the website or on smartphones. Accordingly

a series of joint SME Forums were held in Ratnapura, Matara, Polonnaruwa, Kurunegala, Kandy, Anuradhapura, Jaffna, Hambantota, Galle, Negombo, Batticaloa, Vavuniya and Kilinochchi



SME/SOHO Forum held in Kandy in November 2013

- **e-Mobile Adz**

Mobitel tied up with the Associated Newspapers of Ceylon Limited (ANCL), a leading media house in the country, to offer 'e-Mobile Adz' a unique SMS-based system for placing classified advertisements in ANCL newspapers.

- **Value Innovations**

In the current environment of floor pricing, company has shifted its focus to embrace an innovative pricing strategy for alternative services particularly Broadband and International Services. Accordingly, a range of new products emerged in the broadband domain with Mobitel launching Time-based charging, Content-based charging and Usage-based charging plans. Time based charging allows users cost effective broadband access during off-peak hours, while Content based charging provides value bundles to access facebook, email and YouTube packages for extensive users of these specific applications.

Mobitel with its innovative pricing approach made International Roaming more affordable with the introduction of "Budget Roaming". This latest product uses a mechanism that converts an outbound roaming call into an incoming call, resulting in the call being charged as an incoming call to the person originating the call. This innovative mechanism led to users benefiting from a considerable reduction in roaming charges.

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> Promotions

Several promotions were conducted during the year to strengthen Mobitel's "Club Magnate" loyalty scheme and encourage greater usage. The key promotional activations for the year included the "Prepaid Cash Bonanza," a recharge promotion for Mobitel prepaid customers offering weekly prizes worth Rs. 20 Mn, including the opportunity to win cash prizes. Meanwhile, a range of seasonal offers were carried out to promote IDD usage during Avurudu and Ramazan. Moreover, Competitive Roaming rates were offered to selected destinations in Europe, the Middle East and Asia, while specific roaming campaigns launched to target events including the Hajj Roaming Campaign and the Canton Fair Roaming Campaign. In addition to the rate based promotional angle, Mobitel sought to encourage greater broadband adoption vis-à-vis attractive device offers together with innovative package deals to fulfill the needs of diverse customers.

Enriching the Customer Experience SLT and Mobitel open 'Experience' Centre at Liberty Plaza

Another trailblazing effort by Mobitel and SLT that led to the commissioning of a state-of-the-art teleshop at the Liberty Plaza shopping mall in the heart of Colombo. Mobitel's device-centric customer experience will equip this teleshop with top-of-the-line amenities to cater to their loyal customer base. Conceptualized along a gadget-rich theme, the outlet follows a highly device oriented visual appeal, indeed it is an experience centre where customers receive a first-hand experience of the latest smartphones, tabs and latest data devices released to the market. Furnished with a comfortable seating area dedicated to gaming, the shop offers customers the opportunity to try their hand at the latest games released. In addition to conveniently being located at Liberty Plaza, this experience centre gives visitors the chance to interact with SLT's high speed broadband service and wireless capabilities on their smartphones and tablets. To create an even better experience for their customers within the teleshop, SLT will be providing an experience hub equipped with Wi-Fi technology. Moreover, the shop will also feature a service centre that will cater to the mainstream requirements of both Mobitel and SLT customers alike.

Meanwhile, the ensuing business synergies that arise from this collaborative effort widely complement the customer focus of each company while rewarding increased productivity within Mobitel and SLT respectively.

> Financial Review

Amidst operating in an industry confronted with intense competition, Mobitel recorded a growth in performance during Financial Year 2013 with the highest reported post-tax profits of Rs.2.44 billion in company history. This profit was achieved as a combined result of 10% growth in revenue over previous year duly complemented by cost efficiencies obtained through a well-managed cost structure.

In an already saturated voice market, Mobitel was able to capture a significant share of voice subscribers amidst intense competition while making inroads to mobile broadband segment which is the current growth force in the infocomm industry. Thus in 2013 company was able to consolidate its position further with its subscriber base surpassing 5 million mark. Apart from voice services, data as well as value added services contributed towards the growth in revenue. Significant growth in data services is evident with increase in usage as well as increase in adoption which is gradually shifting towards smartphones.

Amidst operating in an industry confronted with intense competition, Mobitel recorded a growth in performance during Financial Year 2013 with the highest reported post-tax profits of Rs.2.44 billion in company history.

Mobitel's 10% double digit revenue growth for fiscal year 2013, when interpreting in absolute terms is an increase by Rs.2.55 billion. The sales turnover was recorded as Rs. 27.48 billion in 2013 compared to Rs.24.93 billion in 2012. A similar growth trend continues across the company's profitability indicators EBITDA growing by 11% to cross Rs. 9 billion mark and EBIT growing by 12% to cross Rs. 3.5 billion mark while EBITDA margin for the year 2013 stands healthy at 33%. The strong growth in EBITDA and EBIT can be attributed to prudent cost management initiatives coupled with measures to enhance productivity. As a result of healthy EBITDA coupled with sound cost management initiatives, the cash flow from operations almost reached 10 billion which is an increase by 9%.

The growth in EBITDA also contributed to a Net Profit growth of 114% over previous year. In absolute terms, in 2013 Mobitel reported an After Tax Profit of Rs.2.44 billion as against Rs.1.14 billion in financial year 2012. The 2013 profit was achieved after incurring a depreciation charge of Rs.5.5 billion, 10% higher when compared to financial year 2012, and also higher interest costs compared to the same period. Higher depreciation and interest costs are attributed to the new investments in technology and network expansion during the year. The sharp increase in profitability is also attributable to optimum asset utilization, increased productivity and relatively stable

macro environment that prevailed during the year 2013. It is noteworthy that the profits of 2012 were significantly affected by the depreciation of the rupee during that year which eroded profits. Although there was a devaluation of the rupee in 2013 as well it was marginal thus profits not as affected as in 2012.

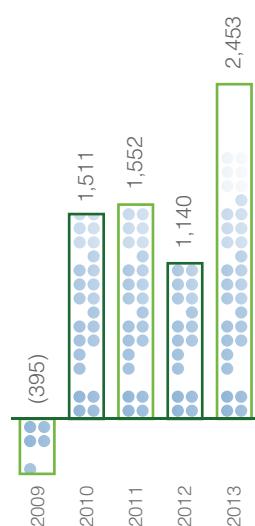
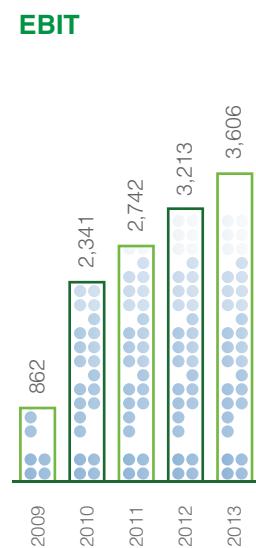
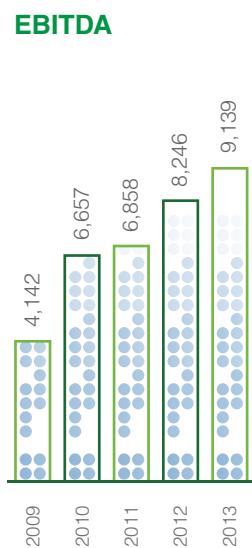
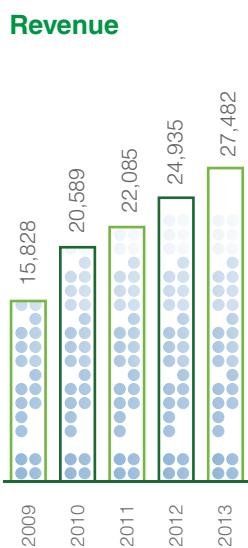
Despite pressures such as the growing intensity in competition and the rapid industry changes that are negatively affecting the company, couldn't deny Mobitel from achieving a strong profitable growth during the year under review.

> Nurturing a dynamic team

Mobitel remains committed to develop a dynamic, motivated workforce by creating an environment where all company employees are inspired to discover their full potential both professionally and personally. As such, human resource development is a key priority at Mobitel. Being an equal opportunity employer, Mobitel makes every effort to promote equality and diversity.



Extensive training in 2013 as a commitment to develop empowered individuals in the organization



Management discussion & analysis

Mobitel (Pvt) Ltd - Operational Review for 2013

> Case Study

Mobitel's environmental conservation efforts at base stations

The fundamental infrastructure support network for any mobile operator, base stations are the primary enabler of the mobile services business. Facilitating the core access platform, each of these relay stations performs a key role in enabling mobile connectivity between ports. Hence the process of commissioning a base station is a particularly challenging exercise. Such an endeavour cannot be regarded purely on financial viability alone, but more importantly should be viewed as a strategic assessment to identify the broader environmental implications likely to result from such a move. Thus Mobitel strictly adheres to all guidelines set out by the Ministry of Environment and other relevant authorities when commissioning base stations.

Energy conservation

As energy costs continue to mount, many companies are faced with escalating operational costs which continue to erode their bottom line. For mobile operators, the situation is particularly grave, as many scramble to expand their network coverage leading to an insatiable demand for energy. Consequently, the exponential demand for energy together with the sharp increases in prices in the recent past have resulted in energy costs continuing to dominate an even larger chunk operating expenses.

Aware of the dire consequences of such uncontrolled cost escalations, Mobitel has taken proactive steps to mitigate and control the usage of energy, particularly at all of the company's base stations. With radio frequency units consuming the most amount of energy at a base station, Mobitel has eased away from the conventional Dual Carrier Radio Frequency Units (DRFU) in favour of the more energy efficient Multimode Radio Frequency Units (MRFU) technology. Developed using state of the art technology, MRFU's would reduce energy bills by as much as 50%, despite supporting a higher load. Introducing this technology would undoubtedly lead to greater operational efficiencies while also resulting in an automatic reduction in the carbon footprint of each station.

Further efforts to stem the company's energy bill, has prompted Mobitel to deploy outdoor base stations, which do not require stand-alone air conditioning systems for cooling requirements. These efforts are expected to translate into an estimated 25% saving on the overall energy bill.

"Camouflage" Towers

Underscoring the growing importance of eco-friendly construction, Mobitel recently introduced "Camouflage" towers, in bid to integrate tower structures with the surrounding environment. By seamlessly integrating with the surrounding environment, these "Green" towers perform its functional purpose while being aesthetically pleasing.

Corporate Social Responsibility (CSR)

The underlying ideology behind Mobitel's multifarious approach to CSR, demonstrates the commitment to deliver sustainable development to a broader cross section of the population in cognizance with the national development agenda. Accordingly, dictated by Mobitel's CSR proclamation the company's efforts in this regard aim to transmit meaningful change that would have positive social manifestations for society as a whole.

Making all Mobitel branches differently-abled friendly



Mobitel renovated all its branch offices making them accessible to the differently-abled. Mobitel also introduced a dedicated team that will visit differently-abled customers on request to meet their communication needs. For those who are unable to visit the branches a special, personalized service is on offer. This entails the doorstep services of a Mobitel Customer Care Executive. Offered via registration, these services range from SIM card replacements to new connections, service activations and many more.

Mobitel launches project aimed at uplifting the local healthcare sector: mPHI



'mPHI', a project designed by Mobitel together with the corporation of the Sabaragamuwa Provincial Health Ministry is one that aims to uplift the efficiency and quality of the country's healthcare sector. Launched initially as a pilot project in the Kegalle district, mPHI includes two solutions: the implementation of an ICT platform for communicable diseases management – this will be used by Public Health Inspectors attached to the Sabaragamuwa Provincial Ministry of Health. The other solution introduced under mPHI is a NFC-based patient smart card system which will be initially used at the Kegalle District Hospital. Both solutions designed by Mobitel are a first for the industry.

Aamaduwa Beacon Lamp project



The Ceylon Fisheries Corporation (CFC) was able to set up a Solar Beacon Lamp at the Amaduwa fish landing centre in Hambantota with the assistance of Mobitel. Through Mobitel's donation, 400 fishing families would benefit, as will 125 fishing boats.

CMC and Mobitel launch NTU-designed Social Media system for Dengue surveillance and communication



The Colombo Municipal Council's Public Health Department along with Sri Lanka Telecom Mobitel, the Nanyang Technological University, Singapore (NTU) and the University of Colombo School of Computing (UCSC) launched a cutting-edge system titled 'Mo-Buzz' – aimed at Dengue prevention in and around Colombo.

Developed by NTU's researchers, this system can potentially predict Dengue outbreaks weeks in advance and enables citizens to help health authorities monitor the spread of Dengue in real time using smartphones. Mo-Buzz is the first of its kind in the world to use crowd-sourcing for Dengue surveillance.

mChannelling



mChannelling in Government hospitals was implemented jointly by the ICT Agency of Sri Lanka and Mobitel at the Dompe District Hospital. This facility could be availed of at the Dompe District Hospital by calling 0711370370. Subsequently once the given steps are followed the patient will be automatically informed through an SMS the time he could visit the physician concerned.

Awards

Sri Lanka Telecom



> **SLT solidified its commitment to business excellence in 2013, with a number of institutions bestowing SLT with awards, recognitions and certifications. These included the following:**

- ISO 9001:2008 certification by SLSI for Quality Management System
- SLT was ranked by Business Today among the Top 10 of Sri Lanka's Business Today Top Twenty
- SLT was ranked by LMD among the Top 20 of Sri Lanka's Most Respected Entities and among the Top 10 of the LMD 100
- ISO/IEC 27001:2005 certification for SLT Information Security Standard by BUREAU VERITAS
- Merit certificate at the Sri Lanka National Energy Efficiency Award and Renewable Energy
- Recognition for commitment to environment protection by the Central Environmental Authority
- Gold award in the Telecommunication Sector at the ICASL Annual Report Awards 2013
- SLT Annual Report wins two Awards at the prestigious SAFA Awards
- Merit award at the National Project Management Excellence Awards organized by the Project Management Institute
- SLT Manpower Solutions Pvt Ltd was awarded for Excellence in HR Through Technology at the Global HR Excellence Award organized by the Institute of Public Enterprise (IPE), the premier Business school in Hyderabad
- SLT PEO TV received the Bronze Award for the Innovative Brand of the Year at the SLIM Brand Excellence Awards 2013 organized by the Sri Lanka Institute of Marketing

Mobitel



> Service Brand of the Year Award at SLIM Brand Excellence 2013

Reaffirming the commitment to customers through efforts to create a knowledge rich society vis-à-vis innovative product and service offerings earned Mobitel the prestigious 'Service Brand of the Year' Award at the 12th SLIM Brand Excellence 2013 held in October.

The 'Service Brand of the Year' award is judged on: overall brand health and brand equity, brand process in terms of brand strategy and brand performance in overall growth of market share and revenue.

> 5S JASTECA award

Mobitel was the proud winner of prestigious 'Taiki Akimoto 5S Award' and 'Best 5S Implementation in the Telecommunications Sector (Large Category) Award'; at the annual Japan Sri Lanka Technical and Cultural Association (JASTECA) Awards.

Mobitel was awarded the overall winner of two of the most prestigious awards in addition to three Merit Awards and two Certificates of Compliance won by Mobitel's regional offices across the country.

Several other awards were won during the year which is listed below;

- Best Project Award 2013 at National Project Management Excellence (NPME) Awards 2013
- Gold Award for the Best Demonstration at Techno 2013
- "Liyasara" Nominated for Global Mobile Award

GRI index

G3.1 Content Index - GRI Application Level C

» STANDARD DISCLOSURES PART I: Profile Disclosures

1. Strategy and Analysis

Profile Disclosure	Disclosure	Response/Location of disclosure
1.1	Statement from the most senior decision-maker of the organisation.	Pg 12 - 15

2. Organisational Profile

2.1	Name of the organisation.	Pg 116
2.2	Primary brands, products, and/or services.	Pg 54
2.3	Operational structure of the organisation	Pg 101
2.4	Location of organisation's headquarters.	IBC
2.5	Number of countries where the organisation operates	Sri Lanka
2.6	Nature of ownership and legal form.	Pg 116
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Pg 53 - 54
2.8	Scale of the reporting organisation.	Pg 116
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	No significant changes
2.10	Awards received in the reporting period.	Pg 90

3. Report Parameters

3.1	Reporting period	1st January to 31 December 2013
3.2	Date of most recent previous report	February 2013
3.3	Reporting cycle	Annual
3.4	Contact point for questions regarding the report	Pg 34 or Mr. Lal Ranjith - CCO (sklal@slt.com.lk)
3.5	Process for defining report content.	Pg 35
3.6	Boundary of the report	Pg 34
3.7	Any specific limitations on the scope or boundary of the report	Pg 34
3.8	Basis for reporting on joint ventures, subsidiaries, etc	Pg 34
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	No significant changes
3.12	Table identifying location of Standard Disclosures	Pg 92

4. Governance, Commitments, and Engagement

4.1	Governance structure of the organisation	Pg 101
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Pg 100
4.3	The number and gender of Board members and their roles (independent and/or non-executive)	Pg 100
4.4	Mechanisms for shareholders and employees to provide recommendations to Board	Pg 104
4.14	List of stakeholder groups engaged by the organisation.	Pg 38
4.15	Basis for identification and selection of stakeholders with whom to engage.	Pg 35

Indicator	Disclosure	Location of disclosure
» STANDARD DISCLOSURES PART III: Performance Indicators		
> Economic		
Economic performance		
EC1	Direct economic value generated and distributed	Pg 51
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change. ``	Pg 64
EC3	Coverage of the organisation's defined benefit plan obligations.	-
EC4	Significant financial assistance received from government.	-
Market presence		
EC5	Range of ratios of standard entry level wage by gender	Pg 68
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	-
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	-
Indirect economic impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	Pg 76 & 77
EC9	Understanding and describing significant indirect economic impacts	Pg 76
> Environmental		
Materials		
EN1	Materials used by weight or volume.	-
EN2	Percentage of materials used that are recycled input materials.	-
Energy		
EN3	Direct energy consumption by primary energy source.	Pg 68
EN4	Indirect energy consumption by primary source.	-
EN5	Energy saved due to conservation and efficiency improvements.	Pg 65
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and resultant reductions in energy requirements	Pg 67
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Pg 64 - 67
Water		
EN8	Total water withdrawal by source.	-
EN9	Water sources significantly affected by withdrawal of water.	-
EN10	Percentage and total volume of water recycled and reused.	-
Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	N/A
EN12	Description of significant impacts of activities, products, and services on biodiversity	N/A
EN13	Habitats protected or restored.	N/A
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	N/A
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A
Emissions, effluents and waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	-
EN17	Other relevant indirect greenhouse gas emissions by weight.	-
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Pg 67
EN19	Emissions of ozone-depleting substances by weight.	-

GRI index

Indicator	Disclosure	Location of disclosure
EN20	NOx, SOx, and other significant air emissions by type and weight.	-
EN21	Total water discharge by quality and destination.	-
EN22	Total weight of waste by type and disposal method.	-
EN23	Total number and volume of significant spills.	N/A
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	N/A
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	N/A
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Pg 65
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	N/A
Compliance		
EN28	Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations.	No fines or sanctions imposed
Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	-
Overall		
EN30	Total environmental protection expenditures and investments by type.	-
> Social: Labour Practices and Decent Work		
Employment		
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Pg 68
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Pg 68
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Pg 68
LA15	Return to work and retention rates after parental leave, by gender.	Pg 70
Labour/management relations		
LA4	Percentage of employees covered by collective bargaining agreements.	Pg 70
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Pg 70
Occupational health and safety		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	Pg 70

Indicator	Disclosure	Location of disclosure
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	-
LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	Pg 72
LA9	Health and safety topics covered in formal agreements with trade unions.	Pg 72
Training and education		
LA10	Average hours of training per year per employee by gender, and by employee category.	Pg 74
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Pg 74
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Pg 73
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Pg 100
Equal remuneration for women and men		
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Pg 68
> Social: Human Rights		
Investment and procurement practices		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Pg 70
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening	Pg 70
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations	Pg 70
Non-discrimination		
HR4	Total number of incidents of discrimination and actions taken.	Pg 70
Freedom of association and collective bargaining		
HR5	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	No such operations/suppliers identified
Child labour		
HR6	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	We adhere to ILO principles on child labour. No violations were reported.
Forced and compulsory labour		
HR7	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	No such operations or suppliers identified.
Security practices		
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	Pg 70

GRI index

Indicator	Disclosure	Location of disclosure
Indigenous rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	No such violations.
Assessment		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Pg 70
Remediation		
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	No such grievances filed.
> Social: Society		
Local communities		
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	-
SO9	Operations with significant potential or actual negative impacts on local communities.	-
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Pg 75
Corruption		
SO2	Percentage and total number of business units analysed for risks related to corruption.	100%
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	100%
SO4	Actions taken in response to incidents of corruption.	-
Public policy		
SO5	Public policy positions and participation in public policy development and lobbying.	Pg 75
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	-
Anti-competitive behavior		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	-
Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	No such fines.

Indicator	Disclosure	Location of disclosure
> Social: Product Responsibility		
Customer health and safety		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Pg 78 - 79
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	No such incidents reported.
Product and service labelling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Pg 79
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	-
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Pg 79
Marketing communications		
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Pg 79
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.	No such incidents reported.
Customer privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Pg 79
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	-

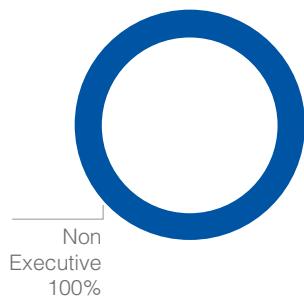
Corporate governance

Sri Lanka Telecom and its Board of Directors whilst driving its service excellence, product superiority, and network access to thousands of customers is committed to the highest standards of governance designed to protect the interests of all stakeholders while promoting integrity, transparency and accountability.

SLT ensures that the company is in compliance with applicable legal and regulatory requirements including:

- meeting the requirements of the listing rules of the Colombo Stock Exchange (CSE)
- the Companies Act of 2007
- the Code of best practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) of Sri Lanka
- all other applicable laws.

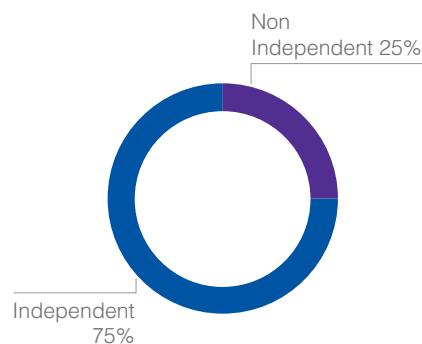
**Board Composition:
Executive Vs. Non Executive**



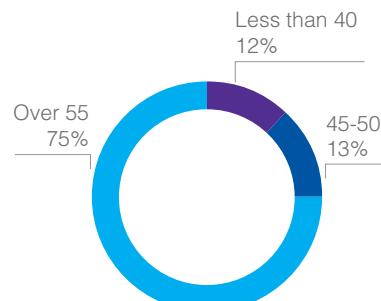
> The Board of Directors

As at the last Annual General Meeting (AGM) of SLT, held on 24th April 2013, the Board consisted of 9 Directors comprising of all non-executive Directors (NED) of which 7 were Independent Directors.

**Board Composition:
Percentage of Independent
Directors amongst
Non Executive Directors**



**Board Composition by
age Group**



We are committed to operating in accordance with best practices in business integrity and ethics and maintaining the highest standards of financial reporting and corporate governance. We continue to refine our governance framework, and ensure that our Board remains a diverse body with the right skills to provide strong and effective leadership for Sri Lanka Telecom.

As at 31 December 2013, the Board consists of 8 directors due to the resignation of Mr. Sandip Das as at 24 April 2013. No new appointments have been made to the Board during the financial year ending 31 December 2013.

> Duties of the Board and Delegation of Authority



In addition to the duties mentioned above, the Board also annually reviews the company's forecasted budget, actual performance against budgets on a regular basis and discusses and recommends action as necessary.

Corporate governance

> Meeting Attendance

Board Member	Status	The attendance of the meetings						Nomination Committee
		Board Meetings	Audit Committee Meetings (AC)	Remuneration Committee Meetings (RC)	Technology Sub Committee Meetings (TSC)	Senior Tender Board Meetings (STB)		
Mr. Nimal Welgama - Chairman	NED/ID	7	-	-	-	-	-	-
Mr. Sandip Das ¹	NED/ID	1	1	-	-	-	-	-
Mr. Chan Chee Beng	NED	6	6	-	-	-	-	-
Mr. Jeffrey Jay Blatt	NED/ID	7	-	1	7	7	1	
Mr. Jayantha Dharmadasa*	NED/ID	3	5	1	-	-	-	1
Mr. Shameendra Rajapakse**	NED/ID	7	-	-	3	7	-	
Mr. Kalinga Indatissa***	NED/ID	5	5	-	-	2	-	
Mr. Lawrence Michael Paratz****	NED/ID	7	-	-	7	7	-	
Ms. Pushpa Wellappili	NED	6	6	-	-	-	-	

¹Resigned as at 24 April 2013

*Chair-Remuneration Committee and Nomination Committee ** Chair-Senior Tender Board ***Chair – Audit Committee ****Chair-Technology Sub Committee

NED: Non Executive Director; ID: Independent Director.

Note: Profiles of all the Board of Directors detailing their areas of expertise are included separately in this Annual Report.

As indicated in the table above, all Board members and subcommittee members allocate adequate time to their duties, where the Board met a total of 7 times in 2013. Board meetings were held every other month with one additional meeting held in between during the year. In order for the Board members to have sufficient time to prepare for Board meetings and request for any clarifications or any additional material, Board papers are generally prepared and delivered to each Board member at least 7 days in advance.

The Committee members too spent adequate time discharging their duties in their respective sub committees with the Audit Committee meeting 7 times, the Remuneration committee meeting once, the TSC and STB meeting 7 times each during 2013.

Board members are kept informed of competitor and market challenges locally when appropriate. The Board is also encouraged to seek independent professional advice when necessary, at the Company's expense and also have access to the Company Secretary to obtain advice and services when needed.

> Independence of Directors

The independence of the Board of Directors has been determined in accordance with the requirements of the CSE Listing Rules. Accordingly, the 7 independent non-executive members have submitted signed confirmations of their independence.

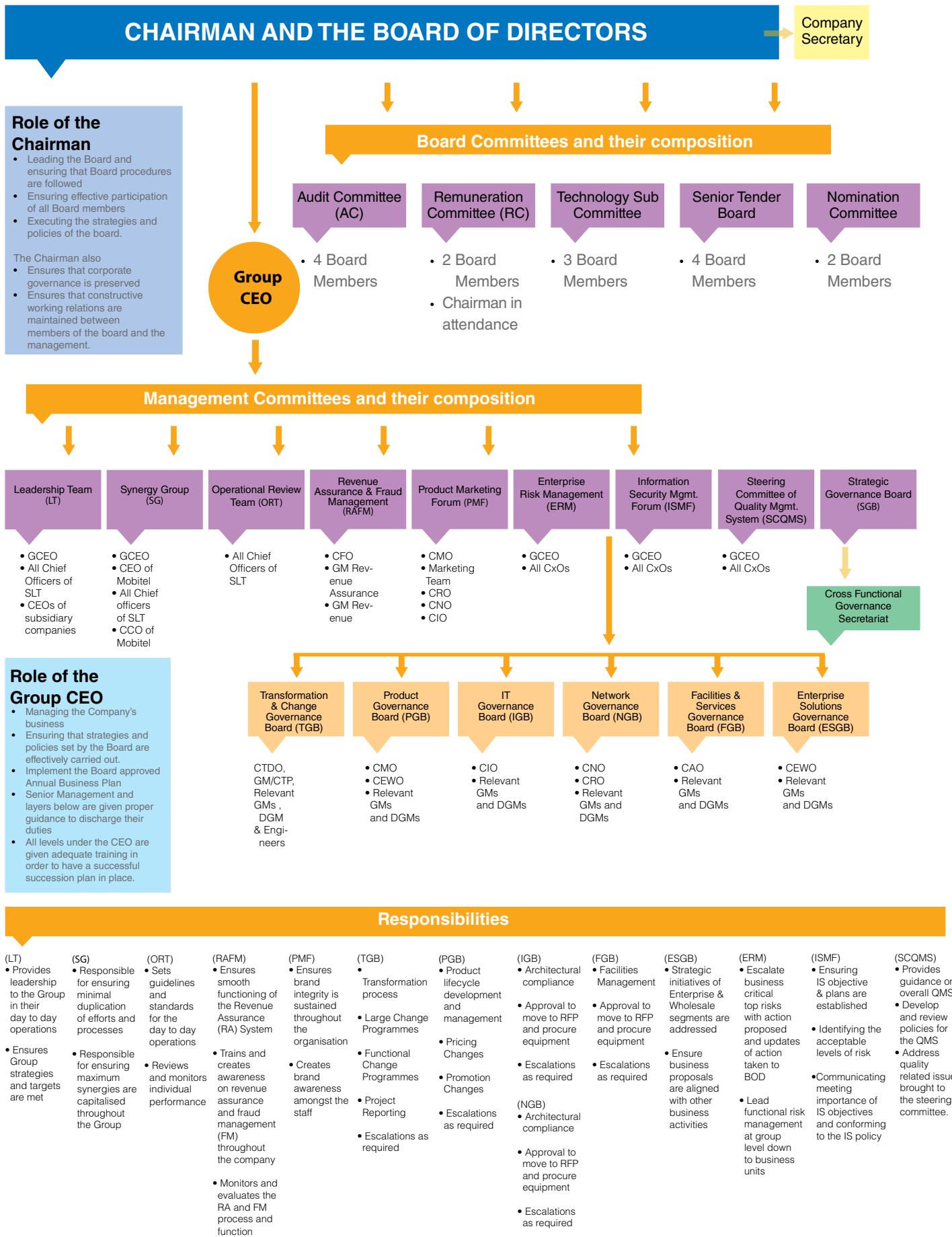
> Role of the Chairman

In keeping with recommended best practices, the Chairman of SLT is non-executive and is responsible for leading the Board. He ensures that Board procedures are followed, all

Board members effectively participate during meetings and that strategies and policies of the board are duly executed.

The Chairman also ensures that the Board, SLT and the subsidiaries all preserve the corporate governance requirements and that constructive working relations are maintained between members of the Board and the senior management team.

Delegation of Authority



Corporate governance

> Delegation to Board Members

The Board has delegated certain functions and duties to sub committees that comprise of Board Members and others as necessary.

> Audit Committee (AC)

The Audit Committee comprises of 4 NEDs of which 2 are Independent with one member being a fellow of the Institute of Chartered Accountants of England and Wales. The CEO, Chief Internal Auditor (CIA) and the Chief Financial Officer (CFO) attend meetings of the AC regularly. The report of the AC is given separately in this Annual Report detailing the functions and duties of the Committee and the specific objectives met during the current financial year.

> Internal Controls

The Board through delegation to the Audit Committee ensures that the Company maintains a sound system of internal controls to safeguard investments and Company assets. Therefore, the Audit Committee conducts a review of the effectiveness of the Company's system of internal controls.

> Remuneration Committee (RC)

The Remuneration Committee of SLT comprises of 2 NEDs who are also Independent Directors with the Chairman of the Board in attendance during RC meetings. The RC is responsible for ensuring that the Company's remuneration

policies are adequate to attract and retain top talent. The RC is also responsible for recommending the remuneration of the Group CEO. The aggregated remuneration of Board of Directors and the Senior Management team are disclosed in the Notes to the Financial Statements.

The Remuneration Committee meets formerly once a year. The Chairman and the Chief Executive Officer of the Group participates at meetings of the Remuneration Committee by invitation.

The Committee will continue in the future to ensure that a competitive and well-balanced package is maintained in line with the competitive pressure in the information and communication technology industry

> Nomination Committee (NC)

The Nomination Committee of SLT comprises of 2 NEDs that are also Independent Directors with the Chairman of the Board in attendance during NC meetings. The NC is to assist the Board in fulfilling its corporate governance responsibilities in regards to succession of the senior manager level and the Chief Executive Officers for SLT and its subsidiaries.

> Technology Sub Committee (TSC)

The TSC comprising of 3 NEDs with technical expertise are assigned with the task of studying available technology and providing a platform

for engaging in intense technical discussions and looking at roadmaps with a long term perspective.

Therefore the 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, existence and appropriateness of processes, planned and achieved Network performance and methods of assessment and the Company's technology, people and skill plans and their implementation.

Senior management team members, Key management personnel, CEO and senior management team members of 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 other subsidiary companies too are invited to attend meetings.

> Senior Tender Board (STB)

The Senior Tender Board (STB), comprises of 7 members including 4 NED that are also independent directors. The other three members: the CEO, the CFO and the Chief Corporate Officer (CCO) are appointed by the Board to review the Group procurement needs.

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 Senior Tender Board has delegated the approval limits of procurement as follows:

Delegated Authority	Approval Limits
Board of Directors	> Rs. 50 Mn
Senior Tender Board	Rs. 25 Mn – Rs. 50Mn
Junior Tender Board	< Rs. 25 Mn

Note: Junior Tender Board comprises of the Chief Transformation and Development Officer, General Manager-Legal, General Manager-Financial Planning & Investor Relations, General Manager-Revenue Assurance.

In addition, a technical evaluation team and commercial evaluation team carry out technical and commercial evaluations of projects respectively.

> Delegation to the Group Chief Executive Officer (GCEO)

At SLT, the roles of the Chairman and CEO are separated and the Board has delegated authority to the Group CEO over the day to day management of the Company and their respective operations by the Articles of Association of the Company. The CEO is responsible for delivering services according to the strategic plan, within the policies and budgets approved by the Board.

The GCEO is also responsible for guiding the senior management team and other key management personnel of the company to discharge their duties and for ensuring that all staff members are given adequate training in order to have a successful succession plan in place.

The GCEO is also responsible for overseeing the affairs and management of all subsidiary Companies with the exception of Mobitel and all CEOs are required to liaise with the GCEO in order to maintain synergy within the SLT group.

> Delegation to Management Committee Teams

The Management Committee Teams comprising of senior management, key management personnel and others as required provide strategic planning and guidance for day to day operations of the company.

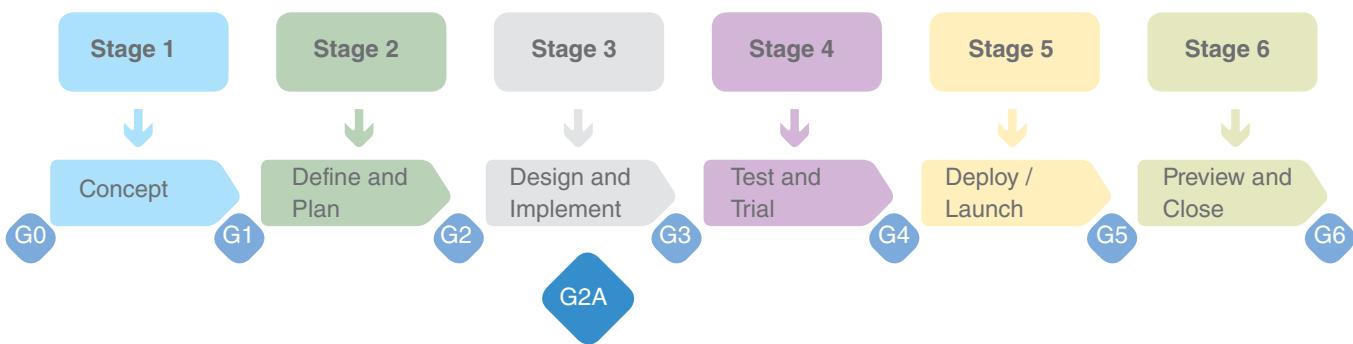
Leadership Team	<ul style="list-style-type: none"> Provides leadership to the group in their day to day operations Ensures group strategies and targets are met
Synergy Group	<ul style="list-style-type: none"> Ensures minimal duplication of efforts and processes throughout the group Ensures maximum synergies are capitalised throughout the group
Operational Review Team	<ul style="list-style-type: none"> Sets guidelines and standards for the day to day operations Reviews and monitors individual performance
Revenue Assurance Team	<ul style="list-style-type: none"> Trains and creates awareness on Revenue Assurance (RA) and Fraud Management (FM) throughout the company Monitors and evaluates the RA and FM process and function
Product Marketing Forum	<ul style="list-style-type: none"> Ensures that brand integrity is sustained throughout the organisation Creates brand awareness amongst staff

The introduction of six cross functional governance boards have increased efficiencies when introducing processes, projects or investments by eliminating common bottlenecks associated with introducing and implementing new programmes. The creation of SGB has also reduced the investment risk for the company due to the introduction of a structured and controlled project delivery mechanism such as methodical evaluation of new projects or programmes and post evaluations of them in order to allocate resources only to those projects that meet the strategic objectives of the company.

Governance Boards process as shown below involves a Stage-Gate process, consisting of six stages during which a project is progressively taken from conception through to review and close. There are eight gates of review where the first seven presents an opportunity for the Governance Board to assess whether or not to allocate further resources to the project and the last gate to allow review of the success of the project

> Strategic Governance Board (SGB)

Strategic Governance Board comprising of the CEO 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.



Corporate governance

The six cross functional governance boards are:

Transformation and Change Governance Board	<ul style="list-style-type: none"> • Transformation process • Large change programmes • Functional change programmes • Project reporting • Escalating as required 	> Re-Election of Board Members
Product Governance Board	<ul style="list-style-type: none"> • Product life cycle • Pricing changes • Promotion changes • Escalating as required 	Except for the Chairman or the CEO if appointed a director, one third of the other directors are required to stand for retirement by rotation at least once in three years in conforming to the Company's Articles of Association. Retiring Directors are subject to re-election by shareholders at the Annual General Meeting (AGM). All newly appointed Directors including the Chairman of the Board are subject to election by shareholders at the very next AGM after their appointment.
IT Governance Board	<ul style="list-style-type: none"> • Architectural compliance • Approval to move to RFP • Procure equipment • Escalating as required 	All members that are up for re-election at the next AGM are listed on the Notice of Meeting given separately in this Annual Report.
Network Governance Board	<ul style="list-style-type: none"> • Architectural compliance • Approval to move to RFP • Procure equipment • Escalating as required 	> Appraisal of the Chief Executive Officer
Facilities and Services Governance Board	<ul style="list-style-type: none"> • Facilities management • Approval to move to RFP • Procure equipment • Escalating as required 	The Board has periodic discussions with the CEO on the performance of the short, medium and long-term objectives of the Company including financial and non financial indicators.
Enterprise Solutions Governance Board	<ul style="list-style-type: none"> • Strategic initiatives of Enterprise & Wholesale segments to ensure business proposals are aligned with other business activities. 	> Investor Relations and Communications to Shareholders

> Appraisal of Board Performance

Though there is no formal process to appraise the performance of the SLT Board, the Board members under the guidance of the Chairman ensure that their responsibilities and duties are carried out as required. Therefore, the Board members individually and the Board as a whole, contribute adequate time to discharge their duties satisfactorily.

The SLT Board uses the AGM, press releases and releases to the CSE to communicate with its shareholders. SLT ensures that the notice of the AGM along with the Annual Report

containing the performance of the Company are delivered to the shareholders at least 15 working days prior to the scheduled meeting. The Chairman of the Board ensures that the Chairs of each subcommittee especially that of the Audit Committee and the Remuneration Committee are present at the AGM to provide necessary information if requested by shareholders. The Investor Relations Division of SLT and the Company Secretary are designated as contact points for shareholders, statutory bodies, media and others.

> Company Secretary

The Company Secretary ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also liaises with the CSE on all of the Company's communications. The Company Secretary also is responsible for announcing the AGM and any EGMs to the Shareholders and for accurate recording of proxy voting and is available to answer any queries on statutory requirements. Any decisions on the removal of the Company Secretary is within the Board.

> Major Transactions

The Board of Directors, as required by the Companies Act, has been disclosing 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 2013.

> Related Party Transactions

All related parties defined as a person or a close member of that person's family related to SLT that has control or joint control over SLT; has significant influence over SLT; or is a member of the key management personnel of SLT have submitted signed and dated declarations quarterly.

Similarly, an entity that is related to SLT by virtue of being in the same Group as SLT, or an associate or joint venture of the entity or an associate or joint venture of a member of a group of which the other entity is a member, or both entities are joint ventures of the same third party, or one entity is a joint venture of a third entity and the other entity is an associate of the third

entity or the entity has a post-employment benefit plan for the benefit of employees of either SLT or an entity related to SLT or the entity is controlled or jointly controlled by a person identified in the above paragraph have submitted signed and dated declarations quarterly.

All related party transactions whether it is a transfer of resources, services or obligations between SLT and a related party, regardless of whether a price is charged are disclosed in the notes to the financial statements. A copy of the related party transactions are kept with the Company Secretary and have been disclosed as required and the Audit Committee on a regular basis has presented to the Board all identified related parties and their transactions.

> Whistleblowing Policy

Whistle blowing policy was introduced to SLT in 2012 with the objective of providing employees an avenue to raise concerns and define ways to handle these concerns; enabling management to be informed about acts of misconduct at an early stage; reassuring employees that they will be protected from punishment or unfair treatment for disclosing concerns in good faith in accordance with this policy and helping to develop a culture of openness, accountability and integrity throughout SLT.

This policy therefore, encourages employees to come forward about any concerns related to any suspected misconduct or any breach or suspected breach of law or regulation that may adversely affect SLT.

> Outlook

As a giant ICT provider that keeps ahead of industry standards and uses global best practices, SLT and its Board will review the revised 2013 Code of best practice on Corporate Governance issued jointly by the ICASL and the SEC to ensure that we meet the standards expected of us. We will constantly explore ways to enhance our transparency in all decisions made. We will intelligently evolve by capturing the concerns and complaints of our stakeholders and incorporating them in to the governance process at SLT.

Corporate governance

CSE Requirements Check list for Corporate Governance			
Rule No.	Subject	Applicable requirement	Compliance Status
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	✓
7.10.2(b)	Independent Directors	Each NED should submit a declaration of independence	✓
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs Names of IDs should be disclosed in the Annual Report (AR)	✓ ✓
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	✓
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	✓
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	N/A
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria	✓
7.10.5	Remuneration Committee (RC)	A listed company shall have a RC	✓
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of NEDs, a majority of whom will be independent	✓
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of the Chief Executive Officer (CEO) and EDs	✓
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to EDs and NEDs	✓ ✓ ✓
7.10.6	Audit Committee (AC)	The Company shall have an AC	✓

CSE Requirements Check list for Corporate Governance			
7.10.6(a)	Composition of Audit Committee	<p>Shall comprise of NEDs a majority of whom will be Independent</p> <p>A NED shall be appointed as the Chairman of the Committee</p> <p>CEO and Chief Financial Officer (CFO) should attend AC meetings</p> <p>The Chairman of the AC or one member should be a member of a professional accounting body</p>	✓ ✓ ✓ ✓
7.10.6(b)	Audit Committee Functions	<p>Overseeing of the –</p> <p>Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards</p> <p>Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</p> <p>Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</p> <p>Assessment of the independence and performance of the external auditors</p> <p>Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor</p>	✓ ✓ ✓ ✓ ✓ ✓
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	<p>Names of Directors comprising the AC</p> <p>The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <p>The AR shall contain a Report of the AC setting out the manner of compliance with their functions</p>	✓ ✓ ✓

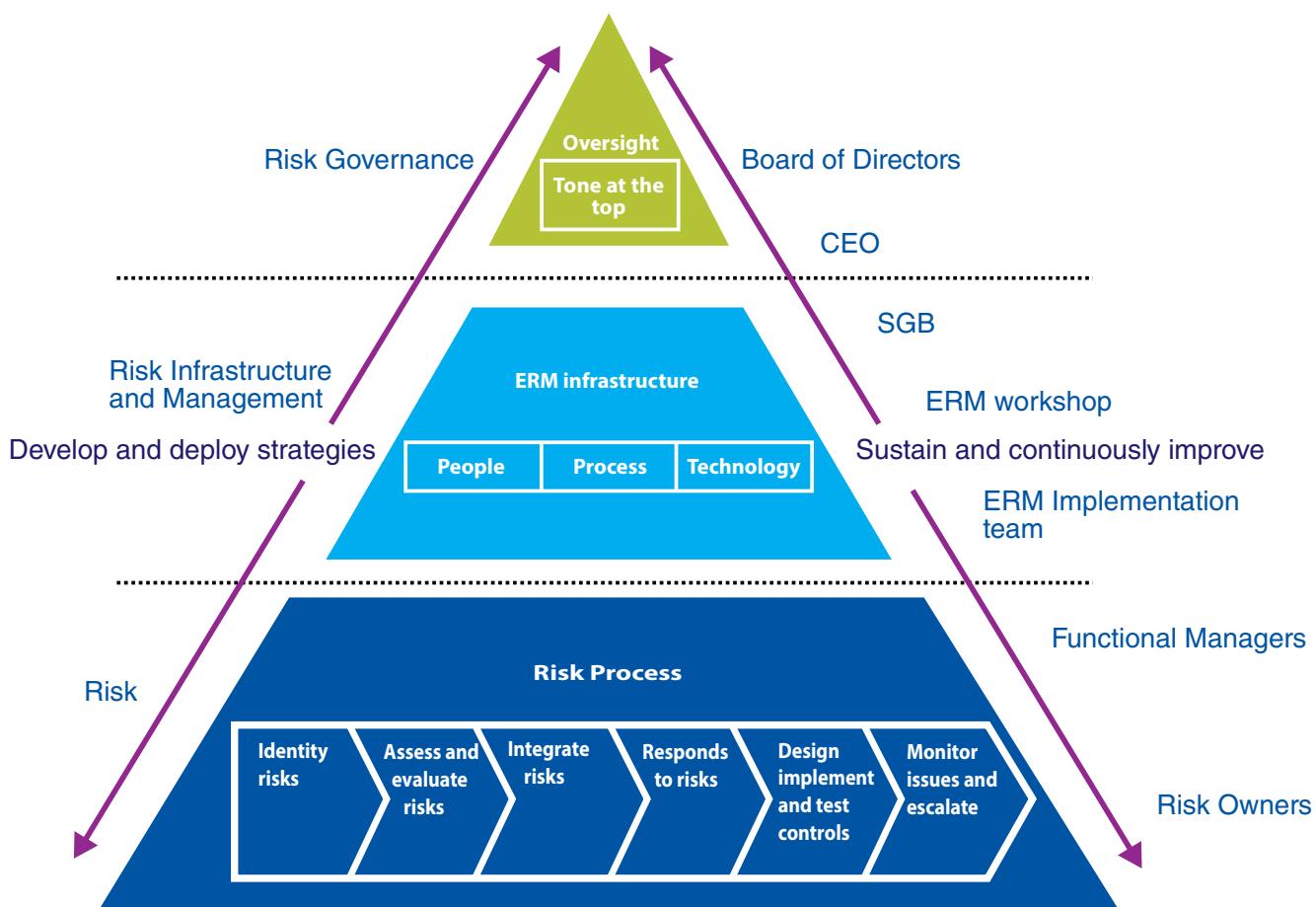
Risk management report

> Enterprise Risk Management (ERM)

The ERM process is one of the best processes implemented by Sri Lanka Telecom PLC amongst a host of others that add value to the company and its stakeholders including it's investors. ERM has been practiced at SLT

since 2010 when the process was first introduced with the necessary framework. From then, it has taken a few years for the ERM process to be adopted into Business As Usual (BAU) at SLT when making business decisions at functional, operational and strategic levels. By incorporating

risk management in BAU, the company has been able to identify and escalate business critical risks to appropriate management forums. The year 2013 was remarkable in that the ERM process was used as a driving force in making business decisions. During the year, a series of reports indicating business critical risks were escalated to Board of Directors (BOD) for their review, consideration and direction. With the guidance of the BOD, appropriate decisions were taken on investments, diversification and direction for operational activities. Measures were also taken to use the ERM process to drive the company to a profitable business



entity while effectively managing costs in a rapid dynamic business and industry environment.

> Principal Risks and uncertainties

Communications industry regulation

SLT conducts its activities in accordance with the law and its regulatory obligations. This is achieved through, a comprehensive programme-based approach to compliance.

This programme-based approach at a corporate level is supported by a group of lawyers appointed to perform the functions of Business Unit Compliance. They are supported by business unit personnel who implement the compliance programmes within their business unit. The Audit Committee assists the Board in discharging its responsibilities by overseeing SLT's approach to achieving compliance with legal and regulatory requirements. This oversight is facilitated by the preparation of regular compliance reports which are presented to the Audit Committee.

Regulatory requirements and constraints can directly impact our ability to compete effectively and earn revenues. Telecommunication Regulatory Commission of Sri Lanka (TRCSL) requires us to provide services at regulated prices. It can also require us to make retrospective repayments to other operators where we are found to have set prices outside regulatory requirements, and can impose fines on us for non-compliance with the regulatory rules

Regulatory decisions made during the year also contributed adversely to our risk profile, revenue and profits. These decisions failed to address imbalances in the competitive playing field. This means that some of our competitors in the consumer space continue to benefit from a combination of limited regulation on their core business combined with extensive sector-specific regulation being applied to our fixed-line business.

The role of the regulator in the telecom industry in Sri Lanka has become prominent in today's dynamic environment created by the significant increase in competition. TRCSL, the regulator has been issuing new policies and guidelines more frequently than before to manage the industry to which SLT needs to comply with even if it is not necessarily favourable to the company.

Mitigation: We employ a team of regulatory specialists who, together with legal experts and external advisors, continuously monitor and review the scope for regulatory changes and potential future disputes. This team maintains a dialogue with regulators and with other key influencers to ensure our positions are understood and to drive for fair and proportionate regulation. We are also able to appeal any regulatory decisions where we believe errors have been made.

We believe risks can be mitigated by seeking changes in regulation to level the playing field so that we can compete effectively, and for the benefit of our customers.

National Backbone Network (NBN)

As per the license, NBN operations which commenced in June 2013 is to be developed with a roll out target to be achieved annually over five years from commencement. At the end of 5 years, NBN should be capable of providing services from 329 access points covering all Divisional Secretariats in the country.

Risks: A penalty charge of Rs.500,000 per access point is applicable if SLT fails to achieve the target. A performance bond worth of US\$ 2,000,000 has also been imposed as a performance security of NBN.

Mitigation: SLT is working diligently with high performing teams assigned to meet these conditions of the NBN license. Further, SLT is working closely with the regulator, keeping them informed of any deviations from the target as stated in the license.

Regulation of Tariffs

Despite the unhealthy competition created due to backbone network developments being carried out by competitors, the tariffs of the NBN services are regulated. With the commencement of NBN, the tariffs of the Wholesale services were revised to meet the regulatory requirement as the regulator anticipates

an increase in demand for wholesale services from NBN.

Risks: The retail market is already feeling the competition in the international voice and broadband markets which has challenged the sustainability of the revenues resulting in eroding margins for retail products. Application of the revised tariffs to the services already being provided might have a negative impact on the wholesale revenue if the demand is not increased as expected due to existence of duplicate backbone networks in the market. Negative impact on the wholesale revenue will only add to a further eroding of the bottom line.

Mitigation: SLT is carrying out regular communications with TRCSL, highlighting and emphasising the disadvantage position of NBN in the current market while requesting TRC's active intervention to promote NBN as a national asset.

Quality of Service measurements (QoS) by TRCSL

TRCSL carries out measurements of QoS of the broadband products of service providers and publishes the results in the TRC web site. Further, TRC has published a consultation paper requesting comments with regard to the QoS measurements of Voice services as a means of providing additional guidelines to the industry.

Risk management report

Risks: As the QoS of products are published as a comparison with other operators, a competitive disadvantage may be created due to degradation of the QoS of SLT products.

Further, as an outcome of the consultation paper, TRC will issue a policy with regard to the QoS of voice services despite the practical difficulties of measuring some of the parameters as stated in the consultation paper.

Mitigation: SLT works diligently with high performing teams to manage the best QoS of SLT broadband products and measures are being taken to carry out frequent testing with TRC while complying with the guidelines issued by TRC. In response to the consultation paper, SLT has already notified the limitations in measuring some of the parameters stated in the consultation paper and have forwarded to the TRC suggestions/proposals to be considered when formulating policy.

Regulatory policy on Cable Landing Stations

Several operators have been issued with licenses to operate cable landing stations in Sri Lanka.

Risks: Despite the decision made by SLT to invest on submarine fibre cable

SEA ME WE 5 of tera byte capacity which is going to be the superhighway for global communication, implementation of another cable landing station is in progress by a competitor. This will now open access to other cable landing operators to participate in similar initiatives. Therefore competition created from duplicate cable landing stations will have a negative impact to SLT cable landing stations.

Mitigation: SLT is continuously communicating to TRC regarding these developments and of SLT's role in protecting national interest in order to seek maximum support from TRC.

Other policies of TRC

It is expected that new policies will be introduced in order to regulate the telecom industry in Sri Lanka including the introduction of a new Broadband Policy that is expected to be released in the near future. In accordance with the Regulatory Framework for NGN issued by TRCSL, new guidelines related to NGN operations might also be issued for operators to comply with. In addition, a review of the Telecommunication Act 25 of 1991 was initiated by TRC where SLT has already submitted suggestions.

Risks: New policies, until issued and studied by SLT could have either a positive or negative impact on SLT which unfortunately cannot be determined in advance.

Mitigating: SLT is in constant watch over developments in the Telecom industry in Sri Lanka and is in regular dialogue with TRC. SLT is also expecting that the revised Telecommunication Act will have due consideration to the suggestions made by SLT.

> HR Related Risks

Employee skill development, employee retention, aging workforce and escalation of employee cost are common HR related risks faced by SLT and the industry. Therefore in the rapidly changing Telecom business models, SLT needs to ensure that human capital is aligned to face emerging challenges. SLT has recognised that developing skills and enhancing the knowledge on new technologies is exceedingly important and we have been successful in moulding existing employees according to future requirements, while improving employee satisfaction through their active involvement in SLT operational activities.

Risks: Managing the permanent employee base including retaining critical staff is imperative to SLT continuing to be the market leader with the most critical requirement being to provide the best customer service at all times. SLT took many initiatives to improve employee satisfaction in order to improve customer satisfaction as there is a direct correlation between happy employees and happy customers. SLT created an environment for employees to generate new ideas to bring about changes to improve SLT's efficiencies where the best ideas were then implemented while giving employees their due recognition for the suggestions. Internal programmes were also arranged to assist staff members to further their career development goals.

Mitigation: SLT has taken steps to maintain healthy relations with trade unions and employees through fair and professional HR practices to enhance industrial harmony. Many initiatives were also introduced to enhance employee satisfaction. Most of the grievances have been resolved by improving internal communications to employees. SLT has also arranged skill development programmes for employees to attend at future dates.

> Revenue leakage and fraud exposure

Risk : Revenue leakage is a fact of life, given the technical and business challenges in this complicated environment. It is an inherent risk in the telecom revenue cycle, irrespective of the region of operations. Companies worldwide take a 1.5-2% leakage in revenue as normal. Operators and their IT vendors have taken significant efforts to limit theft and fraud however it is a concern for the telecommunication sector.

Mitigation: The implemented Revenue Assurance system is designed to proactively monitor and audit revenue chains across the entire network, eliminating losses due to network inefficiencies, unexpected changes to key systems and poor billing and decrementing platform performance. Through this SLT also seeks to improve inter-carrier reconciliation through a deeper analysis of cost and usage metrics, so that one does not pay more than what is required, while assuring ones trading partners are paying what its owned.

A phase by phase implementation of Revenue Assurance and Fraud Management system is in progress where Mega voice, CDMA voice, Broadband, IPTV and Data products will be subject to RA analysis and several reconciliations and exceptional reports are considered in the scope , targeting the capture of revenue leakages.

> Financial Risks

Liquidity Risk

When the company finds it unable to fulfil due payment obligations in a timely manner mainly due to a mismatch in the timing or maturity of cash flows, it is considered a liquidity risk. The liquidity of a company will depend on several factors such as - Company's short-term need for cash, cash in hand, available lines of credit, the liquidity of the company's financial assets, the trust the company has built up in the market place (i.e. how willing counterparties will be to transact with or lend to the company) etc.

Risks: SLT could face difficulties in obtaining loans or requiring financing on unfavourable terms and/or counterparties avoiding transactions

Mitigation: SLT, through the use of regular financial planning and monitoring systems, ensures that sufficient cash flows are available to meet future financial commitments when they fall due. The Company also ensures that adequate credit lines are in place with Banks for emergency financing in addition to investment of excess funds in highly liquid instruments such as Government Securities, Repos and short term Fixed Deposits. Also through the use of credit rating agencies (current Fitch rating of AAA on SLT), the company is able to borrow at competitive interest rates.

Credit Risk

The diminution of credit quality of debtors and other counterparties caused by statement of financial position items as well as off-statement of financial position items such as financial guarantees is considered credit risk. A company has to consider the following three main factors when assessing the credit risk: Default probability – the likelihood of the customer/counterparty defaulting on its obligations; Credit exposure – in the event of a default, how large will the outstanding obligation be; and Recovery rate – in the event of

a default, what fraction of the exposure may be recovered
Risk: The possibility of a loss being incurred by SLT due to the inability of a debtor or counterparty to honour its contractual obligations.

Mitigation: SLT monitors and evaluates debtors/ counterparties and recoveries by way of using comprehensive systems and procedures. Further, pre-paid sales are used as a means of mitigating credit risk.

Interest Rate Risk

This risk is inevitable for a company having interest sensitive assets and liabilities and would arise mainly due to the maturities of all interest sensitive assets that cannot be identically matched with liabilities and changes in market interest rates in response to market forces.

Risks: SLT risks a negative impact to the Company's financials in the event of adverse interest rate fluctuations

Mitigation: Debt and investments at SLT are maintained in a mix of fixed and variable interest rate instruments with caps and floors where possible. In addition, periodic maturity gap analysis is carried out to take timely action in order to mitigate possible adverse impact due to volatility of interest rates.

Foreign Exchange Rate Risk

Also known as currency risk, this is a major source of market risk and is

unavoidable in any entity where re-pricing of foreign currency assets and liabilities are not identically matched. This risk represents the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates.

Risk: The company is exposed to foreign exchange risk whenever it transacts in any other currency other than SLT's base currency, Sri Lankan Rupees (LKR) due to the fluctuations of the foreign currency rates in the global market. The risk impacts the foreign currency denominated assets and liabilities at SLT

Mitigation: SLT manages its foreign exchange exposure by maintaining foreign currency accounts for related inflows and for paying off some of its liabilities as it works as an effective hedging mechanism against foreign currency exposure. Furthermore, only optimum amounts are maintained in foreign currency accounts and any excesses are converted to SLT's base currency (LKR) after carefully studying the future currency movements.

> Legal Risks

SLT is subject to a comprehensive range of legal obligations in the country and as a result SLT is exposed to many forms of legal risk, which may arise in a number of ways including:

- Business not being conducted in accordance with applicable laws.
- Contractual obligations not being enforced as intended or enforced in an adverse manner.

Risk management report

- Intellectual property not being adequately protected.
- Liabilities for damages being incurred by third parties due to harm caused by the conduct of business by SLT.
- A defective transaction.
- A claim (including a defence to a claim or a counterclaim) being made or an event which results in a liability or loss for SLT.
- Failure to take appropriate measures to protect assets owned by SLT.
- Change in laws after executing agreements.
- Failure to correctly document, enforce or adhere to contractual arrangements.
- Inadequate management of non-contractual rights or failure to meet non-contractual obligations.

Legal Risk is owned and managed by the Legal department with the head of legal overseeing the adequacy and effectiveness of the controls operated in the business units. Heads of department for each business unit is responsible for management and reporting of legal risk with specific risks relating to legal risk being reported on a monthly basis to the Board.

Risks: Foreseeing the outcome of any particular case or the financial impact thereof is an impossible task.

Mitigation : SLT was a party to several court and out-of-court proceedings. A summary of the material litigations during 2013 and the outcomes mentioned if known are listed on page 175 [note 33].

> Security, network and systems failure leading to non-availability of services.

Risk : SLT has a responsibility to many customers, both business and consumer, to safeguard their electronic information and to maintain continuity of services. This requires high levels of operational security and resilience, which can be threatened at any time by incidents such as malicious cyber-attacks, theft of copper cable and equipment, sabotage, extreme weather, component overload, loss of power and human error causing temporary disruptions to Company's services.

The volume of traffic through SLT's systems and networks is increasing, and customer tolerance of interruptions reduces as the world becomes ever more dependent on information technology.

Mitigation : The Company follows steps such as consistently investing in business continuity plans and disaster recovery initiatives, which enables minimum disruption and speedy restoration of services. The Company is also focusing on quality improvement to eliminate network congestion and other causes of technical failures.

SLT's security defences range from physical protection of assets, access controls and continuous monitoring for intrusion and anomalies, through to rapid modification of firewalls and automated blocking of malicious data traffic as well as a governance process to manage Information Security within the organization. Together, these measures increase the likelihood that any potential incidents can be contained and dealt with as quickly as possible.

> Major contracts

SLT has a number of complex and high-value national and multinational contracts with some customers. The revenue arising from and the profitability of these contracts are subject to a number of factors including: variation in cost; delays in the delivery or achievement of agreed milestones owing to factors either within or outside of the Company's control; changes in customers' requirements, budgets, strategies or businesses; and the performance of suppliers. Any of these factors could make a contract less profitable or even loss making.

The degree of risk generally varies in proportion to the scope and life of the contract and is typically higher in the early stages of the contract. Some customer contracts require investment in the early stages, which is expected to be recovered over the life of the contract. Major contracts often involve the implementation of new systems and communications networks, transformation of legacy networks and the development of new technologies. The recoverability of these upfront costs may be impacted by delays or failure to meet milestones. Substantial performance risk exists in these contracts. Unexpectedly high costs associated with the delivery of contracts could also negatively impact profitability. SLT could lose revenue due to the merger or acquisition of customers, business failure or contract termination and contracts may become loss-making.

Mitigation : SLT has in place business processes that support each stage of a major contract's lifecycle - renewal and termination. Our programme of "on the job" reviews is designed to validate financial and non-financial controls

over delivery of the contract. It incorporates tiered levels of defined reviews according to the scale and complexity of the contract. Controls are applied and regularly monitored across the major contracts. All major contracts are subject to regular management review and many are subject to independent review as part of that governance. SLT's independent review programme helps in applying lessons learned and promoting best practice through the business.

> Growth in competitive markets

SLT operates in markets which are characterized by high levels of change, strong competition, declining prices, technology substitution, market and service convergence, customer churn, new competitors, and regulatory intervention to promote competition and reduce wholesale prices.

A significant proportion of SLT's revenue and profit is generated locally with strong volume growth in new services. Revenue from SLT's calls and lines services to consumers and businesses has historically been in decline though new broadband and connectivity markets have been growing. SLT's ability to deliver profitable revenue growth in a responsible and sustainable manner depends on the company delivering on its strategic priorities.

Failure to achieve profitable revenue growth from the strategic priorities may lead to a continued decline in revenue, erosion of the current competitive position and might also lead to a reduction in profitability and cash flows in the future.

A number of competitor-related developments have contributed to the increase in risk. These include, but are not limited to acquisitions and other developments increasing competitive activity.

Mitigation : The mitigation of this risk centres on successfully executing SLT's strategy. SLT believe that delivering this strategy, with its focus on customer service delivery, and investing for the future, as well as investing in existing businesses and offering new services in adjacent markets, will together help drive profitable revenue growth.

> Supply chain

The integrity and continuity of the supply chain is critical to SLT's operations. The aim is to harness the capability, diversity and innovation of the global supply market to add value to SLT's business and customers. The Company is committed to ensuring that all dealings with suppliers, from selection and consultation to contracting and payment, are conducted in accordance with SLT's stringent policies.

The failure of a critical third party supplier to meet its obligations could cause significant harm to SLT's business and the SLT brand, as well as potentially impact strategies and efficiency plans.

A failure in our supply chain to meet legal obligations or ethical expectations could adversely impact our reputation or possibly lead to censure, legal action and financial loss.

Mitigation : SLT conducts supplier risk analysis as part of the sourcing strategy and where possible, take actions to reduce risk, such as through dual sourcing where appropriate. The Company operates a comprehensive on-the job risk mitigation programme that classifies suppliers into an appropriate risk category and then aims proactively to build risk mitigation plans and detect potential supplier failures before they happen.

For the critical suppliers of SLT this mitigation strategy considers a range of risks including: financial failure; supplier capability and capacity; business continuity, security; location; and the overall supplier relationship. This approach has been complemented by a programme specifically looking at the low spend suppliers, to ensure that maximum business benefit are achieved but at the same time they do not contract with too many suppliers, exposing us to unnecessary risk. SLT does a vendor ranking and

those who get higher levels in ranking order are given more marks in evaluation of potential vendors. Also vendor black-listing is done to eliminate troublesome vendors who disturb the supply chain.

By adopting this approach, SLT seeks to minimize the risk of not being able to meet customer and legal commitments or comply with ethical policies. This helps to minimise SLT's exposure to loss of revenue, financial penalty and any adverse impact on the brand and reputation.

> Operational Risks

Being in the Telecom industry has its inherent operational risks in the form of system failures resulting in the inability to provide services on time, loss of customers due to competition, inadequate infrastructure etc.

Service interruptions and service delays

Interruptions to certain services such as Broadband or PEO TV in the case of SLT due to technical issues or the inability to provide service calls on time delaying the response time for customers are detrimental to the existence of a company in the Telecom industry.

Risks: The company could lose its valued customers to competition given that the market in Sri Lanka has internationally recognized players providing services in par with that of SLT.

Risk management report

Mitigating Factors: Adequate backup systems are in place with 24 x 7 monitoring by technical staff to avoid any major service interruptions. All field staff and all customer touch points have gone through extensive training and are provided continuous training on providing customer service in a timely manner.

Inadequate IT systems

Globally the Telecom industry is continuously evolving with introductions of “latest” technologies that enhance the customer experience.

Risks: The company could lose market share if the infrastructure is not up-to-date with latest technologies, IT systems and IT security especially given that this industry in Sri Lanka has internationally recognized players who have access to such technologies.

Mitigating Factors: The IT policy at SLT reflects the need to stay up-to-date with dynamic changes that are taking place in the global Technological environment and therefore makes it a priority for SLT's technical staff to undergo training on a regular basis. In addition, SLT has enhanced and expanded server space to handle volume and introduce new technologies as and when needed.

Inability to meet the growing needs of customers

When competing with international players that are exposed to unique and novel consumer products and services, it is imperative that SLT is able to keep up with the competition.

Risks: Meeting customer needs and introducing the right product mix at the right time is essential for SLT to maintain its market share.

Mitigating Factors: SLT carries out market research on a regular basis to keep abreast of the growing needs of its customer base.

Loss of Revenue from International incoming traffic

The industry has been experiencing the existence and increasing trend in bypassing traffic to SLT network.

Risks: SLT loses a significant amount of revenue each month and the trend is expected to continue resulting in increased losses.

Mitigating Factors: SLT is monitoring and controlling illegal terminations with the assistance of the revenue assurance team. SLT is also in constant dialogue with TRCSL to bring about strict laws to mitigate the risk.

Resource allocation within the company

If the resources are not allocated appropriately, the company could be faced with a situation where it is unable to provide the right product mix to the customers, or not having the latest technologies to provide better service, or not being able to provide critical training to staff members etc.

Risks: Return On Investment (ROI) may not be optimal if there is a gap in resource allocation and could cause a loss in market share/reputation as well as financial losses due to operational inefficiencies.

Mitigating Factors: All investments at SLT are evaluated by cross functional teams through the recently established Strategic Governance Boards thus ensuring that resources are allocated appropriately.

Business continuity and internal controls

A company's long term success is dependent on anticipating unexpected glitches -technical or human error, natural or man-made disasters etc and being prepared to face them at any given moment.

Risks: Adequate controls and business continuity plans are essential to survive in today's environment and without which a company's going concern can be challenged by its stakeholders.

Mitigating Factors: SLT has introduced a disaster recovery systems and sites that are monitored and tested on a regular basis. The company also has stringent Internal controls and systems as well as a comprehensive risk management process in place to identify and proactively control any gaps.



Financial Reports

Annual Report of the Board of Directors on the affairs of the Company

The directors submit their report and the audited financial statements of the company, Sri Lanka Telecom PLC, and the group, which includes its subsidiary undertakings, for the 2013 financial year.

1. > 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 sub-section 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.

On 25 September 1996, SLT was converted to a public limited company 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.

On 5 August 1997, the Government of Sri Lanka as the sole shareholder of SLT divested 35% [631,701,000 ordinary shares] of the issued ordinary share capital to Nippon Telegraph and Telephone Corporation (NTT) and entered into an agreement to transfer the management of SLT to NTT. On 2 July 1998, the Government of Sri Lanka divested a further

3.5% of the issued ordinary share capital by transfer of 63,170,010 ordinary shares to the employees of SLT. On 22 March 2000, NTT transferred the entire 35% of their holding in SLT to NTT Communications Corporation (NTT Com). The Government of Sri Lanka divested a further 12% of its holding to the public through a listing on the Colombo Stock Exchange in November 2002, reducing its holding to 49.5%.

On 4 June 2007, SLT was re-registered under the Companies Act No. 07 of 2007 as Sri Lanka Telecom PLC [SLT PLC].

On 1 April 2008, NTT Com of Japan who held 635,076,318 ordinary shares, which constituted 35.2% of the total issued stated capital of SLT PLC, sold their entire holding to Global Telecommunications Holdings N.V. of Netherlands (GTH) at a price of Rs 50.50 per share. Following the share trade by NTT Com, GTH, in terms of the Takeovers and Mergers Code, announced a mandatory offer to the remaining shareholders which was closed on 2 June 2008. At the close of the mandatory offer, GTH had acquired additional 9.78% of the stated capital of SLT PLC, making the total shareholding to 44.98% of the total issued stated capital of SLT PLC.

2. > 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 operations, data services, domestic and international leased circuits, frame relay, satellite uplink and maritime transmission.

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
Sri Lanka Telecom (Services) Limited	Total network solutions
SLT (Hong Kong) Limited (under liquidation)	IP transit services
SLT Publications (Private) Limited	Directory publication services
SLT Human Capital Solutions (Private) Limited	Providing workforce solutions
SLT VisionCom (Private) Limited	IPTV support services
Sky Network (Private) Limited	Wireless Broadband operations
SLT Property Management (Pvt) Ltd (incorporated on 27.09.2013)	Management of Group properties

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.

3. > Board of Directors

The directors who served throughout 2013 were:

Name of Director	Position	Date of Appointment	Date of Re-election	Date of Resignation
Mr. Nimal Welgama	Chairman	20.05.2010	28.03.2011	-
Mr. Sandip Das	Director	05.06.2008	28.03.2011	24.04.2013
Mr. Chan Chee Beng	Director	05.06.2008	29.03.2012	-
Mr. Jeffrey Jay Blatt	Director	05.06.2008	29.03.2012	-
Mr. Jayantha Dharmadasa	Director	26.05.2010	29.03.2012	-
Mr. Shameendra Rajapaksa	Director	26.05.2010	24.04.2013	-
Mr. Kalinga Indatissa	Director	26.05.2010	24.04.2013	-
Mr. Lawrence Michael Paratz	Director	26.05.2010	28.03.2011	-
Ms. Pushpa Wellappilli	Director	28.06.2012	24.04.2013	-

4. > Director election and re-election

The Directors may from time-to-time appoint one or more Director(s). Any such Director shall hold office only until the next AGM and shall then offer themselves for election by the Company's shareholders. The Company's Articles of Association, require the Directors to retire and offer themselves for election by shareholders at the first AGM after their appointment. Notwithstanding that the Articles of Association provide that one third of the Directors (or the number nearest to one third) are to retire by rotation

at each AGM and offer themselves for re-election by the shareholders, all of the Directors seek re-election on an annual basis at each AGM, in compliance with the Articles of Association of the Company.

Messrs Lawrence Michael Paratz and Chan Chee Beng, will be proposed for re-election this year, at the forthcoming AGM in accordance with the Company's Articles of Association

Annual Report of the Board of Directors on the affairs of the Company

5. > Directors' indemnities and insurance

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

6. > Directors' interest in contracts with the Company

The particulars of entries made in the Interests Register pertaining to General Disclosures made by the Directors of the Company in terms of the Companies Act No. 7 of 2007 during the financial year under review, are given in Note 34.2 to the financial statements on page 180

As at 31 December 2013, none of the Directors held shares in the Company or its subsidiaries.

7. > Related Party Transactions

The details are given in Note 34.1 in the notes to the Financial Statements on pages 177 to 179.

8. > Remuneration and other benefits of directors

The remuneration and other benefits of the Directors are given in Note 6 to the financial statements on page 144

9. > Stated capital

Details of the Company's share capital are set out in Note 29 on page 169 to the financial statements. The issued share capital of the Company as at 31 December 2013 was 1,804,860,000 ordinary shares of Rs.10/- each.

Voting rights

Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting 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 (in the case of a corporate member) by a duly authorised representative shall have one vote for every share of which he is the holder. 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.

10. > Financial statements

A statement by the directors of their responsibilities for preparing the financial statements is included in the Statement of directors' responsibilities on page 122. Our significant accounting policies are set out on pages 131 to 141 of the financial statements and conform with SLFRS.

These policies, and applicable estimation techniques, have been reviewed by the directors who have confirmed them to be appropriate for the preparation of the 2013 financial statements.

So far as each of the directors are aware, there is no relevant information that has not been disclosed to the auditors and each of the directors believe that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the auditors have been made aware of that information.

All amounts are stated in Sri Lanka Rupees million, unless otherwise stated.

11. > Financial Results

11.1 Income & Expenses for 2012 and 2013

	2012 (Rs. Mn.)		2013 (Rs. Mn.)	
	Group	Company	Group	Company
Operating Revenue	56,771	34,719	60,144	36,781
Operating Costs	(38,807)	(25,433)	(41,218)	(26,821)

11.2 Profits

Details are given in the Statement of Comprehensive Income of the Financial Statements.

	2012 (Rs. Mn.)		2013 (Rs. Mn.)	
	Group	Company	Group	Company
Profit Before Tax				
Tax	5,851	4,567	7,365	5,014
Profit After Tax				
Tax	3,921	3,246	5,419	3,635

12. > Dividends

The Board of Directors of the company has declared a first and final dividend of Rs. 0.85 per share for the Financial Year ended 31st December 2013 at a meeting held on 20th February 2014. As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have certified that the company satisfies the Solvency Test in accordance with the Section 57 of the Companies Act No. 7 of 2007. The first and final dividend will be paid on 23rd April 2014 to those shareholders on the register as at 10th April 2014.

13. > Reserves

Total Reserves of the Company stood at Rs. 57,103 Mn as at 31.12.2013, details of which are given in the Statement of Changes in Equity on pages 128 and 129 of the Annual Report.

14. > Respective Responsibilities of Directors and Auditors for the Financial Statements

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and the Continuing Listing Rules of the Colombo Stock Exchange.

15. > Independent auditors' report

The independent auditors' report is set out on page 125

16. > Changes in accounting policies

The accounting policies adopted by the Company and its subsidiaries have been consistently applied from previous years.

17. > Property, plant and equipment

The movements in property, plant and equipment during the year are set out in Note 13 to the financial statements. Current status of value of properties is disclosed in Pages 149 to 151.

Land is carried at cost within the financial statements. It is not practical to estimate the market value of land at each reporting date.

18. > Amounts payable to the firm holding office as an Auditor

The remuneration payable by the Company to the Independent Auditors is given in Note 06 to the financial statements on page 144

19. > Auditors' relationship or any interest with the Company

The Directors are satisfied that, based on written representations made by the Independent Auditors to the Board, they did not have any relationship or any interest with the Company and its subsidiaries that would impair their independence.

20. > Statutory payments

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

21. > 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.

Annual Report of the Board of Directors on the affairs of the Company

22. > Donations

During the year the Directors had approved donations amounting to Rs. 850,000 for charitable purposes (2012 – Rs. 1,068,846). The amount includes contributions on account of Corporate Social Responsibility (CSR) initiatives as well. Political and charitable donations

23. > Employment policies

Sri Lanka Telecom has a range of employment policies covering such issues as diversity, employee well-being and equal opportunities. The Company takes its responsibilities to the disabled seriously and seeks not to discriminate against current or prospective employees because of any disability. Employees who become disabled during their career at SLT will be retained in employment wherever possible and given help with rehabilitation and training.

Policies and procedures for recruitment, training and career development 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 Group remains committed to the fair treatment of people with disabilities regarding applications and training.

The number of persons employed by SLT PLC as at 31st December 2013 was 7,861.

24. > Sustainability Reporting

The Group is conscious of the impact, direct and indirect, 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 63 to 67 of this Report.

25. > Events after the reporting date

The Board of Directors is exploring the options viably open to SLT to comply with the rules on minimum public holding of 20% in the hands of public shareholders as a continuous listing requirement; a directive issued under Section 13 (c) and 13 (cc) of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended).

No other 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.

26. > Appointment of auditors

The Company's auditor, KPMG has indicated its willingness to continue in office and resolutions seeking to reappoint them as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

SLT Group Audit Committee carried out the annual review of their performance by gathering feedback from Committee members and senior management prior to their recommendation for re-appointment of KPMG as Company's auditors.

27. > Audit information

Each of the Directors at the date of the approval of this Report confirms that: so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

28. > Internal control and risk management

The Board of SLT PLC, the group's ultimate parent, is responsible for the group's systems of internal control and risk management and for reviewing each year the effectiveness of those systems. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives; any system can provide only reasonable, and not absolute, assurance against material misstatement or loss. The process in place for reviewing SLT's systems of internal control includes procedures designed to identify and evaluate failings and weaknesses, and, in the case of any categorised as significant, procedures exist to ensure that necessary action is taken to remedy the failings.

Appended to this Annual Report is the Board's analysis of what it believes to be the main risks and uncertainties facing the Company. Full details can be seen on pages 108 to 114

29. > Internal control over financial reporting

SLT's management is responsible for establishing and maintaining adequate internal control over financial reporting for the group including the consolidation process. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with SLFRS.

30. > Going concern

The Performance section on pages 126 to 130 includes information on our financial results, financial outlook, cash flow, loans and borrowings and financial position. Notes 17, 21, 22 and 30 of the consolidated financial statements include information on the group's investments, cash and cash equivalents, borrowings, financial risk management objectives, and exposures to interest, foreign exchange, credit, liquidity and market risks. The directors are satisfied that this cash flow forecast, taking into account reasonably possible risk sensitivities associated with this forecast and SLT Group's current funding and facilities, alongside SLT Group's funding strategy, shows that the group will continue to operate for the foreseeable future. The directors therefore continue to have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt a going concern basis.

31. > Annual General Meeting

The Company's AGM will be held at 10.00 am on Wednesday 09th April 2014 at Balmoral Ballroom (Lobby Level) Kingsbury Hotel, 48, Janadhipathi Mawatha, Colombo 01. 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

Nimal Welgama
Chairman

Pushpa Wellappili
Director

PW Corporate Secretarial (Pvt) Ltd
Secretaries

20 February 2014
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 125.

The financial statements comprise of:

- Statement of 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.
- 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;
- judgments 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 in 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 33 to the financial statements covering contingent liabilities.

By Order of the Board
Sri Lanka Telecom PLC

P W Corporate Secretarial (Pvt) Ltd.

20th February 2014
Colombo

Audit Committee Report

> Role

The terms of reference of the Audit Committee, provides guidance to perform the duties of the Committee.

> Composition

The Audit Committee comprises of 2 non independent non-executive directors and two independent non-executive directors. Biographical details of the directors are set out in the Board of Directors section.

The composition of the Audit Committee as at 31st December 2013 is as follows;

Mr. Kalinga Indatissa – Chairman

Mr. Chan Chee Beng

Mr. Jayantha Dharmadasa

Ms. Pushpa Wellappili

Mr. Sandip Das who resigned from the Board on 24th April 2013 ceased to hold office.

> The Committee members

Mr. Kalinga Indatissa replaced Mr. Jayantha Dharmadasa as Chairman of the Audit Committee in November 2013 on his stepping down as chairman of the Committee. Mr. Dharmadasa remains as a member of the Committee. Details of Mr. Indatissa' previous roles, experience and qualifications are set out in the Board of Directors section.

The group Chief Executive Officer, the Chief Financial Officer, and the Chief Internal Auditor attend Audit Committee meetings by invitation. The Committee also meets separately with the Chief Internal Auditor and with the external auditor without the management being present.

The Asst. Company Secretary is secretary to the Audit Committee

> Meetings

The Committee met Seven (07) times during the year ended December 31, 2013. During the course of the year the Committee has also held closed meetings and also met privately with both the external and internal auditors. Regular attendees at Committee meetings, at the invitation of the Committee, included the Chief Executive Officer, Chief Financial Officer and Chief Internal Auditor. In addition, representatives from the external auditors and the head of divisions were invited when required to review the matters coming under their purview.

The Audit Committee is responsible for exercising the full powers and authority of the Board in accounting and financial reporting matters.

The terms of reference of the Audit Committee, provides guidance to perform the duties of the Committee

The key duties of the Committee include

- Monitoring the integrity of the Company's year-end financial statements, the interim financial statements and the recommendation for approval of the Board prior to their submission to the Board and any formal announcements relating to the Company's financial performance;
- Review of the Company's financial statements to ensure that its accounting policies are the most appropriate to the Company's circumstances and that its financial reporting presents a balanced and understandable assessment of the Company's position and prospects;
- Review of the group's systems for internal financial control, financial reporting and risk management.
- Monitoring and reviewing the effectiveness of the group's internal audit function and considering regular reports from the Internal Audit on internal financial controls and risk management.
- Considering the appointment of the external auditors, overseeing the process for their selection and making recommendations to the board in relation to their appointment to be put to shareholders for approval at a general meeting.

> Items reviewed during the year include:

> Financial reporting

The Committee reviewed the draft annual and interim management report before recommending their publication to the Board. The Committee discussed with the Chief Executive officer, Chief Financial Officer and external auditors the significant accounting policies, estimates and judgements applied in preparing these reports.

> Financial Statements

The Committee reviewed the Group's Quarterly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Accounting

Audit Committee Report

Standards and other statutory requirements, including the Companies Act, No 7 of 2007. It also reviewed the adequacy of disclosure in the published Financial Statements.

> Internal controls

The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls. During 2013 it considered reports from the Chief Internal Auditor summarising the work planned and undertaken, the audit carried out on the existing processes and systems highlighting the gaps identified thereon and recommending improvements and describing actions taken by Management.

> Internal audit

Internal audit independently reviews the risks and control processes operated by management. It carries out independent audits in accordance with a risks based audit plan which is agreed with the Audit Committee before the start of the financial year. As part of this process the Committee looks at the resources devoted to the function to ensure they are adequate to deliver the plan. In this regard, the Committee has proposed to out source some of the internal audit assignments which are critical and technical in nature to external consultants who have the relevant expertise. M/s PWC was engaged on special assignments on audits on IT related systems and audits on the operations of Regional Telecom Offices and Outside Plant Maintenance Centres were carried out by M/s KPMG. The findings of the audits by the external auditors were discussed in the presence of the senior management and their recommendations were implemented.

Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues raised. Internal audit follows up the implementation of recommendations and reports progress to senior management and the Audit Committee.

During 2013, the Committee reviewed and agreed on the process and on the risk based audit plan and on the resources required. It also evaluated the performance of internal audit from the quality of reports and recommendations from the Chief Internal Auditor.

The Audit Committee reviews the findings of the internal audits completed during the year.

The effectiveness of the internal audit function is reviewed and discussed on an annual basis.

> External audit

The Committee reviewed the external audit strategy and the findings of the external auditor from its review of the interim announcement and its audit of the annual financial statements. The Committee also reviewed the scope and cost of the external audit and the non-audit work carried out by the auditor.

> Auditor independence

The Committee reviews the work undertaken by the external auditor and each year assesses its independence and objectivity. In doing so, it takes into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.

The Committee monitors the auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, as well as assessing annually its qualifications, expertise, resources and the effectiveness of the audit process, including a report from the external auditor on its own internal quality procedures.

> Other issues

Details of the fees paid to the external auditor during 2012/13 can be found in note 6 to the financial statements. The terms of reference of the Committee are reviewed at least annually and any changes are recommended to the Board of Directors. As mentioned above, they were changed to incorporate the latest developments related to the company and industry.

On behalf of the Audit Committee



Kalinga Indatissa
Chairman of the Audit Committee

20 February 2014

Independent Auditor's Report



KPMG
 (Chartered Accountants)
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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 ("the Group"), which comprise the statements of financial position as at 31 December 2013, the statements of 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 126 to 187 of the Annual Report.

Management's Responsibility for the Financial Statements
 Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

> Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

> Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2013, and the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31 December 2013 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
 These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Chartered Accountants

20 February 2014
 Colombo, Sri Lanka

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA	Ms. B.K.D.T.N Rodrigo ACA
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA		

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees million)

For the year ended 31 December	Notes	Group		Company	
		2013	2012 Restated	2013	2012 Restated
Revenue	5	60,144	56,771	36,781	34,719
Operating costs	6	(41,218)	(38,807)	(26,821)	(25,433)
Operating profit before depreciation and amortisation		18,926	17,964	9,960	9,286
Depreciation	13	(11,755)	(11,178)	(6,505)	(6,377)
Amortisation and impairment of intangible assets	14 & 15	(680)	(731)	(299)	(327)
Operating profit		6,491	6,055	3,156	2,582
Refunds on Telecommunication Development Charge [TDC]	8	607	309	367	309
Other income		322	254	292	228
Dividend income		-	-	680	691
Interest expense and finance costs	9	(736)	(1,021)	(371)	(534)
Foreign exchange (loss) / gain	9.a	(441)	(1,212)	18	75
Interest income	10	1,122	1,466	872	1,216
Profit before tax		7,365	5,851	5,014	4,567
Income tax expenses	11	(1,946)	(1,930)	(1,379)	(1,321)
Profit for the Year		5,419	3,921	3,635	3,246
Other comprehensive income					
Foreign currency translation differences -foreign operations		-	3	-	-
Net change in fair value of available for sale financial assets		-	3	-	3
Defined benefit plan actuarial (loss)/gain	26	(103)	(91)	(76)	(88)
Tax on other comprehensive income	11	21	25	21	25
Other comprehensive income for the year net of tax		(82)	(60)	(55)	(60)
Total Comprehensive Income for the year		5,337	3,861	3,580	3,186
Profit attributable to:					
Owners of the Company		5,419	3,921	3,635	3,246
Total Comprehensive Income attributable to:					
Owners of the Company		5,337	3,861	3,580	3,186
Earnings per share					
- Basic (Rs)	12	3.00	2.17	2.01	1.80

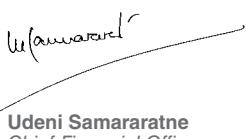
The notes on pages 131 to 187 form an integral part of these financial statements

Statement of Financial Position

(all amounts in Sri Lanka Rupees million)

as at 31 December	Notes	2013	Group		Company			
			2012 Restated	1 Jan 2012 Restated	2013	2012 Restated		
Assets								
Non-current assets								
Property, plant and equipment	13	80,506	73,602	67,705	47,549	43,915		
Intangible assets and goodwill	14	3,976	2,419	1,702	1,613	1,326		
Financial prepayments	15	176	274	363	-	-		
Investments in subsidiaries	16	-	-	-	14,156	14,192		
Other Investments	17	-	-	101	-	101		
Deferred income tax assets	23	58	23	75	-	57		
Other receivables	18	2,733	2,480	2,316	2,733	2,480		
Total non-current assets		87,449	78,798	72,262	66,051	61,913		
Current assets								
Inventories	19	2,174	2,601	1,741	1,918	2,396		
Trade and other receivables	20	11,329	11,417	9,733	10,870	12,189		
Current tax receivable		243	415	274	225	385		
Other investments	17	3,393	7,381	9,459	3,203	7,064		
Assets classified as held for sale		-	11	-	-	-		
Cash and cash equivalents	21	3,459	3,887	3,134	823	873		
Total current assets		20,598	25,712	24,341	17,039	22,907		
Total assets		108,047	104,510	96,603	83,090	84,820		
Equity								
Capital and reserves								
Stated capital	29	18,049	18,049	18,049	18,049	18,049		
Insurance reserve	27	500	435	387	500	435		
Exchange equalisation reserve		-	4	1	-	-		
Fair value reserve		-	(3)	(6)	-	(3)		
Retained earnings		41,240	37,502	35,229	38,554	36,573		
Equity attributable to equity holders of the company		59,789	55,987	53,660	57,103	55,054		
Non-controlling interest		-	-	-	-	-		
Total equity		59,789	55,987	53,660	57,103	55,054		
Liabilities								
Non-current liabilities								
Grants	28	28	35	41	28	35		
Borrowings	22	12,378	11,577	9,383	2,662	4,814		
Deferred income	24	2,825	3,263	3,694	2,747	3,173		
Deferred income tax liabilities	23	1,750	782	9	1,746	780		
Employee benefits	26	3,003	2,494	2,090	2,725	2,300		
Trade and other payables	25	1,748	2,281	3,778	270	246		
Total non-current liabilities		21,732	20,432	18,995	10,178	11,348		
Current liabilities								
Borrowings	22	8,312	6,275	5,326	3,268	2,577		
Deferred income	24	2,683	2,401	2,301	745	753		
Current tax liabilities		359	392	237	-	-		
Trade and other payables	25	15,172	19,023	16,084	11,796	15,088		
Total current liabilities		26,526	28,091	23,948	15,809	18,418		
Total liabilities		48,258	48,523	42,943	25,987	29,766		
Total equity and liabilities		108,047	104,510	96,603	83,090	84,820		

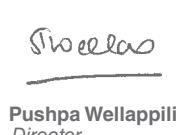
I certify that these consolidated financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.


Udeni Samaratne
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these consolidated financial statements. These consolidated financial statements were approved by the Board of Directors on 20 February 2014.

Signed for and behalf of the board


Nimal Welgama
Chairman


Pushpa Wellappili
Director

The notes on pages 131 to 187 form an integral part of these financial statements

Statement of Changes in Equity - Group

(all amounts in Sri Lanka Rupees million)

Group	Notes	Attributable to owners of the Company						Non controlling interest	Total Equity
		Stated capital	Insurance reserve	Fair value reserve	Translation reserve	Retained earnings	Total		
Balance as at 1 January 2012									
As reported previously		18,049	387	(6)	1	33,694	52,125	-	52,125
Consolidation adjustments						(17)	(17)		(17)
Restated balance as at 1 January 2012	18,049	387	(6)	1	33,677	52,108		-	52,108
Reinstatement of property, plant & equipment						1,552	1,552		1,552
Restated balance as at 1 January 2012	18,049	387	(6)	1	35,229	53,660		-	53,660
Total comprehensive income for the year									
Net profit for the year 2012						3,921	3,921		3,921
Other comprehensive income									
- Foreign currency translation differences - foreign operations						3	3		3
- Net change in fair value of available for sale financial assets					3		3		3
- Defined benefit plan actuarial (loss)/gain, net of tax						(66)	(66)		(66)
Total Other comprehensive income	-	-	3	3	(66)	(60)		-	(60)
Total comprehensive income for the year	-	-	3	3	3,855	3,861		-	3,861
Transactions with owners, recorded directly in equity									
Contribution by and distribution to owners									
Dividends to equity shareholders	37					(1,534)	(1,534)		(1,534)
Insurance reserve									
Transfer to insurance reserve	27		48			(48)	-		-
Balance as at 31 December 2012	18,049	435	(3)	4	37,502	55,987		-	55,987

Group	Notes	Attributable to owners of the Company						Non controlling interest	Total Equity
		Stated capital	Insurance reserve	Fair value reserve	Translation reserve	Retained earnings	Total		
Balance as at 1 January 2013									
18,049		435	(3)	4	37,502	55,987			55,987
Total comprehensive income for the year									
Net profit for the year 2013						5,419	5,419		5,419
Other comprehensive income									
- Impact on liquidation of SLT HK					(4)		(4)		(4)
- Fair value reserve reclassified to profit or loss				3			3		3
- Defined benefit plan actuarial (loss)/gain, net of tax						(82)	(82)		(82)
Total other comprehensive income	-	-	-	-	-	(82)	(83)		(83)
Total comprehensive income for the year	-	-	-	-	-	5,337	5,336	-	5,336
Transactions with owners, recorded directly in equity									
Contribution by and distribution to owners									
Dividends to equity share holders	37					(1,534)	(1,534)		(1,534)
Insurance reserve									
Transfer to insurance reserve	27		65			(65)	-		-
Balance as at 31 December 2013	18,049	500	-	-	-	41,240	59,789		59,789

The notes on pages 131 to 187 form an integral part of these financial statements

Statement of Changes in Equity - Company

(all amounts in Sri Lanka Rupees million)

Company	Notes	Attributable to owners of the Company				Total Equity
		Stated capital	Insurance reserve	Fair value reserve	Retained earnings	
Balance as at 1 January 2012						
As reported previously		18,049	387	(6)	33,420	51,850
Reinstatement of property, plant & equipment					1,552	1,552
Restated balance as at 1 January 2012		18,049	387	(6)	34,972	53,402
Total comprehensive income for the year						
Net profit for the year 2012	-	-			3,246	3,246
Other comprehensive income						
- Net change in fair value of available for sale financial assets				3	-	3
- Defined benefit plan actuarial (loss)/ gain, net of tax				(63)		(63)
Total other comprehensive income	-	-	3	(63)		(60)
Total comprehensive income for the year	-	-	3	3,183		3,186
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Dividends to equity shareholders	37				(1,534)	(1,534)
Insurance reserve						
Transfer to insurance reserve	27		48		(48)	-
Balance as at 31 December 2012		18,049	435	(3)	36,573	55,054

Company	Notes	Attributable to owners of the Company				Total Equity
		Stated capital	Insurance reserve	Fair value reserve	Retained earnings	
Balance as at 1 January 2013						
		18,049	435	(3)	36,573	55,054
Total comprehensive income for the year						
Net profit for the year 2013					3,635	3,635
Other comprehensive income						
- Fair value reserve reclassified to profit or loss				3		3
- Defined benefit plan actuarial (loss)/ gain, net of tax				(55)		(55)
Total other comprehensive income	-	-	-	(55)		(55)
Total comprehensive income for the year	-	-	-	3,580		3,580
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Dividends to equity shareholders	37				(1,534)	(1,534)
Insurance reserve						
Transfer to insurance reserve	27		65		(65)	-
Balance as at 31 December 2013		18,049	500	-	38,554	57,103

The notes on pages 131 to 187 form an integral part of these financial statements

Statement of Cash Flows

(all amounts in Sri Lanka Rupees million)

For the year ended 31 December	Notes	Group		Company	
		2013	2012	2013	2012
Cash flows from operating activities					
Cash generated from operations	31	15,790	16,863	9,624	10,294
Interest received		1,223	1,502	973	1,252
Interest paid		(693)	(1,119)	(377)	(500)
Tax paid		(853)	(1,091)	(232)	(686)
Gratuity paid (Note 26)		(81)	(61)	(72)	(52)
Net cash generated from operating activities		15,386	16,094	9,916	10,308
Cash flows from investing activities					
Acquisition of property, plant and equipment		(18,575)	(17,414)	(10,080)	(13,928)
Acquisition of intangible assets	14	(2,139)	(1,361)	(586)	(1,183)
Proceeds from disposal of property, plant and equipment		88	100	87	100
Proceeds / (Purchase) of short term investments		4,119	3,212	3,991	3,058
Proceeds / (Purchase) of long term investments		-	101	-	101
Proceeds on liquidation of subsidiary		-	-	49	-
Investments in subsidiaries		-	-	-	(1,138)
Net cash used in investing activities		(16,507)	(15,362)	(6,539)	(12,990)
Cash flows from financing activities					
Proceeds from borrowings		7,220	8,214	-	5,982
Finance lease principal re-payments		(48)	(47)	(38)	(38)
Re-payment of borrowings		(5,581)	(6,459)	(2,448)	(2,437)
Dividends paid to the equity shareholders	37	(1,534)	(1,534)	(1,534)	(1,534)
Net cash used in financing activities		57	174	(4,020)	1,973
(Decrease) / increase in cash and cash equivalents		(1,064)	906	(643)	(709)
Movement in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		3,269	2,172	737	1,255
Effect of exchange fluctuation on cash and cash equivalents		(11)	191	(11)	191
		3,258	2,363	726	1,446
(Decrease) / increase in cash and cash equivalents		(1,064)	906	(643)	(709)
At the end of the year	21.a	2,194	3,269	83	737

The notes on pages 131 to 187 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 consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in providing broad portfolio of telecommunication services across Sri Lanka. In addition, the range of services provided by the Group include, inter-alia, internet services, data services, domestic and international leased circuits, broadband, satellite uplink, maritime transmission, IPTV service, directory publishing and Wi-max service. The Company is a quoted public Company which has its listing on the Colombo Stock Exchange.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) as laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

The financial statements were authorized for issue by the Board of Directors on (date)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following :

*available for sale financial assets which are measured at fair value.

The liability for defined benefit obligation recognized are actuarially valued and recognized at the present value of the defined benefit obligation.

The financial statements have been prepared on a going concern basis.

(c) 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 Sri Lankan rupees has been rounded to the nearest million.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with SLFRSs requires management to make judgments, 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 recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in notes;

- Note 13 -Property, plant and equipment
- Note 14 - Intangible Assets
- Note 20 - Trade Receivables
- Note 23 - Deferred Tax
- Note 24 - Deferred Income
- Note 26 - Employee Benefit
- Note 30 - Financial Risk Management

(e) Changes in Accounting policies

No changes in accounting policies have taken place during the year 2013.

3 CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011 , the Group measures goodwill as fair value of the consideration transferred including the recognized amount of any non controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The group elects on a transaction by transaction basis

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

whether to measure non controlling interest at its fair value, or its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to 1 January 2011

As part of its transition to SLFRS Group elected to restate only those business combinations that occurred on or before 31 December 2010. In respect of acquisitions prior to 31 December 2010, goodwill represents the amount recognized under the Group's previous accounting framework, [Sri Lanka Accounting Standards "SLAS"]

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders.

Therefore no goodwill is recognized as a result of such transactions.

(iii) Subsidiaries are entities controlled by the Group.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Consolidated Financial Statements are prepared to common financial year end of 31st December.

There are no significant restrictions on the ability of Subsidiaries to transfer funds to Parent in the form of cash dividends or to repay loans and advances.

All Subsidiaries of the Group have been incorporated in Sri Lanka except SLT Hong Kong Limited (under Liquidation).

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest

in the previous subsidiary then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments (see accounting policy v(i) depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which is recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Rupees at spot exchange rates at the reporting date. The income and expenses of foreign

operations are translated into Rupees at spot exchange rates at the dates of the transactions.

Foreign currency differences on the translation of foreign operations are recognised in Other Comprehensive Income.

Since 1 January 2011, the Group's date of transition to SLFRSs, such differences have been recognised in the translation reserve. When a foreign operation is disposed off, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income in the translation reserve.

(c) Financial assets and financial liabilities

(i) Non-derivative financial assets

The Group recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at the fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. 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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. Financial assets and 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 intends either to settle on a net basis or realize the assets and settle the liability simultaneously. The Group has the following non-derivative financial assets. Financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sales decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Held-to-maturity financial assets.

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held -to -maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, staff loans and trade and other receivables, including related party receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(k)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(b)(i)), are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Available-for-sale financial assets comprise debt instruments including government securities.

Fair value of Financial Instruments Carried at Amortized Cost

The table below shows the financial assets held at amortized cost.

Financial assets	31.12.2013 Carrying value Rs. Mn
Other receivables	2,733
Other investments	3,203
Cash and Cash equivalents	823

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated

fair values are based on relevant information. The company does not anticipate the fair value of these to be significantly different to their carrying values and considers the impact as not material for the disclosure.

Determining 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 as described in accounting policy Note 3(c). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument. See also valuation of financial instruments below:

- **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).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

	Group/Company					
	2013			2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non Current Assets						
Other Receivables	-	2,733	-	-	2,480	-
Current Assets						
Other Investments - Treasury Bonds	-	-	-	103	-	-

(ii) Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability discharged or cancelled or expire. The Group has the following non-derivative financial liabilities :loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) 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 recognized as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. As disclosed in Note 13 where property, plant and equipment of the Department of Telecommunications were transferred to Sri Lanka Telecom at a valuation performed by the Government of Sri Lanka and was used as the opening cost of fixed assets.(The cost of certain items of property, plant and equipment was determined by reference to a previous GAAP. The Group elected to apply the optional exemption to use this previous valuation as deemed cost at 1 January 2011, the date of transition to the SLFRS framework.

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, 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 and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized 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 and equipment are recognized in profit or loss as incurred.

(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 recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. In the year of acquisition depreciation is computed on proportionate basis from the month the asset is put in to 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. Estimated useful lives in respect of certain items of property,plant and equipment were revised from 1 January 2011.

The estimated useful lives for the assets 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	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 capitalization.

(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 and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in profit or loss.

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When replacement costs are recognized in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognised.

(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). The Group has elected to not apply SLFRS 3 retrospectively to past business combinations. Therefore, in respect of acquisitions occurred prior to 1 January 2011, goodwill represents the amount recorded under previous GAAP.

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 amortized over the License period on a straight line basis.

(iv) Subsequent expenditure

Subsequent expenditure is capitalized 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 recognized in profit or loss as incurred.

(v) Amortisation

Amortisation is recognized 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 3- 5 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 recognized 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 and FIFO basis on certain categories. Value of inventories includes expenditure incurred in acquiring, conversion costs and other costs incurred in bringing them to their existing location and condition.

(h) Impairment

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. For the purpose of 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 groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 recognized.

(ii) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that can be estimated reliably. Objective evidence that financial assets are impaired can include 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, or the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the

difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

(i) Government Grants

Government grants are recognized 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 recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in 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 recognized as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Employee 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 except for SLT Hong Kong Limited and Sri Lanka Telecom (Services) Limited are members of Employees' Provident Fund (EPF), to which respective subsidiaries contribute 12% of such employees' basic salary and allowances. Employees of SLT Services (Private) Ltd are members of Employees' Provident Fund (EPF), where the company contribute 15% of such employees' basic salary and allowances.

Employee 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 Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted

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to determine its present value. The valuation is performed annually by a qualified actuary using the projected unit credit method. When the valuation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The group recognises all actuarial gains and losses arising from defined benefit plans directly in the Other Comprehensive income and all expenses related to defined benefit plan in personnel expense in profit or loss.

(iii) Termination benefits

Termination benefits are recognized 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 recognized 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.

(k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the liability. Unwinding of discount is recognized as finance cost.

(I) Revenue

Revenue from services rendered in the course of ordinary activities is measured at fair value of the consideration received or receivable net of trade discounts, volume rebates and after eliminating the sales within the Group.

Revenue is recognized when persuasive evidence exist, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable 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 recognized as a reduction of revenue as the sales are recognized.

The revenue is recognized as follows:

(i) Domestic and international call revenue, rental income

Revenue for call time usage by customers is recognized as revenue as services are performed on accrual basis. Fixed rental is recognized as income on a monthly basis in relation to the period of services rendered.

(ii) 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 recognized, 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 recognized at the time of transit across the group's network and presented on gross basis. The relevant revenue accrued is recognized under income in the Statement of comprehensive income and interconnection expenses recognized under operating costs in the statement of comprehensive income.

(iii) Revenue from broadband

Revenue from Data services and IPTV services is recognized on usage and the fixed rental on a monthly basis when it is earned net of taxes, rebates and discounts.

(iv) Revenue from other telephony services

The revenue from other telephony services are recognized on an accrual basis based on fixed rental contracts entered between the Group and subscribers.

(v) Connection fees

The connection fees relating to Public Switched Telephone Network (PSTN) are deferred over a period of 15 years. Revenue is recognized on an annual basis irrespective of the date of connection.

The connection fees relating to Code Divisional Multiple Access (CDMA) connections are recognized as revenue at the point the connection is activated.

(vi) Service Agreements revenue

Capacity contracts which do not convey the right to use a specified capacity in an identified fibre cable are accounted as service arrangements. Revenues from capacity contracts under service arrangements are recognized 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 unamortized deferred revenue is recognized in the period the contract is terminated.

(vii) Prepaid Card revenue

Revenue from the sale of prepaid credit on CDMA, Internet is deferred until such time as the customer uses the call time, downloadable quota or the credit expires.

(viii) Equipment Sales

Revenue from sale of equipment is recognized, net of taxes, once the equipment is delivered.

(ix) Sales of services

Revenue from publication sales relating to advertising revenue is recognized on publishing the advertisement on the telephone directory and a copy delivered to the subscriber on a percentage of completion method.

(m) Expenditure

The expenses are recognized on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant and equipment in a state of efficiency is charged against income in arriving at the profit for the year.

(n) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized 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.

(o) Finance income and expenses

Finance income comprises interest income on funds invested (including available for sale financial assets), dividend income, gains on the disposal of available for sale financial assets. Interest income is recognized as it accrues in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings. Foreign currency gains and losses are reported on a net basis, as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or other comprehensive income.

(i) Current Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividend.

(ii) Deferred Taxation

Deferred tax is recognized in respect 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 recognized for the

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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 subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized 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 and liabilities will be realised simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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.

(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.

(q) Earnings per share

The Group presents basic and diluted 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.

(r) Insurance reserve

The Company transfers annually from the retained earnings an amount equal to 0.1% of additions to property, plant and 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 and equipment. The insurance reserve is maintained to recover any losses arising from damage to property, plant and equipment, except for motor vehicles, that are not insured with a third party insurer.

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognized 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 recognized at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders.

(t) 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.

(u) 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, reserves and non-controlling interests of the Group. 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.

During 2013, the Group's strategy, which was unchanged from 2010, was to maintain the gearing ratio below 26 %. The gearing ratios at 31 December 2013, 2012 and 01 January 2012 were as follows:

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Total borrowings	20,690	17,852	14,709	5,930	7,391	2,933
Total equity	59,789	55,987	53,660	57,103	55,054	53,402
Total capital	80,479	73,839	68,369	63,033	62,445	56,335
Gearing ratio	25.7%	24.2%	21.5%	9.4%	11.8%	5.2%

Risk Management Framework

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's 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 Committees are assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) SLFRS 9 Financial Instruments

SLFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under SLFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. SLFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of SLFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

SLFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of SLFRS 9 (2010) is expected to have an impact on the Group's financial assets, but not any impact on the Group's financial liabilities.

(ii) SLFRS 10 Consolidated Financial Statements, SLFRS 11 Joint Arrangements, SLFRS 12 Disclosure of Interests in Other Entities (2011)

SLFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

Under SLFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

SLFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. SLFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

(iii) SLFRS 13 Fair Value Measurement (2011)

SLFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout SLFRS. Subject to limited exceptions, SLFRS 13 is applied when fair value measurements or disclosures are required or permitted by other SLFRSs. The Group is currently reviewing its methodologies in determining fair values. SLFRS 13 is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

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4. 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 Telephony operations includes supply of fixed telecommunication services.
- Mobile Telephony operations includes supply of mobile telecommunication services.
- Other Segment operations includes Directory publication & support services. None of these segments meet the quantitative thresholds for determining reportable Segments in 2013 or 2012.

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.

Information about reportable segments.

	Fixed Telephony Operations		Mobile Operations		Other Segments Operations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
External revenues	33,804	32,179	26,105	23,819	235	773	60,144	56,771
Inter-segment revenue	2,977	2,540	1,377	1,116	1,588	1,274	5,942	4,930
Reportable segment revenue	36,781	34,719	27,482	24,935	1,823	2,047	66,086	61,701
Reportable segment								
Profit before tax	5,014	4,567	3,040	1,691	(170)	(1)	7,884	6,257
Interest revenue	872	1,216	219	210	31	40	1,122	1,466
Interest expense	(371)	(534)	(352)	(480)	(13)	(7)	(736)	(1,021)
Depreciation and Amortization	(6,804)	(6,704)	(5,546)	(5,045)	(85)	(88)	(12,435)	(11,837)
Reportable segment assets	83,090	84,820	41,714	38,466	1,472	1,509	126,276	124,795
Capital expenditure	10,666	15,111	10,037	3,659	11	7	20,714	18,777
Reportable segment liabilities	25,987	29,766	25,457	23,989	1,358	1,166	52,802	54,921

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

	2013	2012
Revenues		
Total revenue for reportable segments	64,263	59,654
Revenue for other segments	1,823	2,047
	66,086	61,701
Elimination of inter-segment revenue	(5,942)	(4,930)
Consolidated revenue	60,144	56,771
Profit or loss		
Total Profit or loss for reportable segments	8,054	6,258
Profit or loss for other segments	(170)	(1)
	7,884	6,257
Elimination of inter-segment profits	(519)	(406)
Consolidated profit from continuing operations before tax	7,365	5,851
Assets		
Total assets for reportable segments	124,804	123,286
Assets for other segments	1,472	1,509
	126,276	124,795
Elimination of inter-segment assets	(18,229)	(20,285)
Consolidated total assets	108,047	104,510
Liabilities		
Total liabilities for reportable segments	51,444	53,755
Liabilities for other segment	1,358	1,166
	52,802	54,921
Elimination of inter-segment liabilities	(4,544)	(6,398)
Consolidated total liabilities	48,258	48,523

Other material items (2013)

	Reportable segment totals	Consolidated Adjustments	totals
Interest revenue	1,122	-	1,122
Interest expense	(736)	-	(736)
Capital expenditure	20,714	-	20,714
Depreciation and amortization	(12,435)	-	(12,435)

Other material items (2012)

	Reportable segment totals	Consolidated Adjustments	totals
Interest revenue	1,466	-	1,466
Interest expense	(1,021)	-	(1,021)
Capital expenditure	18,777	-	18,777
Depreciation and amortization	(11,837)	(72)	(11,909)

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

5 REVENUE

The significant categories under which revenue is recognized are as follows:

	Group		Company	
	2013	2012	2013	2012
Release of deferred connection charges (Note 24)	679	784	679	784
Rental income	6,308	6,222	4,787	4,685
Domestic call revenue	21,047	19,681	5,245	5,342
Receipts from other network operators – domestic	1,740	1,684	821	896
International call revenue	2,229	2,215	1,013	1,050
Receipts from other network operators – International	122	117	37	46
International settlements (in-payments)	9,372	9,090	6,476	6,363
CDMA revenue	1,742	2,186	1,742	2,186
Broadband revenue	7,233	6,092	5,441	4,704
Data and other services	9,672	8,700	10,540	8,663
	60,144	56,771	36,781	34,719

6 OPERATING COSTS

The following items have been included in arriving at operating profit before depreciation and amortisation:

	Group		Company	
	2013	2012	2013	2012
Staff costs (Note 7)	13,058	11,866	9,771	8,981
Directors' emoluments	19	15	16	12
Payments to international network operators	1,607	1,666	1,607	1,657
Payments to other network operators				
- international	2,060	1,844	1,503	1,389
- domestic	2,011	1,987	841	873
Int'l Telecommunication Operators Levy (Note 8)	2,329	2,371	1,588	1,688
Independent auditors' remuneration				
- audit and related service fees	11	11	8	7
- non-audit fees	7	1	7	1
Repairs and maintenance expenditure	2,979	2,754	2,284	2,008
Provision for doubtful debts	781	733	522	543
Other impairments / (reversals)	88	108	77	477
Impairment of property, plant & equipment (Note 13)	149	305	149	125
Other operating expenditure	16,119	15,146	8,448	7,672
	41,218	38,807	26,821	25,433

7 STAFF COSTS

	Group		Company	
	2013	2012	2013	2012
Salaries, wages, allowances and other benefits	11,569	10,565	8,595	7,942
Post employment benefits				
- defined contribution plans	1,003	927	755	712
- defined benefit obligations (Note 26)	486	374	421	327
	13,058	11,866	9,771	8,981
Average number of persons employed by the Group / Company during the year:	9,767	9,860	5,950	6,080

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 03 March 2003, where initially the levy was defined in such a way that Operators were allowed to claim the 2/3rd of TDC against the cost of network development charges.

The first revision to this rate was introduced with effect from 15 July, 2010 with a TDC rate change from US cents 3.80 to US cents 1.50. Through the same revision the disbursement process was removed from the regulation. The revised rates prevailed until such time the rate was again revised to US cents 3.0 per minute with effect from 01 January, 2012 in accordance with the Budget Proposal for year 2012.

The total amount of the levy payable by the Group and Company for the period from 01 January to 31 December, 2013 was estimated at Rs. 2,329 million (2012 – Rs. 2,371 million) and Rs. 1,588 million (2012 – Rs. 1,688 million) respectively and has been recognized as expenses in the current financial year. The corresponding liability net of payments has been recognized in the Statement of Financial Position.

The Telecommunication Regulatory Commission (TRC) refunded Rs.367 million as claims for the period from 01 April 2008 to 31 March 2009 during the year 2013. The TDC refund is accounted for on cash basis when the payment is received from the TRC. For the period 1 April 2009 to 14 July 2010, for which the disbursement regulation is effective, claims amounting to Rs.948 million was submitted to the TRC for which no refunds were received.

9 INTEREST EXPENSE AND FINANCE COSTS

	Group		Company	
	2013	2012	2013	2012
Rupee loans [see Note (a) below]	198	338	-	39
Foreign currency loans [see Note (a) below]	500	665	348	480
other charges [See Note (b) below]	38	18	23	15
	736	1,021	371	534

- (a) Interest cost of the company Rs 348 million (2012-Rs 519 million) relates to the LKR loans and USD syndicated loans. Interest cost of the group related to LKR loans and USD syndicated loans.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

9 INTEREST EXPENSE AND FINANCE COSTS CONTD.

- (b) Other charges mainly include interest cost of finance leases and overdraft facilities.

9.a Foreign Exchange (Loss) /Gain

	Group		Company	
	2013	2012	2013	2012
Net foreign exchange (loss)/gain	(441)	(1,212)	18	75

- (a) Foreign currency (loss) or gain of the company mainly includes,
- i. Exchange gain of Rs.220 million (2012 - Rs. 1,101 million) arising from revaluation of the fixed deposits and bank balances maintained in USD
 - ii. Exchange loss of Rs 31 million on payment to foreign suppliers (2012 - gain Rs. 5 million)
 - iii. Exchange loss of Rs.171 million (2012 - Rs. 1,031 million) arising from revaluation of USD syndicated loan
- (b) Foreign currency (loss) or gain of the group mainly includes,
- i. Exchange gain of Rs.220 million (2012 - of Rs. 1,339 million) arising from revaluation of the fixed deposits and bank balances maintained in USD
 - ii. Exchange loss of Rs. 391 million on payment to foreign suppliers (2012 - Rs. 1,028 million)
 - iii. Exchange loss of Rs. 270 million (2012 - Rs.1,523 million) arising from revaluation of USD syndicated loan and other term loans.

10 INTEREST INCOME

	Group		Company	
	2013	2012	2013	2012
Interest income from:				
Treasury Bond	5	24	5	24
Treasury Bills	-	3	-	-
Repurchase agreement-Repos	132	281	42	197
Fixed Deposits	549	901	389	738
Staff Loan Interest	436	257	436	257
	1,122	1,466	872	1,216

The interest income on bank deposits and Government Securities reflect the prevailing rates on the date of respective investments.

- (a) The weighted average interest rates on bank deposits in LKR and USD were 15.28% (2012 - 12.80%) and 5.28 % (2012 - 5.42%) respectively.
- (b) The weighted average interest rates on investments in Government Securities were 8.64% (2012 - 9.81%)
- (c) The weighted average interest rates on staff loans are between 11.50% and 20% (2012 - 11.5% and 20%).

- (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 person. Notional tax credit would be determined by grossing up of the income from the secondary market transactions to an amount equal to 1/9 of same and credit to be afforded for a like sum. Accordingly , company has accounted for Rs.5 Million as notional tax credit for the year 2013. (2012 Rs 23 Million)

11 INCOME TAX EXPENSES

Tax recognized in profit or loss

	Group		Company	
	2013	2012	2013	2012
Current tax expense				
Current year	987	1,084	387	459
Adjustment for prior years	5	(4)	5	-
	992	1,080	392	459
Deferred tax expense				
Origination and reversal of temporary differences (Note 23)	954	850	987	862
	954	850	987	862
Tax expense from continuing operations	1,946	1,930	1,379	1,321

Tax recognized in other comprehensive income -Group

	2013			2012		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Foreign currency translation differences - foreign operations	-	-	-	3	-	3
Available-for-sale financial assets	-	-	-	3	-	3
Defined benefit plan actuarial gains/(losses)	(103)	21	(82)	(91)	25	(66)
	(103)	21	(82)	(85)	25	(60)

Tax recognized in other comprehensive income -Company

	2013			2012		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Available-for-sale financial assets	-	-	-	3	-	3
Defined benefit plan actuarial gains/(losses)	(76)	21	(55)	(88)	25	(63)
	(76)	21	(55)	(85)	25	(60)

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

11 INCOME TAX EXPENSES CONTD.

	Group	
	2013	2012
Reconciliation of effective tax rate		
Profit before tax continuing operations	7,365	5,851
Tax using the company's domestic tax rate	28.00%	2,062
Effect of different Tax rates (Note a&b below)	-3.56%	(262)
Non-deductible expenses	6.57%	484
Income not subject to tax	-4.59%	(338)
	26.42%	1,946
	32.99%	1,930

	Company	
	2013	2012
Reconciliation of effective tax rate		
Profit before tax continuing operations	5,014	4,567
Tax using the company's domestic tax rate	28.00%	1,404
Non-deductible expenses	6.16%	309
Income not subject to tax	-6.66%	(334)
	27.50%	1,379
	28.92%	1,321

Current income tax charge of the Group / Company is made up as follows:

	Group		Company	
	2013	2012	2013	2012
Sri Lanka Telecom PLC	387	459	387	459
Mobitel (Private) Limited	587	551		
Sri Lanka Telecom (Services) Limited	4	2		
SLT Human Capital Solutions (Private) Limited	1	3		
SLT Publications (Private) Limited	4	66		
SLT VisionCom (Private) Limited	2	1		
Sky Network (Private) Limited	2	2		
	987	1,084	387	459

- (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 2013/2014, SLT Human Capital Solutions (Pvt) 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) Ltd 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 of 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. The Current tax wholly consists of tax on interest income.

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	
	2013	2012	2013	2012
Net profit attributable to equity holders (Rs million)	5,419	3,921	3,635	3,246
Weighted average number of ordinary shares in issue (million)	1,805	1,805	1,805	1,805
Basic earnings per share (Rs)	3.00	2.17	2.01	1.80

13 PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land	Freehold buildings	cables and other outside plant	Ducts, telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
Cost								
As at 1 January 2012	356	2,846	79,930	17,984	62,608	26,448	5,867	196,039
Additions at cost	-	1	209	33	1,833	1,250	14,101	17,427
Transfers from capital work-in-progress	-	46	3,372	1,648	3,146	1,629	(9,841)	-
Disposals at cost	-	-	(64)	(177)	(19)	(44)	-	(304)
Assets held for sale	-	-	-	-	(20)	-	-	(20)
Adjustments	-	-	-	-	-	-	-	-
As at 31 December 2012	356	2,893	83,447	19,488	67,548	29,283	10,127	213,142
Accumulated depreciation								
As at 1 January 2012	-	(1,712)	(64,759)	(14,016)	(28,625)	(20,774)	-	(129,886)
Reinstatement of accumulated depreciation		115			1,437			1,552
Accumulated depreciation on disposals	-	-	29	177	19	43	-	268
Accumulated depreciation on impairments	-	-	(180)	(125)	-	-	-	(305)
Assets held for sale	-	-	-	-	9	-	-	9
Depreciation charge	-	(66)	(2,503)	(916)	(5,336)	(2,357)	-	(11,178)
As at 31 December 2012	-	(1,663)	(67,413)	(14,880)	(32,496)	(23,088)	-	(139,540)
Carrying value as at 31 December 2012	356	1,230	16,034	4,608	35,052	6,195	10,127	73,602

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

13 PROPERTY, PLANT AND EQUIPMENT CONTD.**Group**

	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
Cost								
As at 1 January 2013	356	2,893	83,447	19,488	67,548	29,283	10,127	213,142
Additions at cost	-	-	177	62	2,645	1,166	14,913	18,963
Transfers from capital work-in-progress	-	114	2,910	1,286	6,696	1,391	(12,397)	-
Disposals at cost	-	-	(739)	(1,128)	-	(79)	-	(1,946)
Adjustments	-	-	(4)	(48)	(7)	(78)	-	(137)
As at 31 December 2013	356	3,007	85,791	19,660	76,882	31,683	12,643	230,022
Accumulated depreciation								
As at 1 January 2013	-	(1,663)	(67,413)	(14,880)	(32,496)	(23,088)	-	(139,540)
Accumulated depreciation on disposals	-	-	721	1,129	-	78	-	1,928
Accumulated depreciation on impairments	-	-	-	(149)	-	-	-	(149)
Depreciation charge	-	(71)	(2,483)	(949)	(5,864)	(2,388)	-	(11,755)
As at 31 December 2013	-	(1,734)	(69,175)	(14,849)	(38,360)	(25,398)	-	(149,516)
Carrying value as at 31 December 2013	356	1,273	16,616	4,811	38,522	6,285	12,643	80,506

Company

	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
Cost								
As at 1 January 2012	356	2,819	79,158	18,008	18,622	25,337	4,995	149,295
Additions at cost	-	1	209	23	28	1,093	12,575	13,929
Transfers from capital work-in-progress	-	46	3,372	1,648	1,752	1,629	(8,447)	-
Disposals at cost	-	-	(64)	(169)	(19)	(32)	-	(284)
As at 31 December 2012	356	2,866	82,675	19,510	20,383	28,027	9,123	162,940
Accumulated depreciation								
As at 1 January 2012	-	(1,712)	(64,551)	(14,040)	(13,891)	(20,130)	-	(114,324)
Reinstatement of accumulated depreciation	-	115	-	-	1,437	-	-	1,552
Accumulated depreciation on disposals	-	-	29	169	19	32	-	249
Accumulated depreciation on impairments	-	-	-	(125)	-	-	-	(125)
Depreciation charge	-	(66)	(2,440)	(905)	(821)	(2,145)	-	(6,377)
As at 31 December 2012	-	(1,663)	(66,962)	(14,901)	(13,256)	(22,243)	-	(119,025)
Carrying value as at 31 December 2012	356	1,203	15,713	4,609	7,127	5,784	9,123	43,915

Company

	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
Cost								
As at 1 January 2013	356	2,866	82,675	19,510	20,383	28,027	9,123	162,940
Additions at cost	-	-	177	46	92	668	9,459	10,442
Transfers from capital work-in-progress	-	114	2,910	1,286	715	1,391	(6,416)	-
Disposals at cost	-	-	(739)	(1,112)	-	(60)	-	(1,911)
Adjustments	-	-	(4)	(48)	(7)	(78)	-	(137)
As at 31 December 2013	356	2,980	85,019	19,682	21,183	29,948	12,166	171,334
Accumulated depreciation								
As at 1 January 2013	-	(1,663)	(66,962)	(14,901)	(13,256)	(22,243)	-	(119,025)
Accumulated depreciation on disposals	-	-	721	1,112	-	61	-	1,894
Accumulated depreciation on impairments	-	-	-	(149)	-	-	-	(149)
Depreciation charge	-	(71)	(2,420)	(936)	(912)	(2,166)	-	(6,505)
As at 31 December 2013	-	(1,734)	(68,661)	(14,874)	(14,168)	(24,348)	-	(123,785)
Carrying value as at 31 December 2013	356	1,246	16,358	4,808	7,015	5,600	12,166	47,549

- (a) On 1 September 1991, the Department of Telecommunications (DoT) transferred its entire telecommunication 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 and equipment as determined by the Government of Sri Lanka valuers was used as 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 2013 was Rs 90,907 million (2012 - Rs 83,946 million). The cost of fully depreciated assets still in use in the Group as at 31 December 2013 was Rs 94,316 million (2012 - Rs 84,603 million).
- (c) No assets have been mortgaged or pledged as security for borrowings of the Company. However, Mobitel (Private) Limited, a subsidiary of the Company, has pledged its assets at a value of Rs 9.7 billion as at 31 December 2013 (2012 - Rs. 9.7 billion) for its bank borrowings [Note 22 (k)].
- (d) The Directors believe that the Company has freehold title to the land and buildings transferred on incorporation (conversion of SLT into a public limited company on 25 September 1996), although the vesting orders specifying all the demarcations and extents of such land and buildings could not be traced. The Company has initiated action to transfer legal title documentations.
- (e) The property, plant and equipment is not insured except for buildings & 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 and equipment. At the reporting date, the insurance reserve amounted to Rs 500 million (2012 - Rs 435 million) (Note 27).
- (f) Impairment of assets mainly consist of the carrying value of switches Rs 149 million that were impaired as a result of implementation of Next Generation Network (NGN) (2012 - Rs. 125 million).

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

13 PROPERTY, PLANT AND EQUIPMENT CONTD.

- (g) Additions include assets costing Rs 224 million (2012 - Rs - nil) obtained under finance leases (where the Company is the lessee) and the additions of the Group includes assets costing Rs 249 million obtained under finance leases (2012 - Rs - nil) where the Group is the lessee.
- (h) The property, plant and equipment includes motor vehicles acquired under finance leases, the net book value of which is made up as follows:

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Cost	479	230	230	429
Accumulated depreciation	(195)	(146)	(111)	(173)
Carrying value	284	84	119	256
				69 104

- (i) Property, plant and equipment include submarine cables which are jointly controlled. The total cost and accumulated depreciation of all cables under this category are as follows:

	Company / Group	
	2013	2012 1 Jan 2012
Cost	6,304	6,336 6,399
Accumulated depreciation as at 1 January	(4,550)	(4,401) (3,947)
Depreciation charge for the year	(161)	(149) (454)
Carrying amount	1,593	1,786 1,998

14 INTANGIBLE ASSETS

Group

	Goodwill	Licences	Software	Others	Total
As at 1 January 2012					
Cost	394	1,070	2,225	330	4,019
Accumulated amortisation and impairment	(253)	(373)	(1,361)	(330)	(2,317)
Carrying amount as at 1 January 2012	141	697	864	-	1,702
Year ended 31 December 2012					
Opening net book amount	141	697	864	-	1,702
Additions at cost	-	908	433	-	1,341
Amortisation charge	-	(173)	(451)	-	(624)
Closing carrying amount	141	1,360	918	-	2,419
As at 31 December 2012					
Cost	394	1,978	2,658	330	5,360
Accumulated amortisation and impairment	(253)	(618)	(1,740)	(330)	(2,941)
Carrying amount as at 31 December 2012	141	1,360	918	-	2,419

Group

	Goodwill	Licences	Software	Others	Total
Year ended 31 December 2013					
Opening net book amount	141	1,360	918	-	2,419
Additions at cost	-	2,081	82	-	2,163
Amortisation charge	-	(275)	(308)	-	(583)
Adjustment	-	-	(23)	-	(23)
Carrying amount	141	3,166	669	-	3,976
As at 31 December 2013					
Cost	394	4,059	2,702	330	7,485
Accumulated amortisation and impairment	(253)	(893)	(2,033)	(330)	(3,509)
Carrying amount	141	3,166	669	-	3,976

The goodwill of the Group consists of goodwill arising on acquisition of Mobitel (Private) Limited.

Goodwill is allocated to the Group's Cash-Generating Units (CGUs). A summary of the goodwill allocation is presented below:

	2013	2012	1 Jan 2012
Mobitel (Private) Limited	141	141	141
Total	141	141	141

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. 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:

	2013	2012
Growth rate	10%-12%	16%
Discount rate	8%	12%

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14 INTANGIBLE ASSETS CONTD.

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 recognized for the year ended 31 December 2013 for the above CGU (2012 - Rs Nil).

Company

	Licences	Software	Others	Total
As at 1 January 2012				
Cost	-	1,357	330	1,687
Accumulated amortisation and impairment	-	(887)	(330)	(1,217)
Carrying amount	-	470	-	470
Year ended 31 December 2012				
Opening net book amount	-	470	-	470
Additions at cost	816	367	-	1,183
Amortisation charge and impairment	(75)	(252)	-	(327)
Closing carrying amount	741	585	-	1,326
As at 31 December 2012				
Cost	816	1,724	330	2,870
Accumulated amortisation and impairment	(75)	(1,139)	(330)	(1,544)
Carrying amount as at 31 December 2012	741	585	-	1,326
Year ended 31 December 2013				
Opening net book amount	741	585	-	1,326
Additions at cost	612	12	-	624
Adjustment	-	(38)	-	(38)
Amortisation charge and impairment	(97)	(202)	-	(299)
Closing carrying amount	1,256	357	-	1,613
As at 31 December 2013				
Cost	1,428	1,736	330	3,494
Adjustment	-	(38)	-	(38)
Accumulated amortisation and impairment	(172)	(1,341)	(330)	(1,843)
Closing carrying amount	1,256	357	-	1,613

15 FINANCIAL PREPAYMENTS

	Group		
	2013	2012	1 Jan 2012
As at 01 January	1,097	1,077	1077
Acquired/Incurred during the period		20	-
As at 31 December	1,097	1,097	1,077
Amortisation			
As at 01 January	726	619	556
Amortisation for the year	97	107	63
As at 31 December	823	726	619
Carrying amount- Current	98	97	95
Carrying amount- Non Current	176	274	363
As at 31 December	274	371	458

Financial charges for the guarantee issued by The Swedish Export Credit Guarantee Board (EKN) for SCB loan, insurance premium for the guarantee issued by China Export and Credit Insurance Corporation for HSBC loan and other financial prepayments.

16 INVESTMENTS IN SUBSIDIARIES

	Company		
	2013	2012	1 Jan 2012
Opening net book amount	14,192	13,431	11522
Impairment of Investment	-	(377)	(211)
Additions/(disposals)	(36)	1,138	2,120
Closing net book amount	14,156	14,192	13,431

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

16 INVESTMENTS IN SUBSIDIARIES CONTD.

Details of the subsidiary companies in which the Company had control as at 31 December are set out below:

Name of company	2013		2012		1 Jan 2012	
	Investment Rs million	Company holding	Investment Rs million	Company holding	Investment Rs million	Company holding
Mobitel (Private) Limited [See Note (b) below]	13,980	100%	13,980	100%	12,842	100%
SLT VisionCom (Private) Limited [See Note (f) below]	100	100%	100	100%	100	100%
SLT Publications (Private) Limited [See Note (d) below]	50	100%	50	100%	50	100%
SLT Hong Kong Limited [See Note (c) below]	-	100%	36	100%	36	100%
Sri Lanka Telecom (Services) Limited [See Note (a) below]	25	99.99%	25	99.99%	25	99.99%
SLT Human Capital Solutions (Private) Limited [See Note (e) below]	1	100%	1	100%	1	100%
Sky Network (Private) Limited [See Note (g) below]	-	99.94%	-	99.94%	377	99.94%
	14,156		14,192		13,431	

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. At 31 December 2013.
- At 31 December 2013, preference dividends amounting to Rs 980 million were in arrears (2012 - Rs 980 million). No accrual has been made in the Company's financial statements as the Board of Directors has decided to waive off the right to receive the same.
- (c) SLT Hong Kong Limited incorporated in Hong Kong is under the liquidation process.
- (d) This investment in subsidiary company consists of 5,000,000 shares representing the entire stated capital of SLT Publications (Private) Limited.
- (e) This investment in subsidiary company consists of 50,000 shares representing the entire stated capital of SLT Human Capital Solutions (Private) Limited
- (f) This investment in subsidiary company consists of 10,000,000 shares representing the entire stated capital of SLT VisionCom (Private) Limited.

- (g) 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.

As at 31 December 2013, preference dividends amounting to Rs 37 million (2012 - Rs 30 million) has not been recognized in the financial statements.

All the subsidiaries except Mobitel (Private) Limited and SLT Hong Kong Limited are audited by KPMG .

17 OTHER INVESTMENTS

Non Current Investments

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Treasury bonds	-	-	101	-	-	101
Fixed deposits	-	-	-	-	-	-
	-	-	101	-	-	101

Current Investments

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Treasury bonds	-	103	615		103	615
Treasury bills	-	-	-	-	-	-
Fixed deposits	3,393	7,278	8,844	3,203	6,961	8,612
	3,393	7,381	9,459	3,203	7,064	9,227

All government securities are classified as available for sale and measured at fair value and fixed deposits are classified as loans and receivables and measured at amortised cost.

Treasury bond with a carrying value of Rs. 103 Mn in 2012 which got matured during 2013 and Fixed deposits with a carrying value of Rs. 515 mn (2012 Rs. 342 mn) are restricted at bank.

Fixed Deposits with a carrying value of Rs. 3,203 includes both LKR and USD deposits.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

17 OTHER INVESTMENTS CONTD.

Interest rates of other investments classified as non currents assets are as follows:

	2013	Group		Company		
		2012	1 Jan 2012	2013	2012	
Non Current Assets						
Available for sale						
Treasury Bonds - Escrow investment	8.50%	8.50%	8.50%	8.50%	8.50%	
Treasury Bonds	-	13.50%	13.50%	-	13.50%	
Current Assets						
Available for sale						
Loans and Receivables						
Fixed Deposits - Restricted at bank	15.28%	12.22%	12.22%	15.28%	12.22%	
Fixed Deposits	7.00%	12.51%	7.77%	Nil	12.51%	
Repurchase agreement-Repo	8.64%	9.81%	7.21%	8.64%	9.81%	
					8.73%	

The group's exposure to credit and market risk and fair value information related to other investments are disclosed in Note no 30

18 OTHER RECEIVABLES

	2013	Group		Company	
		2012	1 Jan 2012	2013	2012
Non Current					
Current	2,733	2,480	2,316	2,733	2,480
	676	615	494	667	610
	3,409	3,095	2,810	3,400	3,090
Employee Loans					
Prepaid staff cost	2,790	2,434	2,337	2,760	2,429
	640	661	473	640	661
	3,409	3,095	2,810	3,400	3,090
Prepaid staff cost 1 Jan					
Additions	661	473	408	661	473
Amortization	255	307	229	255	307
Prepaid staff cost at 31Dec	(276)	(119)	(164)	(276)	(119)
	640	661	473	640	473

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 the similar loans.

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

The employee loans are classified as loans and receivable and subsequently measured at amortized cost.

19 INVENTORIES

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
CDMA Equipments	937	964 924	937	964 924
Cable & Networks	2,048	2,272 1,546	2,048	2,272 1,339
Other consumables	690	699 532	397	494 432
	3,675	3,935 3,002	3,382	3,730 2,695
Provision for change in carrying value of inventories	(1,501)	(1,334) (1,261)	(1,464)	(1,334) (1,230)
	2,174	2,601 1,741	1,918	2,396 1,465

- (a) Inventories consist of trading and capital inventory of which 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	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Domestic trade receivables	12,359	11,251 9,649	9,610	8,761 7,562
Foreign trade receivables	2,287	2,663 2,115	1,772	2,135 1,572
	14,646	13,914 11,764	11,382	10,896 9,134
Less: Provision for bad and doubtful receivables	(5,662)	(4,863) (3,968)	(4,486)	(3,946) (3,331)
Less: Interest / revenue in suspense	(19)	(19) (19)	-	- -
Trade receivables - net	8,965	9,032 7,777	6,896	6,950 5,803
Amount due from subsidiaries [Note 34.3(f)]	-	- -	2,865	4,152 3,360
Amount due from related companies [Note 34.3(g)]	123	213 38	123	180 36
Advances and prepayments [See Note (a) below]	927	892 766	167	176 187
Employee loans	675	615 494	667	610 494
Other receivables [See Note (b) below]	639	665 658	152	121 105
Amounts due within one year	11,329	11,417 9,733	10,870	12,189 9,985

- (a) Advances and prepayments of the Company mainly consist of advances on Building rent of Rs 11 million (2012 - Rs 12 million), payments for software maintenance of Rs 120 million (2012 - Rs 120 million) and Purchase advance of Rs 4 million (2012-Rs 15 million.) Advances and prepayments of the Group mainly consist of advances on Building rent purchases of Rs 127 million (2012 - Rs 129 million) and payments for software maintenance of Rs 120 million (2012 - Rs 352 million) and prepayment for advertising hoardings Rs 15 million (2012- 15 million) Prepaid TRC Frequency Rs 191 mn (2012-Rs 188 million) and current portion of financial prepayment Rs 97 million (2012- Rs 97 million)
- (b) Other receivables of the Company consist of refundable deposits of Rs 98 million (2012 - Rs 98 million) and dishonoured cheques of Rs 3 million (2012 - Rs 3 million). Other receivables of the Group mainly consist of refundable deposits of Rs 190 million (2012- Rs 179 million),receivables from sales agents Rs 105 million (2012-Rs 85 million) site rentals receivables from other operators Rs 315 million (2012-Rs 304 million)

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Cash at bank and in hand	852	3,379	1,296	471
Call Deposits	352	-	-	352
Fixed deposits	22	-	-	-
Repurchase agreements - Repo	2,233	508	1,838	-
	3,459	3,887	3,134	823
				873
				1,484

a For cash flow purpose:

Cash and cash equivalents

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Cash and cash equivalents	3,459	3,887	3,134	823
Bank overdrafts	(1,265)	(618)	(962)	(740)
	2,194	3,269	2,172	83
				737
				1,255

22 BORROWINGS

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Current (due within one year)				
Bank overdrafts	1,265	618	962	740
Bank borrowings and others [See Note 22 (f & k) below]	4,385	4,285	2,481	2,468
Vendor financing	2,587	1,326	1,836	-
Lease liabilities	75	46	47	60
	8,312	6,275	5,326	3,268
				2,577
				914
Non-current (due after one year)				
Bank borrowings and others [See Note 22(f & k) below]	4,640	8,781	7,420	2,454
Vendor financing	7,504	2,734	1,855	-
Lease liabilities	234	62	108	208
	12,378	11,577	9,383	4,814
Total borrowings	20,690	17,852	14,709	5,930
				7,391
				2,933

(a) The interest rate exposure of the borrowings of the Group and Company was as follows:

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Total borrowings						
- at fixed rates	1,574	108	155	1,008	82	120
- at floating rates	19,116	17,608	14,325	4,922	7,173	2,584
	20,690	17,716	14,480	5,930	7,255	2,704

(b) The currency exposure of the borrowings of the Group and the Company was as follows:

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Foreign currency	19,116	15,066	10,573	4,922	7,173	2,584
Local currency	1,574	2,650	3,907	1,008	82	120
	20,690	17,716	14,480	5,930	7,255	2,704

(c) Effective interest rates of the Company and the Group are as follows:

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Average effective interest rates:						
- bank overdrafts	10.80%	14.05%	7.50%	10.80%	-	-
- foreign bank borrowings	1.24%-2.52%	1.65%	1.53%	-	-	-
- government borrowings	-	-	-	-	-	-
- bank borrowings (USD Syndicated loan)	5.29%	5.40%	5.30%	5.29%	5.40%	5.30%
- bank borrowings	12 .1%-15.2%	14.65%	9.47%	-	-	-
- lease liabilities	21%-25%	21%-25%	21%-25%	21%-25%	21%-25%	21%-25%
- Vendor financing	1.95%-4.15%	3.24%	3.24%	-	-	-

(d) Maturity analysis of the Company and the Group is as follows:

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Maturity of non current borrowings :						
(excluding finance lease liabilities)						
- between 1 and 2 years	10,016	6,121	5,748	2,454	2,395	1,292
- between 3 and 5 years	2,128	4,989	3,527	-	2,374	645
- over 5 years	-	405	-	-	-	-
	12,144	11,515	9,275	2,454	4,769	1,937

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

22 BORROWINGS CONTD.

- (e) Analysis of the finance lease liabilities of the Company and the Group is as follows:

	2013	Group		Company	
		2012	1 Jan 2012	2013	2012
Finance lease liabilities - minimum lease payments					
- not later than 1 year	106	57	69	97	45
- later than 1 year and not later than 5 years	309	70	124	268	50
	415	127	193	365	95
Less : future finance charges on finance leases	(106)	(19)	(38)	(97)	(13)
Present value of finance lease liabilities	309	108	155	268	82
Representing lease liabilities:					
- current	75	46	49	60	37
- non-current	234	62	108	208	45

- (f) Outstanding balance of USD 75 million syndicate loan as at 31 December 2013 was USD 37.5 million (LKR 4,922 million).
- (g) The loan covenants include submission of audited financial statements to the lenders within specified periods from the financial year end, and to maintain adequate accounting records in accordance with generally accepted accounting principles.
- (h) The Directors believe that the Company and the Group will have sufficient funds available to meet its present loan commitments.
- (i) Lease liabilities of the Company and the Group are effectively secured by the lessor against the rights to the title of the asset.
- (j) Bank borrowings and bank overdrafts of Mobitel (Private) Limited, a subsidiary of the Company, are secured, inter alia, by corporate guarantees given by the Company.
- (k) Bank borrowings of Mobitel (Private) Limited are secured by a pledge over its property, plant and equipment at a value of Rs 9.7 billion [See Note 13 (c)]
- (l) Mobitel (Private) Limited has borrowed Rs 7,220 million during the year for the purpose of Capital expansion projects.

23 DEFERRED INCOME TAX

Recognized deferred income tax (assets) / 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 a principal tax rate of 28% (for the year 2012 - 28%).

The movement in the deferred income tax account is as follows:

	Group		Company	
	2013	2012	2013	2012
At the beginning of the year	759	(66)	780	(57)
Release to Comprehensive Income (Note 11)	954	850	987	862
Release to Other Comprehensive Income (Note 11)	(21)	(25)	(21)	(25)
(Over)/under provision of DT relevant to prior years	-	-	-	-
At the end of the year	1,692	759	1,746	780

The amount shown in the statement of financial position represents the following.

	Group		Company	
	2013	2012	2013	2012
Deferred income tax liabilities	1,750	782	1,746	780
Deferred income tax assets	(58)	(23)	-	-
	1,692	759	1,746	780

The taxable and deductible temporary differences mainly arise from property, plant and equipment, deferred income, provision for defined benefit obligations and other provisions.

The movement in deferred income tax assets and liabilities of the Group during the year, without taking into consideration the off-setting of balances within the same tax jurisdiction, is as follows:

Group

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Property, plant and equipment	-	-	4,934	3,770	4,934	3,770
Defined benefit obligations	(765)	(646)	-	-	(765)	(646)
Provisions	(1,508)	(1,312)	-	-	(1,508)	(1,312)
Deferred income	(937)	(1,053)	-	-	(937)	(1,053)
Tax losses	(32)	-	-	-	(32)	-
Tax (assets)/liabilities before set off	(3,242)	(3,011)	4,934	3,770	1,692	759
Set off of tax	3,242	3,011	(3,242)	(3,011)	-	-
Net tax (assets)/liabilities	-	-	1,692	759	1,692	759

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

23 DEFERRED INCOME TAX CONTD.

Movement in deferred tax balances during the year-Group

	Balance 1 January 2012	Recognized in profit or Loss	Recognized in Other Comprehensive Income	Balance 31 December 2012	Recognized in profit or Loss	Recognized in Other Comprehensive Income	Balance 31 December 2013
Property, plant and equipment	2,788	982	-	3,770	1,164	-	4,934
Defined benefit obligations	(546)	(75)	(25)	(646)	(98)	(21)	(765)
Provisions	(1,116)	(196)	-	(1,312)	(196)	-	(1,508)
Deferred income	(1,192)	139	-	(1,053)	116	-	(937)
Tax losses	-	-	-	-	(32)	-	(32)
	(66)	850	(25)	759	954	(21)	1,692

Company

	Assets		Liabilities		Net
	2013	2012	2013	2012	2013
Property, plant and equipment	-	-	4,932	3,771	4,932
Defined benefit obligations	(763)	(644)	-	-	(763)
Provisions	(1,486)	(1,294)	-	-	(1,486)
Deferred income	(937)	(1,053)	-	-	(937)
Tax (assets)/liabilities before set off	(3,186)	(2,991)	4,932	3,771	1,746
Set off of tax	3,186	2,991	(3,186)	(2,991)	-
Net tax (assets)/liabilities	-	-	1,746	780	1,746
					780

Movement in deferred tax balances during the year-Company

	Balance 1 January 2012	Recognized in profit or Loss	Recognized in Other Comprehensive Income	Balance 31 December 2012	Recognized in profit or Loss	Recognized in Other Comprehensive Income	Balance 31 December 2013
Property, plant and equipment	2,777	994	-	3,771	1,161	-	4,932
Defined benefit obligations	(542)	(77)	(25)	(644)	(98)	(21)	(763)
Provisions	(1,100)	(194)	-	(1,294)	(192)	-	(1,486)
Deferred income	(1,192)	139	-	(1,053)	116	-	(937)
	(57)	862	(25)	780	987	(21)	1,746

Unrecognised deferred income tax (assets) and liabilities

Deferred income tax assets are recognized 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 recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefit there from. The Group did not recognise deferred tax assets in respect of tax losses of subsidiaries amounting to Rs 200 million (2012 - 207 million) that can be carried forward to set off against future taxable income.

The adjusted tax losses available to carry forward as at 31 December 2013 are as follows:

	Adjusted tax losses available for carry forward as at 31 December		
	2013	2012	1 Jan 2012
SKY Network (Pvt) Limited	52	54	59
SLT VisionCom (Private) Limited	148	153	200
	200	207	259

24 DEFERRED INCOME

Deferred connection charges of the Company represents the connection charges relating to PSTN network, net of amounts amortised to the Statement of comprehensive income. The connection charges are deferred over a period of 15 years as stated in Accounting Policy (v). The deferred IRU sales of the Company includes the revenue arising on sale of SEA-ME-WE 4 cable capacity which is recognized over the lease period of 15 years. Release of Backhauling charges represent the revenue arising from lease of SEA-ME-WE 3 cable capacity. Deferred Pre-paid card revenue in company represents un-used CDMA and SLT Passport cards. In addition, the deferred income of the Group mainly represents unused pre-paid card revenue and refund of Telecommunication Development Charges (TDC) received in 2009 from Telecommunication Regulatory Commission in connection with the cost of network rollout by Mobitel (Private) Limited.

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
At the beginning of the year	5,664	5,995	5,945	3,926	4,401	4,957
Connection fees for the year	283	308	302	283	308	302
Pre-paid card revenue	19,882	16,240	14,078	240	328	430
Refund of Telecommunication Development Charges	-	-	-	-	-	-
Income from Indefeasible Right of Use (IRU) of SEA-ME-WE 4	-	-	-	-	-	-
Backhauling charges	86	126	73	86	126	73
Deferred network equipment cost	-	-	119	-	-	-
Deferred directory income	280	35	130	-	-	-
Release of deferred connection charges (Note 5)	(679)	(784)	(854)	(679)	(784)	(854)
Release of directory income	(101)	(131)	-			
Release of Pre-paid card revenue	(19,777)	(16,005)	(13,654)	(246)	(345)	(389)
Release of Refund of Telecommunication Development Charges	-	-	(21)	-	-	-
Release of deferred IRU Sales	(21)	(21)	(20)	(21)	(21)	(20)
Release of deferred Network equipment cost	(12)	(12)	(5)	-	-	-
Release of Backhauling charges	(97)	(87)	(98)	(97)	(87)	(98)
Total amount credited to Statement of comprehensive income	(20,687)	(17,040)	(14,652)	(1,043)	(1,237)	(1,361)
At the end of the year	5,508	5,664	5,995	3,492	3,926	4,401

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24 DEFERRED INCOME CONTD.

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Representing deferred income:				
- current	2,683	2,401	2,301	745
- non-current	2,825	3,263	3,694	2,747
	5,508	5,664	5,995	3,492

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Amounts due within one year				
Domestic trade payables	1,808	1,814	1,218	566
Foreign trade payables	323	235	323	84
Amount due to subsidiaries [Note 34.3(f)]	-	-		1,376
Amount due to related companies [Note 34.3(g)]	51	80	8	51
Capital expenditure payables [See Note (a) below]	6,347	8,942	6,451	5,760
Social security and other taxes [See Note (b) below]	1,209	1,006	865	666
Interest payable	184	140	252	-
Other payables [See Note (c) below]	5,250	6,806	6,967	3,293
	15,172	19,023	16,084	11,796
Amounts due after one year				
International direct dialling deposits	232	234	234	232
Prepayments on VOIP services	-	-		234
PSTN guarantee deposits	38	12	50	38
Domestic Trade Payables	566	532	495	-
Capital expenditure payables	912	1,503	2,999	-
	1,748	2,281	3,778	270

- (a) Capital expenditure payables of the Company mainly consist of contractors' payable and retention of Rs 5,010 million (2012 - Rs 5,704 million) and advances on network restoration after road works of Rs 901 million (2012- Rs 676 million). Capital expenditure payables of the Group mainly consist of contractors' payable of Rs 5,318 million (2012 - Rs 8,237 million) and advances on network restoration after road works of Rs 901 million (2012 - Rs 676 million).
- (b) Social security and other taxes of the Company mainly consist of and Telecommunication Levy (TL) of Rs 344 million (2012 - Rs 379 million), Cess Rs 63 million (2012-Rs 59 million), IDD Levy of Rs 18 million (2012-Rs 40 million), EPF payable of Rs 90 million (2012 - Rs 80 million). Social security and other taxes of the Group mainly consist of Telecommunication Levy (TL) of Rs 714 million (2012- Rs 712 million), Cess of Rs 116 million (2012 - Rs 112 million). IDD Levy payable of Rs 38 million (2012- Rs 64 million)

- (c) Other payables of the Company mainly consist of dividend payable to the Government of Sri Lanka of Rs 244 million (2012 - Rs 244 million), payable for unpaid supplies of Rs 983 million (2012 - Rs 2,281 million), International Telecommunication Operators' Levy payable of Rs 227 million (2012 - Rs 305 million) and accrued expenses and other payables of Rs 1,252 million (2012 - Rs 1,021 million). Other payables of the Group mainly consist of dividend payable to the Government of Sri Lanka of Rs 244 million (2012 - Rs 244 million), payable for unpaid supplies of Rs 983 million (2012 - Rs 2,281 million), International Telecommunication Operators' Levy payable (without netting off TDC refunds) of Rs 252 million (2012 - Rs 330 million), and accrued expenses and other payables of Rs 2,877 million (2012 - Rs 3,122 million).

26 EMPLOYEE BENEFITS

(1) Movement in present value of employee benefit liabilities

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Employee benefit liability as at 1 January	2,494	2,090 1,796	2,300	1,936 1,664
Current service cost	181	162 147	145	134 124
Interest cost	299	212 179	276	193 166
Actuarial loss/(gains)	103	91 30	76	88 30
Transitional assets recognized	6	- -	-	- -
Benefits paid	(81)	(61) (62)	(72)	(52) (48)
Employee benefit liability as at 31 December	3,003	2,494 2,090	2,725	2,300 1,936

(2) The expenses recognized in profit or loss

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Current service cost	181	162 147	145	134 124
Interest cost	299	212 179	276	193 166
Transitional assets recognized	6	- -	-	- -
	486	374 326	421	327 290

The expenses are recognized under staff cost in Statement of comprehensive income

- (3) As stated in Accounting Policy (j) (ii) at 31 December 2013, an actuarial valuation was carried out by an independent actuary.

The principal actuarial assumptions used were as follows:

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Discount rate [long - term]	10.5%	12% 9.5%-10%	10.5%	12% 10%
Future salary increases	8.5%-9.0%	9% 8% - 10%	8.5%	9% 8%

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In addition to above, demographic assumptions such as mortality, withdrawal, retirement age were considered for the actuarial valuation. In 2013, 1967/70 Mortality Table issued by the Institute of Actuaries London (2012 - 1967/70 Mortality Table and 2011 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 Solutions (Private) Ltd and Mobitel (Private) Limited are actuarially valued by Messrs Actuarial and Management Consultants (Private) Limited and Piyal S Goonetilake respectively. The employee benefit liability of all other companies in the group are based on a gratuity formula based on actuarial assumption.

The provision for defined benefit obligation is not externally funded.

Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Company 2013			
Increase / (Decrease) in Discount Rate	Increase / (Decrease) in Salary Increment Rate	Effect on charge to the Statement of Comprehensive Income	Effect on Employment Benefit Obligation
1%	*	(147)	(147)
-1%	*	164	164
**	1%	180	180
**	-1%	(163)	(163)

Note 01

** Discount Rate is Fixed at 10.5%

* Salary Increment Rate - 8.5%

27 INSURANCE RESERVE

	Group / Company		
	2013	2012	1 Jan 2012
At 1 January		435	387
Transfer from Retained earnings		65	48
At 31 December	500	435	387

As stated in Accounting Policy 3(r) the Company transfers annually from the retained earnings an amount equal to 0.1% of additions to property, plant and 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 and equipment.

Management regularly monitors the charges made against the insurance reserve and the adequacy of the provision made.

28 GRANT

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Balance at 1 January	35	41	48	35	41	48
Grant credited to Statement of comprehensive income	(7)	(6)	(7)	(7)	(6)	(7)
Balance at 31 December	28	35	41	28	35	41

(a) Grant in Company and Group consists of Exchange equipment received from Alcatel CIT France in 2005.

29 STATED CAPITAL

	Company		
	2013	2012	1 Jan 2012
Issued and fully paid			
1,804,860,000 ordinary shares	18,049	18,049	18,049

The stated capital is made up as follows:

	2013		2012		1 Jan 2012	
	Holding percentage	Number of shares	Holding percentage	Number of shares	Holding percentage	Number of shares
Government of Sri Lanka	49.50%	893,405,709	49.50%	893,405,709	49.50%	893,405,709
Global Telecommunications Holdings N.V.	44.98%	811,757,869	44.98%	811,757,869	44.98%	811,757,869
Public shareholders	5.52%	99,696,422	5.52%	99,696,422	5.52%	99,696,422
	100%	1,804,860,000	100%	1,804,860,000	100%	1,804,860,000

30 FINANCIAL RISK MANAGEMENT

Overview

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.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

30 FINANCIAL RISK MANAGEMENT CONTD.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter party 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
The maximum exposure to credit risk at the reporting date was as follows;

Carrying value

	Group		Company	
	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Other investments	3,393	7,381	9,560	3,203
Trade & other receivables	13,964	13,800	11,954	13,603
Financial prepayments	274	371	458	-
Cash and cash equivalents	3,459	3,887	3,134	823
	21,090	25,439	25,106	17,629
				22,606
				23,113

Management of Credit risk

The group has a very well established credit policy for both International Interconnect customers and Domestic customers to minimize credit risk. A separate committee has been established to evaluate and recommend the credit worthiness of the International Interconnect customers. Further prepaid sales are used as a means of mitigating credit risk.

Domestic service is offered to a new customer only after scrutinizing the internal blacklisted data base. The group has a well-established credit control policy & process to minimize credit risk. Customers are categorized according to the segments and credit limits have been fixed as per their average monthly bill value. Customer usage and bill payments are monitored as per the credit limits. Credit limit will be periodically revised as per the past monthly bill values. High risk voice customers are subjected to automated disconnection when they reach the threshold limits. Credit control actions and recovery actions are taken for overdue customers and defaulted customers to minimize credit risk. High revenue generating customers including corporate customers are monitored individually.

Impairment losses

The aging of trade and other receivables at the reporting date that were impaired are as follows

	2013	2012 1 Jan 2012	2013	2012 1 Jan 2012
Trade & other receivables over 1 year	3,395	3,246	2,382	2,479
Provision for impairment over 1 year [See note below]	3,302	3,246	2,382	2,479
Provision for impairment less than 1 year	2,360	1,617	1,586	2,007
	5,662	4,863	3,968	4,486
				2,725
				2,087
				1,221
				1,244
				3,946
				3,331

Mobitel (Private) Limited, SLT Publications (Private) Limited and Sri Lanka Telecom (Services) Limited have not impaired certain trade receivables over one year amounting to Rs. 41 million, Rs. 29 million and Rs. 23 million respectively as at 31 December 2013.

The movement in the provision for impairment in respect of trade and other receivables during the year was as follows:- Group

	Collective impairment
Balance 1/1/2012	3,968
Impairment losses recognized	895
Write offs	-
Balance 31/12/2012	4,863
Impairment losses recognized	799
Write offs	-
Balance 31/12/2013	5,662

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.

Guarantees

Sri Lanka Telecom PLC provides corporate guarantees to its subsidiaries only.

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

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

30 FINANCIAL RISK MANAGEMENT CONTD.

Repayment of the Foreign Currency borrowings of the Company has been arranged in semi annual instalments avoiding any unforeseen risk on liquidity compared to a bullet repayment.

The following are the contractual maturities of financial liabilities, including estimated interest

The maturity analysis of Liabilities -Group

As at 31 December 2013	Carrying Value	Current		Non Current	
		up to 1 yr	up to 2 yrs	up to 5 yrs	over 5 yrs
Bank overdrafts	1,265	1,265	-	-	-
Bank borrowings and others	9,025	4,385	4,640	-	-
Vender financing	10,091	2,587	5,376	2,128	-
Lease liabilities	309	75	58	176	-
	20,690	8,312	10,074	2,304	-

As at 31 December 2012	Carrying Value	Current		Non Current	
		up to 1 yr	up to 2 yrs	up to 5 yrs	over 5 yrs
Bank overdrafts	618	618	-	-	-
Bank borrowings and others	13,066	4,285	5,436	3,346	-
Vender financing	4,060	1,326	685	1,643	406
Lease liabilities	108	46	40	22	-
	17,852	6,275	6,161	5,011	406

As at 1 January 2012	Carrying Value	Current		Non Current	
		up to 1 yr	up to 2 yrs	up to 5 yrs	over 5 yrs
Bank overdrafts	962	962	-	-	-
Bank borrowings and others	9,901	2,481	5,009	2,411	-
Vender financing	3,691	1,836	739	1,116	-
Lease liabilities	155	47	59	49	-
	14,709	5,326	5,807	3,576	-

The maturity analysis of Liabilities -Company

As at 31 December 2013	Carrying Value	Current		Non Current	
		up to 1 yr	up to 2 yrs	up to 5 yrs	over 5 yrs
Bank overdrafts	740	740	-	-	-
Bank borrowings and others	4,922	2,468	2,454	-	-
Lease liabilities	268	60	52	156	-
	5,930	3,268	2,506	156	-

	Current		Non Current		
	Carrying Value	up to 1 yr	up to 2 yrs	up to 5 yrs	over 5 yrs
As at 31 December 2012					
Bank overdrafts	136	136	-	-	-
Bank borrowings and others	7,173	2,404	2395	2,374	-
Lease liabilities	82	37	25	20	-
	7,391	2,577	2,420	2,394	-

	Current		Non Current		
	Carrying Value	up to 1 yr	up to 2 yrs	up to 3 yrs	over 5 yrs
As at 1 January 2012					
Bank overdrafts	229	229	-	-	-
Bank borrowings and others	2,584	647	1292	645	-
Lease liabilities	120	38	42	40	-
	2,933	914	1,334	685	-

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.

Currency Risk

The Group is exposed to currency risk on services provided, services received and borrowings, deposits 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.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to foreign currency was as follows:

USD in millions	Group			Company	
	2013	2012	1 Jan 2012	2013	2012
Trade Receivables	18	21	19	14	17
Cash & Cash Equivalents and other investments	28	52	35	27	52
Borrowings	137	117	94	38	56
Trade Payables	3	2	3	1	1

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

30 FINANCIAL RISK MANAGEMENT CONTD.

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.

Foreign currency borrowings at variable rate of interest rate with a cap minimizes any adverse impact due to an upward movement of USD interest rate in the market

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

31 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2013	2012	2013	2012
Profit before tax	7,365	5,851	5,014	4,567
Adjustments for:				
Depreciation (Note 13)	11,755	11,178	6,505	6,377
Grant received less Amortisation (Note 28)	(7)	(6)	(7)	(6)
Amortisation of intangible assets (Note 14)	583	624	299	327
Amortisation of financial prepayments (Note 15)	97	107	-	-
Provision/write off of bad and doubtful debts	781	733	522	543
Provision for falling value of inventories	88	108	77	100
Other impairments / (reversals)	-	-	-	377
Interest expense and finance costs (Note 9)	736	1,021	371	534
Foreign exchange (loss) / Gain (Note 9.a)	441	1,212	(18)	(75)
Interest income (Note 10)	(1,122)	(1,466)	(872)	(1,216)
Connection fees less amortisation	(156)	(331)	(434)	(476)
Profit on sale of property, plant and equipment	(69)	(66)	(69)	(66)
Impairment of assets(Note 13)	149	305	149	125
Gain on SLTHK Investment	-	-	(15)	-
Provision for Retirement benefit obligations (Note 26)	486	374	421	328
	21,127	19,644	11,943	11,438
Changes in working capital:				
- receivables and prepayments	(946)	(2,615)	544	(2,947)
- inventories	339	(968)	401	(1,031)
- payables	(4,730)	802	(3,264)	2,834
Cash generated from operations	15,790	16,863	9,624	10,294

32 CAPITAL COMMITMENTS

The Group and the Company have purchased commitments in the ordinary course of business as at 31 December 2013 as follows:

	2013	Group		Company	
		2012	1 Jan 2012	2013	2012
Property, plant and equipment					
- approved but not contracted	29,125	1,754	723	29,125	1,754
- approved and contracted	8,344	19,986	9,540	5,944	8,118
	37,469	21,740	10,263	35,069	9,872
					7,907

Operating Lease commitments

The future minimum lease payments under operating leases are as follows:

	2013	Group		Company	
		2012	1 Jan 2012	2013	2012
- not later than 1 year	88	290	143	88	290
- later than 1 year and not later than 5 years	91	28	150	91	28
	179	318	293	179	318
					293

Letter of Credit Commitments

Outstanding letter of Credit of the Company and Group as at 31 December 2013 amounted to Rs 949 million and Rs 1,404 million respectively.

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 requires separate disclosure.

33 CONTINGENCIES

- (a) **Global Electroteks Limited** has initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from SLT PLC for unlawful disconnection of interconnection services. The Trial is proceeding. Next date 24 February 2014
- (b) **SC (CHC) 31/2010 - Directories Lanka (Private) Limited (DLPL)**
Appeal Case filed by DLPL against SLT PLC, against the dismissal of CHC 2/2006(3) by which DLPL claimed damages of Rs. 250 mn,for alleged unfair competition with regard to artwork on the coverpage of the Directory by SLT.
The Appeal proceedings have still not commenced in the Supreme Court.
- (c) **Just In Time Holdings (Pvt.) Ltd (JIT)** is claiming USD 4,738,846, as payments due to them from SLT under the contract with damages. Proceedings are concluded and award was delivered in favour of JIT on 30 March 2012 with damages, costs and legal interest. SLT PLC has received legal advice that it has sufficient legal grounds to challenge the arbitral award including damages ,costs and legal interest under the award.

SLT PLC is proceeding with an appeal (case no HC/ARB/141/2012)against the award delivered based on these substantial legal arguments. Next date of oral submission 28 March 2014.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

33 CONTINGENCIES CONTD.

- (d) **HC/ARB/02/2013** - Just In Time Holdings Private Limited has filed application to enforce the award of arbitration given in favour of JIT at the conclusion of the arbitration between JIT and SLT in terms of section 31 of Arbitration Act.

Next date of Oral Submissions 28 March 2014

- (e) **Rates & Taxes -DSP/00111/08**, Application against the unreasonable increase of Assessment Tax of SLT Headquarters, to Rs. 8,452,500 per Quarter from the year 2006.

Legal action filed by SLT against Colombo Municipal Council, against the arbitrary increase of assessment value of head quarters premises from Rs. 84 million to Rs. 96 million. The quarterly assessment tax increase from 2006 was Rs 7,350,000 to Rs 8,452,500

The case is proceeding and will be called on 28 March 2014.

- (f) **WP/HCCA/COL/106/LA** -Appeal made by Colombo Municipal Council against the stay order granted in favor of SLT PLC precluding CMC levying the aforementioned Assessment taxes from SLT PLC is pending in Court.

On 20 February 2014, counsels of both parties informed court that they have agreed to negotiate the matter further to enter into a settlement.

- (g) **12/2008 CBCU**, An Inquiry started by Sri Lanka Customs - A consignment of CDMA equipment were detained in October 2008 by the Customs Authority. Subsequently the equipment were cleared pending inquiry, based on a Cash deposit and Bank guarantee Submitted by SLT for the total value of Rs. 122,189,514/- . Currently under this inquiry no further date has been given to SLT to proceed with the matter.

- (h) **Customs Case No. ADP/031/2009** – Goods valued at USD 996,785 which was imported under the last consignment of equipment for NGN Phase II expansion project were detained by the Custom on or about 14th May 2009. Subsequently the equipment were cleared on 18.07.2009. Pending inquiry, based on a Bank Guarantee placed by SLT to the value of Rs. 35,000,000/-.

The inquiry is proceeding and a written submission was submitted to the NC committee.

NC Committee session was held on 28 January 2014 and their decision is pending.

- (i) **Arbitration initiated by JITHPL claiming arrears under agreement between JITHPL and SLT** to provide WAN connection to NSB. SLT has a back to back agreement with NSB and NSB has failed to make payments under the agreement. SLT terminated the agreements with JIT in November 2011, upon termination of the SLT agreement with NSB. JIT is claiming Rs. 34 mn as moneys for the period upto termination, Rs. 10 mn as interest and Rs. 13 mn as rentals upto unexpired period of the case.

Hearing - 06 May 2014.

The Company has provided guarantees on behalf of its Subsidiaries for following credit and trade finance facilities.

- (i) Facilities amounting to Rs 5,750 million (2012 - Rs 6,730 million) and USD 191.2 million (2012 - USD 159.4 million) for Mobitel (Private) Limited for the GSM rollout stage 3, 4, 5, 6.and 7
- (ii) Facilities amounting to Rs 26 million (2012 - Rs. 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 recognized in the financial statements up to 31 December 2013.

In addition to the above referred cases, there are other claims by employees and third parties for damages. In the opinion of the Directors none of these actions are likely to result in a material liability to the Company and its subsidiaries.

34 RELATED PARTY TRANSACTIONS

34.1 The Company had following transactions with its subsidiaries during the year under review:

(a) Mobitel (Private) Limited

	Company	
	2013	2012
Sale of goods and services:		
Provision of E1 links	1,462	1,270
Leased Line	976	648
Interconnection charges	350	382
TDM, VOIP Platform and Transit	166	228
	2,954	2,528
Purchase of goods and services:		
Call charges on official mobile phone	39	39
Interconnection charges	881	630
Antenna tower space	449	463
Building Rent	3	-
	1,372	1,132

The Company has provided guarantees on behalf of Mobitel for following loans and obligations.

Facilities amounting to Rs 5,750 million (2012 - Rs 6,730 million) and USD 191.2 million (2012 - USD 159.40 million) for Mobitel (Private) Limited for the GSM rollout stage 3, 4, 5,6 and 7.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

34 RELATED PARTY TRANSACTIONS CONTD.**(b) SLT Publications (Private) Limited**

	Company	
	2013	2012
Sale of goods and services:		
Supply of services	4	3
Purchase of goods and services:		
Directory distribution	-	32

(c) Sri Lanka Telecom (Services) Limited

	Company	
	2013	2012
Sale of goods and services:		
Supply of services	4	4
Purchase of goods and services:		
Project related services	179	135

The Company has provided guarantees on behalf of Sri Lanka Telecom (Service) Limited for following loans and obligations.

Facilities amounting to Rs 26 million (2012 - Rs. 26 million) for Sri Lanka Telecom (Services) Limited to obtain facilities for working Capital requirements.

(d) SLT Human Capital Solutions (Private) Limited

	Company	
	2013	2012
Sale of goods and services:		
Supply of services	5	2
Purchase of goods and services:		
Provision of manpower service	1,247	1,085

(e) SLT VisionCom (Private) Limited

	Company	
	2013	2012
Sale of goods and services:		
Supply of services	10	3
Purchase of goods and services:		
Service provisioning	110	120

The Company has provided guarantees on behalf of Sky Network (Private) Limited for following loans and obligations.

Facilities amounting to Rs. Nil (2012 - Rs. 112.8 million) for Sky Network (Pvt) Limited to facilitate WIMAX turnkey solution project.

(f) Fees for secondment of personnel and services provided to / by SLT PLC

	Company	
	2013	2012
SLT Publications (Private) Limited	36	38
SLT Human Capital Solutions (Private) Limited	9	8
Sky Network (Private) Limited	-	8
	45	54

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

34 RELATED PARTY TRANSACTIONS CONTD.

34.2 Related party relationships

SLT Group Directors and their directorships in other companies where transactions were carried out with SLT and disclosed in Note 34.3.

Director	Company	Relationship
Mr. Nimal Welgama	Mobitel (Pvt) Limited	Chairman/Director
	Sri Lanka Telecom(Services) Limited	Director
	SLT Publications (Private) Limited	Chairman/Director
	SLT Human Capital Solutions (Private) Limited	Chairman/Director
	SLT VisionCom (Private) Limited	Chairman/Director
	Sky Network (Private) Limited	Chairman/Director
	SLT Honk Kong Limited	Chairman/Director
	SLT Property Management (Private) Limited	Chairman/Director
	Upali Group of Companies	CEO
	Monetary Board of the Central Bank of Sri Lanka	Member
Mr. Sandip Das	Mobitel (Pvt) Limited	Director
	Maxis Communications Berhad	Director
Mr. Chan Chee Beng	Maxis Berhad, Malaysia	Director
	Aircel Ltd	Director
	Aircel Cellular Ltd	Director
	Mobitel (Pvt) Limited	Director
	SLT Property Management (Private) Limited	Director
	Usaha Tegas Sdn. Bhd	Director
	Global Telecommunication Holding N,V	Director
	Maxis Communications Berhad	Director
	Maxis Mobile Sdn Bhd	Director
	Maxis Berhad Sdn Bhd	Director
	Maxis Mobile service Sdn Bhd	Director
	Maxis International Sdn Bhd	Director
	Binariang GSM Sdn. Bhd	Director
	Bumi Armuba Bhd	Director
	Dishnet Wireless Limited	Director
	South Asia Communications Private Limited	Director
	PT Axis Telekom Indonesia	Commissioner
	PT Maxis Communications	Commissioner
	Maxis Broadband Sdn Bhd	Director

Director	Company	Relationship
Mr. Jeffrey Jay Blatt	SLT VisionCom (Private) Limited	Director
	SLT Honk Kong Limited	Director
Mr. Shameendra Rajapaksa	Sri Lankan Airlines Limited	Director
	SLT Publications (Private) Limited	Director
	SLT Property Management (Private) Limited	Director
	SLT Honk Kong Limited	Director
Mr. Jayantha Dharmadasa	SLT VisionCom (Private) Limited	Director
	SLT Human Capital Solutions (Private) Limited	Director
	Nawaloka Hospitals (Private) Limited	Chairman
	Nawaloka Holdings (Private) Limited	Chairman
	New Ashford International (Private) Ltd	Chairman
	Sasiri Polysacks (Private) Limited	Chairman
	Concord venture export Lanka (Private) Limited	Chairman
	Nawaloka Metropolis Chemicals Laboratories (Private) Limited	Chairman
	Nawaloka Medical center (Private) Limited	Chairman
	Nawaloka Polysacks Sharjah	Chairman
	Ceyoka (Private) Limited	Chairman
	Nawaloka trading (Private) Limited	Chairman
	Koala (Private) Limited	Chairman
	Sahas ware (Private) Limited	Chairman
	Nawaloka Petroleum (Private) Limited	Chairman
	Nawaloka Aviation (Private) Limited	Chairman
	Nation Lanka Finance PLC	Chairman
	Nawaloka Construction Co (Private) Limited	Chairman
Mr. Kalinga Indatissa	SLT Human Capital Solutions (Private) Limited	Director
	SLT Property Management (Private) Limited	Director
Ms. S. Pushpa Wellappili	Ministry of Finance & Planning	Deputy Secretary to the Treasury
Mr. Lawrence Paratz	Mobitel (Private) Limited	Director
	Sky Network (Private) Limited	Director
	SLT Property Management (Private) Limited	Director
	Maxis Communication Berhad	Director
	Vernet Pty Ltd	Director

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

34 RELATED PARTY TRANSACTIONS CONTD.

34.3 Transactions with other related parties

(a) Maxis Communications Berhad and its subsidiaries

	Group		Company	
	2013	2012	2013	2012
Sale of goods and services:				
Sale of SEA-ME-WE 3 Cable capacity	10	10	10	10
International incoming traffic	186	308	147	179
	196	318	157	189
Purchase of goods and services:				
International outgoing traffic	75	101	73	99

(b) Upali Group of Companies

	Group		Company	
	2013	2012	2013	2012
Sale of goods and services:				
Providing Voice & Data services	11	11	11	11

(c) Nawaloka Group

	Group		Company	
	2013	2012	2013	2012
Sale of goods and services:				
Providing Voice & Data services	5	3	5	3
Purchase of goods and services:				
Medical services	18	22	17	22

(d) Sri Lankan Airlines Limited

	Group		Company	
	2013	2012	2013	2012
Sale of goods and services:				
- Providing Voice , Data & infrastructure services	81	49	81	49

(e) Sri Lanka Cricket

	Group		Company	
	2013	2012	2013	2012
Sale of goods and services:				
- Providing Voice and Data services	3	1	3	1
- Cricket Team and umpire sponsorship	2	142	-	-

(f) Outstanding balances arising from sale / purchase of services

	Company		
	2013	2012	1 Jan 2012
Receivable from subsidiaries:			
Mobitel (Private) Limited	2,342	3,688	2,882
SLT Hong Kong Limited	-	23	83
SLT Publications (Private) Limited	185	140	124
SLT Human Capital Solutions (Private) Limited	137	118	91
SLT VisionCom (Private) Limited	50	47	53
Sri Lanka Telecom (Services) Limited	31	16	15
Sky Network (Private) Limited	120	120	112
	2,865	4,152	3,360

	Company		
	2013	2012	1 Jan 2012
Payable to subsidiaries:			
Mobitel (Private) Limited	973	2,706	2,167
SLT Publications (Private) Limited	32	32	-
SLT Hong Kong Limited	-	-	9
SLT Human Capital Solutions (Private) Limited	217	182	125
Sri Lanka Telecom (Services) Limited	153	53	38
Sky Network (Private) Limited	1	1	1
	1,376	2,974	2,340

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

34 RELATED PARTY TRANSACTIONS CONTD.

- (g) Outstanding balances arising from sale / purchase of services

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Receivable from related companies:						
Upali Group of Companies	5	4		5	4	-
Nawaloka Group	1	-	-	1	-	-
Sri Lankan Airlines Limited	57	22	13	57	22	13
Sri Lanka Cricket	5	5	-	5	5	-
Maxis Communications Berhad and its subsidiaries	55	182	25	55	149	23
	123	213	38	123	180	36

	Group			Company		
	2013	2012	1 Jan 2012	2013	2012	1 Jan 2012
Payable to related company:						
Maxis Communications Berhad and its subsidiaries	51	80	8	51	80	7

- (h) Government related key institutions

The Government of Sri Lanka holds 49.5% of the voting rights of the Company as at 31 December 2013 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 2013, 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 transaction with Key Government Related entities as given below:

- (i) Revenue from provision of telecommunication services during the year ended 31 December 2013 amounted to Rs. 3,632 million (2012- Rs 3,206 mn) and credit receivables as at 31 December 2013 amounted to Rs. 609 million (2012- Rs 988 million)
- (ii) Deposits, repurchase agreements (Repo) and Borrowings of the Group at / from Government banks amounted to Rs.3,555 million (2012 Rs 7,431 million) and Rs. 4,921 million (2012 Rs -7,173 million) respectively as at 31 December 2013.
- (iii) Treasury bills and bonds of the Group as at 31 December 2013 amounted to Rs. Nil. (2012- Rs 103 million)

34.4 Transactions with key management personnel

Key management personnel comprise the directors & chief officers of the company and the group

	Group		Company	
	2013	2012	2013	2012
Short term benefits	212	250	174	185
Post employment benefits	19	29	17	21
Salaries and other benefits	231	279	191	206

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.

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 Hong Kong Limited
SLT Publications (Private) Limited
SLT Human Capital Solutions (Private) Limited
SLT VisionCom (Private) Limited
Sky Network (Private) Limited

Related party transactions disclosed above should be read in conjunction with Notes 16 and 34 to the financial statements.

35 COMPARATIVE INFORMATION

The following comparative figures have been restated in the 2013 Financial Statements due to the reinstatement of fully depreciated assets in use in accordance with the guidance issued by The Institute of Chartered Accountants of Sri Lanka on 18 June 2013 to maintain comparability of Financial Statements in order to provide a better presentation.

Company	Note	As Disclosed in 2012	For 2012		For 2011	
			Restated in 2013	Adjustment	As Disclosed in 2012	Restated in 2013
Property, Plant and Equipment	13	42,478	43,915	1,437	34,971	36,523
Depreciation	13	6,262	6,377	(115)	-	-
Impact to Total Comprehensive Income		-	-	(115)	-	-

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees million)

35 COMPARATIVE INFORMATION CONTD.

Group	Note	For 2012			For 2011		
		As Disclosed in 2012	Restated in 2013	Adjustment	As Disclosed in 2012	Restated in 2013	Adjustment
Property, Plant and Equipment	72,165	73,602	1,437	66,153	67,705	1,552	-
Depreciation	11,063	11,178	(115)	-	-	-	-
Impact to Total Comprehensive Income	-	-	(115)	-	-	-	-

Reconciliation of Total Comprehensive Income for the Year 2012

	Group	Company
As per the Annual Report Published for 2012	3,976	3,301
Impact on reinstatement of fully depreciated assets in use	(115)	(115)
As per the Annual Report Published for 2013	3,861	3,186

	Group	Company		
Reconciliation of Retained Profits at the end of the Year	2012	2011	2012	2011
As per the Annual Report Published for 2012	36,065	33,677	35,136	33,420
Impact of Reinstatement of Property, plant & equipment	1,552	1,552	1,552	1,552
Impact of additional Depreciation	(115)	-	(115)	-
As per the Annual Report Published for 2013	37,502	35,229	36,573	34,972

36 GROUP REPORTING DATES

The annual financial statements of the subsidiaries, Sri Lanka Telecom (Services) Limited, SLT Hong Kong Limited, SLT Publications (Private) Limited, Mobitel (Private) Limited, SLT Human Capital Solutions (Private) Limited, SLT VisionCom (Private) Limited and Sky Network (Private) Limited are prepared at 31 December each year.

37 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the company has recommended a first and final dividend of Rs 0.85 per share (2012- Rs.0.85 per share) on voting shares of the company paid by the way of cash dividend for the financial year ended 31 December 2013.

Further this dividend is to be approved at the Annual General Meeting to be held on 9th April 2014. This proposed final dividend has not been recognized as a liability as at 31 December 2013. 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. 1,534,131,000. Compliance with section 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 21st February 2014 has been audited by M/S KPMG.

No events have arisen since the reporting date which would require adjustments to, or disclosure in these financial statements.

Ten Year Progress - Group

(all amounts in Sri Lanka Rupees million)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Financial Position - (Rs. million)										
Property Plant & Equipment	80,506	73,602	67,705	61,258	65,896	57,073	53,881	54,202	56,151	54,360
Total Assets	108,047	104,510	96,603	87,030	90,220	93,199	85,372	84,042	81,520	78,872
Current Assets	20,598	25,712	24,341	21,238	19,764	32,389	28,609	27,292	23,843	22,144
Current Liabilities	26,526	28,091	23,948	22,691	27,403	32,819	16,830	16,370	13,892	11,378
Borrowings	20,690	17,852	14,709	11,316	13,351	21,716	19,285	20,785	22,840	25,370
Equity	59,789	55,987	53,660	49,849	46,311	47,525	41,900	37,866	33,793	31,064
Performance - (Rs. million)										
Revenue	60,144	56,771	51,644	50,250	48,077	47,044	43,234	40,691	32,515	29,516
Operating Profit	6,491	6,055	5,169	5,144	2,547	7,809	9,176	9,895	6,087	3,275
Finance Cost	1,177	2,233	841	1,012	2,024	2,130	2,232	1,884	2,085	2,252
Earnings before Tax	7,365	5,851	6,162	5,961	1,395	9,560	8,399	9,227	4,812	1,441
Taxation	1,946	1,930	1,657	2,018	617	2,193	2,759	3,789	1,719	148
Earnings after Tax	5,419	3,921	4,505	3,943	778	7,367	5,640	5,438	3,093	1,293
Cash Flow - (Rs. million)										
Net Operating Cash Flows	15,386	16,094	20,250	15,260	18,213	16,214	15,090	13,435	17,200	10,402
Net Cash used in Investing Activities	16,507	15,362	22,968	7,975	7,238	15,288	10,073	9,197	10,686	7,611
Net Cash used in /(from) Financing Activities	57	174	1,494	3,965	11,408	526	2,555	5,093	2,571	(3,314)
Key Financial Indicators										
Earnings per Share (Rs.)	3.00	2.17	2.50	2.18	0.44	4.08	3.12	3.01	1.70	0.70
Return on Assets (%)	6.01%	5.79%	5.36%	5.91%	2.82	8.38	10.75	11.77	7.50	4.20
Return on Equity (%)	9.06%	7.00%	8.40%	7.91%	1.68	15.50	13.46	14.36	9.20	4.20
Operating Margin (%)	10.79%	10.67%	10.01%	10.24%	5.30	16.60	21.22	24.32	18.70	11.10
Asset Turnover (No. of times)	0.56	0.54	0.54	0.58	0.53	0.50	0.51	0.48	0.40	0.37
Current Ratio (No. of times C.L.)	0.78	0.92	1.02	0.94	0.72	0.99	1.70	1.67	1.72	1.95
Quick Asset Ratio (No. of times C.L.)	0.69	0.84	0.93	0.88	0.65	0.91	1.61	1.58	1.66	1.83
Gearing Ratio (Debt to Rs.1/- of Equity)	0.26	0.24	0.21	0.19	0.22	0.31	0.32	0.35	0.40	0.45
Interest Cover (No. of times Interest)	11.01	6.73	11.43	6.89	1.69	5.49	4.76	5.90	4.35	1.70

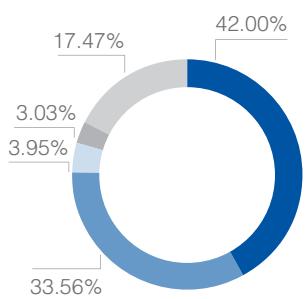
*2012 and 2011 financials are based on new Sri Lanka Accounting Standards applicable for the financial periods beginning 01 January 2012.

Value Added Statement

(all amounts in Sri Lanka Rupees million)

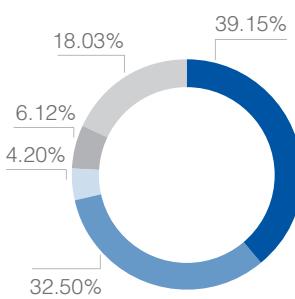
	2013		2012	
Value Added				
Revenue	60,144		56,771	
Other Income	2,051		2,029	
	62,195		58,800	
Goods & Services purchased from other sources	(23,335)		(22,286)	
Value creation	38,860		36,514	
Distribution of Value Added				
To Employees				
- Salaries ,wages, & other benefits	13,041	33.56%	11,866	32.50%
To providers of capital				
- Dividend to share holders	1,534	3.95%	1,534	4.20%
To Government				
- Taxes & Regulatory fees	6,788	17.47%	6,585	18.03%
To Lenders				
- Interest & Related charges	1,177	3.03%	2,233	6.12%
To Business Expansion & Growth				
- Depreciation	12,435	32.00%	11,909	32.61%
- Retained Income	3,885	10.00%	2,387	6.54%
	38,860	100.00%	36,514	100.00%
To Business Expansion & Growth				
To Employees	42.00%		39.15%	
To providers of capital	33.56%		32.50%	
To Lenders	3.95%		4.20%	
To Government	3.03%		6.12%	
	17.47%		18.03%	

Value Added Statement 2013



- To Business Expansion & Growth
- To Employees
- Providers of capital
- To Lenders
- To Government

Value Added Statement 2012



- To Business Expansion & Growth
- To Employees
- Providers of capital
- To Lenders
- To Government

Investor Relations Information

Investor relations

Government of Sri Lanka and Global Telecommunication Holdings N.V, together hold more than 94% of issued share capital of the Company, while remaining less than 6% to the general public. Sri Lanka Telecom continued communicating the company performance to the shareholders and various interested parties including the investing community through media releases, Web portal and announcements to the Colombo Stock Exchange etc. during the year under review. Award winning Annual Reports of the company with comprehensive details on timely manner complements the communication process.

Focusing mainly the lenders to Sri Lanka Telecom group, the company continued to maintain its credit ratings through globally recognised two rating agencies, Standard and Poor's rating services (S & P) and Fitch Ratings. End of the financial year under review, Sri – Lanka Telecom was rated at "B+" on both local currency and foreign currency Corporate Credit rating by S & P. Fitch Ratings has rated at "AAA (Ika)" on long term national and "BB-" on both long term foreign currency and local currency. However, these ratings have been constrained by the sovereign.

Distribution of Shares

Shareholdings	Resident			Non Resident			Total		
	Number of Shareholders	No of Shares	Percentage (%)	Number of Shareholders	No of Shares	Percentage (%)	Number of Shareholders	No of Shares	Percentage (%)
1 to 1000 shares	9,747	3,141,451	0.17	20	10,675	0	9,767	3,152,126	0.17
1001 to 10,000 shares	2,553	10,493,709	0.58	29	161,710	0.01	2,582	10,655,419	0.59
10,001 to 100,000 shares	290	5,377,502	0.3	9	330,081	0.02	299	5,707,583	0.32
100,001 to 1,000,000 shares	10	2,459,641	0.14	3	1,322,751	0.07	13	3,782,392	0.21
over 1,000,000 shares	10	969,804,611	53.73	1	811,757,869	44.98	11	1,781,562,480	98.71
	12,610	991,276,914	54.92	62	813,583,086	45.08	12,672	1,804,860,000	100

Categories of shareholders	Number of Shareholders	Number of Shares
Individual	12,544	19,331,102
Institutional	128	1,785,528,898
	12,672	1,804,860,000

List of 20 major shareholders based on their shareholdings as at 31 December 2013

Name & Address	Shareholding	Percentage (%)
1. Secretary to the Treasury	893,405,709	49.50
2. Global Telecommunications Holdings NV	811,757,869	44.98
3. Employees Provident Fund	20,942,989	1.16
4. Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5. Bank of Ceylon A/C Ceybank Unit Trust	14,898,738	0.83
6. National Savings Bank	13,158,700	0.73
7. Employees Trust Fund Board	3,302,188	0.18
8. Sri Lanka Insurance Corporation Ltd-General Fund	3,032,200	0.17
9. Union Assurance PLC/Account No. 05 (Unit-Linked Life Insurance Fund-Equity Tracker Fund)	1,221,580	0.07
10. Associated Electrical Corporation Ltd	1,076,700	0.06
11. Bank of Ceylon A/C Ceybank Century Growth Fund	1,052,072	0.06
12. Deutsche Bank AG – London	921,251	0.05
13. Amana Bank Limited	775,682	0.04
14. The Incorporated Trustees of the Church of Ceylon	414,100	0.02
15. Union Assurance PLC/NO-01A/C	288,200	0.02
16. Mr. Vandrevala	231,500	0.01
17. Bank of Ceylon No. 1 Account	214,000	0.01
18. Mr. Tanaka	170,000	0.01
19. Mrs. Edirisinghe	170,000	0.01
20. Ceylon Biscuits Limited	162,800	0.01
Total	1,784,910,013	98.89

Investor Relations Information

Share Price Trend

Share price trend	2013	2012	2011	2010	2009	2008	2007	2006
Highest Value (Rs.)	50.00	50.00	64.50	51.00	48.00	49.75	43.25	29.75
Lowest Value (Rs.)	36.10	34.00	44.00	35.00	39.50	29.75	28.00	14.75
Last Traded Price (Rs.)	37.00	44.50	48.00	49.00	46.00	31.00	31.50	27.75
Market Capitalisation (Rs. billion)	66.78	80.32	86.63	88.44	83.02	55.95	56.85	50.08

Returns to Shareholders

31-Dec-04	First & Final dividend	902,430,000
31-Dec-05	First & Final dividend	1,353,645,000
31-Dec-06	First & Final dividend	1,804,860,000
31-Dec-07	First & Final dividend	1,804,860,000
31-Dec-08	First & Final dividend	1,804,860,000
31-Dec-09	First & Final dividend	451,215,000
31-Dec-10	First & Final dividend	1,082,916,000
31-Dec-11	First & Final dividend	1,534,131,000
31-Dec-12	First & Final dividend	1,534,131,000
31-Dec-13	First & Final dividend	1,534,131,000

Trading Activity

	2013	2012
No. of Transactions	4,481	5,344
No. of Share traded	3,433,607	3,612,869
Values of Shares Traded (Rs)	152,703,746	156,598,735

Portfolio of Lands

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 LKR 500,000/- with their respective values are as follows

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
No.108 & 109, Walawwaiththa Rd, Anuradhapura	0.2434	24
Maithreepala Senanayake Mw, Anuradhapura	0.1125	56
Maithriepala Senanayake Mawatha, Anuradhapura	0.3355	166
Galkandehena, Kekirawa	0.1310	12
14, Nivanthaka Chethiya Road, Anuradhapura	0.0466	4
Mannar Rd, Medawachchiya	0.3315	5
Medawachchiya Road, Medawachchiya	0.1468	2
Nochchiyagama Idama, Nochchiyagama	0.1800	9
Behind the Mosque, Maithripala Senanayake Mw, Anuradhapura	0.1769	24
Nivanthaka Chethiya Road, Anuradhapura	0.0971	12
Galkantha Mawatha, Ampara	0.7657	91
Ratnapura Road, Eheliyagoda	0.0802	14
Station Road, Batticaloa	0.4383	61
Lower King's Street, Badulla	0.4020	48
Batticaloa Road, Bibile	0.0890	9
Lower King's Street, Badulla	0.0340	4
Ridikotaliyagama, Mahiyangana	0.0790	5
Circuit Bangalow, Namunukula	0.2100	10
Senanayake Mw, Bandarawela	0.0705	11
Anduwakelepathana, Haputale	0.4080	32
06, Senanayake Mw, Bandarawela	0.2380	56
8, Wakwella Road, Galle	0.1697	50
Court Road, Gampaha	0.1523	54
Lotus Road, Colombo 1	1.3154	2600
Dickmans Road, Colombo 05	0.3360	291
No. 5, Anderson Road, Colombo 05	0.1889	299
No. 7, Anderson Road, Colombo 05	0.1363	216
No. 9, Anderson Road, Colombo 05	0.1949	308
No. 17, Sugathodaya Mawatha, Colombo 02	0.2190	346
Main Street, Kalutara	0.3035	108
Primrose Hill, Kandy	0.0534	4
Prince Street, Kandy	0.2251	89
Punchi Borella, Maradana	0.2625	212
Base Line Rd, Welikada	3.0880	1099
Tangalle Road, Matara	0.2880	148
Satellite Earth Station, Padukka	13.8960	165
Nalandarama Road, Nugegoda	0.1970	156
High Level Rd, Nugegoda	0.1170	116
Polhengoda Road, Narahenpita	0.3030	240

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Pottoda, Katunayaka	0.3039	12
Thimbirigaskatuwa, Pottode, Negombo	0.6037	24
Thimbirigaskatuwa, Pottode, Negombo	1.7160	68
St. Joseph's Street, Negombo	0.6787	191
Queen Elizabeth Drive, Nuwara Eliya	0.2354	93
Main Street, Panadura	0.2542	126
Bandaragama	0.2803	55
Anguruwatta Road, Horana	0.2177	52
Sri Gunarathena Mw, Panadura	0.2952	47
Hotel Rd, Mount Lavinia	0.1913	95
Air Port Junction, Ratmalana	0.2076	62
Main Street, Rathnapura	0.3645	86
Old Negombo Rd, Ja-Ela	0.0870	43
Minuwangoda Rd, Kotugoda	8.0937	440
Ragama Road, Ragama	0.2048	40
Negombo Rd, Welisara	2.2280	484
Old Negombo Rd, Wattala	0.1012	80
Aliyamalagala, Anuradhapura.	0.2027	2
Post Office Rd, Eppawela.	0.0914	3
Kuda Galnewa Rd, Galnewa.	0.1453	1
Police Station Rd, Horowapothana.	0.4180	2
Kahatagasdigiliya, Anuradhapura.	0.0993	1
Padaviya Rd, Kebithigollewa	0.2628	8
Anuradhapura, Kurunagala Rd, Thambuttegama.	0.0860	7
Hospital Rd, Inginiyagala	0.0470	1
Badulla Rd, Padiyatallawa.	0.1020	2
Panama Rd, Pottuvil.	0.2570	15
No.63,Cemetery Rd,Veedukkadu, Batticaloa.	0.1019	5
Ketawala Rd, Hali ela	0.0940	22
Ella Rd, Namunukula.	0.1485	9
Dammeria Estate Rd, Passara.	0.2460	17
Poonagala Rd, Balagala.	0.1264	5
Railway Station Rd, Ella	0.0330	4
Haputalegama Rd, Diyathalawa.	0.0226	6
Wellawaya Rd, Koslanda.	0.0440	3
Ettampitiya Rd, Pattiyagedara.	0.1568	6
Wellawaya Rd, Monaragala.	0.3160	41
Vishaka Hill, Bandarawela.	0.0958	11
Divitotawela,Welimada.	0.1112	11
Ella Rd,Wellawaya.	0.1300	10
Kurunegala Rd,mukalarhena Village	0.3190	9
Old Town-Madampe Rd, Ihalagama Village.	0.1048	12

Portfolio of Lands

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Marawila-Nattandiya Rd, Ihalagama Village.	0.0507	5
Puttalam.	0.3054	42
Galle Main Street, Baddegama	0.1340	8
Galle Rd, Elpitiya.	0.1460	6
Galle Rd, Gintota.	0.0513	5
Galle Rd, habaraduwa	0.0796	8
Akurassa Rd, Imauduwa.	0.2150	4
Galle Rd, Kosgoda.	0.0920	6
Galle Rd, Nagoda.	0.1230	1
Church Street, Galle.	0.2520	50
Donald Janz Rd, Galle.	0.0510	5
Makumbura Rd, Udugama.	0.1391	3
Dunaly Estate, Galaha.	0.1253	2
Gonahena, Nawalapitiya.	0.2782	22
No.6, Galaha Rd, Peradeniya.	0.1089	28
Pussellewa Exchange, Nuwara Eliya Road.	0.2155	9
Udawalagedara Watta, Gampola.	0.0285	6
Nittambuwa Rd, Kirindiwela.	0.2129	17
Naligama Rd, Mirigama.	0.1874	15
Kandy Rd, Pasyala.	0.0534	4
Negombo Rd, Veyangoda.	0.0889	7
New Kandy Rd, Waliveriya.	0.0438	7
Rideeyagama Rd, Ambalanthota.	0.1720	3
No. 66, Barrak Street, Hambantota.	0.1920	7
No. 6, Tower Hill Raod, Hambantota.	0.2150	11
Kotuwegoda Rd, Tangalle.	0.1960	31
Tissamaharama Rd, Tissamaharama.	0.0820	5
Beliatta Rd, Walasmulla.	0.0803	8
Kotabo Rd, Weeraketiya.	0.1700	10
Danbar Road, Hatton	0.8306	41
Pundalaoya.	0.2620	2
Talawakelle.	0.1813	9
Debathgama Rd, Gevilipitiya.	0.1200	1
Kandy Rd, Ballapana.	0.1031	4
Bulathkohupitiya Rd, Kegalle.	1.4515	244
Kegalle Rd, Ampe North, Kotiyakumbura.	0.1012	6
Aranayaka Rd, Mawanella.	0.0910	6
Nawa Rohala Rd, Warakapola.	0.0867	6
Alawwa Giriulla Rd, Alawwa.	0.0760	3
No.67, Gettuwana, Kurunegala.	0.2730	27
No. 116/53, Tank Circular Rd, Kurunegala.	0.2060	24
Galgamuwa Ehetuwewa Rd, Arsonewwa.	0.1580	2
Pannala Kurunegala Rd, Pahala Narangamuwa.	0.1010	1
Hettipola Rd, Dolahamuna.	0.0980	5
No.07, Gattuwana Circular Rd, Gettuwana, Kurunegala.	0.1210	12
Madampe Narammala Rd, Kuliyapitiya.	0.2298	45

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
No.139, Kandy Road, Kurunegala.	0.9200	164
Wariyapola Rd, Narammala.	0.0970	5
Anuradapura Rd, Nikadalupotha.	0.1180	1
Puttalum Rd, Nikaweratiya.	0.0850	4
Negombo Rd, Pannala.	0.0940	3
Polgahawela Kegalle Rd, Galaboda, Polgahawela.	0.1998	8
Wriyapola Ganewatta Rd, Wariyapola.	0.1077	4
Kalmunai Rd, Akkaraipattu	0.2050	49
Yard Rd, Kalmunai.	1.2250	170
Telecom Rd, Paiyagala North.	0.0253	3
Mangala Rd, Beruwala.	0.2100	21
Telecom Rd, Palligoda, Matugama.	0.0597	8
Telecom Rd, Pahala Welgama, Bulathsinghala.	0.1934	1
Telecom Rd, 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
Station Rd, Mannar.	0.3238	10
Akuressa	0.0711	14
Matugoba, Kotapola	0.1770	2
Dickwella	0.1554	2
Beruwewela, Hakmana.	0.1260	6
Kamburupitiya	0.0890	7
Godauda, Dickwella.	0.1036	4
Ihala Ganegama, Malimbada	0.0690	7
Urubokka	0.1290	4
Pelena, Weligama	0.1069	15
Matale Rd, Dambulla.	0.4150	25
Naula	0.3050	6
No.1/3, King Street, Matale	0.3342	66
Akuramboda Watta, Pallepola	0.0970	3
Exchange Building, Badalgama.	0.0303	1
Negombo-Mirigama Rd, Kelepitimulla Village	0.1710	6
St.Christopher Lane, Kochchikade	0.0410	5
Wennappuwa-Lunuwila Rd, Wennappuwa.	0.0900	5
Police Station Rd, Ragala.	0.0791	10
Gonakele-Maturata.	0.1670	5
Gampola Rd, Thawalantenna.	0.0982	12
Welimada Rd, Udupussellawa.	0.0906	4
Ragala Rd, Wathumulla.	0.0770	3
Telecom Rd, Urugala- Ingiriya.	0.2800	28
Batticaloa Rd, Pollonnaruwa.	0.3129	9
New Town, Ratnapura.	0.0632	5
Ebilipitiya Pelmadulla Rd, Kahawatta.	0.0250	1

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Kalawana Weddagala Rd, Obokka.	0.2060	2
Ratnapura Rd, Kiriella.	0.0875	2
Ratnapura Rd, Kolonna.	0.3320	3
Kuruwita Udagaka Rd, Delgamuwa, Kuruwita	0.0653	2
New Town, Ratnapura.	0.0531	4
Nivitigala Kahawatta Rd, Nivitigala	0.2830	3
Pelmadulla Kuttapitiya Rd, Pelmadulla.	0.0950	5
Rakwana Godakawela Rd, Rakwana.	0.2035	2
Batticaloa Rd, China Bay.	0.0678	4
Lane Off Inner Harbour Rd, Trincomalee.	0.3294	65
Post Office Rd, Kantalai.	0.1244	9
Mannar Rd, Vavuniya.	0.3060	33
Station Rd, Vavuniya.	0.1500	18
Saviapragasa Vidyasalai Veethy Rd, Vavuniya.	0.4047	40
Eramadu Rd, Pulmoddai.	0.3103	5
Nilaveli Rd, Nilaveli.	0.0581	2
Temple Rd, Mutur	0.2838	8
Pulmoddai Rd, Kuchchaveli.	0.0690	1
Periyathumunai Rd, Kinniya.	0.1080	7
Off Main Street, Hingurakgoda	0.0583	4
Main Street Valachchenai.	0.2036	6
Trinco Rd, Eravur	0.0925	13
Kandapola.	0.0894	7
Badalgama-Mahaoya Rd, Badalgama	0.0984	4
Digana, Ahaspokuna.	0.3560	4
Balungala Wattta.	0.2317	1
Telicom Boad Pahala - Nebeda	0.1032	1
Telicom Boad Agalawatta	0.0080	1
Ibbagamuwa Keppettipola Rd, Rideegama.	0.2530	3
Bulathkohupitiya Rd, Moradana Pahala	0.0969	1
Watawala	0.1210	4
Watagoda	0.1850	2
Upcot	0.1495	1
Maskeliya	0.1046	2
Ginigathhena Land, Kurundugolla	0.1310	2
Killarney Estate Rd, Bogawantalawa.	0.1247	3
Mavihena Rd, Kandalama	0.1555	2
Pathirajakanda Estate Rd, Pathirajakanda.	0.1010	1
Galle Rd, Ambalangoda.	0.7900	15
Chilaw- Puttalam Rd, Rajakadaluwa.	0.1490	6
Chilaw-Puttalam Rd, Kuruwikkulam	0.2023	3
Poonagala Estate Ampitikanda	0.1920	5
Haldumulla	0.0990	2
Beddegama Namunukula	0.1373	3
Madolsima	0.3870	15
Batticaloa Rd, Lunugala	0.1346	13
Mahakele Rd, Kandaketiya	0.0253	2

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Exchange Building, Makandura.	0.4040	6
Exchange Building, Balangoda.	0.0807	11
Minnana Town, Awissawella	0.3655	22
Havelock Road, Colombo 5	0.0253	30
Vaverset Place, Colombo 5	0.0179	18
IDH Road, Kalapaluwawa, Angoda	0.0364	6
Godaparagahalanda, Malambe	0.0248	3
Madiwela, Kotte	0.0278	4
Kongahawatta, Talawathugoda, Kotte	0.0278	4
Battaramulla, Kotte	0.0185	6
478, Kaduwela Road, Thalangama North	0.0354	8
Udumallahena Wattta, Kotuwegoda, Kotte	0.0311	5
Bogahawta, Nawala	0.0304	12
Millennium City, Athurugiriya	0.0197	2
Asdiyapokunawatta, Mulleriyawa, Angoda	0.0379	4
Primrose Hill, Kandy	0.0751	6
Heiyanduwa, Biyagama	0.0506	7
Hettiyaovita, Biyagama	0.0374	5
Walawewattta, 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
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, Kirulapane	0.0244	24
Delgahalanda, Ihala Bope, Padukka	0.0266	1
Rukmalgama, Maheragama	0.0817	8
Srimathi Rd, Keselwatta, Panadura	0.0632	15
St Anthony Road, Moratumulla, Moratuwa	0.0276	4
3A, Rawatawatte Road, Moratuwa	0.0202	4
Millagahakanatta, Molpe, Rathmalana	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, Nawange Road, Peliyagoda	1.6432	325

Portfolio of Lands

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Awissawella, Ratnapura Rd, Welikanna.	0.1623	3
Kotawera Pallegama, Welimada.	0.0526	2
Puttalam Rd, Chilaw.	0.2708	54
Kiribathkumbura, Pilimathalawa	0.5805	11
No.47/1A, Church Road, Mattakkuliya	0.0303	15
Nawalapitiya Rd, Ginigathena.	0.1420	3
Alpitiya Rd, Alpitiya.	0.1789	2
Dambulla Rd, Ibbagamuwa.	0.1011	2
Telecom Rd, Dodangoda.	0.1510	9
Namadagala Village, Medamahanuwara	0.1247	1
Pallekele-Kundasale	0.0899	9
Pugoda Rd, Giridara, Dompe	0.0050	1
Mandawala Rd, Owitigama Pugoda.	0.0253	2
Ukuwela, Matale.	0.0506	1
Magammana, Homagam.	0.0151	1
Telecom Rd, Mahaaruggoda.	0.0759	4
Kudugalla Rd, Wattegama.	0.1511	7
No.27,Station Rd, Batticaloa	0.0585	9
Karinagar	0.0507	1
Ariyalai, Jaffna	0.0658	4
Pointpedro, Jaffna	0.0809	3
Pandathirippu, Jaffna.	0.0514	1
Pesalei	0.0908	1
Dalupothawatta, Pillewatta, Udugampola.	0.0025	1
Total		11,995

Abbreviations

4G	Fourth Generation	NOC	Network Operating Centre
ADSL	Asymmetric Digital Subscriber Line	OSS	Operational Support System
ASPI	All Share Price Index	PEO TV	Personalised Entertainment Option Television
BPO	Business Process Outsourcing	PoP	Point of Presence
CDMA	Code Division Multiple Access	PSTN	Public Switched Telephone Network
CLI	Caller Line Identification	PTC	Pacific Telecommunications Council
DC HSPA+	Dual-Carrier High Speed Packet Access	RAS	Revenue Assurance System
DEL	Direct Exchange Line	SAFA	South Asian Federation of Accountants
E1	E – Carrier System level 1	SBN	SLT Backbone Network
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	SDH	Synchronous Digital Hierarchy
EFTNS	External Fixed Telecommunications NetworkServices	SDM	Space Division Multiplex
EPF	Employee Provident Fund	SEA ME WE	South East Asia-Middle East-West Europe
ETA	Electronic Travel Authorisation	SLBN	Sri Lanka Telecom Broadband Network
ETF	Employee Trust Fund	SLIM	Sri Lanka Institute of Marketing
FCR	Fault Clearance Rate	SME	Small and Medium Enterprise
FTTN	Fibre-To-The-Node	SMS	Short Message Service
Gbps	Gigabits per second	STM-1	Synchronous Transport Module level-1
GDP	Gross Domestic Product	SVOD	Subscription Video on Demand
GITR	Global information Technology Report	TRCSL	Telecommunication Regulatory Commission of Sri Lanka
GPS	Global Positioning System	UMTS	Universal Mobile Telecommunications System
GRI	Global Reporting Initiative	VDSL	Very High Bit Rate Subscriber Line
GSR	Global Symposium for Regulators	VoD	Video on Demand
GTH	Global Telecommunications Holdings	VoIP	Voice over Internet Protocol
HDTV	High Definition Television	VPN	Virtual Private Network
HSPA	High Speed Packet Access	WAP	Wireless Access Protocol
ICT	Information and Communication Technologies	WiMAX	Worldwide Interoperability for Microwave Access

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the SEVENTEENTH ANNUAL GENERAL MEETING of Sri Lanka Telecom PLC will be held in 9th April 2014 at 10.00 am at the Balmoral Ballroom (Lobby Level) Kingsbury Hotel, 48, Janadhipathi Mawatha, Colombo 01, Sri Lanka 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 Statement of Accounts for the year ended 31 December 2013 with the Report of the Auditors thereon.
- 2 To declare a first and final dividend of Eighty Five Cents (0.85 Cents) per share as recommended by the Directors.
- 3 To re-elect as a Director, Mr. Lawrence Michael Paratz, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
- 4 To re-elect as a Director, Mr. Chan Chee Beng, who retires by rotation in terms of Article 91 and 92 of the Articles of Association
- 5 To re-appoint Messrs, KPMG, Chartered Accountants as Auditors for the ensuing year and to authorize the Directors to determine their remuneration:
- 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



P W Corporate Secretarial (Pvt) Ltd
Secretaries

20 February 2014
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. Nimal Welgama	whom failing*
Mr. Chan Chee Beng	whom failing*
Mr. Jeffrey Jay Blatt	whom failing*
Mr. Jayantha Dharmadasa	whom failing*
Mr. Shameendra Rajapaksa	whom failing*
Mr. Kalinga Indatissa	whom failing*
Mr. Lawrence Michael Paratz	whom failing*
Ms. Pushpa Wellappil	whom failing*

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 17th Annual General Meeting of the Company, to be held on 9th April 2014 and at any adjournment thereof and that 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 2013 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare a first and final dividend of Eighty Five Cents (85 Cents) per share as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect as a Director, Mr. Lawrence Michael Paratz, who retires by rotation in terms of Article 91 and 92 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect as a Director, Mr. Chan Chee Beng, who retires by rotation in terms of Article 91 and 92 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
5 To re-appoint Messrs, KPMG, Chartered Accountants as Auditors for the ensuing year and to authorize 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 Fourteen.

.....
Signature

* Please delete what is inapplicable.

Note: Instruction as to completion appear overleaf.

Form of Proxy

> 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. Nimal Welgama - Chairman
Mr. Chan Chee Beng
Mr. Jeffrey Jay Blatt
Mr. Shameendra Rajapaksa
Mr. Jayantha Dharmadasa
Mr. Kalinga Indatissa
Mr. Lawrence Paratz
Ms. Pushpa Wellappili

> Auditors

KPMG (Chartered Accountants),
No. 32, Sir Mohamed Macan Makar Mw,
Colombo 03.

> Company Secretary

P W Corporate Secretarial (Pvt) Ltd

> Credit Rating

Fitch Ratings

Foreign Currency Rating

Long-Term Foreign-Currency IDR: BB –
Outlook Stable

Long-Term Local-Currency IDR: BB –
Outlook Stable

National

Long-Term Rating: AAA(lka) – Outlook Stable

> Standard & Poor's

Corporate Credit Rating – B+ outlook stable

> Bankers

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
HSBC Bank
Hatton National Bank PLC
Sampath Bank
Standard Chartered Bank
Seylan Bank
Citibank N.A.
Nation Trust Bank
NDB Bank
Deutsch Bank

Name of Company

Mobitel (Private) Limited

Holding

Principal Activity

100%

Mobile telephony

Sri Lanka Telecom (Services) Ltd

100%

Total network solutions for businesses

SLT Publications (Private) Limited

100%

Directory publication services

SLT Visioncom (Private) Limited

100%

IPTV support services

SLT Human Capital Solutions (Private) Limited

100%

Providing workforce solutions

SKY Network (Private) Limited

99.89%

Wireless Broadband operations

SLT Property Management (Private) Limited

100%

Management of Group Properties

Teleshops

Regional Offices

Ambalangoda Kalmunai
Bandaragama Kandy
Battaramulla Kandy City Center
Beruwala Katunayake
Biyagama Kegalle
Colombo Fort Killinochchi
Embilipitiya Kiribathgoda
Gampaha Kuliyapitiya
Homagama Kurunegala
Horana Liberty Plaza
Ja-Ela Maharagama
Kaduwela Mattakkuliya

Matugama
Mihindu Mawatha
Monaragala
Mount Lavinia
Negombo
Nittambuwa
Piliyandala
Puttalam
Slave Island
Tangalle
Wennappuwa
World Trade Center

Ampara
Anuradhapura
Awissawella
Badulla
Bandarawela
Batticaloa
Chilaw
Galle
Gampaha
Gampola
Hambantota
Hatton

Havelock Town
Jaffna
Kalmunai
Kalutara
Kandy
Kegalle
Kotte
Galle
Kurunegala
Mannar
Maradana
Matale
Matara

Negombo
Nugegoda
Nuwara Eliya
Panadura
Polonnaruwa
Rathmalana
Ratnapura
Trincomalee
Vavuniya
Wattala

