

Giving life to thought

Sri Lanka Telecom PLC Annual Report 2014



Sri Lanka Telecom
One Country. One Voice.

Welcome to Sri Lanka Telecom PLC

Annual Report 2014

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.

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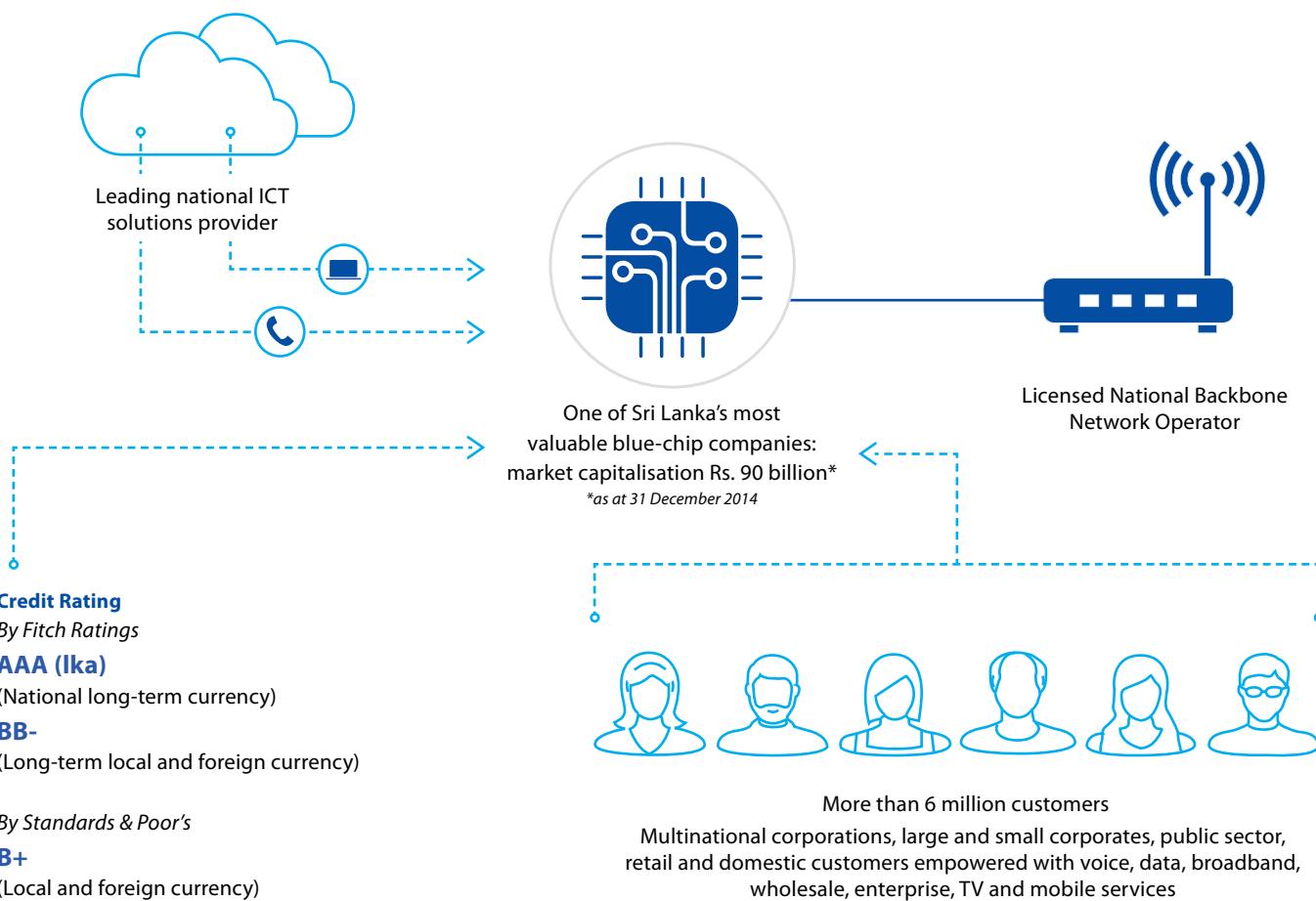
Sri Lanka Telecom is the pioneer communications provider to the Nation. We have over 150 years of expertise in ‘giving life to thought’, fulfilling the evolving dreams and aspirations of all Sri Lankans – from basic connectivity to the eclectic applications that distinguish the communications sphere today.

Our customers over the years have sought an ever evolving portfolio of services that went from simple voice transmission, to data and video transmission... from ‘location tied’ fixed line to ‘access from anywhere’ mobile...from simple communication needs to complex ‘infotainment’ applications.

SLT truly straddles the timeline between today and tomorrow – we are busy giving life to tomorrow’s thought.



SLT at a glance



Strengths

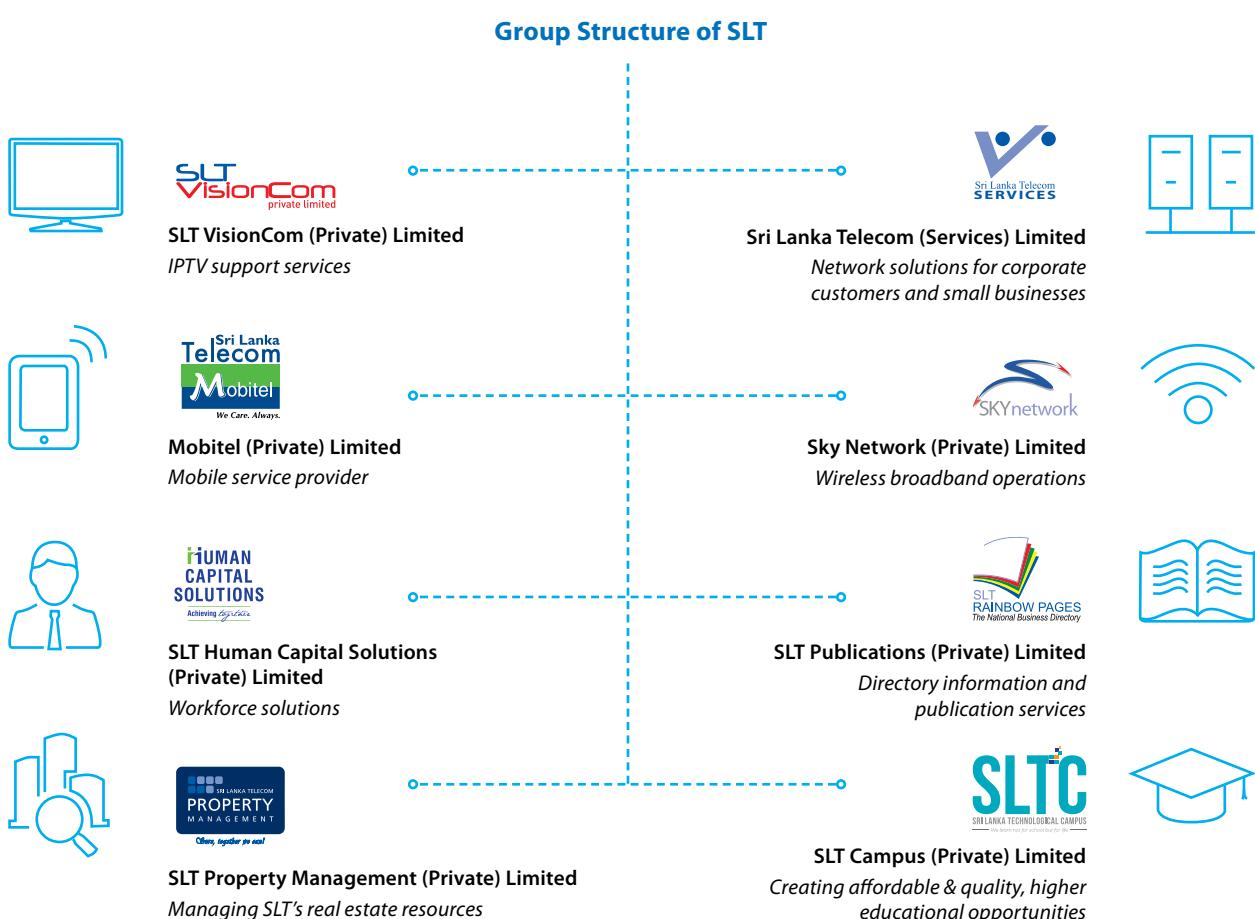
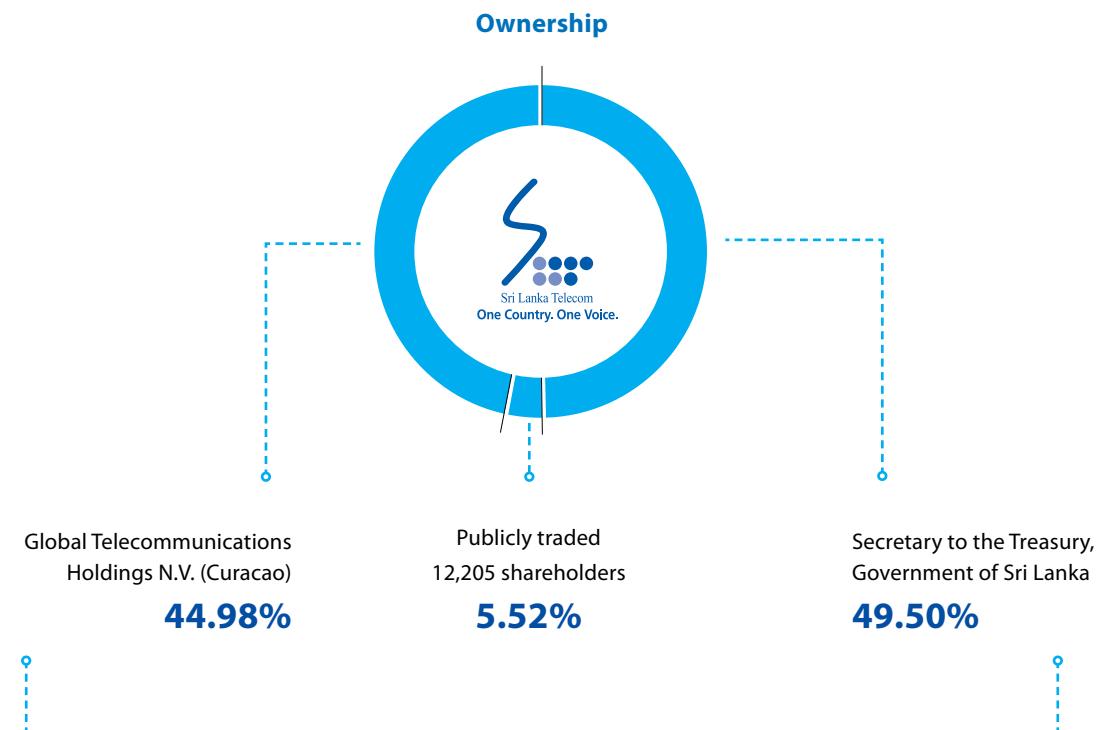

Strong brand and reputation

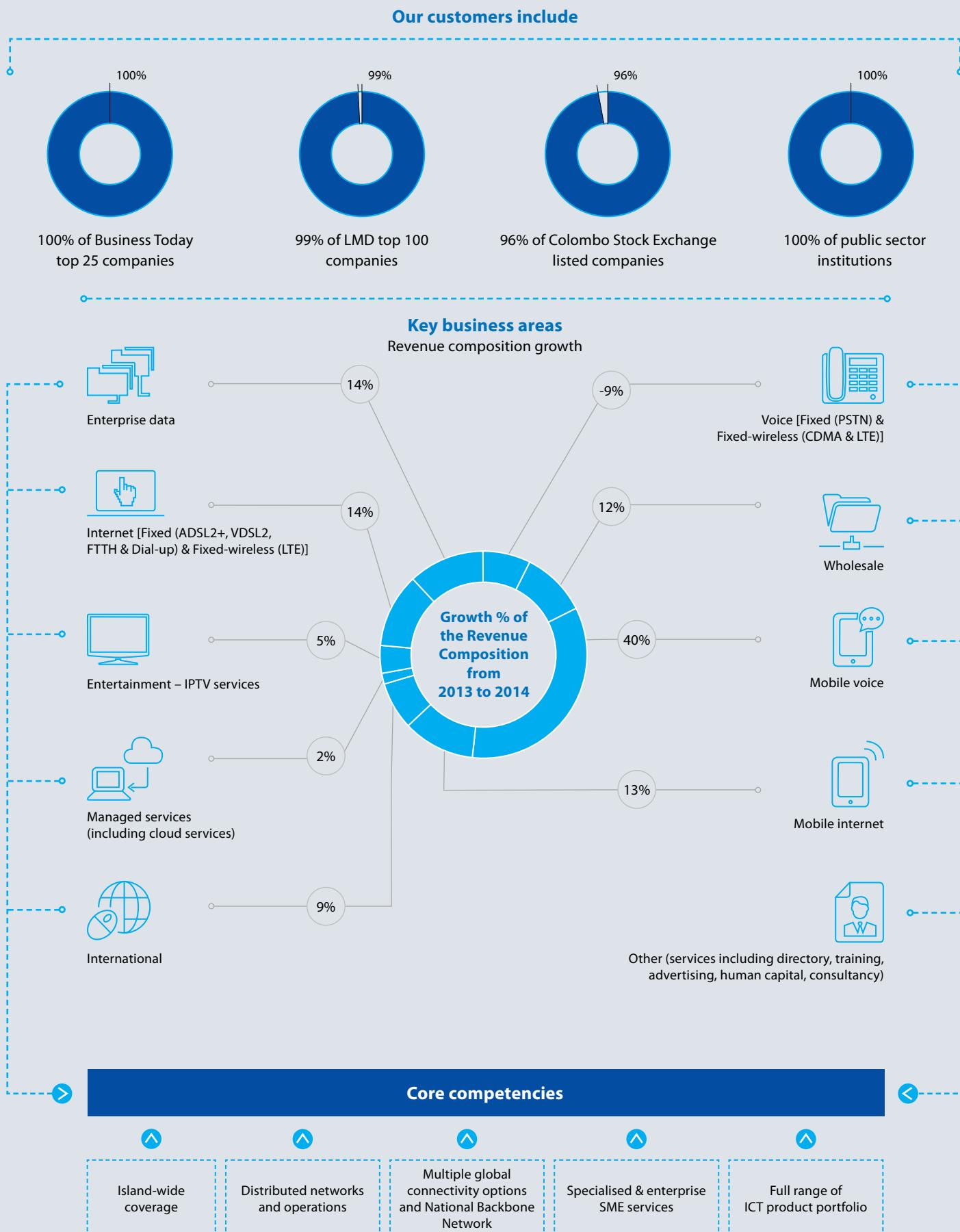

Dedicated workforce


Superior network and technology platforms


Innovation


Suppliers





SLT's year at a glance

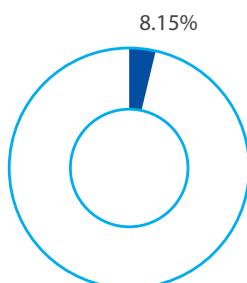
Financial highlights

	2014	2013	Change %
Group			
Revenue (Rs. billion)	65.04	60.14	8.15
Operating profit (Rs. million)	5,711	6,491	-12.02
Profit before tax (Rs. million)	8,251	7,365	12.03
Profit after tax (Rs. million)	6,001	5,419	10.74
Earnings per share (Rs.)	3.32	3.00	10.7
Company			
Revenue (Rs. billion)	38.95	36.78	5.90
Operating profit (Rs. million)	2,227	3,156	-29.43
Profit before tax (Rs. million)	4,859	5,014	-3.09
Profit after tax (Rs. million)	3,324	3,635	-8.55
Earnings per share (Rs.)	1.84	2.01	-8.5

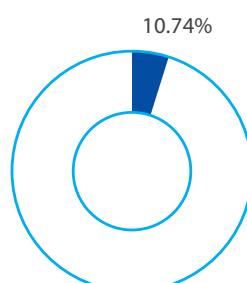
Group revenue Rs. 65 billion

Revenue at Group level reached Rs. 65.04 billion, a 8% growth, primarily driven by mobile voice, broadband, wholesale and enterprise data.

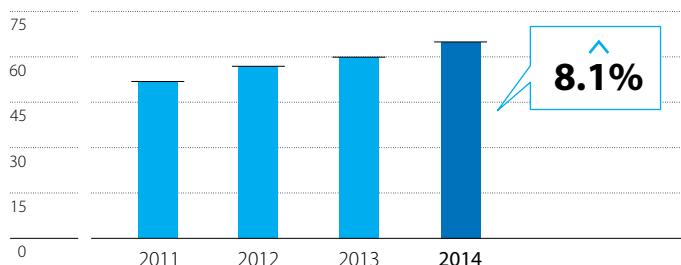
Growth in revenue



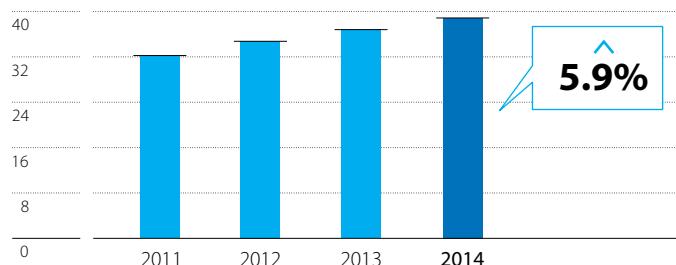
Growth in profit after tax



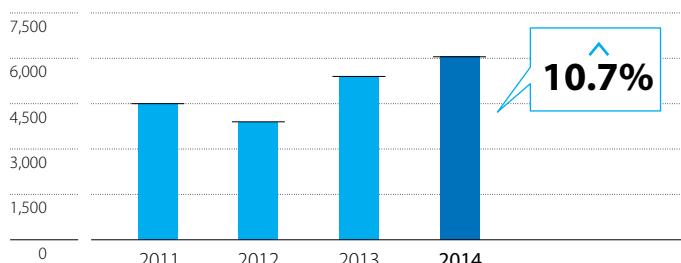
Group revenue (Rs. billion)



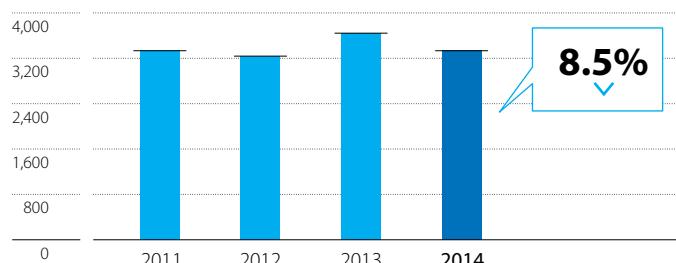
Company revenue (Rs. billion)



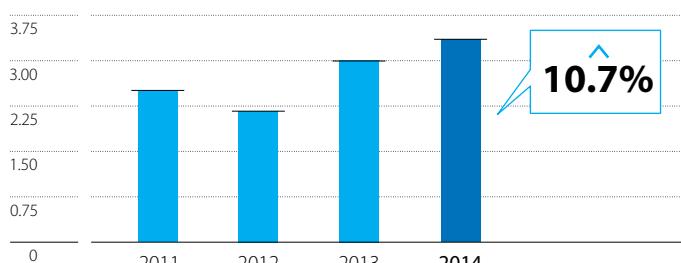
Group profit after tax (Rs. million)



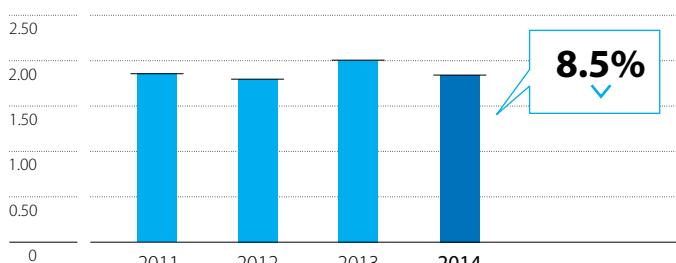
Company profit after tax (Rs. million)



Group earnings per share (Rs.)

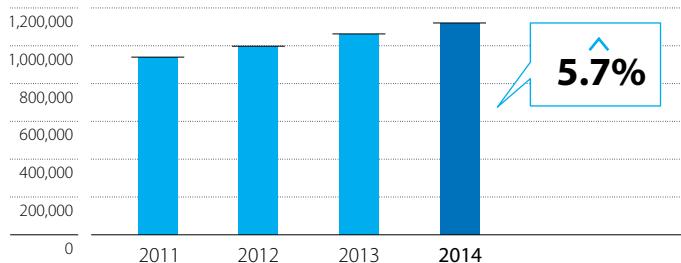


Company earnings per share (Rs.)

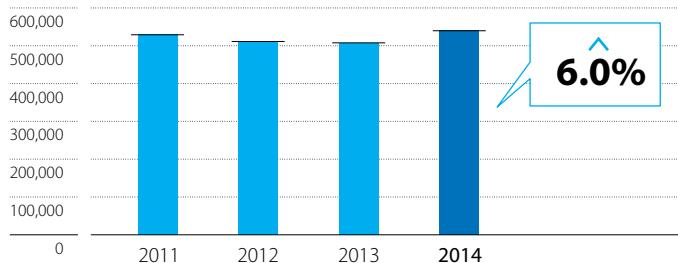


Operational highlights

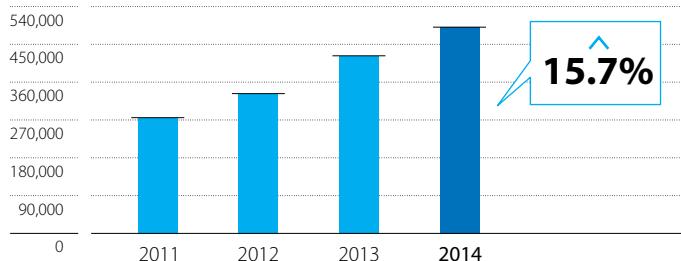
Customer base growth - Megaline (No.)



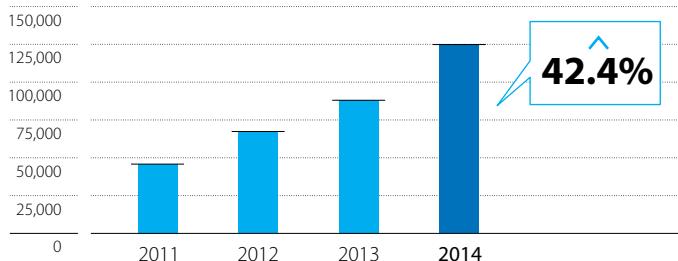
Customer base growth - Citylink (No.)



Customer base growth - Broadband (No.)



Customer base growth - PEO TV (No.)



	No. of customers added in 2014	Service Fulfilment Index (SFI)		Uninterrupted Service Index (USI)		Service Restoration Index (SRI)	
		2013 %	2014 %	2013 %	2014 %	2013 %	2014 %
Megaline	60,942	57	71	91	89	67	68
Broadband	66,526	56	59	94	87	52	67
PEO TV	37,158	56	59	94	87	52	67
Citylink	30,703	89	90	96	97	76	78

Service Fulfilment Index indicates delivery within a promised time (No. of days) for new customers. Overall SFI improved during 2014.

Uninterrupted Service Index denotes the services provided to existing customers without a single breakdown or fault. There was a slight drop in the USI during 2014 due to a system migration. Service Restoration Index indicates the fault clearance within a promised/standard time period. There was an improvement in the overall SRI in 2014.

Group strategic objectives (Five-year summary)

- Drive broadband-based consumer, SME and enterprise services by expanding our broadband footprint and customer-relevant technologies such as ADSL2+, VDSL2, optical fibre, carrier-grade Wi-Fi, Home Wi-Fi, fixed and mobile 4G LTE.
- Continue to provide a fully-integrated solutions portfolio that includes voice, networking, data hosting, managed services, cloud-computing services, entertainment services and mobile-based consumer, SME and enterprise solutions provided through our fully-owned subsidiary, Mobitel.
- Become a key regional player with major investments in multiple international submarine cable systems.
- Facilitating other telecom service operators in the country by providing wholesale network capacity and infrastructure services as the National Backbone services provider through SLT's modern optical fibre based transport network.

About this report

Structure

The integrated format of this annual report attempts to communicate more coherently and concisely the relationships and interdependence of the various aspects of our business, such as strategy, governance, performance and prospects, in the context of creating value over time. In preparing it, we have drawn, where applicable, upon concepts, principles and guidance from the following:

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3.1 - level C
- The International Integrated Reporting Framework (2013)
- Smart Integrated Reporting Methodology™

Report boundary and materiality

The overall boundary of this annual report comprises Sri Lanka Telecom PLC and its subsidiaries, duly identified as 'SLT' individually and 'Group' collectively. Consistent with the framework adopted in the previous year, key financial aspects are discussed in the context of the Company as well as the Group, while non-financial aspects are discussed in the context of the Company.

Our reporting focuses on factors that are material or important. It is an assessment based on the extent to which they may substantively affect the Company's ability to create value over the short, medium and long-term. The materiality determination process is discussed under materiality and value creation commencing on page 38.

Compliance

This report covers the 12-month period 1 January to 31 December 2014 and is consistent with our usual annual reporting cycle for financial and sustainability reporting. The latter is in accordance with Level 'C' of GRI G3.1 guidelines, subject to independent assurance.

There are no significant changes from previous reporting periods in the scope and aspect boundaries. The most recent previous annual report, dated 20 February 2014, covered the 12-month period ended 31 December 2013. It is available on our website.

The information contained in this report, as in the past, is in compliance with all applicable laws, regulations and standards as well as guidelines for voluntary disclosures. Details are given in the Corporate Governance section (page 23) and the Independent Auditors' Report (page 97).

Queries

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

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

Telephone: +9411 239 9478
Email: mathukorale@slt.com.lk



Scan to view the online version of this annual report

Letter from the Group Chairman

It is a singular honour for me to be at the helm of affairs at Sri Lanka Telecom (SLT) as the country enters a new era of growth and development. Indeed our Company plays an integral role in a developing Sri Lanka, being the country's pioneer telecom services and its foremost ICT proponent, founded on a heritage of over 150 years serving Government organisations, corporate customers, SMEs & microenterprises and households.

The telecommunications sector remained a highly competitive slice of the world economy. The online world continued to expand in 2014, driving the expansion of telecom networks and services. Around the world, telecom authorities and firms continued to roll-out and deploy broadband networks and services to position themselves and their countries for future competitiveness. With SLT leading the way, Sri Lanka was no exception to this trend.

In terms of performance, the SLT Group did well to maintain growth momentum in the face of rising costs. The Group earned revenues of Rs. 65.04 billion for the year 2014, a 8% increase over the previous year. All revenue streams – fixed, mobile and others – contributed to this increase, which was the more remarkable considering that Group operating costs, too, grew by 12% over the same period. The Group reported a total profit before tax of Rs. 8.25 billion, amounting to a year-on-year increase of 12%. Profit after tax increased by 11% to reach Rs. 6.0 billion.

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 national communications backbone and future IT infrastructure, which will serve as the foundation of nearly all other economic sectors. We have been working assiduously over the years building capacities and capabilities to be able to fully support the national vision of bringing forth a SMART Sri Lanka. Performance of subsidiary companies will be reviewed and the activities will be accelerated to meet these national goals.

Our entire ICT infrastructure programme is based on Sri Lanka's development goals. One of those goals is the further development of the BPO and KPO industries as contributors to the national product. SLT's breakthrough cloud computing service, *akaza*, provides end-to-end enterprise services that offer corporate customers,

Government departments, SMEs and microenterprises the advantages of enhanced agility, quick service delivery and cost efficiencies while providing maximum ROI and improved scalability.

Our commitment to sustained investment in new technologies will remain undiminished. This will, amongst other areas of benefit, enable us to continue to support the enhancement of Sri Lanka's global connectivity. The resultant exponential growth in demand for data both locally and internationally would enable Sri Lanka to leverage its strategic geographical location to boost the national economy.

The Company is fully-committed to a regime of co-operation and support towards our regulators. We are truly appreciative of the favourable regulatory environment which has enabled the realisation of rapid industry growth in line with the national vision. We will continue to strengthen our relationships with all regulatory bodies, leading public institutions and the private sector in the ensuing year.

In closing I wish, on behalf of all stakeholders, to thank and pay tribute to the outgoing Chairman of SLT, Mr. Nimal Welgama for his tremendous efforts, leadership and contributions to the Company. I also extend my deep appreciation to Mr. Lalith De Silva, and thank him for his valuable contribution to the Company during his tenure as the Group Chief Executive Officer. Our Company is in good hands under the leadership of our new Group Chief Executive Officer, Mr. Dileepa Wijesundera, who will add great value to the SLT Group and take it to even greater heights. I sincerely thank the members of the Board of Directors, all staff members and our valued stakeholders.

I have every confidence that SLT will continue to deliver strong results for all our stakeholders, whilst also ensuring sustainable growth and greater contribution to both the society and environment.



P. G. Kumarasinghe Sirisena
Group Chairman

In complementing the country's ICT transformation journey, **our commitment to sustained investment in new technologies will remain undiminished.**



Letter from the Group Chief Executive Officer

I am deeply honoured to serve as Group Chief Executive Officer of the largest integrated communications services Company in Sri Lanka. We are committed to being the lead partner in the journey of the country's fast-track towards regional ICT supremacy.

The pace of change in the market has increased as the telecommunication, IT and media industries converge into a broader ICT infrastructure. At the same time, ICT has begun to spur the productivity in other sectors of the economy. In such a milieu, we are committed to establishing the communication backbone of Sri Lanka, which in turn would fuel the foundation for virtually all other economic sectors. Hence, our strategic focus remains strongly aligned to the nation's vision of realising a digital economy.

Combining our business expertise of over 150 years and the skills of our team, we will continue to strengthen our technology leadership and harness the full potential of broadband connectivity. Combining best-in-class margins with strong operating cash flows we will grow at a faster pace in 2015. In doing so while we aim to drive value to our shareholders and customers, our employees remain an integral part of our growth. Our customers will be

offered ultimate convenience and connectivity at all times by combining best-in-class global service standards and Group synergies. In addition, our business value chain will be enhanced to increase customer and employee satisfaction. We will also pay more emphasis to key drivers of the economy and continue to pioneer technology and uplift communities around us.

I am confident that we will continue to evolve and strengthen overtime to meet new challenges and remain the market leader in the country's ICT landscape.

A handwritten signature consisting of the initials "D.W." followed by a stylized surname.

Dileepa Wijesundara
Group Chief Executive Officer

Combining **our business expertise of over 150 years** and the skills of our team, we will continue to strengthen our technology leadership and harness the full potential of broadband connectivity.



Board of Directors



Mr. P. G. Kumarasinghe Sirisena

Chairman

Mr. Kumarasinghe Sirisena was appointed to the Board of Directors on the 23 January 2015 as an independent non-executive Director and was appointed Chairman of the Board. He is also a Director/Chairman Mobitel (Private) Limited, SLT Publications (Private) Limited, SLT VisionCom (Private) Limited, SLT Human Capital Solutions (Private) Limited, Sky Network (Private) Limited, SLT Property Management (Private) Limited, Sri Lanka Telecom (Services) Limited and SLT Campus (Private) Limited.

Mr. Kumarasinghe Sirisena holds a Bachelor of Science (Hons.) degree in Public Administration and Management from the University of Sri Jayawardenepura and a Master of Business Administration from Wayamba University of Sri Lanka and a Master of Public Management degree from Sri Lanka Institute of Development Administration. He also holds Postgraduate Diplomas in Accountancy & Financial Management and Project Management from the University of Sri Jayawardenepura.

He is fellow member of the Association of Public Finance Accountants of Sri Lanka, which is the public sector wing of CA Sri Lanka.

He has more than 19 years of experience in general management, financial management and human resource management areas in engineering, construction, project management and finance in private and government sectors.

In his executive career he was the Managing Director of State Development & Construction Corporation, State Timber Corporation and the CEO/General Manager of the State Timber Corporation. He has also served as a Board Director of Mahaweli Engineering Services Ltd.

He currently serves as Director on the Boards of Land Reclamation & Development Company Ltd. and L. R. D. C. Services (Pvt) Ltd. and as Financial Consultant at Araliya Group of Companies.



Mr. Chan Chee Beng

Director

Mr. Chan Chee Beng, a Malaysian, was appointed to the Board of Directors on the 5 June 2008 and subsequently to the Board of Mobitel (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 UTSB has significant interests such as 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 off-shore oil and gas service provider in which he is also the Acting Chief Executive.

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 is currently the Chairman of the Senior Tender Board, the risk management committee, as well as the remuneration and nomination committee and is a member of the technology sub-committee. He is also a Director of SLT VisionCom (Private) Limited. Mr. Blatt acts as Special Counsel to Astro All Asia Networks PLC and Astro Malaysia Holdings Berhard ('Astro'), as well as to 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 2015, Mr. Blatt was named as one of Asia's leading TMT lawyers by the Legal 500 Asia Pacific and by Chambers Asia Pacific and is also listed in, The International Who's Who of Business Lawyers, as one of the world's leading practitioners in Telecoms & Media (2014, 2015). His clients at Tilleke & Gibbins include a variety of high profile international clients in the telecom, broadcasting and media space, such as Microsoft, Apple Computer, AT&T, 20th Century Fox, Facebook, LINE, Broadcom and WorkPoint Entertainment.

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. 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 26 May 2010 and subsequently to the Board of Mobitel (Private) Limited.

Mr. Lawrence Paratz holds a MSc (Telecommunication Systems) with distinction and was awarded the Philips prize from Essex University and a 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 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 Limited, 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, Chairman of the technology committee of the Board and a former senior executive of Telstra Corporation. He is a Director of Mobitel (Private) Limited, Sky Networks (Private) Limited, SLT Property Management (Private) Limited, SLT Campus (Private) Limited and SLT Publications (Private) Limited. He is also a Director of Vernet Pty Ltd., a company providing ultra high speed broadband to universities and research establishments in Australia, Real Thing Entertainment Pty Ltd., an Australian high technology company and Razorback Pty Ltd., a company incorporated in Victoria, Australia.

Mr. Paratz has had executive responsibility for multi-billion dollar programmes and integrations including network transformations and deployments across multiple technologies, with extensive experience in international, metropolitan and 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. Lai Choon Foong
Director

Ms. Lai Choon Foong was appointed to the Board of Sri Lanka Telecom PLC on 9 May 2014 as an independent non-executive Director and is a member of the audit committee and risk management committee.

Ms. Lai holds a Bachelor of Commerce from Melbourne University, Australia and is a Chartered Accountant of the Malaysian Institute of Accountants and a Certified Practicing Accountant of CPA Australia. She has more than 30 years of working experience in finance, procurement and audit areas in telecommunications, finance and banking industries and Government sector. She was with Maxis Berhad, Malaysia's premier communications service provider for 18 years, with her last role as the Financial Controller.



Mr. Krishantha Cooray
Director

Mr. Cooray was appointed to the Board of Directors on 3 February 2015 as an independent non-executive Director and sits on the Senior Tender Board. He is also a Director of SLT Publications (Private) Limited, SLT Property Management (Private) Limited and Air Inn Hansa Marine Enterprises (Pvt) Ltd.

Krishantha Cooray is a private sector professional with an academic background in political science and law.

After schooling at S. Thomas' College, Mount Lavinia, Krishantha read for a Bachelor of Arts (Honours) in political science and law at the University of Middlesex.

As a professional, he has held several executive positions in leading private sector companies, including the Ceylinco Group, Arpico Group and the Maharaja Organisation.

He joined the Arpico Group as the Head of Business Development and went on to found the first completely independent publishing house owned by a public-quoted company. He was instrumental in setting up Rivira Media Corporation (Pvt) Limited under the Arpico Group and served there as founding Director and Chief Executive Officer.

The two mainstream newspapers launched by him, 'Rivira' and 'The Nation', continue to be widely read national newspapers in Sri Lanka. During his stint at the Maharaja Group, Krishantha worked closely with electronic media functioning as a Consultant on all news-related matters pertaining to the TV and Radio stations of the Company.

His long-standing association with the media includes the contribution of articles to several national newspapers.



Mr. Firdouse Farook
Director

Mr. Farook was appointed to the Board of Directors on 3 February 2015 as an independent non-executive Director and he sits on the Senior Tender Board and the technology sub-committee. He is also a Director of SLT VisionCom (Private) Limited and SLT Property Management (Private) Limited.

Mr. Farook is an entrepreneur and investor with over 20 years of rich experience in diversified fields of business including telecommunications, green energy, property development, venture capital and investment promotion. He is an old boy of Royal College, Colombo.

Mr. Farook currently serves on the Boards of several Sri Lankan, Malaysian and Hong Kong-based companies including PowerHub International (Malaysia), PowerHub Green Energy (Private) Limited, Omega Group (Private) Limited, Lakeside Property Developers (Private) Limited, Manelwala Hydropower (Subsidiary of Pan Asia Power Limited). He has extensive expertise in the field of alternative energy project development and has been an investor in a number of mini hydropower and renewable energy development companies in Sri Lanka. He was one of the founding investors and Director of Pan Asia Power PLC which is currently listed in the Colombo Stock Exchange. As an international venture capitalist and investment promoter, Mr. Farook has many business interests in Malaysia and Hong Kong.



Ms. G. D. Chandra Ekanayake
Director

Ms. Ekanayake was appointed to the Board of Directors on 3 February 2015 as a non-executive Director and sits on the audit committee and risk management committee. She is also a Director of SLT Property Management (Private) Limited and SLT Campus (Private) Limited.

Ms. Ekanayake is a Member of the Sri Lanka Administrative Services and joined the service in 1984. She was appointed to as a Deputy Secretary to the Treasury on 9 March 2015. Prior to this appointment, she had held senior positions in the Treasury as Director of Economic Affairs, Controller of Insurance, Additional Director General, Department of External Resources and Director General, Department of Trade, Tariff & Investment Policy and the Director General, Department of National Budget.

Ms. Ekanayake holds a Science Special degree from the University of Kelaniya, an MBA from the Postgraduate Institute of Management, Sri Lanka and postgraduate Diploma in the fields of Development Planning Techniques (ISS, The Hague), International Relations (BCIS Colombo) and Economic Development (University of Colombo). She represented the Treasury in the council of the Asian Reinsurance Corporation from 2002 to 2013 and functioned as it Vice Chairperson during the period from 2008 to 2013. She also represented the Treasury on the Board of the NDB Bank until March 2015. As at now, she represents the Treasury on the Board of People's Bank and the Board of Management of the Superior Court Complex.



Ms. Nilanthi Pieris
Director

Ms. Pieris was appointed to the Board of Directors on 3 February 2015 as an independent non-executive Director and sits on the audit committee, risk management committee and the Senior Tender Board. She is also a Director of SLT Human Capital Solutions (Private) Limited and SLT Property Management (Private) Limited.

Ms. Pieris is an Attorney-at-Law of the Supreme Court of Sri Lanka and counts 27 years of experience including 27 years of practice at the Bar and currently serves as the partner of Paul Ratnayake Associates an International Legal Consultants, Attorneys-at-Law, Solicitors and Notaries Public.

Earlier she held the position of the Assistant Secretary of the Bar Association and numerous positions at the Bar Association.



Mr. Mahesh Athukorale
Company Secretary

Mr. Mahesh Athukorale joined Sri Lanka Telecom PLC in 2003 as the Assistant Company Secretary. In his career spanning over 18 years he has 11 years of experience in the SLT Group and 7 years in the financial sector. He was appointed as the Company Secretary of the SLT with effect from 21 November 2014 in place of Messrs P. W. Corporate Secretarial (Private) Limited.

Mr. Mahesh Athukorale holds a Master's Degree of Business Administration from the University of Colombo and a Bachelor's Degree of Law from the Open University of Sri Lanka. He is an Attorney-at-Law and a member of the Institute of Chartered Secretaries and Administrators of UK.

The Board and Management of SLT are committed to continuously enhance the standards of corporate governance principles and processes so as to improve performance, accountability and transparency of the Company.



Leadership team



1. Dileepa Wijesundara

Group Chief Executive Officer, Sri Lanka Telecom PLC



2. Ranjith Ganganath Rubasinghe

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



6. Mahinda B. Herath

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



7. Priyantha Perera

Chief Administrative Officer



8. P. Roshan Kaluarachchi

Chief Business Strategies Officer (Subsidiaries)



12. D. W. R. Wijeweera

Chief Information Officer



13. Tilak De Silva

Chief Innovations Officer



14. Ajantha Seneviratne

Chief Marketing Officer



3. Malraj Balapitiya

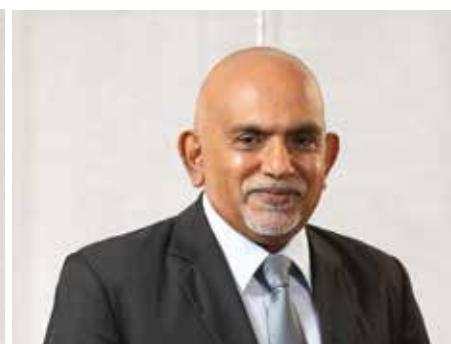
*Chief Executive Officer,
SLT Publications (Private) Limited and
SLT VisionCom (Private) Limited*

4. Prabath Gunathunge

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

5. Prasanna Perera

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



9. S. K. Lal Ranjith

Chief Corporate Officer



10. K. A. Kiththi Perera

Chief Enterprise and Wholesale Officer



11. Udeni K. Samararatne

Chief Financial Officer



15. M. B. P. Fernandez

Chief Network Officer



16. Chinthaka C. Wijesuriya

Chief Regional Officer



17. Mohan Padmaperuma

*Chief Transformation & Development
and Human Resources Officer*

1 Dileepa Wijesundera

Group Chief Executive Officer, Sri Lanka Telecom

Mr. Dileepa Wijesundera is an engineer by profession and has been a top level executive with extensive experience in project logistics, profitability and restructuring both at private and Government level. He obtained his BSc in Civil Engineering and also obtained an MSc in Management from the Loughborough University (UK). He has successfully been at the helm of many prestigious corporate bodies including Head of Emirates Sky Cargo, Canada, Senior Vice-President Qatar Airways, Chairman, Sri Lanka Ports Authority among others. Mr. Dileepa Wijesundera assumed duties as the Group CEO of Sri Lanka Telecom PLC on 9 March 2015.

2 Ranjith Ganganath Rubasinghe

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

Mr. Ranjith G. Rubasinghe holds a wealth of experience in the fields of Communication and IT in various national and multinational organisations and has been with Sri Lanka Telecom for over 12 years. He is a Chartered Engineer and a Fellow Member who serves as the Vice-President of the Institution of Engineers Sri Lanka (IESL) and is also the Chairman of the Library and Publications Committee. Mr. Rubasinghe also serves as a Council Member of the University of Colombo and the Council of the Board of Management at University of Colombo School of Computing.

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

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

In 2014, he was appointed as the Chief Executive Officer of Mobitel (Private) Limited and SLT Campus (Private) Limited. Mobitel recorded the best year of performance in 2014 under the guidance of Mr. Rubasinghe where the Company managed to achieve its highest recorded profits in the history of the Company. Mr. Rubasinghe is also the Chief Executive Officer of SLT Manpower Solutions (Private) Limited since 2008. Not limiting to the service provided to SLT Group only, he was able to transform the organisation to SLT Human Capital Solutions (Private) Limited in 2013 with the mission to be the Leading Human Asset Management Partner in Sri Lanka. Moreover he has played the key role in conceptualising and implementing the first ever Engineering Faculty of the country as a University Industry Partnership with the partnership of UGC, UOC and SLT.

He has led SLT Human Capital Solutions 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.

3 Malraj Balapitiya

Chief Executive Officer, SLT Publications (Private) Limited and SLT VisionCom (Private) Limited

Mr. Malraj Balapitiya is a professionally qualified Chartered Engineer and a Fellow Member of the Institute of Engineers of Sri Lanka. He counts over 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 (Private) Limited. He is a dynamic personality with managerial, marketing and entrepreneurial skills and has helped Rainbow Pages to reach the highest echelons to become the only directory publisher recognised by the Government of Sri Lanka. In 2011, he was appointed as the CEO of SLT VisionCom (Private) Limited, in addition to his present position of CEO of SLT Publications (Private) Limited. He has used his innate marketing skills and charisma to get the support of SLT network to push PEO TV to greater levels of productivity and make it a viable and dynamic entity that has made a significant impact on the Pay TV industry of Sri Lanka. Today both Rainbow Pages and PEO TV are thriving businesses that earn much needed revenue for the SLT Group.

4 Prabath Gunathunge

Chief Executive Officer, SLT Property Management (Private) Limited

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

5 Prasanna Perera

Chief Executive Officer, Sri Lanka Telecom (Services) Limited

Mr. Prasanna Perera joined Sri Lanka Telecom (Services) Limited 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) Limited, he served in several senior

managerial positions at the Metropolitan Group, EDS Lanka and Lanka Communication Services. During his career spanning 28 years, Mr. 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.

Under the leadership of Mr. Prasanna Perera, Sri Lanka Telecom (Services) Limited was transformed into a competitive organisation in the field of ICT and won many local and international prestigious awards from world recognised ICT Brands, in the year 2014.

6 Mahinda B. Herath

Chief Executive Officer, Sky Network (Private) Limited

Mr. Mahinda Herath is a Chartered Engineer holding a Degree in Engineering from University of Moratuwa and a Masters in Industrial Mathematics from University of Sri Jayawardenepura. In a career spanning over 30 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 and Media Authority (ACMA) and University of Florida. He has also been involved in the activities of ITU study groups, Sri Lanka Association for the Advancement of Science (SLAAS) and International Development Research Centre (IDRC), with several research papers and a book chapter to his credit. Mr. Mahinda is currently spearheading two key projects in SLT; namely the fixed TD-LTE roll-out and the carrier-grade Wi-Fi roll-out.

7 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 Postgraduate 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.

8 P. Roshan Kaluarachchi

Chief Business Strategies Officer (Subsidiaries)

Joined SLT in 2010 as Chief Marketing Officer. He holds a Postgraduate Diploma in Marketing - CIM UK and is a Chartered Marketer - CIM UK. He is also a Fellow of Chartered Institute of Marketing (FCIM) - CIM 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 member of the Advisory Board of CMO Council, Asia Pacific Region. Currently, reading for PhD in Management and Business Studies at University of Colombo. He is a veteran in the field of Marketing with over 21 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 and Management, Product Development and 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, he 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.

9 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 Jayawardenepura. He has also completed a Postgraduate 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.

10 K. A. Kiththi Perera

Chief Enterprise and 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.

11 Udeni K. Samaratne
Chief Financial Officer

Is a Member of the Association of Chartered 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 Limited of Japan one of the world's largest porcelainware producers, Ferrero Limited a Luxembourg-based company which is one of the world's largest chocolate manufacturers and at Ceat Kelani Holdings Limited the leading tyre manufacturer of Sri Lanka. Before joining SLT he held the position of Group General Manager - Finance for the Ceat Kelani Holdings Limited group of companies. He has over 25 years of finance experience gained both locally and internationally.

12 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.

13 Tilak De Silva
Chief Innovation Officer

Mr. Tilak De Silva joined SLT in 1984 and has more than 30 years of experience in the IT and Communication fields. He was a pioneer in transforming the SLT to an IT enabled company. He has gained multidisciplinary exposure in the fields of engineering, information technology and global telecom business; he has held the key positions of Head of IT, Chief Global Officer, Chief Network Officer and Advisor to CEO on Technology Strategies at SLT. He has also held the position of CEO SLT Hong Kong which was a subsidiary of SLT. Mr. De Silva holds a Bachelor of Science Degree in Engineering (Specialising in Electronics and Telecommunications Engineering) from the University of Moratuwa and a Master of Science Degree in Data Communication from Brunel University - UK. He is a Chartered Engineer and a Chartered IT Professional. He has held the prestigious national figure of President of the Institution of Engineers Sri Lanka (IESL) in the year 2013. He has gained the professional memberships of FIE (SL), FIET (UK), FBCS (UK) and MIEEE (USA).

14 Ajantha Seneviratne
Chief Marketing Officer

Joined SLT in 1993. He holds a BSc (1987) in Electronics and Telecommunications from the University of Moratuwa and has obtained the Postgraduate Diploma in Industrial Engineering from OUSL. He has an MBA from the University of Sri Jayawardenepura. 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.

15 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 Jayawardenepura. 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) Limited. He was a resource person for many institutes such as TTI, IPM, etc.

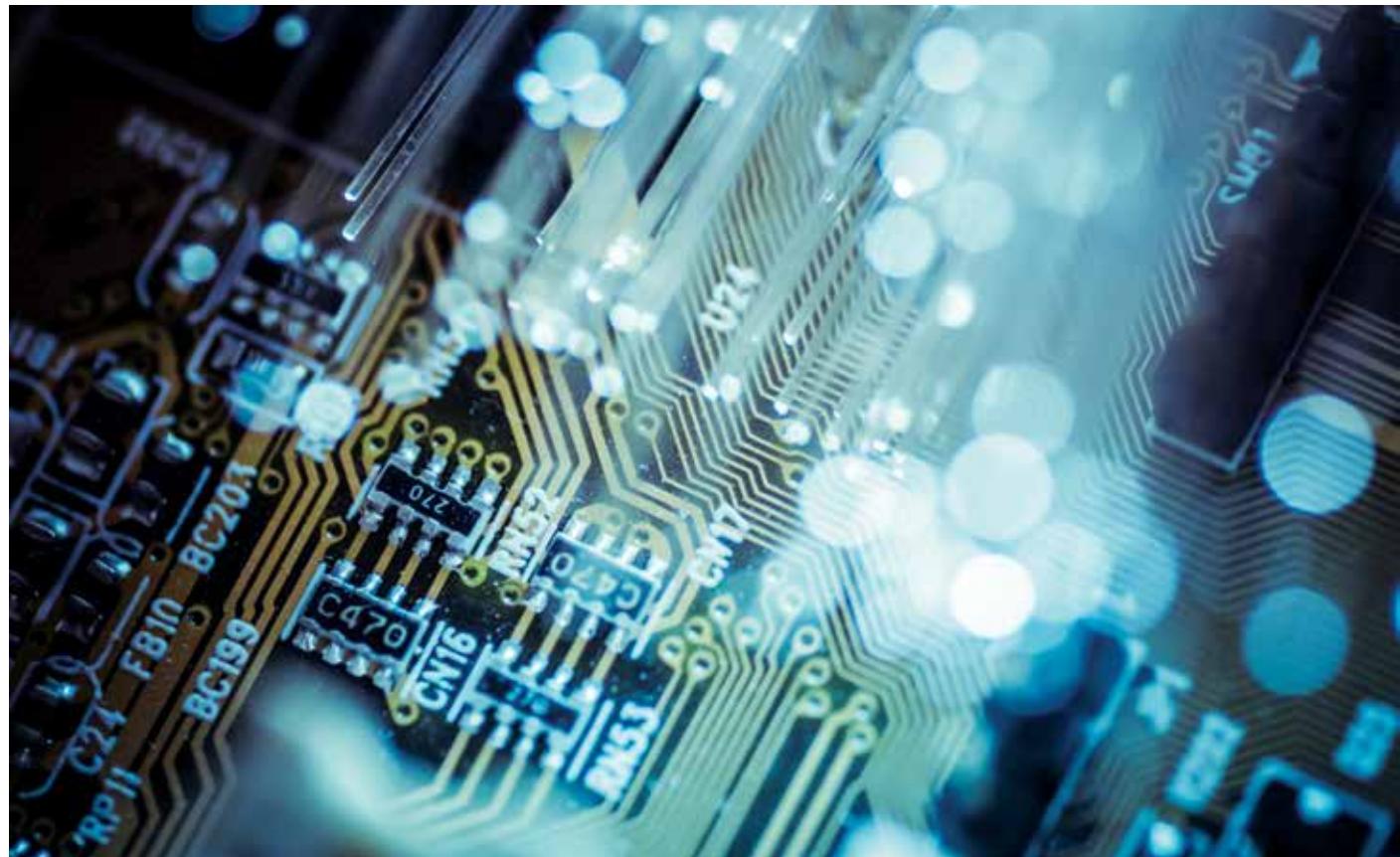
16 Chinthaka C. Wijesuriya
Chief Regional Officer

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.

17 Mohan Padmaperuma
Chief Transformation and Development and Human Resource 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.

Corporate governance



Good corporate governance is critical to the sustainability of the Company's businesses and performance.



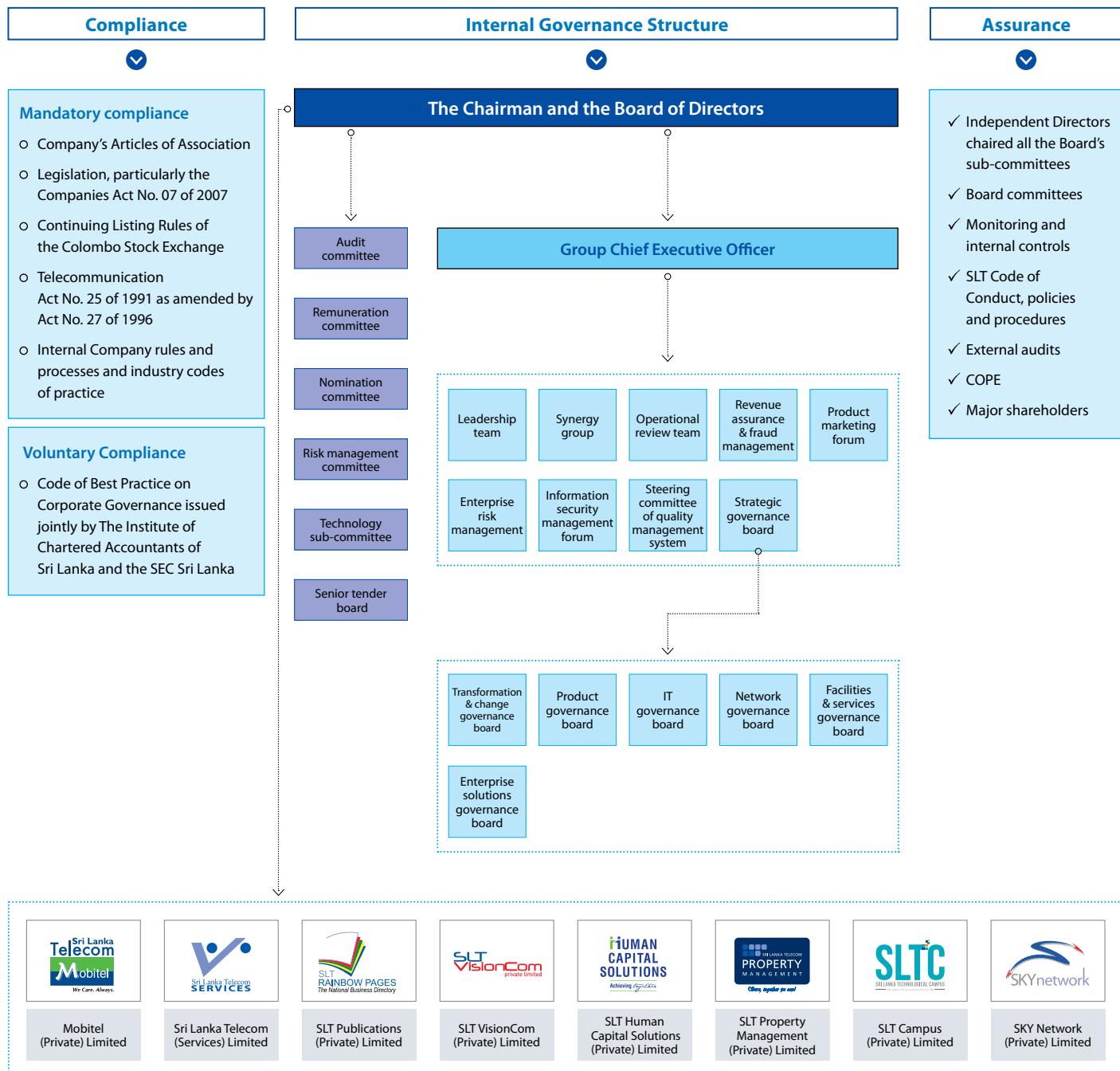
The Board and Management of Sri Lanka Telecom PLC firmly believe that good corporate governance is critical to the sustainability of the Company's businesses and performance. We are committed to continuously enhance the standards of corporate governance principles and processes so as to improve performance, accountability and transparency of the Company.

This report sets out the key aspects of the Company's corporate governance framework and practices, with specific reference to the principles and guidelines set out in Section 7.10 of the Colombo Stock Exchange Listing Rules.

The corporate governance philosophy practiced is in full compliance with the following steering instruments on governance:

- Internal Company rules and processes and industry codes of practice
- Company's Articles of Association
- Legislation, particularly the Companies Act No. 07 of 2007
- Continuing Listing Rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.
- Telecommunication Act No. 21 of 1991 as amended by Act No. 27 of 1996.

Corporate Governance Framework



The Board of Directors

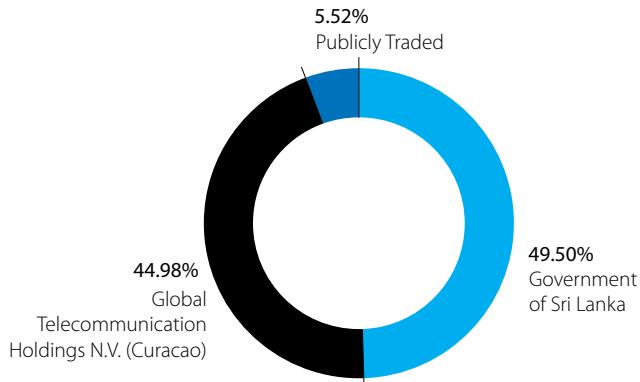
Composition of the Board

During the year, the Board comprised the Chairman and eight non-executive Directors (including two Non-Independent Directors). The independence of the Directors has been determined in accordance with the requirements of the CSE Listing Rules.

Ms. Lai Choon Foong was appointed to the Board in May 2014 in place of Mr. Sandip Das who resigned from the Board on 24 April 2013.

Between them, the Directors bring experience and independent judgment at a senior level of business operations making use of their expertise in their diversified areas and international exposure. The Directors provide a strong independent element on the Board. However, the Board operates as a single team.

Ownership structure



As of the shareholding structure of the Company, two major shareholders namely, the Government of Sri Lanka acting through the Secretary to the Treasury and the Global Telecommunication Holdings NV recommend five and four Directors respectively to the Board. The Board as empowered by the Articles of Association of the Company appoints them to the Board after deliberation of their qualifications, experience and expertise in relevant functional areas by the Nomination Committee. However, all Directors are required by the Company's Articles of Association to be elected by shareholders at the first AGM after their appointment, if appointed by the Board. A Director must also retire by rotation and may seek re-election at the AGM if he or she was last elected or re-elected at or before the AGM held in the third year before the year in question.

The role of the Board

The Board is responsible for the overall conduct of the Group's business and has the powers, authorities and duties vested in it by and pursuant to the relevant laws of the country and the Articles of Association of the Company. The Board:

- has final responsibility for the management, direction and performance of our businesses;
- is required to exercise objective judgment on all corporate matters independent from executive management;

- is accountable to shareholders for the proper conduct of the business; and
- is responsible for ensuring the effectiveness of and reporting on our system of corporate governance.

The Board has a formal schedule of matters reserved to it for its decision and these include:

- Group strategy and long-term plans in line with the technological developments;
- Major capital projects, acquisitions or divestments;
- Annual budget and operating plan;
- Group financial structure, including tax and treasury;
- Quarterly, half yearly and annual financial results and shareholder communications;
- System of internal control and risk management; and
- Senior management structure, responsibilities and succession plans.

Other specific responsibilities are delegated to Board committees which operate within clearly defined terms of reference. Details of the responsibilities and operations of the sub-committees are given below:

Operation of the Board

The Board met seven times during the year. These meetings, together with any committee meetings, are generally held within a period of three days as determined by all the Directors. Its focus is on the overall strategic direction, development and control of the Company.

The Chairman, along with the Chief Executive Officer and Company Secretary, ensures that the Board functions effectively and has established processes designed to maximise its performance and effectiveness. Key aspects of these processes are:

- To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors usually four working days in advance of Board and committee meetings.
- The GCEO along with the respective Chief Officers and the Heads of Divisions present their submissions to the Board and provide the necessary clarifications requested by the Board. The Board, once satisfied with the management recommendations approve the proposals.
- The Board has a procedure for Directors, in furtherance of their duties, to take independent professional advice if necessary, at the Company's expense. In addition, all Directors have access to the advice and services of the Secretary. He advises the Board on appropriate procedures for the management of its meetings and duties, as well as the implementation of corporate governance practices and compliance with the requirement of the Companies Act, Listing Rules and the Articles of Association of the Company.

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

Board Member	Status	Board Meetings	Audit Committee Meetings (AC)	Remuneration Committee Meetings (RC)	Technology Sub-Committee Meetings (TSC)	Senior Tender Board Meetings (STB)	Nomination Committee	Risk Management Committee (RMC)
Mr. Nimal Welgama - Chairman	NED/ID	7/7	-	1/1	-	-	-	-
Mr. Chan Chee Beng	NED/NON-ID	7/7	5/5	-	-	-	-	-
Mr. Jayantha Dharmadasa*	NED/ID	5/7	3/5	0/1	-	-	0/1	-
Mr. Shameendra Rajapaksa**	NED/ID	6/7	-	-	1/7	7/7	-	-
Mr. Kalinga Indatissa***	NED/ID	3/7	2/5	-	-	2/7	-	0/2
Mr. Lawrence Michael Paratz****	NED/ID	7/7	-	1/1	7/7	7/7	1/1	2/2
Mr. Jeffrey Jay Blatt*****	NED/ID	7/7	-	1/1	7/7	7/7	1/1	2/2
Ms. Pushpa Wellappili	NED/NON-ID	6/7	5/5	-	-	-	-	2/2
Ms. Lai Choon Foong (Appointed on 09.05.2014)	NED/ID	4/7	2/5	-	-	-	-	2/2

* Chairman - Remuneration Committee and Nomination Committee

** Chairman - Senior Tender Board

*** Chairman - Audit Committee

**** Chairman - Technology Sub-committee

***** Chairman - Risk Management 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.

Independence of Directors and segregation of duties

The Board believes that all are currently independent of management and free from any material business or other relationships that could materially interfere with the exercise of their independent judgment. Their profiles on pages 12 to 16 of the Annual Report demonstrate a range of experience and sufficient calibre to bring the independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the Group.

Indemnities to Directors

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

Policy on appointment and reappointment

In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation and also following their appointment. Accordingly, the Directors appointed by the Board during the year and before signing of this Report are offering themselves for re-election at the forthcoming Annual General Meeting.

Role of the Chairman

The roles of the Chairman and the Chief Executive are distinct and the division of responsibility of the CEO has been clearly established, set out in writing and agreed by the Board. The Chairman is non-executive and is responsible for leading the Board and for the effectiveness of the Board ensuring that it meets its obligations and responsibilities. He ensures that Board procedures are followed and all members effectively participate during meetings. The Chief Executive is responsible to the Board for the day-to-day management of the business, leadership of the executive team and execution of the Group's strategic and operating plans. The Chairman and the Chief Executive meet regularly to discuss any issues pertaining to the Company's performance, human resources aspects and organisation.

The Company Secretary

The Company Secretary acts as Secretary to the Board and to the committees of the Board. The Company Secretary:

- assists the Chairman in ensuring that all Directors have full and timely access to all relevant information;
- is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters; and
- administers the procedure under which Directors can, where appropriate, obtain independent professional advice at the Company's expense.

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

Delegation to Board members

SLT has in place a number of mandatory and voluntary Board sub-committees to fulfil regulatory requirements and for better governance of its activities. These committees meet regularly to consider and discuss matters falling within respective TORs and their observations and recommendations are duly reported.

The Board commenced the year with five sub-committees under the Board: audit, remuneration, nomination, technology sub-committee and Senior Tender Board. The Board has delegated some of its authority to the committees, each of which is filled with Directors who can bring their expertise and experience to the assigned committee.

Internal control and risk management

The Board ensures that internal controls are properly established and maintained through the Audit Committee.

The Board was directly involved in assessing the risks associated with the business and of the Company. However, having identified the importance of managing the risk the Board during the course of the year formed the Risk Management Committee to give more attention to the Group risks.

The duties of the committees are set out in formal terms of reference. They are available on request from the Company's registered office during normal business hours.

This report as at end 2014, reflects the composition and responsibilities of the sub-committees before the reconstitution.

Committee	Composition and role	Meeting frequency
Audit committee 	<p>The audit committee comprises 5 NEDs of whom 3 are independent.</p> <p>Mr. Kalinga Indatissa - <i>Chairman</i> Mr. Chan Chee Beng Mr. Jayantha Dharmadasa Ms. Pushpa Wellappili</p> <p>Ms. Lai Choon Foong who was appointed to the committee on 27 June 2014.</p> <p>The audit committee assists the Board in its oversight and monitoring of financial reporting and internal controls. The audit committee report on pages 94 to 96 of the annual report sets out in more detail the audit committee's policies, practices and areas of focus.</p> <p>The Board through delegation to the audit committee ensures the Board's overall responsibility for the Group's system of internal controls and for monitoring its effectiveness. The Board regularly reviews the effectiveness of the Group's internal controls, which have been in place from the start of the year to the date of approval of this report, and believes that it is in accordance with the Internal Control: Guidance to Directors.</p>	Six times a year
Remuneration committee 	<p>The Remuneration committee comprises 3 independent NEDs.</p> <p>Mr. Jayantha Dharmadasa - <i>Chairman</i> Mr. Jeffrey Jay Blatt Mr. Lawrence Paratz Mr. Nimal Welgama attend meetings by invitation</p> <p>The remuneration committee provides support and guidance with regard to the Group's policy for determining the Directors' fees for non-executive Directors and Chief Executive and senior management remuneration. The Chief Executive attends meetings by invitation, except when the Chief Executive's own remuneration package is being discussed.</p>	Once a year and at such other times as the Chairman of the committee shall require

Committee	Composition and role	Meeting frequency
Nomination committee 	<p>The nomination committee comprises 3 independent NEDs.</p> <p>Mr. Jayantha Dharmadasa - <i>Chairman</i> Mr. Jeffrey Jay Blatt Mr. Lawrence Paratz Mr. Nimal Welgama attends the meeting by invitation</p> <p>The activities of the nominations committee include nomination, selection and appointment of non-executive Directors, Chief Executive Officers and key senior officers, succession planning and the composition of the Board, particularly in relation to the diversity of background, skills and experience. The nomination committee is committed to recruiting and retaining the best people by creating and sustaining an inclusive work environment offering equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. The nomination committee meets when required.</p>	Once a year
Risk management committee 	<p>The risk management committee comprises 5 NEDs of whom 4 are independent.</p> <p>Mr. Jeffrey Jay Blatt - <i>Chairman</i> Mr. Kalinga Indatissa Mr. Lawrence Paratz Ms. Pushpa Wellappili Ms. Lai Choon Foong</p> <p>The risk management committee is responsible for discussing and reporting on the Group's risks and to manage rather than eliminate the risk of failure and by its very nature can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces.</p>	A minimum of four meetings per annum
Technology sub-committee 	<p>The TSC comprises 3 independent NEDs.</p> <p>Mr. Lawrence Paratz - <i>Chairman</i> Mr. Jeffrey Jay Blatt Mr. Shameendra Rajapaksa</p> <p>The TSC comprising 3 NEDs with technical expertise is assigned with the task of studying available technology and providing a platform for engaging in intense technical discussions and looking at road maps with a long-term perspective. 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. 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.</p>	As and when required

Committee	Composition and role	Meeting frequency
Senior Tender Board	<p>The Senior Tender Board comprises 4 independent NEDs;</p>  <p>Mr. Shameendra Rajapaksa - <i>Chairman</i> Mr. Jeffrey Jay Blatt Mr. Kalinga Indatissa Mr. Lawrence Paratz</p> <p>The Senior Tender Board (STB), comprises 7 members including 4 NEDs who 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.</p> <p>The procurement function involves a standard procurement process approved by the Board where, all common procurement processes are consolidated at the Group level for SLT and its subsidiaries. Therefore, in order to increase efficiencies and reduce risk, the Board has delegated the approval limits of procurement as follows:</p> <p>Board of Directors - value exceeding Rs. 50 million Senior Tender Board - value between Rs. 25 million and Rs. 50 million Junior Tender Board - value less than Rs. 25 million</p>	Prior to every Board meeting

Following the changes in the directorate and the composition of the Board, the existing sub-committees were reconstituted. The details of the composition of the Board committees after the restructure, is contained under corporate information in the inner back cover of this report.

Delegation to management committee teams

The management committee teams comprising 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 (RA) team	
<ul style="list-style-type: none"> ○ Ensures smooth functioning of the RA system ○ Trains and creates awareness on 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 	

Strategic Governance Board (SGB)

Strategic Governance Board comprising the CEO and the Chief Officers of each functional area is given the responsibility of studying the requirements of cross functional areas and introducing solutions in a transparent manner.

The introduction of six cross functional governance boards has increased efficiencies when introducing processes, projects or investments by eliminating common bottlenecks associated with introducing and implementing new programmes.

The six cross functional governance boards are:

Transformation and change governance board	
<ul style="list-style-type: none"> <input type="radio"/> Transformation process <input type="radio"/> Large change programmes <input type="radio"/> Functional change programmes <input type="radio"/> Project reporting <input type="radio"/> Escalating as required 	
Product governance board	
<ul style="list-style-type: none"> <input type="radio"/> Product life cycle <input type="radio"/> Pricing changes <input type="radio"/> Promotion changes <input type="radio"/> Escalating as required 	
IT governance board	
<ul style="list-style-type: none"> <input type="radio"/> Architectural compliance <input type="radio"/> Approval to move to RFP <input type="radio"/> Procure equipment <input type="radio"/> Escalating as necessary 	
Network governance board	
<ul style="list-style-type: none"> <input type="radio"/> Architectural compliance <input type="radio"/> Approval to move to RFP <input type="radio"/> Procure equipment <input type="radio"/> Escalating as necessary 	
Facilities and services governance board	
<ul style="list-style-type: none"> <input type="radio"/> Facilities management <input type="radio"/> Approval to move to RFP <input type="radio"/> Procure equipment <input type="radio"/> Escalating as necessary 	
Enterprise solutions governance board	
<ul style="list-style-type: none"> <input type="radio"/> Strategic initiatives of enterprise and wholesale segments to ensure business proposals are aligned with other business activities. 	

Dialogue with institutional shareholders

Corporate information is also available on the Company's website: www.slt.lk

Constructive use of the Annual General Meeting

The Board seeks to use the Annual General Meeting to communicate with investors and all shareholders are encouraged to participate. The Chairmen of the audit, remuneration and nomination committees will be available at the Annual General Meeting to answer any questions.

SLT held its 17th Annual General Meeting on 9 April 2014 with the participation of approximately 400 shareholders.

The following resolutions were approved at the AGM:

- Approval of 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.
- Approval of a first and final dividend of Eighty Five Cents (0.85 Cents) per share as recommended by the Directors.
- Re-election of Messrs Lawrence Paratz and Chan Chee Beng, who retired by rotation in terms of Articles 91 and 92 of the Articles of Association.
- Reappointment of Messrs KPMG, Chartered Accountants as auditors for the ensuing year and to authorise the Directors to determine their remuneration.
- Authorisation of Directors to determine and make donations to charities.

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 2014.

Related party transactions

Though the Board of Directors has applied the related party transactions rules adopted by the SEC on related party transactions throughout its decision-making process to avoid any conflicts of interest that may occur, the Board has recognised the importance of a Related Party Transactions Committee (RPTC) under the Board of Directors to enhance corporate transparency and promote fair transactions between SLT and its subsidiaries. Accordingly, a RPTC was formed comprising three non-executive independent Directors with the objective of ensuring that the interests of shareholders are taken into account when entering into RPTs. RPTC functions under the purview of the audit committee.

The Company has related party relationships with its subsidiaries disclosed in Note 33 to the Notes to the Financial Statements.

However, the Board believes those transactions are exempted in accordance with exceptions specified in the Code of Best Practices on Related Party Transactions issued by SEC. All these are recurrent transactions and are in the ordinary course of business of the Company.

Statement of compliance

SLT is fully compliant with the requirements stipulated in Section 7.10 on 'Corporate Governance' of the Continuing Listing Requirements of the Colombo Stock Exchange issued in 2010 and subsequent amendments/guidelines thereto issued by the Securities and Exchange Commission of Sri Lanka. See the tables on pages 31 to 33 for the rules on 'Corporate Governance Principles' and the degree of compliance to the said rules.

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

CSE requirements check list for corporate governance			
CSE rule No.	CSE rule	SLT action	Compliance status
7.10 (a), (b), (c)	Compliance with the corporate governance rules	SLT is in compliance with the corporate governance rules	<input checked="" type="checkbox"/>
Non-Executive Directors (NED)			
7.10.1 (a) (b)	2 or 1/3 of the Board members, whichever is higher, should be NED	All Directors are non-executive Directors	<input checked="" type="checkbox"/>
Independent Directors (ID)			
7.10.2 (a)	2 or 1/3 of NEDs, whichever is higher, should be independent	7 out of the 9 non-executive Directors are independent	<input checked="" type="checkbox"/>
7.10.2 (b)	Each NED should submit a declaration of independence	All Independent non-executive Directors have submitted signed declarations confirming their independence	<input checked="" type="checkbox"/>
Disclosure relating to Directors			
7.10.3 (a)	<ul style="list-style-type: none"> - The Board shall annually determine the independence or otherwise of the NEDs - Names of IDs should be disclosed in the annual report 	<p>The Board has determined the independence of NED's based on their declarations</p> <p>Refer Board of Directors' section of the annual report</p>	<input checked="" type="checkbox"/>
7.10.3 (c)	<ul style="list-style-type: none"> - A brief résumé of each Director should be included in the annual report 	Refer Board of Directors' section of the annual report	<input checked="" type="checkbox"/>
7.10.3 (d)	<ul style="list-style-type: none"> - Provide a résumé of new Directors appointed to the Board 	A brief résumé of Ms. Lai who was appointed as a NED during the financial year was submitted to the CSE	<input checked="" type="checkbox"/>
Determination of independence			
7.10.4 (a-h)	Requirements to meet the criteria to be an independent Director	The independence of the Board of Directors has been determined in accordance with the requirements of the CSE Listing Rules. Accordingly, 7 NEDs are independent. The remaining two Directors namely, Ms. Pushpa Wellappili and Mr. Chan Chee Beng were considered to be non-independent Directors. Ms. Wellappili is an employee of Ministry of Finance and Planning which holds 49.5% stake in SLT through the Secretary to the Treasury and Mr. Chan is a Board Director of Global Telecommunications Holdings NV which holds stake in SLT. However, 7 Directors being more than 1/3 NEDs are independent in compliance with 7.10.2 (a) of the CSE Listing Rules.	<input checked="" type="checkbox"/>

CSE requirements check list for corporate governance			
CSE rule No.	CSE rule	SLT action	Compliance status
Remuneration Committee (RC)			
7.10.5 (a)	RC shall comprise NEDs, a majority of whom shall be independent	RC comprises independent NEDs	<input checked="" type="checkbox"/>
	One NED shall be appointed as Chairman of the committee by the Board of Directors	Independent NED is the Chairman of the Committee	<input checked="" type="checkbox"/>
7.10.5 (b)	The RC shall recommend the remuneration of the Chief Executive Officer (CEO) and EDs	The Board determines the remuneration of the GCEO based on the recommendation of the RC	<input checked="" type="checkbox"/>
	The Company shall have a RC	None of the Directors are paid remuneration other than the monthly Directors' fees for attendance at meetings as they are NEDs	<input checked="" type="checkbox"/>
7.10.5 (c)	Disclosure in the annual report relating to RC		
	- Names of Directors comprising the RC	Refer corporate governance section of the annual report	<input checked="" type="checkbox"/>
	- Statement of remuneration policy	Refer corporate governance section of the annual report	<input checked="" type="checkbox"/>
	- Aggregate remuneration paid to EDs and NEDs	Refer Note 7 to the financial statements	<input checked="" type="checkbox"/>
Audit Committee (AC)			
7.10.6 (a)	The Company shall have an AC		<input checked="" type="checkbox"/>
	Composition of AC		
	- Shall comprise NEDs a majority of whom will be independent	The majority of NEDs are independent	<input checked="" type="checkbox"/>
	- A NED shall be appointed as the Chairman of the committee	Chairman of the AC is an Independent NED	<input checked="" type="checkbox"/>
	- CEO and Chief Financial Officer (CFO) should attend AC meetings	The GCEO, CFO, CIA and the external auditors attended the meetings by invitation	<input checked="" type="checkbox"/>
	- The Chairman of the AC or one member should be a member of a professional accounting body	Mr. Chan Chee Beng is a fellow member of the Institute of Chartered Accountants in England and Wales and Ms. Lai Choon Foong is a Chartered Accountant of the Malaysian Institute of Accountants and Certified Practicing Accountants of CPA Australia	<input checked="" type="checkbox"/>
	AC Functions:	AC carries out all the functions prescribed by this rule	<input checked="" type="checkbox"/>
7.10.6 (b)	Overseeing the;	Refer corporate governance report and the audit committee report	<input checked="" type="checkbox"/>
	- Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards		
	- Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting - related regulations and requirements	Refer corporate governance report and the audit committee report	<input checked="" type="checkbox"/>

CSE requirements check list for corporate governance			
CSE rule No.	CSE rule	SLT action	Compliance status
	<ul style="list-style-type: none"> - Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards 	Refer corporate governance report and the audit committee report	<input checked="" type="checkbox"/>
	<ul style="list-style-type: none"> - Assessment of the independence and performance of the external auditors 	Refer corporate governance report and the audit committee report	<input checked="" type="checkbox"/>
	<ul style="list-style-type: none"> - Make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor 	Refer corporate governance report and the audit committee report	<input checked="" type="checkbox"/>
7.10.6 (c)	Disclosure in Annual Report relating to AC <ul style="list-style-type: none"> - Names of Directors comprising the AC 	Refer corporate governance report and the audit committee report	<input checked="" type="checkbox"/>
	<ul style="list-style-type: none"> - The AC shall make a determination of the independence of the auditors and disclose the basis for such determination 	Refer corporate governance report and the audit committee report	<input checked="" type="checkbox"/>
	<ul style="list-style-type: none"> - The AR shall contain a report of the AC setting out the manner of compliance with their functions 	Refer corporate governance report and the audit committee report	<input checked="" type="checkbox"/>

Risk management

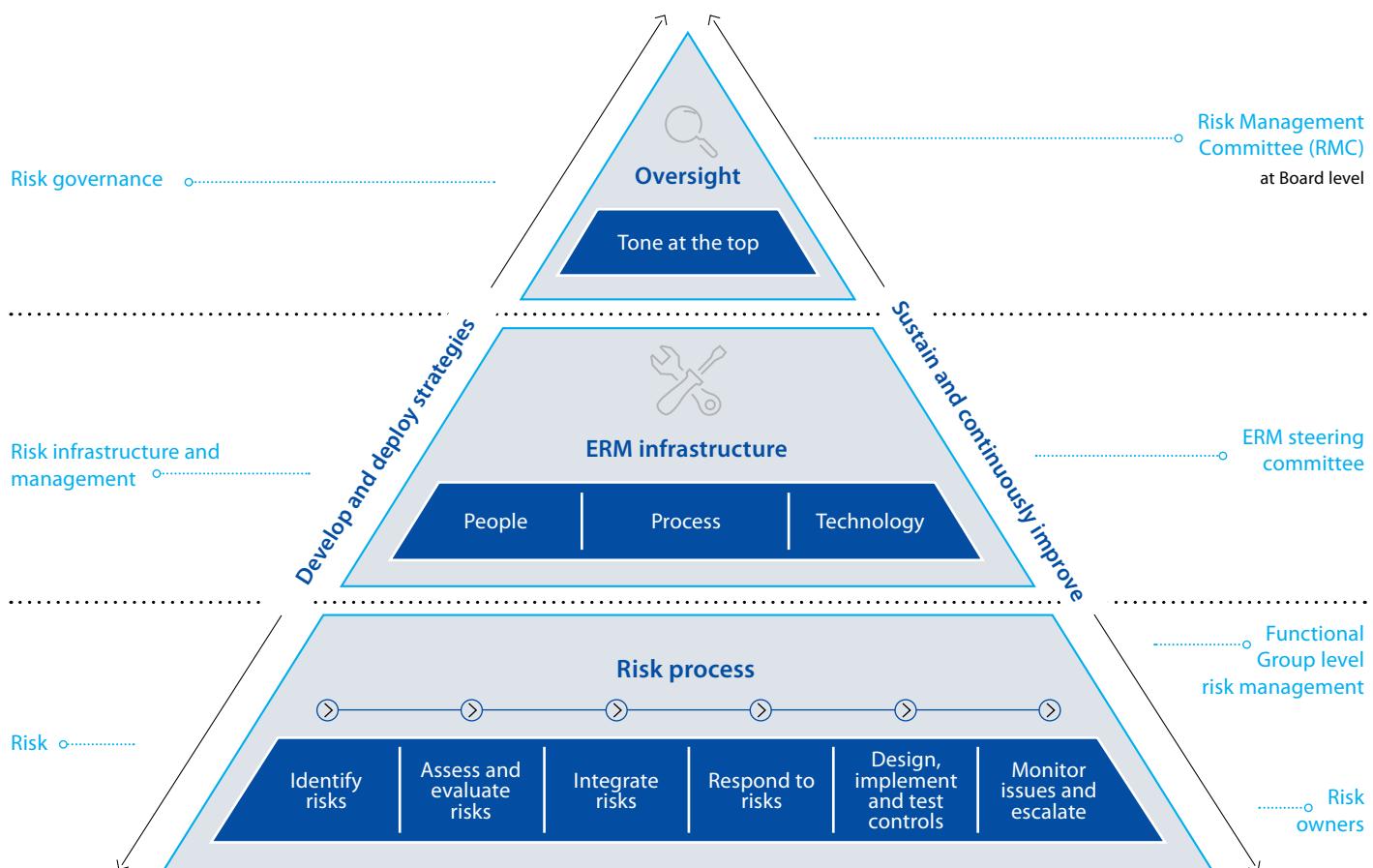
Enterprise Risk Management (ERM)

Considering the exposure to risks of competitiveness and volatility of business environments, probable customer migration to other operators, increasing substitution offerings, fast changing technology, economic uncertainties and possible cyber-attacks; SLT's staff have been made vigilant for visualising the business critical risks through the ERM process. In 2014, the Board of Directors has taken another step to keep ERM tone on by setting up of a Risk Management Committee (RMC) at Board level chaired by a Director to drive the ERM process within SLT more efficiently and effectively.

Now risk management culture is maturing at functional units as well as in project management at SLT. Over the past several years since introduction of ERM in 2010, ERM has become an important

Business-As-Usual (BAU) process. ERM has enabled us to escalate business critical risks identified by functional groups to appropriate levels. In addition to the RMC, a Risk Management Steering Committee (RMSC) chaired by CEO too, has been set up under the guidance of the RMC and is in operation. Since the latter part of 2014, top business critical risks are escalated to the RMC. At RMC, the escalated risks are scrutinised and directions are given to risk owners to mitigate the identified risks.

Table below summarises top business critical risks – both industry specific and Company specific, a brief description of each risk, their potential impact, our assessment of the level of severity of each risk and actions taken to mitigate them.



No.	Type	Category	Risk description	Impact	Severity	Mitigation factors
1.	Industry	Operational	Telecom industry experiences the need of new technological convergence and upgrading the networks to survive in the market. With significant market powers through various acquisitions and mergers, prevailing competition structure pressurises telco operators.	Threat to growth of business and market share.	High	Risk has been visualised and possible actions are being taken to mitigate the risk.
2.	Industry	Operational	Telco and non-telco business entities developing optical fibre network leads to lower returns on investment of National Backbone Network (NBN) developed by SLT aligning with national ICT development programme.	Returns on investment may not meet the expectations. Loss of business opportunities. Duplication of investment and increase in industry costs of network portion.	Medium	SLT continuously deals with TRCSL and other operators to emphasize the objectives of NBN and on the reduction of industry attractiveness due to non-telcos developing optical fibre network for possible commercial purposes.
3.	Company	Legal	SLT is subject to a comprehensive range of legal obligations and as a result, SLT is exposed to many forms of legal risks - - Custom duties and legal obligations on import of goods	Negative impact on brand image. Financial risk	High	SLT was a party to several court and out-of-court proceedings. A summary of material litigation during 2014 and their outcomes, if known, are listed on page 143 Note 32 in financial statements. SLT handles legal proceedings and seeks support from external consultants to mitigate the risks with high level of impact when required.
4	Industry	Regulatory	Growth of Wireless High Speed Broadband Solutions (LTE) are exponential and non-availability of fair distribution of spectrum among operators has impacted competition adversely.	Unfair competition and disadvantage over the broadband speeds supported.	High	SLT consistently lobbies TRCSL on additional spectrum allocations.
5.	Company	Legal, business and administration	Not having proper titles for lands and buildings owned by SLT will lead to loss of assets, distort status of final accounts and securing the property.	Constraints imposed on development of SLT-owned lands and risk of defending title in the event of dispute.	Low	Initiatives have been taken to publish a Gazette Notification regarding the relevant SLT land through the Ministry of Lands as and when required.

No.	Type	Category	Risk description	Impact	Severity	Mitigation factors
6.	Industry	Regulatory	Absence of a legal framework to protect telco operators being charged/taxed by local authorises/other Government agencies without consultation of the regulator on development of telecommunication infrastructure. (e.g., Thoroughfare Act, Central Environment Act etc.).	Costly network development becomes a constraint for green area development. Leads to incur additional costs for physical infrastructure and unfair and unbalanced cost structures in the industry.	Medium	The requirement of a legal framework on preventing of imposing charges, fees, rates etc. by Government agencies on network development by telcos has been communicated to policy makers through national budget proposals for year 2015.
7.	Industry	Information security risk	Possible cyber-attacks to business critical information systems and network elements may cripple the Company operations.	Business continuity. Loss of Customer confidence. Loss of revenue.	High	Information Security (IS) policy is in place and implemented organisation wide. Information Security Steering Committees (ISSC) and Information Security Management Forum (ISMF) have been formed and major incidents are reported to them. Vulnerability assessments are continuously carried out and advices on threat/ incident information are obtained from experts such as TechCERT and Sri Lanka CERT.
8.	Industry	Regulatory	Drawing fibre in the last mile by telco service providers without legal rights is a threat to SLT's wholesale and retail businesses.	Threat for SLT's business. Revenue loss.	Medium	SLT has raised its concerns to TRCSL and placed a complaint against the license violation.
9.	Industry	Business	OTT players and grey operators coming up with substitutes is a threat to SLT's products and services.	Loss of revenue. Limits the market growth opportunities. Inability to achieve the expected returns on investment.	High	Initiatives to introduce new business models and diversify to new areas. Lobbied with TRCSL and Media Ministry at joint industry level to curb grey operators in pay TV industry.
10.	Company	Operational	Pressures to absorb the outsourced staff to SLT.	Threat of increased costs for SLT. Disturbances to operations carried out by outsourced staff.	High	Initiatives taken to make all stakeholders (HCS staff, Government) aware on the legal position. Actions are taken to revisit staff outsourcing policy.

No.	Type	Category	Risk description	Impact	Severity	Mitigation factors
11.	Company	Business	Loss of business opportunities and revenue avenues due to competitors joining new submarine cable consortiums and providing international connectivity [e.g., landing of Bay of Bengal Gateway (BBG) Cable in Colombo in year 2015].	Threat for SLT's wholesale business and potential revenue loss.	High	Actions have been taken to revisit the strategies related to international connectivity business.
12.	Company	Operational	Risks in successful completion of business critical projects within the planned timeframe, budget and quality, due to the inability of correctly identifying the project scope, external constraints and its deliverables at the planning stage.	Cost overruns and resources are not effectively utilised. Delays in project delivery leading to customer dissatisfaction.	High	<p>Project managers are given training on project management best practices to improve their skills and competencies.</p> <p>SLT conducts supplier risk analysis as part of the sourcing strategy and where possible, take actions to reduce risk, such as dual/multiple sourcing where appropriate whilst ensuring not to contract with too many suppliers which may expose SLT to unnecessary risks. Furthermore, SLT ranks vendors, continuously monitors their capabilities, business continuity, assess their risk levels and take appropriate mitigation plans.</p> <p>This risk mitigation approach is used for both project implementation as well as in business supply-chain related operational activities.</p>
13.	Company	Business	Diversification into new business areas of education and property management.	Risk on returns on investment in acquiring required expertise and talents and other resources and competition from other well-established existing high education institutions. Risks on returns on investment and identifying correct customer requirements.	Medium	<p>Revisit SLT's subsidiary strategy.</p> <p>Strategies are formulated based on extensive market research conducted to identify competition and market needs.</p>

Management discussion and analysis



Materiality

We have analysed current and potential issues and identified their impact on the business and stakeholders. The table below maps out the identified material issues against our internal and external drivers.

Assessment criteria	Material issue	Reasons for materiality	Material stakeholder group	
Relevance to the organisation	<ul style="list-style-type: none">• Potential short- and long-term business impact• Ethical relevance and policy considerations• Peer practices and accepted social norms• Stakeholder reactions and reputational risk	Sustainable infrastructure Reaching diverse markets	Building national ICT infrastructure and creating a sound business framework to support the future plans of the Company and the country Introducing timely, relevant technologically advanced ICT solutions that enhance connectivity and empower businesses, e.g.: managed services, cloud computing and modern IPTV entertainment platform	Shareholders, employees and regulatory authorities Shareholders and customers
	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	
	Developing a multi-disciplinary, knowledge-based talent pool	Nurturing manpower resources to drive long-term sustainable progress for SLT	Employees, shareholders, and customers	

Assessment criteria	Material issue	Reasons for materiality	Material stakeholder group
Significance to society and other stakeholders	Broadening community access	Empowering communities by introducing most suitable technologies to ensure cost and maintenance efficiency	All rural and provincial communities across the country
	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
	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 minimise 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 minimise investment duplications by peer operators	National economy and society as a whole

Stakeholder engagement

Given the nature and scope of its business, SLT's operations impact the lives of all Sri Lankans in some degree or form. Despite the vast number of stakeholders thus generated, SLT remains committed to fulfil their expectations.

Different stakeholder groups have different interests, which sometimes conflict with one another. Stakeholder identification process and prioritisation is therefore essential to meet both short-term needs and long-term expectations. A systematic approach to stakeholder mapping thus forms the basis of all our interactions. The mapping process is followed by an analysis of strategies best suited in order to build relations, allocate responsibilities internally and optimise our engagement strategies.

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 	Marketing Regional SLT VisionCom (Private) Limited SLT Publications (Private) Limited	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 • Monthly • Need-based • Once in two months • Once a year 	Marketing Regional SLT Publications (Private) Limited	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 	Enterprise and Wholesale	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 	Marketing Regional	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 	Enterprise and Wholesale SLT VisionCom (Private) Limited Network Regional	

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 • Annually • Need-based 	Human Resources Corporate	'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 Corporate	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 	Administration Chief Executive	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 	Corporate SLT Publications (Private) Limited	Monthly meeting with the regulator Forums

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	<ul style="list-style-type: none"> • Meetings • Briefings • Media releases • Website • Social media • Mailers 	<ul style="list-style-type: none"> • Need-based • Need-based • Weekly basis • Regular basis • Regular basis • Monthly bill 	Corporate Marketing	Website revamp and social media and media relations drive
Community				
Community investment and infrastructure development	<ul style="list-style-type: none"> • Community projects • Media releases • Website • Social media • Mailers • Events and activations 	<ul style="list-style-type: none"> • Monthly • Weekly • Regular basis • Regular basis • Monthly bill • Need-based 	Corporate Marketing	Website revamp and social media drive

Business model

Our business model is driven on our strategic foundations built on delivering world class ICT services, transforming and modernising operational architecture, transforming to a next generation network and strengthening Group synergy.

It supports our goal to deliver value to our shareholders, customers and the society.

The communications market is very competitive in Sri Lanka. Customers have choices as and when they need.

We are very confident that we have a unique combination of people, brand, networks and technology.

To realise our goal, overall investment the Group has made throughout its entire 150-year span is enormous in terms of magnitude. The SLT Group has invested over USD 1.3 billion in telecommunication service provisioning since coming under the BOI umbrella in 2007. Investments made by SLT towards the country for a period of over 150 years have placed Sri Lanka as well as our country's entire ICT sector at the forefront of the region by facilitating multi-faceted ICT solutions to the nation, and helping to increase its strategic geographical advantage. We are indeed humbled by the confidence placed in us by the Government of Sri Lanka and the Board of Investment of Sri Lanka. In that sense 'Investing for the future' is always at the heart of the way SLT Group runs the business.

Since obtaining BOI approval in 2007, SLT has invested in excess of Rs. 57 billion/USD 485 million to improve the country's telecommunication infrastructure, encompassing the expansion of multi-faceted national ICT infrastructures: Internet Data Centre (IDCs), Voice Services, Enterprise and Wholesale Services, High Speed Broadband Services, PEO TV expansion, Fibre Optic Network expansion, 4G LTE expansion, International Connectivity, Fibre to the Home (FTTH) and Wi-Fi Wireless Broadband projects.

Group goals and strategies

National goals

As a business undertaking with a significant State shareholding, SLT shares in and contributes to national economic and social goals as outlined by Government in policy. In 2013, these were:

- Economic development: five hub++ concept and 2020 goals
- GDP target: USD 100 billion in 2016, USD 150 billion in 2020
- Per-capita GDP target: USD 4,000 in 2016, USD 7,000 in 2020
- IT literacy target: 90% by 2020
- SMART Sri Lanka and digital economy concept

Group objectives

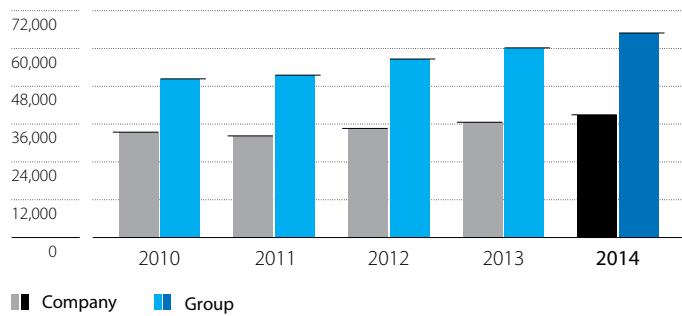
- Be principal, preferred or sole contractor to all large State ICT projects and expansion plans
- Build capacity to meet future ICT requirements
- Invest in and implement new technology
- Investment strategy to achieve financial stability
- Offer more ICT and entertainment services
- Improve customer satisfaction
- Improve employee satisfaction

Financial review

Revenue

Revenue at Group level reached Rs. 65.04 billion, a 8% growth, primarily driven by mobile voice, broadband, wholesale and enterprise data. At Company level, SLT experienced a noteworthy increase in revenue mainly driven by broadband, wholesale and enterprise data, and international revenue. SLT revenue has increased to Rs. 38.95 billion in 2014 from Rs. 36.78 billion in 2013, recording a growth of 6%. Subscriber numbers experienced an upward curve of 6% in both wire-line and CDMA. Even though there was a decline in the voice revenue as expected, non-traditional revenue lines including broadband, wholesale, enterprise data and PEO TV recorded significant growth levels.

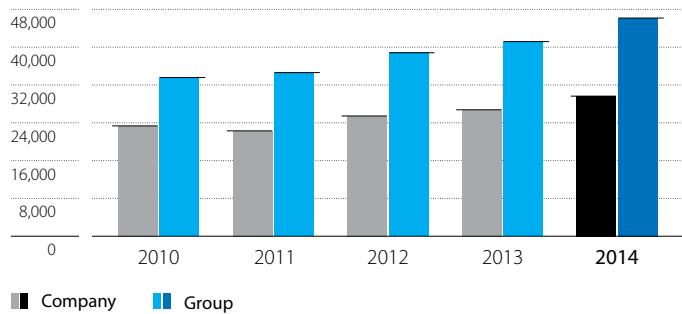
Revenue (Rs. million)



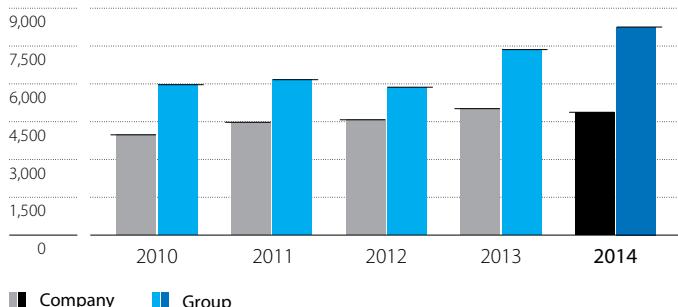
Expenditure

The operating cost was up by 12% for the Group mainly due to the out of court settlement of Rs. 673 million and a Rs. 518 million obsolescence of network equipment. Overall, the cost was prudently managed by the management.

Operational expenses (Rs. million)



Profit before tax (Rs. million)



Profit after tax (Rs. million)

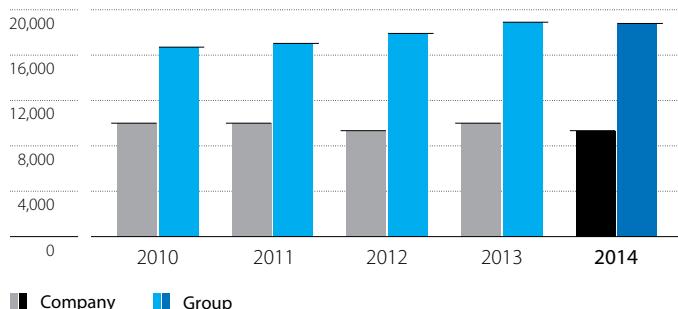


Profitability

The Group recorded a Profit before Tax (PBT) of Rs. 8.25 billion in 2014 compared to Rs. 7.36 billion in 2013. This was an increase of 12%. The Profit after Tax for the year was Rs. 6.00 billion in 2014 compared to Rs. 5.42 billion in 2013, an increase of 11%. Enhanced turnover, prudent management of operational costs and favourable impacts from non-operational activities resulted in significant increase in profit for the year under review.

At Company level, SLT posted a PBT of Rs. 4.86 billion, a marginal decrease of 3% from the previous year and a Profit after Tax for the year of Rs. 3.3 billion, a decrease of 9% when compared to 2013. The main reason for this drop was due to the out of court settlement of Rs. 673 million paid out during the year.

EBITDA (Rs. million)



Interest cover

Group interest cover saw a favourable trend due to the increase in profitability. Interest cover increased significantly to 9.73 in 2014 from 9.58 in 2013 at the Group level, while at Company level there was a marginal decrease to 10.17 from 14.51 last year.

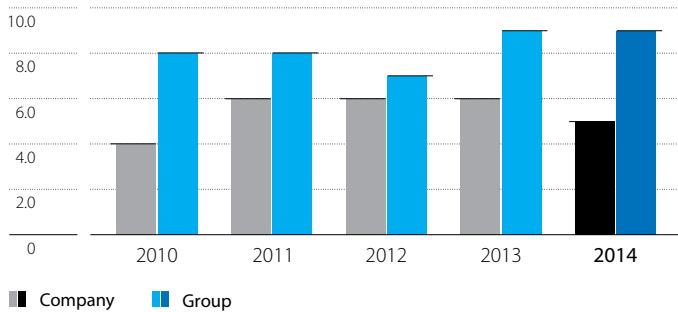
Interest cover (Times)



Return on equity

For the Group ROE was 9.38% this year compared to 9.06% last year. For the Company ROE was 5.6% in 2014 and 6.4% last year.

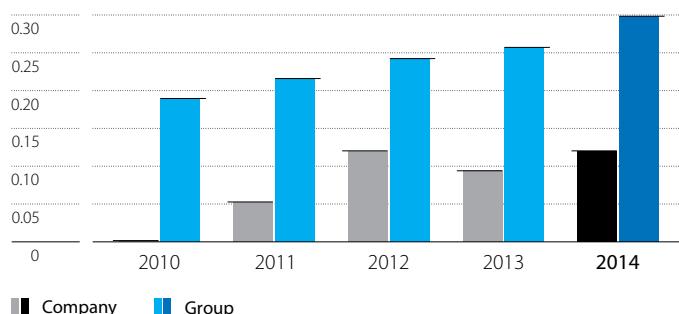
Return on equity (%)



Gearing

At Group level, gearing as at 31 December 2014 and 2013 was 0.30 and 0.26 respectively, while at Company level, it increased to 0.22 in 2014 compared to 0.09 in 2013.

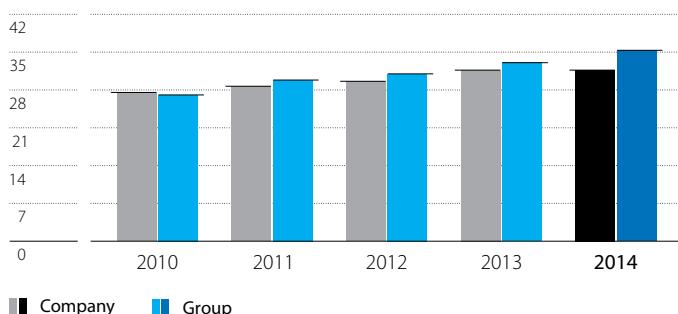
Gearing (Times)



Property, plant and equipment

Group property, plant & equipment increased by Rs. 10.4 billion to Rs. 90.9 billion in 2014 from Rs. 80.5 billion in 2013. For the Company the figures were Rs. 60.2 billion compared to Rs. 47.5 billion last year. This is an increase of Rs. 12.7 billion.

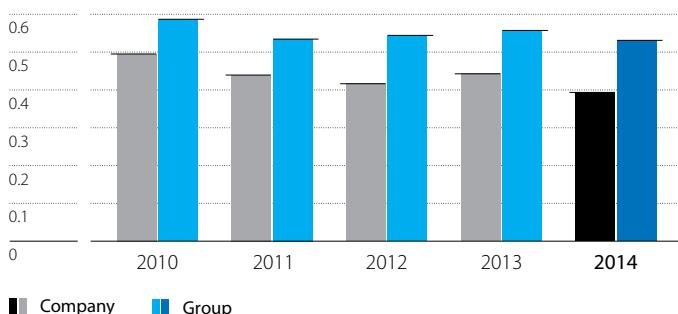
Net assets per share (Rs.)



Non-current assets

Total non-current assets of the Group increased to Rs. 97.26 billion, as against Rs. 87.45 billion from the previous year. The Company's total non-current assets were Rs. 78.5 billion compared to Rs. 66.05 billion during 2013.

Assets Turnover (Times)



Review of operations

Worldwide and at home, our industry is in a state of continuous transition. Companies like Sri Lanka Telecom must constantly reinvent themselves to remain competitive and relevant. The challenge is immense, yet SLT has shown itself more than equal to it. Leveraging opportunities created by the changing landscape and the national policy framework, our Group remains both the market and a technological leader in its sector.

Today, SLT provides ICT solutions to most connected Sri Lankan businesses, including Business Today top 25 companies, LMD top 100 companies, Colombo Stock Exchange listed companies and nearly all connected public-sector institutions. This pervasive presence means that our contribution to the national economy is, in reality, much higher than is indicated purely by our own revenue and tax figures. Essentially, we are in the business of helping others build business and increase their revenues.

Our recent investment in the SEA-ME-WE 5 submarine cable system, a ultra-fast, high-capacity international cable system that will connect Southeast Asia with the Middle East and Western Europe, will not only boost Sri Lanka's international connectivity, creating a plethora of opportunities for citizens and businesses, but will also give us 'full landing' status, meaning that Sri Lanka's connections with the world will now be direct, not through a branch of the cable system as was previously the case. This will increase our attractiveness as a destination for BPO and data centre operations. The SEA-ME-WE 5 cable station is now being established at Matara.

In the year under review, we also contributed to national transformation and pride by becoming the preferred ICT solutions partner for a number of Government 'mega-projects'. We also implemented new ICT solutions for universities (we recently upgraded the LEARN university network), the Government's own ICT network and 'e-government' programme, the Commonwealth Heads of Government Meeting, the Police CCTV project expansion and many others.

Operating environment

Global

The biggest trend in telecommunications in 2014, as it has been for some years now, was the rapid expansion of online networks and services. According to a report published by the International Telecommunications Union (ITU), some 2.9 billion people or 40% of the global population were online by the end of 2014. If this rate of growth continues, half the world's population will be online by 2017.

According to the same authority, mobile phone subscriptions were estimated to exceed 6.9 billion worldwide by the end of 2014 – a connection for almost every person on the planet. Three-quarters of these subscriptions were in the developing world and over half in the Asia-Pacific region. By the end of 2019, says the ITU, there may be 5.6 billion smartphone subscriptions.

These are exciting figures. They reveal opportunities for substantial growth and foretell energetic competition as telecom firms jostle for the largest possible piece of the pie. Around the world, telecom authorities and firms are boosting the roll-out and deployment of broadband networks and services to position themselves and their countries for future competitiveness in a growing digital economy. There is widespread recognition that broadband networks and services are more than simple infrastructure – they represent a set of transformative technologies that are changing the way we communicate, the ways in which we work, play and do business.

The ITU has set some global broadband goals for its members. Broadly, these are:

- Drafting and adopting a universal broadband policy
- Making broadband affordable
- Connecting homes to broadband
- Getting people online
- Achieving gender equality in access to broadband by 2020

As a member of the ITU and a signatory to its protocols, Sri Lanka, too, is committed to these goals. More specifically, SLT is committed to the Connect 2020 Agenda for Global Telecommunication/ICT Development, which was unanimously adopted at the ITU 2014 Plenipotentiary Conference. The agenda specifies concrete goals and objectives in a number of areas ranging from cyber-security to the cost of online services to the creation of a gender-neutral internet. More information on the Connect 2020 agenda can be found at the ITU website (see <http://www.itu.int/pp14>).

While new technologies are expected to drive telecoms growth, and in particular ICT and broadband growth, vast investments in legacy systems around the world cannot be written off overnight. Thus, copper-based technologies (DSL, ADSL and ADSL2+) still predominate around the world, though fibre continues to outpace all other access types in new deployments. Fibre-based technologies, which include VDSL and VDSL2, now enjoy global overall growth rates of 17.6%.

This worldwide picture of technological transformation is also reflected in Sri Lanka.

Local

Sri Lanka's economic performance during the past few years has followed the positive trend of emerging economies in the region thanks to a series of well-timed macroeconomic interventions to stimulate growth and reinforce stability. Growth was also fuelled by a gradual easing of national monetary policy from mid-2013 onwards. Seeking to build a firm credit appetite among private-sector investors, the Central Bank of Sri Lanka further eased interest rates in the latter part of the year. The looser regime helped foster a healthy level of credit growth among private-sector companies.

The biggest trend in telecommunications in 2014 was the rapid expansion of online networks and services

➤ Our recent investment in the SEA-ME-WE 5 submarine cable system, a super-fast, high-capacity international cable system will connect South-East Asia with the Middle East and Western Europe and will boost Sri Lanka's international connectivity.

40%

About 2.9 billion* people or 40% of the global population were online by the end of 2014.

6.9 billion

Mobile phone subscriptions were estimated to exceed 6.9 billion* worldwide by the end of 2014.

100%

Combined mobile and fixed-line telephony penetration in Sri Lanka is now 100%.



Sri Lanka's Global Connectivity



100 Mbps speed

Ours is the first 100 Mbps speed *Fibre to the home* broadband network in Sri Lanka.

*Source: International Telecommunications Union

Continuing with the trend of the past few years, inflation remained at single-digit levels. According to the Central Bank, average inflation over the past 65 months was 5.9%.

Combined mobile and fixed-line telephony penetration in Sri Lanka is now 100% - a magnificent achievement for a country that, barely a generation ago, was struggling to offer widespread voice connectivity beyond major urban centres and trunk roads. But we have moved far beyond voice. Today, Sri Lanka's Network Readiness Index (NRI) is equal to India's – the highest in the region. The country also enjoys some of the lowest call and data charges in the world, making it highly attractive to businesses that rely on connectivity to function. Unsurprisingly, Sri Lanka was named 'outsourcing destination of the year' in 2012-2013 by the UK National Outsourcing Association and was ranked among the top 25 global outsourcing destinations by A.T. Kearney in 2011. The IT/BPO sector has experienced tremendous growth in the past few years and is now one of the country's top five export industries. There are now over three hundred IT, BPO and KPO companies in Sri Lanka, employing more than 60,000 people.

With economic growth likely to continue in the long term, demand for the services provided by SLT and its subsidiaries can only increase. However, meeting the demand will call for extraordinary efforts in such areas as technological innovation and adoption, increasing access to services, making services affordable, relevant and customer-friendly, and optimising revenue streams.

National Fibre-Optic Backbone Network



The Government awarded Sri Lanka Telecom the role of 'national backbone network service provider' for Sri Lanka in 2013. Under this license, SLT will provide the fibre-optic 'backbone' for the national communications network, which will cover all 329 administrative divisions of the country within five years.

Business operations

Global connectivity

Not content with being Sri Lanka's leading telecom company, SLT is aggressively pursuing new markets in the region. Building international connectivity is a key aspect of this strategy. SLT's global coverage was significantly strengthened via undersea optical fibre links: SEA-ME-WE 3, SEA-ME-WE 4, Bharat-Lanka (between India and Sri Lanka) and Dhiraagu (between Maldives and Sri Lanka). Sri Lanka's geographical location makes it a natural nexus for communications in the Indian Ocean basin and helps ensure that the country plays a key role in the process of unfolding new technologies across the region.

We report below on a number of international connectivity-related projects.

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 linking South-East Asia to Western Europe via the Middle East. Utilising linear and ring-fibre network architecture, this 18,000 km cable is equipped with a total of 16 landing stations. The SEA-ME-WE 4 cable network is owned by a consortium of 17 leading telecom carriers from 15 countries.

SLT has developed important partnerships through its involvement in this project. Key among them are the relationships forged with near neighbours Bharti Infotel and Tata Communications (India) and Dhiraagu (Maldives).

Following a 2013 upgrade by SLT that enabled the system to accommodate speeds of up to 100Gbps, the cable again became available for commercial use at the end of 2014.

Capacity for future growth: SEA-ME-WE-5

SLT is also a member of the 19-member international consortium that owns and is currently in the process of implementing yet another important connectivity project, the SEA-ME-WE 5 international undersea cable system. With a total design capacity of 24Tbps, this 20,000km cable runs from Singapore to France and has a total of 16 landing stations. Construction of the cable commenced in September 2014. When it is finished in 2016, SEA-ME-WE 5 will deliver a massive increase in communications capacity, which will be available to support growth in Sri Lanka and other member countries.



The ambitious Sri Lankan sector of the project entails building a double landing station at Matara. The landing stations for SMW4 and SMW3 are located at Colombo and Mount Lavinia respectively.

Building and upgrading national infrastructure

SLT is more than simply the leading telecoms service provider in Sri Lanka; it is responsible for creating and maintaining the physical telecommunications infrastructure of the nation. This function, whose historical origins lie in SLT's former incarnation as the incumbent telecom partner has greatly broadened and diversified in the decades since privatisation. Besides its obvious competitive advantage, being the national infrastructure provider is also an awesome responsibility - one of which we are always conscious, and seek to meet the utmost standards of technical and professional excellence in fulfilling.

Our ongoing network modernisation and transformation project, which consists of the Next Generation Network (NGN) project and the i-Sri Lanka programme, is bringing ultra-high-speed broadband coverage, together with a host of IP-based services, to existing network users all over the country. Currently, SLT internet services are delivered via the nationwide fibre-optic backbone using a variety of access technologies: copper-based PSTN (Megaline), FTTC (i-Sri Lanka), FTTB (Metro Ethernet), LTE, Wi-Fi and Corporate VPN (Intelligent Solutions).

Recent achievements in this area include the roll-out of *Fibre to the home* (FTTH) services in urban areas, which commenced in April 2014, and the extension of ICT and broadband services to Delft Island, 32 km off the coast of Jaffna, in October 2014.

We report below on some of our national infrastructure-related projects.

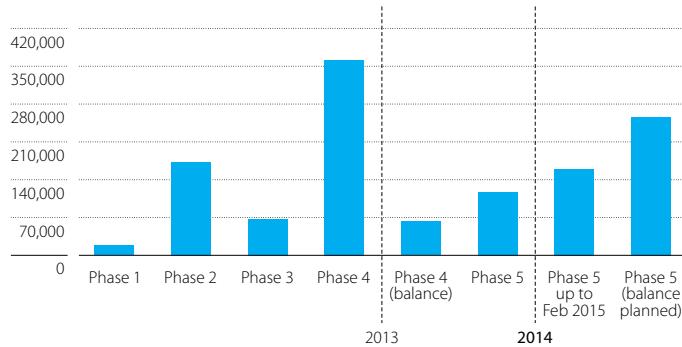
National backbone network

The Government awarded Sri Lanka Telecom the role of 'national backbone network service provider' for Sri Lanka in 2013. Under this license, SLT will provide the fibre-optic 'backbone' for the national communications network, which will cover all 329 administrative divisions of the country within five years. The first phase of this project, completed in 2014, consisted of a new generation OTN-based 100G DWDM solution delivering 8Tb of capacity. This world-class transport and backbone network facilitates the full range of broadband access technologies, including ADSL2+, VDSL2, FTTx, carrier-grade Wi-Fi and 4G/LTE, with download speeds of up to 100Mbps, which is ultra-fast.

Next generation network

In parallel with our efforts to extend and improve the national communications backbone, SLT is working to transform the entire national communications network into a full-fledged 'Next Generation Network (NGN) capable of handling massive amounts of data at super-fast speeds with maximal data integrity. This ongoing project commenced in 2011. The chart below shows progress to date:

NGN migration - Phase by phase progress (No.)



i-Sri Lanka project

An ambitious project intended to facilitate unlimited network access at unprecedented speeds with minimal disruption, i-Sri Lanka currently leverages FTTC, FTTB and FTTH technologies to extend connectivity via multi-service access nodes located in close proximity to the desired location. In the future, however, switching between multiple mechanisms will be eliminated by a more efficient soft switching structure accommodated by a single-platform operational system.

FTTH connectivity supports download speeds of up to 100Mbps currently, increasing the reliability and quality of broadband data while significantly reducing maintenance and replacement costs. Having commenced deployment in 2010, the i-Sri Lanka project is expected to be completed by end 2015. The project has important environmental impacts, including a space saving of 8,500 sq.ft. and monthly energy savings of some Rs. 70 million till end 2013.



Our efforts to improve the national communications infrastructure benefit all Sri Lankans. They also, necessarily, benefit all service providers – our competitors as well as ourselves. However, SLT is ideally placed to leverage its competitive advantage as infrastructure provider by taking the lead in rolling out new services for customers based on added capacity and next-generation technologies. These aspects of our operations are discussed below.



Fibre to the home (FTTH)

While FTTC and FTTB technologies are available to all users in a neighbourhood or building, fibre to the home technology is a benefit enjoyed only by SLT fixed-line customers. In 2014, we continued to roll out VDSL2, ADSL2+ and FTTH, simultaneously enhancing customers' experience and investing in the future. More than half a million households are already connected to SLT's broadband services; our effort now is to provide all of them with FTTH, the world's most reliable connectivity option.

SLT broadband services

At the beginning of the year under review, we introduced data-volume enhancements at no extra cost to customers. We also further expanded our broadband portfolio, enabling customers to choose packages offering speeds ranging from 2-16Mbps and monthly data volumes from 2.5-375GB.

We were proud to see Sri Lanka's ranking in the Global Network Readiness Index advance by three places, while the country continues to offer the world's lowest-priced entry-level broadband services among countries where broadband is growing quickly.

Metro ethernet

SLT Metro Ethernet delivers high-bandwidth connectivity for high-rises, large corporate offices and important commercial buildings. It is based on the well-known Metro Ethernet Forum (MEF) standard and offers capacity and reliability in the demanding arena of data communications for enterprises.

The SLT Metro Ethernet network connects most important commercial locations in metropolitan areas, including cities outside Colombo. A new aggregation network was introduced in 2014 for improved service availability.

Enterprise solutions (Intelligent solutions)

Our enterprise customers now enjoy a wide array of product offerings in our Intelligent Solutions portfolio. Exclusively offered to corporate customers, the portfolio includes managed, networking, hosting and enterprise voice services.

Carrier-grade Wi-Fi

We continued to expand our public Wi-Fi hotspot service using next generation wireless broadband access technology, widening the country's broadband footprint and improving internet access for all Sri Lankans on line. The project aims to create a series of carrier grade Wi-Fi hotspots at strategic locations across the country. By facilitating seamless mobile offloading and roaming for SLT broadband customers, these Wi-Fi hotspots are expected to provide wider access for the SLT Group's fixed and mobile broadband subscribers, thereby helping to increase our customer acquisition and retention rate in direct correlation to the growth in the number of hotspots across the country.

ADSL2+ to VDSL2

Following our launch of advanced VDSL2 fixed-line broadband technology in September 2013, we have continued to replace ADSL2+ technology with VDSL2 across an ever-widening swathe of our network, delivering connection speeds of up to 100Mbps to broadband subscribers.

Fixed 4G LTE

We also introduced another broadband technology, fixed 4G LTE, with a demonstration at the Dr. N.M. Perera Memorial Hall, Ruwanwella, Kegalle in January 2014. Download speeds of up to 50Mbps were attained at the demonstration. The Company enhanced its broadband delivery capacity with the addition of a LTE platform. It allows to engage in the competition head-on with three complementary fixed broadband platforms of DSL, FTTX ad LTE.

Cloud computing

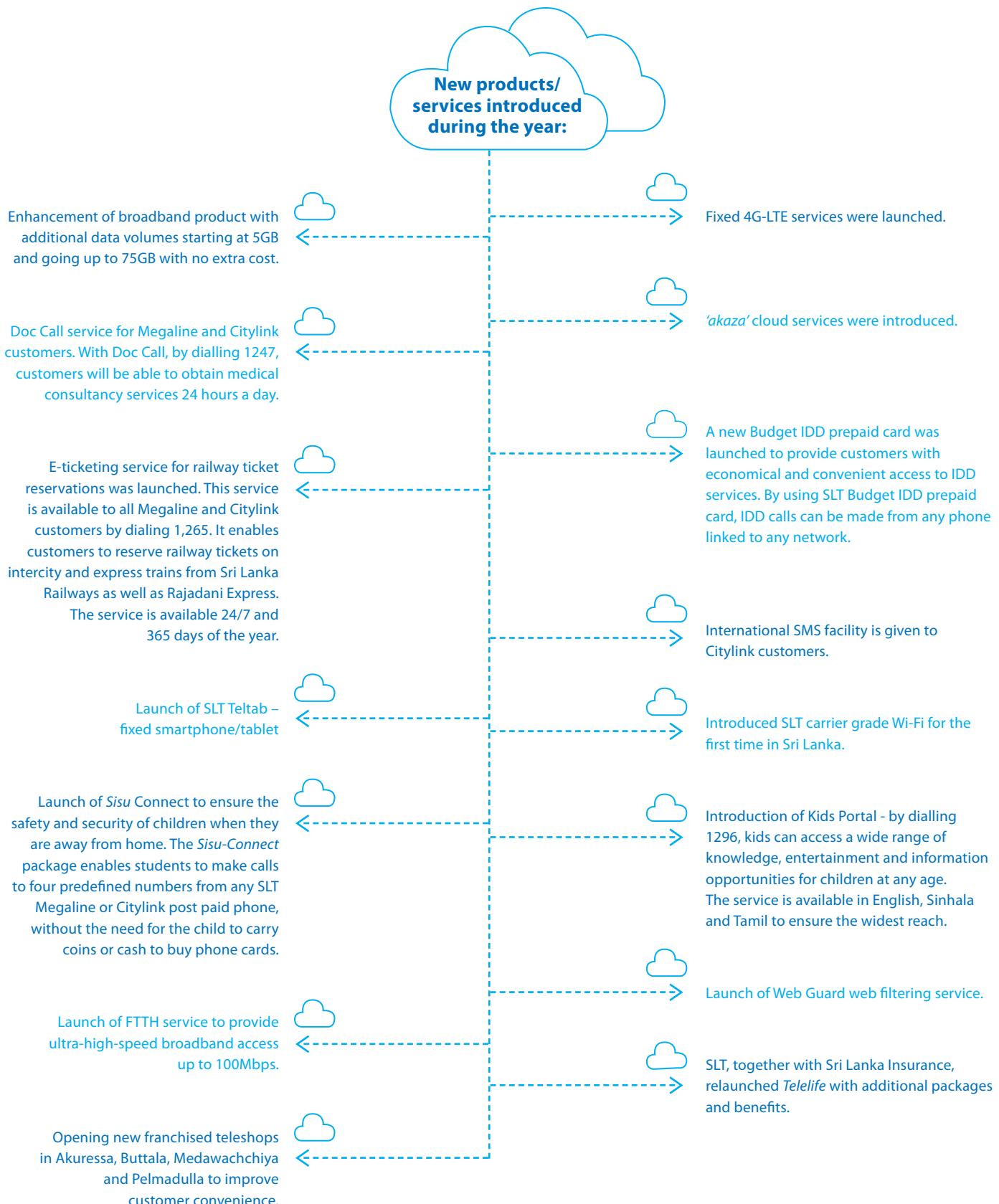
Launched in March 2014 at an SLT customer forum for Government institutions at Water's Edge, Battaramulla, SLT's breakthrough cloud computing service, *akaza*, provides end-to-end enterprise services that offer enterprise customers, Government Departments, SMEs and micro-enterprises the advantages of enhanced agility, quick service delivery and cost efficiencies while providing ('in-house IT' teams) maximum ROI and improved scalability.

The akaza product was developed in collaboration with Citrix Systems, a global leader in cloud services, mobile workspaces, virtualisation, mobility management and networking. It offers ICT infrastructure, data archiving and operations, development platforms, working desktops, software and communications as 'services', meaning that organisations no longer need to invest in infrastructure to provide these capabilities for themselves. The deployment of *akaza* is made possible by SLT's state-of-the-art broadband infrastructure, which facilitates high-quality, uninterrupted, high-speed data communications – the single most important criterion for successful cloud-computing deployment. For users, *akaza* eliminates the need to invest in expensive servers, data centres, software and IT experts, freeing them to focus their capital and energies on what they do best. It is particularly useful for SMEs and micro enterprises for whom capital costs have hitherto limited access to these facilities.

SLT takes the lead in rolling out new services for customers based on added capacity and next-generation technologies.



Customer focused products and process results



Key measures of product performance

Measure	Frequency	Source	Current levels	Trends
Revenue Growth	Monthly	Financial reports	On par with budgets	Growing
Number of new connections	Monthly	System reports	On par with budgets	Growing
Number of disconnections due to churn	Monthly	System reports	On par with budgets	Positive
Number of disconnections due to migration between products	Monthly	System reports	Within expectations given new products introduced to the market	Migration from legacy products to new products observed

Key measures related to processes important to serve our customers

(i) Sales

Measure	Frequency	Source	Current levels	Trends
Level of customer engagement through sales calls and visits	Regular Basis	Activity reports, One-on-one discussions	Focus area for improvement	Positive
Ease of access to the sales team	Regular Basis	One-on-one discussions	Satisfactory	Positive
Customer's level of awareness of products, solutions offered	Regular Basis	One-on-one discussions	Focus area for improvement	Positive
Level of confidence in the solutions proposed	Regular Basis	One-on-one discussions	High	Positive

(ii) Service fulfilment

Measure	Frequency	Source	Current levels	Trends
Number of services provisioned by product type	Monthly	System reports	Focus area for improvement	Increasing in number
Time to provision a new service by product type	Monthly	System reports	Within expectations most of the time	Positive
Time to provision changes to an existing service by product type	Monthly	System reports	Within expectations most of the time	Positive

(iii) Service assurance

Measure	Frequency	Source	Current levels	Trends
Number of calls received in a given month by type of fault reported	Monthly	System reports	Moderate	Associated with external and internal factors
Time taken to resolve customer complaint by type of fault reported	Monthly	System reports	Within expectations most of the time	Positive/Improved
Number of repeat calls by type of fault reported	Monthly	System reports	Low	Positive/Improved

In addition to the above routine measures, the findings of a customer experience survey conducted among enterprise customers were used to identify key areas for improvement. Thereafter initiatives have been agreed with internal stakeholders and assigned to project teams who are currently working on addressing these gaps.

SME products in 2014

The CDMA-based 'Smart Dial PBX' is the most talked about SME product released by SME Product Division in 2014. This PBX connects of CDMA phones as terminals and facilitate 100% wire free PBX Service.

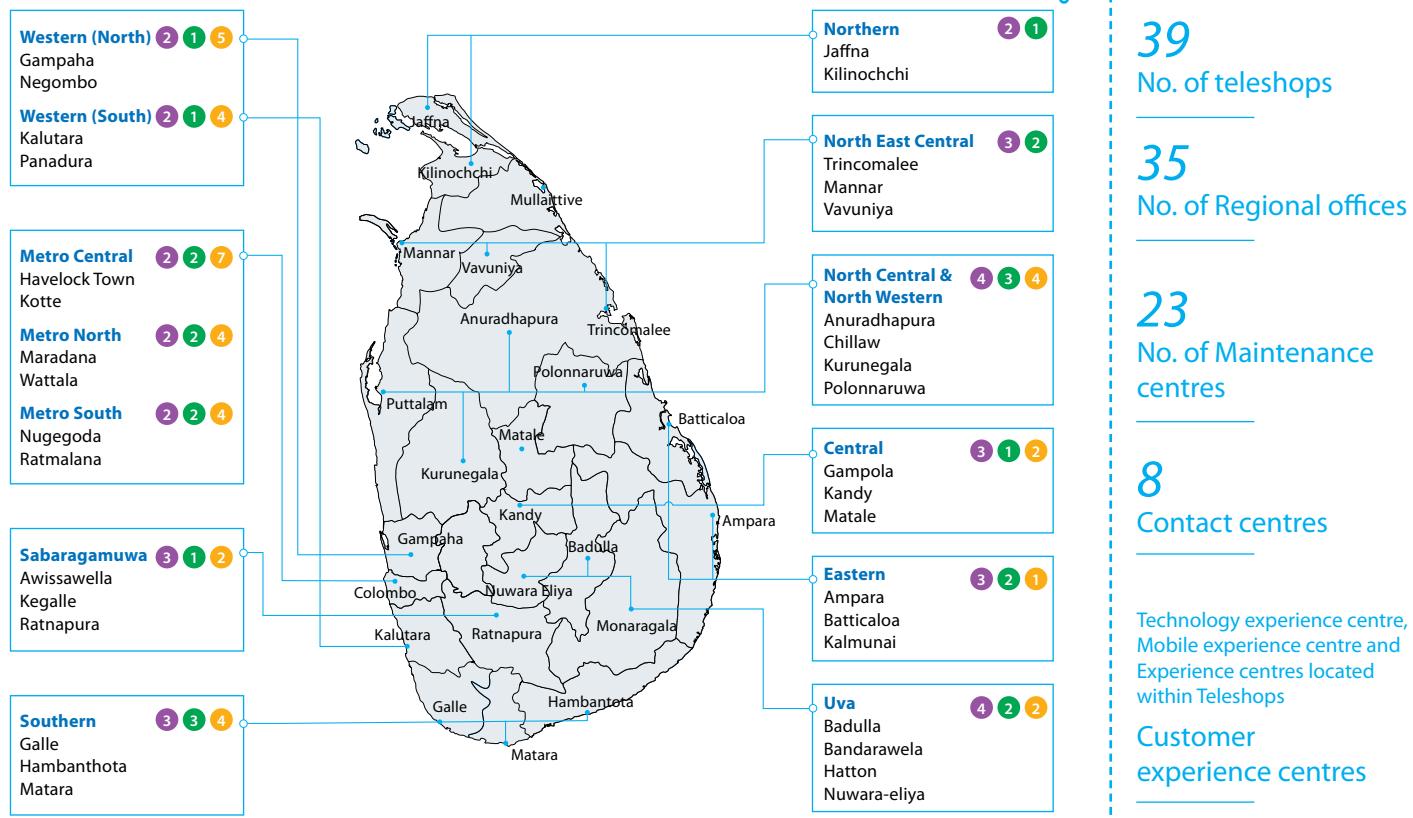
This product was designed in such a way that it is convenient to order by a customer and also easy to operate. Also this product has got the

advantage of being cost effective due to the fact that it is a hosted PBX. This reduces the cost of owning the PBX by a customer drastically and makes more additional hardware unnecessary at customer premises.

Taking the advantage of wireless network of CDMA instruments, this hosted PBX is capable of operating in geographically dispersed locations.

During this year SLT was able to provide the CDMA PBX solution to more than 350 SMEs and maintain a selling rate of one PBX per day. Also this product paved way for SLT to understand the need to communicate about SME customers in greater detail and thereby to prepare more products for 2015.

Market presence



● Regional offices ● Maintenance centres ● Teleshops

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

Key connectivity projects

Sisu-connect



During the course of the year, SLT installed telephones at schools and tutorial academies around the country and distributed personal-identification numbers to students at these establishments under *Sisu-connect*, a joint project of the Ministry of Education, the Ministry of Telecommunications & Information Technology, and Sri Lanka Telecom.

Sisu-connect service helps to ensure the safety and security of children when they are away from home by providing a means for children to stay in touch with their parents when at school or attending tuition classes. The system consists of a virtual telephone platform, with special telephone units installed at selected institutions. The service is cashless for the student, who can make free calls to up to four numbers using his or her PIN. The numbers are provided by his or her parent or guardian. The service costs users (parents) Rs. 30/- a month plus call charges.

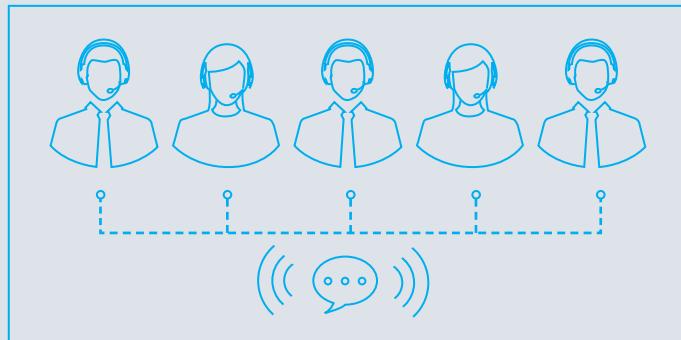
LEARN upgrade



In August, we completed an upgrade of LEARN, the National Research and Education Network. The upgrade resulted in an increase of internet access bandwidth by up to 1.65Gbps and the creation of a wide-area network connecting universities and research institutes across the country. These include all universities funded by the University Grants Commission, a number of public institutes that function under other ministries, the Ministry of Higher Education and a number of national research institutions including the National Science Foundation. LEARN also has direct connectivity with SchoolNet, the network connecting Sri Lanka secondary schools island-wide, and the Lanka Government Network, which connects all Government institutions. Also we have facilitated global connectivity to Sri Lanka's LEARN network to connect with other LEARNs of other countries, which is a giant step driving country towards a knowledge rich society.

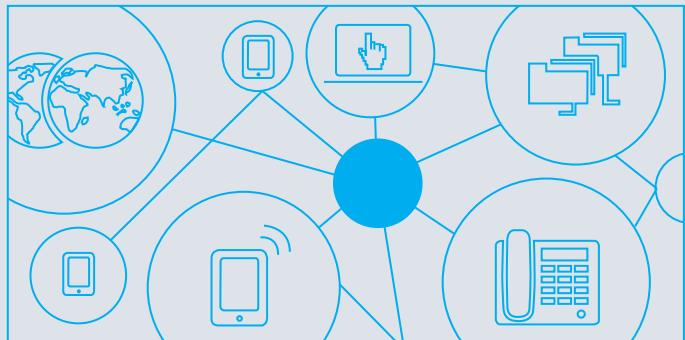
The upgrade will facilitate online and distance education, video-conferencing and video streaming, as well as the routing of inter-university voice and broadband communications.

Island-wide branch network of NDB Bank PLC



Messrs NDB Bank PLC has signed an agreement with SLT for their voice communication requirements by selecting SLT as the Primary Service Provider of Telecommunication services of the bank. SLT was able to win this contract through a competitive bidding process.

Condominium project of John Keells Group PLC



SLT has provided Voice and Broadband services to Messrs OnThree20 residencies which is a condominium project of Messrs John Keells Group PLC commencing from 1 July 2014.

Fixed-Mobile Communications Solution for the Police Department



In November, SLT and its mobile-telecoms subsidiary Mobitel entered into a tripartite agreement with the Sri Lanka Police Department to provide the Department with a total fixed and mobile communications solution. The contract was won through a competitive bidding process.

SLT and Mobitel's solution for the Police features voice communication facilities, including a state-of-the-art PABX infrastructure that provides direct inter-branch calling capabilities, a low-cost mobile solution, and a sophisticated data-communications infrastructure that links up all police stations and associated nodes.

Earlier, SLT was involved on the communications side of a Police project to introduce closed-circuit television surveillance at key locations to enhance public security in Colombo.

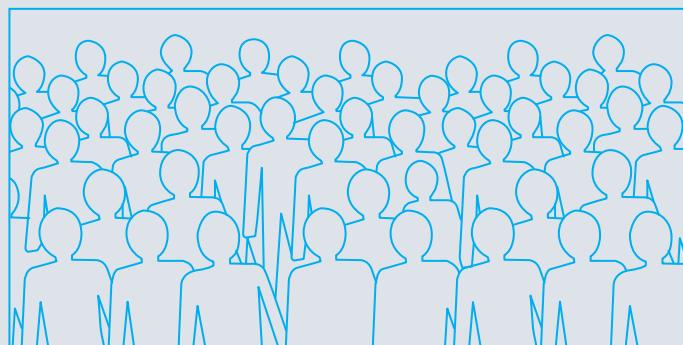
PEO TV - connecting with entertainment



SLT's IP based - TV service, PEO TV, had a very successful year, with the subscriber base seeing an increase of 42%. Time-Shifted TV (TSTV) or Rewind TV is the most demanded options used by most of the PEO TV users to catch up their local programmes and also some of the international channel content.

PEO TV also introduced a new commercial product, Event TV, a broadcasting solution to allow the public to use the network to telecast their own live and recorded events at an affordable price. Two new Tamil packages were introduced, whilst 170 titles were added to the On Demand Library. A new state-of-the-art IP television system was commissioned. Going beyond crystal-clear image quality to delivery of full HD, it is a multi-layered system that provides content-quality-assurance and multi-screen capabilities that will enable TV viewable from any device, mobile phone, tablet or a notebook in the near future.

Department of Census and Statistics



A comprehensive infrastructure development solution was given to the new eleven story building of Department of Census and Statistics together with Sri Lanka Telecom (Services) Limited to implement networking solution for the department. Data network of the building was implemented with the uplink speed of 1G to 10G by laying Cat6 and fibre optic OM3 Cables. Parallel to data network, the CCTV camera system was installed with application of 53 cameras for live monitoring, and this system is equipped with a 30 days storage facility.



Customer care

The centre-point of SLT customer care is the SLT Contact Centre. This is in addition to the number of teleshops, regional offices, maintenance centres and technology experience centres available island-wide. The Contact Centre is accessible via a hotline by callers dialling 1212. Nine SLT contact centres located around the country provide 24-hour customer care services to more than 25,000 customers, including Megaline, Citylink, Broadband and PEO TV subscribers, on a daily basis. Over 9,704,282 customer calls were received and successfully dealt with in the year under review.

SLT Contact Centres also deal with calls to the Government Information Centre on its 1919 hotline. This service completed its eighth year of operations in December.

The Customer Care team at SLT comprises some four hundred highly skilled and trained staff. Fully-fledged contact centre platform is capable of responding to customers requests via multi-service platform including voice, text, multi-language, technical assistance online.

BPO operation of SLT

The World class SLT Contact Centre which was awarded the operations of the Call Centre for the Government Information Centre (GIC) in 2011 has been commended by the Presidential Secretariat for the successful handling of over 5,000 callers per day on the '1919' network. The GIC, established under the aegis of the Presidential Secretariat and the Information and Communication Technology Agency (ICTA) is the conduit which provides information to the general public pertaining to any service offered by the public sector. The number is also used as a facility to lodge complaints.

1919 - GIC that began with information pertinent to 20 Government institutions has today been able to provide information regarding about 2,000 services belonging to 300 institutions in English, Sinhala and Tamil languages. 1919 - GIC has received about 8 million calls from the public from its inception in 2006 to date. Calls 1919 - GIC received in 2013 exceeded 1.6 million. 1919 - GIC has the facilities necessary to provide services to organisations in Sri Lanka and in foreign countries.

The GIC now provides more than 65 online services through basic phone calls, such as train schedules, job opportunities abroad, flight schedules, exam results, economic indicators, medical services and contact details.

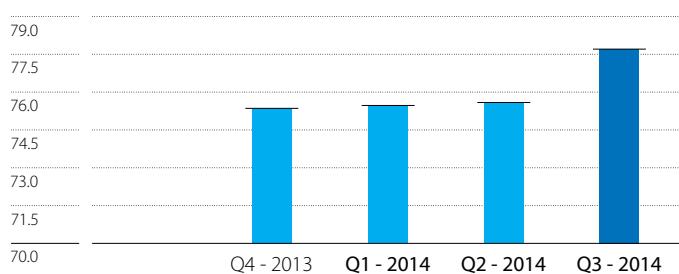
Mentioned before, many strides achieved in ICT are contributory to the above recorded manifestation of progress in ICT. Undoubtedly 1919 – GIC flagship project also has had quite a share in contributing to these achievements.

Achievements of contact centre during 2014

Maintained customer satisfaction on SLT contact centre over 90% during the year.

Contact centre employee satisfaction increased to 77.73% at the end of year.

Employee satisfaction (%)



Achieved the service level KPIs of GIC (1919), one of the BPO operations handled by the SLT contact centre.

Overall service level

Percentage of calls answered within 15Sec.	95%
Maintained call Abandoned Rate -GIC	<5%

An agreement was signed with SLIC for the operation of call centre on 3 March 2014, opening new business avenues for the contact centre.

Increased the new telelife insurance SLT customer base up to 114,000 and the total income expected from the above product during the year 2015 is Rs. 20 million.

Training programmes were conducted for the contact centre staff in a very effective manner to enhance knowledge to improve the customer experience.

Conducted practical sessions for broadband skilled staff in order to enhance their skills and knowledge to handle customers with confidence.

Conducted a motivational workshop on 'Reaching beyond excellence with customers at the Centre' for all the staff, of each level at the contact centre (447 personnel) with the assistance of a well-known resource person to enhance customer service at the contact centre.

Implemented a process to identify customer issues and concerns and to improve customer handling skills of the staff in providing solutions for each problem.

Introduced a product information portal enabling contact centre officers to service customers effectively and efficiently.



Special achievements

- SLT 5S competition 2014 internal competitions (Large category) – 1st runner-up
- Contact Centre Kurunegala won 5S merit award at the internal competition 2014
- Contact Centre Continuous Improvement team won the Silver award at the National Excellent Summit 2014 organised by National Chamber of Commerce
- Contact Centre Continuous Improvement team won Gold Award at the International Convention of Quality Circles 2014
- Following Contact Centre teams Contact - 5S Awards for Y 2014 at the internal quality competition
- Centre GIC team won 2nd Runners up (5S category- office category - Large)
- 1st runner-up for Super 5S/Contact Centre/Matara
- Merit Award for ISO/Contact Centre/Matara
- Merit Award for 5S/Contact Centre/Galle

Future outlook

Contact centre has earned a good reputation with the successful operation of Government Information Centre and won the contract of Sri Lanka Insurance Corporation call centre BPO operation adding new revenue to SLT revenue mix.

Information management

As an ISO-certified organisation, SLT maintains a strong information-management policy. Rigorous usage and administration policies govern the uploading, editing, and deleting of information on the Group IT network, with access control over sensitive areas.

The Company knowledge base contains corporate and business information, corporate-governance guidelines, pertinent laws, statutes and regulations, network information, technical information including experience and training data, support systems, market information, employee data, etc. Access is controlled and hierarchically organised.

Knowledge management at SLT is facilitated by a web-based solution capable of supporting any number of registered users. Its open architecture has been integrated with other internal IT systems, allowing any employee to upload information, subject to a screening process and with the concurrence of the Knowledge Management Team. Uploaded information is verified by relevant subject experts.

All Company administrative information is openly accessible to employees via the Company Intranet.

SLT's information-security policy complies with the ISO/IEC 27001:2005 standard. SLT information security policies, procedures, guidelines exist in order to

- protect the confidentiality, integrity and availability of information;
- implement security that is consistent with the organisational culture;
- protect information-processing facilities from internal and external threats; and
- establish an effective information-security-management system.

Information technology improvements

In enabling us to bring the latest products and services to the market in a timely manner, we have invested extensively in developing our IT capabilities on both fronts of software and hardware. In further recognising IT as an essential element in driving the overall business strategy, the Company also invested in business intelligence tools in managing internal ICT infrastructure and automated internal systems & processes.

Quality assurance and certification

In 2013, Sri Lanka Telecom received ISO 9001:2008 certification of its quality-management system (QMS) by the Sri Lanka Standards Institution. This certification, which is valid for three years with regular inspections, covers all SLT's local and international services, its critical role as national backbone provider and wholesale connectivity provider, and the operations of its branch offices island-wide.

ISO 9001 certification offers assurance of product and service quality and consistency and reflects SLT's commitment to continuous improvement in customer satisfaction and technical competency.

SLT was awarded the ISO 27000:2005 certification on 8 April 2013 for implementation of information security in the year 2004 and continuously maintaining this certification from year 2006. The scope of this certification encompasses of SLT IT group and the major customer support departments such as ISP, IDC, IP network operations & broadband and access network operations to ensure that customer-service standards are in conformity with internationally accepted benchmarks.

Quality policy

Sri Lanka Telecom PLC fully understands the necessity of satisfying our customers in sustaining the continuous growth of our Company. We believe that it is one of our primary corporate social responsibilities that demands the highest priority.

We will always strive to exceed customer expectations and promote a positive company image whilst continuously meeting the requirements of our stakeholders through the total commitment of our employees to the Company's Quality Management System.

We will ensure continuous improvement of our quality of service by:

- Customer centricity in all organisational decision-making processes
- Attracting the best possible employees and procuring the finest quality material and services
- Adopting state-of-the-art technology
- Being a Learning Organisation that is resilient and flexible to face the challenges of a fast changing environment
- Continuous upgrading and enhancement of all resources, services and facilities in furtherance of the vision of SLT

Major ICT infrastructure development in North and East

Since 2010 the expansion of our fibre-optic core network to the Northern Peninsula via the A9 main route was completed. This includes; improving customer access to high performance broadband, empowering business expansion, enabling all telecommunications operators to expand their operations, enhanced quality, performance and capacity to meet all future ICT requirements of the Northern Peninsula. Development spreads widely across the land, from north to east, south to west, bringing with it employment, growth, income and investment that will naturally follow in its wake.

With SLT having embarked on massive network modernisation and expansion projects, the Company's fibre roll-out is comprehensive, with its fibre-optic transmission network now covering most parts of the island, including rural areas and the North and the East; thus enabling the Government of Sri Lanka to choose SLT as the preferred NBN partner in the light of achieving its goals for economic development, with broadband penetration being a key element in its strategy towards such development.



Looking forward

In Sri Lanka, as elsewhere, the impact of ICT has been enormous and transformative. We see, more and more, that customers are moving away from traditional voice communications to non-voice enabled products. In keeping with this trend, SLT is now implementing a Rs. 25 billion investment plan that will help upgrade and future-proof our infrastructure and service offering. Our business strategy (see page 42) calls for heavy investment in new technologies such as LTE, carrier-grade Wi-Fi, cloud computing and the national fibre backbone. Many Colombo homes and businesses now enjoy direct fibre-optic connections. Our aims are to offer more IP-based services, invest in national IT infrastructure and enhance the customer experience at every touch point, both offline and online.

SLT's investments in carrier-grade wireless technology and fibre-optic architecture leave us well placed to capture significant synergies in the longer term. We can now provide an integrated menu of voice, networking, data-hosting, managed and cloud-computing services to our customers. By thus providing integrated solutions for large companies while simultaneously supporting the growing SME segment and the public sector through extensive broadband connectivity, we support the nation's economic progress at all levels, seamlessly and synergistically.

We can now provide an integrated menu of voice, networking, data-hosting, managed and cloud-computing services to our customers.



Mobitel (Private) Limited

Mobitel (Private) Limited, a fully-owned subsidiary of Sri Lanka Telecom, accounted for 47% of SLT Group revenue in 2014. Mobitel offers Mobile telephony, high-speed broadband, enterprise solutions, IDD and a host of value-added services with island-wide coverage. Mobitel was the first operator in South Asia to launch a super 3.5G network, the first to make a successful demonstration of HSPA+MIMO technology and the first to trial 4G/LTE technology successfully. The recent introduction of Dual Carrier HSPA+ technology and 4G-LTE service makes Mobitel's broadband service the fastest in the country. International roaming is available with over 400 networks worldwide. With USD 500 million - worth of investments made to date, Mobitel has played an important part in shaping Sri Lanka's ICT landscape, and presently boasts a customer base of over 5 million.

The following is a review of the activities of our largest subsidiary:

Chief Executive Officer's statement

Customers are becoming increasingly tech-savvy, knowledgeable and sophisticated. Their requirements are expanding faster than technology – driving innovation in the market. In this milieu, service providers are expected to keep up with the demand through continuous improvement, innovation and enhanced service delivery.

To cater to the evolving customer needs we have embraced an all encompassing customer centric approach. We have set a benchmark for exceptional customer service standards which gives us an unparalleled edge in the market. Our ability to respond to customer demands effectively and efficiently is enabled due to the adoption of right technologies at the right time. We have built a formidable ICT infrastructure and introduced a host of new technologies and tech-based services to Sri Lankan consumers.

As part of our customer centric approach, we focused more on regional markets, particularly in the North and the East of the country where our presence earlier was not strong. Our operations in Jaffna were radically upgraded this year. In other parts of country, too, we provided services that are precisely in tune with local demand.

This year special emphasis was placed on Mobitel's regional approach in the market. Integration of sales, marketing and network operations on a regional basis was implemented with the aim of achieving the company objectives more effectively. Additional resources were allocated to areas where Mobitel is lagging behind in market share compared to competition.

These efforts have paid off. The year under review saw Mobitel achieve its highest-ever revenues since inception. We have grown faster than the industry, acquired market share and built on success.

Internally preparations were made during the year for the implementation of a world class performance management system at Mobitel in consultation with a global leader in HR consulting. The system aims to transform Mobitel into a transparent, performance-driven enterprise where employees are rewarded solely on merit. Other structural changes are also in the pipeline.



I believe these changes will make us a more dynamic and competitive Company in a saturating voice market where broadband and wireless technologies have catapulted the communication landscape. However, generating meaningful revenues from OTT services such as Skype, Viber and WhatsApp will remain a challenge as these data services offer little value to the service provider. However, with high calibre of people with us and the changes we have now put in place, I am confident that Mobitel will continue to grow and prosper in the years to come.

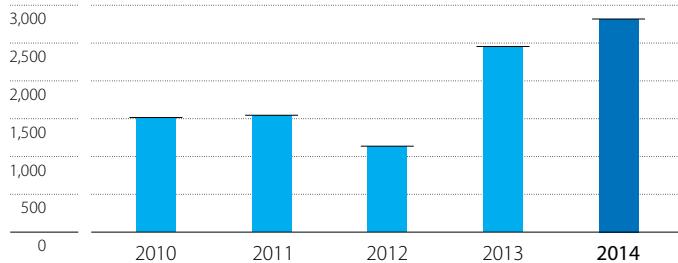
A handwritten signature in blue ink, appearing to read "Ranjith Ganganath Rubasinghe".

Ranjith Ganganath Rubasinghe
Chief Executive Officer

Financial review

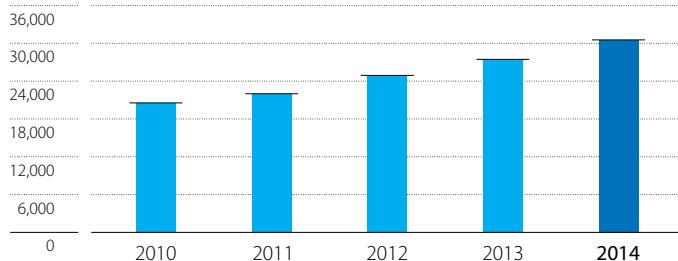
During the year under review, Mobitel excelled in all key areas of the business. Mobitel reported the highest profits in its history recording a profit of Rs. 2.8 billion. This profit was achieved as a joint result of 11% growth in revenue over previous year coupled with cost efficiencies obtained through well-managed cost structure. In absolute terms, Mobitel crossed the Rs. 30 billion milestone to record a sales turnover of Rs. 30.60 billion in 2014 compared to Rs. 27.48 billion in 2013, an increase of Rs. 3.12 billion – an improvement ahead of industry.

Net profit after tax (Rs. million)



Despite voice market in Sri Lanka nearing saturation, growth in voice segment continued in 2014 as well with increase in both revenue and subscribers. Increase in international services, roaming and data services also contributed towards the growth in revenue. Mobitel's continuous commitment and investments towards scaling and upgrading its network infrastructure have resulted in better customer experience which in turn boosts revenues for the Company. Revenue was further fuelled by Mobitel's Strong Brand that offers its customers a wide range of products and services through the comprehensive distribution channels developed through the years. Considerable investment in latest and timely upgrades in broadband technologies such as 3G and 4G paid off during the year with a notable increase in broadband revenues compared to 2013. Data has taken a lead role as the new growth driver of the Company recording strong performance.

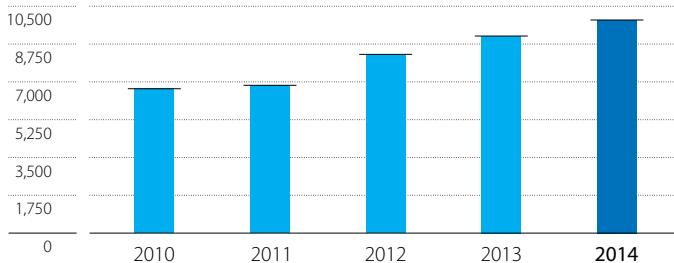
Revenue (Rs. million)



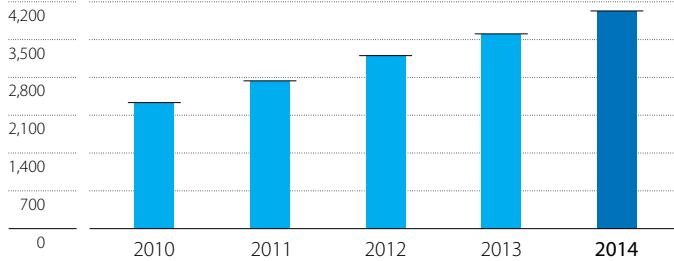
A growth trend similar to that of revenue continues across the Company's profitability indicators with EBITDA growing by 8% recording Rs. 9.8 billion and EBIT growing by 12% recording Rs. 4.0 billion. The strong growth in EBITDA and EBIT can be attributed to prudent cost management initiatives coupled with measures to enhance productivity. For year 2014 Mobitel reported an after tax

profit of Rs. 2.82 billion as against Rs. 2.44 billion in financial year 2013, recording a 15% improvement. The growth in profits was achieved despite one off write off on Mobitel network assets amounting to Rs. 601.8 million. The increase in profitability is attributable to optimum asset utilisation and increased productivity along with the prudent initiatives undertaken during preceding years having an impact on the performance of year 2014. The favourable macro environment with reduced interest rates, lower inflation and stability in exchange rate also favoured the improvement in net profit.

EBITDA (Rs. million)



EBIT (Rs. million)



Business performance

Reaching critical mass and capturing a substantial portion of core voice business has been decisive for Mobitel's growth thus far, but voice business, although necessary, will not deliver future growth. Instead, market growth and retention will hinge on the Company's ability to bring the latest mobile technologies to the markets it serves. To this end, Mobitel is investing aggressively in broadband technology and services, as discussed later in this review.

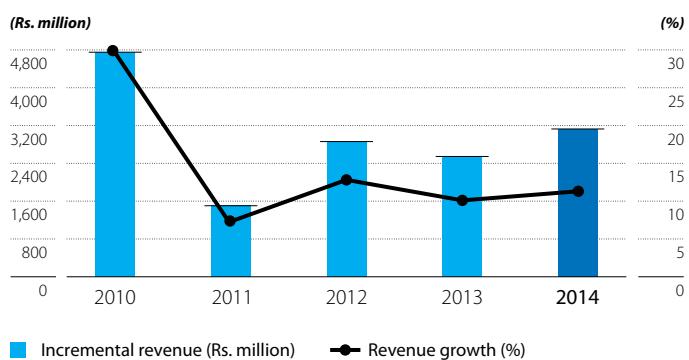
The Company continued to reinforce its market position in 2014, expanding reach, strengthening its position in existing markets and focusing on new niches with customised products and solutions. In an industry where competition has grown so intense that mere survival is a challenge even for leading players, Mobitel continued to gain ground and improve its sales performance. Following on from a commendable performance in 2013, the Company achieved sales turnover of Rs. 30.6 billion in the year under review – a gain of Rs. 3.1 billion or 11% over last year's figures.

Business from voice services was still the main contributor to overall sales performance, with broadband and other services following.

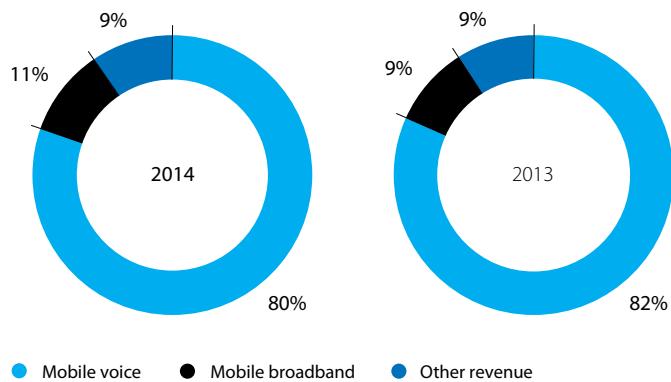
Despite the near-saturation of the market, Mobitel market share continued to increase in 2014 due to enhanced reach, value offerings, service innovations and effective marketing. Broadband (internet) services also reported positive growth; Mobitel will focus strongly on this area in the future.

Improved sales performance and cost efficiencies significantly increased EBITDA in 2014. Stable macroeconomic conditions such as moderate inflation and lower borrowing costs contributed significantly towards profitability. Mobitel also enjoys the advantage of strong asset-utilisation and a well-managed cost structure.

Revenue growth



Contribution of voice and data



Review of operations

Operating environment

The Sri Lankan mobile communications sub-sector has developed rapidly in terms of size and technology. As regards technological sophistication, it is comparable with that of any advanced country. Investment by several competing operators has spread mobile networks across the length and breadth of Sri Lanka and mobile subscribers at present exceed 20 million in number – close to the entire population. Approximately a fifth of these are multi-SIM users. In terms of penetration, the market is approaching saturation point.

Though voice services continue to drive industry revenue, it is widely acknowledged that broadband demand will fuel future revenue growth. However, the speed and cost of technological change is a challenge for any operator, particularly in the broadband space. Market size and share become key considerations when evaluating the likely profitability of future investments. If the necessary investments in data technology are to be made, some industry consolidation is inevitable. Having the second-largest market share in the sector and currently enjoying perhaps the best EBITDA margin in the industry, Mobitel is well-placed to further strengthen its industry position and give life to its vision of making Sri Lanka a knowledge-rich infocomm society.

Business operations

Market acquisition and retention

Building on natural growth in usage, voice services were promoted through carefully planned and executed marketing plans and promotions. The Cash Bonanza promotion campaign for subscribers had brought impressive improvements to acquisition and recharge figures when relaunched in 2013 targeting pre-paid subscribers. Its success with this segment prompted an extension of the promotion to post-paid and broadband subscribers in 2014, and 374,229 lucky winners received a total of Rs. 150 million in cash rewards during the course of the year in daily, monthly and quarterly draws. Coupled with Cash Bonanza, the company also launched a successful promotional offer in which subscribers received a bundle of value-added voice, SMS and data services worth Rs. 300/- on their first recharge. Many other customer-directed marketing and promotional campaigns, local and national, planned and *ad hoc*, supported Mobitel brand and services in 2014.

One step up the marketing chain, the Company launched an incentive programme for sub-dealers, whose position at the retail interface makes them especially influential with customers.

Mobitel's share of corporate voice and data services also grew, largely as a result of intense company activity targeting this segment. The specialist unit dedicated to developing innovative applications and enterprise solutions was further strengthened; its focus was to build the reality and perception of Mobitel as an extension of the business processes of its corporate customers. The results have been encouraging in terms of new-businesses as well as in generating increased data and voice traffic from present customers. The focus on corporate services offers great promise for the future.

The Company successfully developed and launched a range of specialised product offerings and value-added services to suit various market niches. Building on insights and experience gained with the *Upahara* subscriber package for Government employees and pensioners, Mobitel introduced a new package for pensioners, *Kalaguna*, in 2014. This post-paid package, designed to address the special needs of more than half a million Government pensioners, includes a free mobile phone, a post-paid user package including free voice, and a range of value-added services including the mCash service.

Another example of Mobitel innovation is mLottery, a value-added service that allows subscribers to participate in Development Lotteries Board sweepstakes through their mobile phones using an automated, voice-guided application.

The Company's focus on expanding market share in the North and East of the country was reflected in the relocation and upgrading of its Jaffna branch, which is now a full-fledged 'customer experience centre'. Visitors can try out (and purchase) the latest mobile technologies on the market, including 3G, 4G LTE, and check out the newest smartphones, tabs and data services. A decentralised call centre was also set up to serve Tamil-speaking customers.

Business solutions

We took a platform-based approach to develop modular enterprise solutions for businesses and Government departments. These solutions deliver enhanced efficiency, cost savings and process improvements irrespective of organisation size or nature of business. The year under review saw some noteworthy successes in this area.

Mobitel extended 'Mobitel One fuel card' solution to Dilmah, a leading tea exporter, to improve administrative efficiency, speed and convenience. The product is a stored-value card, which replaces the manual fuel-allowance management system used by most companies. Mobitel One allows real-time monitoring of fuel transactions by the cardholder as well as his or her supervisors and other authorised personnel at Dilmah.

The Company also collaborated with Cinnamon Hotels on an automated guest check-in/check-out system for the latter's new city hotel, Cinnamon Red. The system saves time and improves convenience.

Another Mobitel platform, mHealth, facilitates data and voice services such as mChanneling – a consultant-appointment service, successfully tested at Dompe Hospital during the year under review.

In a coming development, Mobitel has been named exclusive technology provider for the Royal College Union's loyalty programme, Floreat. The RCU, which is probably the largest alumni organisation in Sri Lanka, will use Mobitel's Loyalty Card platform to run the Floreat programme, which offers Union members discounts from leading merchants and institutions.

Roaming and IDD

A flat-fee data roaming plan for selected countries was introduced in 2014, eliminating bill shocks for customers. Post-paid customers were also offered a deposit-free roaming plan based on their usual credit limits. The year also saw the launch of LTE Roaming in collaboration with StarHub, a Singaporean telco.

The year also saw the launch of an in-flight data roaming plan for the added convenience of frequent business travellers. Using the plan, Mobitel post-paid customers can browse the web for as little as Rs. 65/- per MB while in the air, receiving usage notifications on their mobile phones for added convenience. The service is currently available on SriLankan, British Airways, Etihad, Emirates, Oman Air, Philippine Airlines, Qatar Airways, Royal Jordanian, Saudi Airlines and Singapore Airlines flights, with more carriers expected to sign up in 2015.

In response to an opportunity identified in the Ja-ela-Chilaw belt, Mobitel designed a special SIM pack that offers special pricing for IDD calls to Italy. The success of the product encouraged Mobitel to introduce similar plans, including IDD calls to South Korea.

Network and technology development

As the National Mobile Service Operator, Mobitel assumes the role of the information and communication powerhouse of the country. The Company employs the brightest available local technical talent and consciously invests in their development in terms of technical as well as managerial skills. The formation and use of cross-functional teams across all aspects of the business has been of great significance to the Company's success from thought to conceptualising to giving life to thought. This competency edge of the Company allows it to continuously value innovate and deliver superior solutions whether mass market or unique customised products, platforms or solutions.

Supported by this great reservoir of technical prowess, led by good foresight and vision, and fortified by the guidance and power of a strong parent, Sri Lanka Telecom PLC, Mobitel has over the years deployed state-of-the-art technology that have been regularly upgraded, adapted and scaled-up to offer cutting edge world class technology and products to Sri Lanka. Also, as the National Mobile Service Operator, Mobitel also assumes a higher responsibility to support the country's broader vision of transforming Sri Lanka into a knowledge hub of Asia.



A large part of the Company's success could be attributed to its understanding of the local market and an ability to swiftly respond to the new and growing market needs. Whilst expanding its 2G and 3G network coverage with the basic subscribers in mind, Mobitel is also fast-tracking its 4G technology and value added products and services deployment that offer new experiences to the sophisticated, trendy and tech savvy subscribers. The Company is ably assisting the corporate sector to improve efficiencies and productivity, cost savings, product development etc., towards becoming world-class, and above all Mobitel is partnering with the private and public sectors of the country as well as global partners to build an ICT infrastructure that has the capacity break through many frontiers and fuel Sri Lanka's march forward to become a leading Asian Nation.

A noteworthy initiative undertaken during the course of the year was the development of an GPS-enabled ultrasonic sensor for monitoring vehicle fuel consumption and relay the data in real time to a mobile device. The Company expects considerable interest in this new technology from fleet and transport managers, bus and taxi companies, etc.

Broadband

Mobitel continued to roll out 4G LTE technology in 2014, focusing on key cities and high-end customer locations. As 3G and 4G networks expand, they drive the uptake of internet-based services, particularly business services. Building on this, the Company tailored its service offerings to consumer demand with specialised app packages for social networking, email and video, and collaborated with service providers such as ikman.lk to provide even more benefits to customers.

With smart devices growing in popularity, it is clear that Wi-Fi will be a key driver of future data-service growth. In 2014, Mobitel embarked on a strategy of deploying carrier-grade Wi-Fi networks in high-demand locations such as hotels, restaurants, shopping malls and universities. Action to promote Wi-Fi solutions to the enterprise market were an integral part of this strategy.

An interesting special project in this area was the launch of free Wi-Fi services at the *Sri Dalada Maligawa* (Temple of the Tooth) in Kandy. These include access to an informative online guide for tourists visiting the temple. An interactive voice guide (with several languages to choose from) accompanies visitors as they explore each part of the temple. The Company hopes to replicate this application, duly modified, in other places of significance.

The biggest consumers of internet services are smartphone users, the majority of whom are pre-paid users. Aware that most lower-income users opt for pre-paid internet plans, the Company introduced several entry-level plans, some of which allow users to start experiencing the internet for as little as three Rupees. Mobitel also plans to leverage increasing smartphone penetration by partnering with several device distributors in Sri Lanka to offer internet products bundled with smart devices. An additional advantage is that these distributors also become part of Mobitel's channel network. Social media packs are included in these data packages to promote broadband usage.

Platform development

The many platforms developed and others under development are forming the bases on which all value adding services and solutions are built. Platforms such as Ticketing (365), Commerce, NFC and m2m are a few platforms that have been integrated to offer novel services and solutions. For instance, ticketing solutions such as railway ticketing, movie ticketing or air ticketing, which are built on the Ticketing platform is integrated with commerce platform based services such as mCash to increase subscriber share of wallet to Mobitel. Similarly NFC platform-based services such as travel card are integrated with the commerce-based platform service mCash. Such solutions derived by integrating platforms will be available as generic solutions or customised solutions based on specific need.

Complementing the growing trend in electronic transactions, mCash makes possible a host of services such as peer-to-peer cash transfers, bill payments, etc. via mobile phone. Following Central Bank approval, mCash was launched in late 2013 and proved popular from the outset. In 2014, the service was enhanced to enable customers to pay electricity bills, receive pension payments and pay insurance premiums via their mobile phones. In addition to personal mCash accounts, customers can use the service by visiting Mobitel branches or mCash Retailer outlets across the country.

Collaborative initiatives

In June, Mobitel and Dialog Axiata commenced a joint beta trial of the GSMA Mobile Connect service, which gives consumers convenient, secure access to a wide array of digital services using their smartphones or feature phones as authentication devices. This is the first time machine-to-machine technology of this kind has been made available to Sri Lankan users. The actual services on offer are provided online by firms such as Kapruka, MyDeal and WoW. This is a potentially enormous new field, and leading international SIM technology providers are collaborating with operators and the GSM Association to develop small authentication apps that can be downloaded by SMS. The Mobitel/Dialog trial has demonstrated the 'interoperability' of the technology and helps pave the way for its worldwide adoption. Etisalat and other major mobile network operators are expected to join the Mobile Connect global partnership in due course.

The Mobitel-hosted Google I/O Convention was held for the second year running in June 2014. It was attended by over three thousand registered participants, making it the largest ICT conference ever held in the country. The event featured in-depth sessions on building web, mobile and enterprise applications with Google and open web technologies such as Android, Chrome, OS, Google APIs, Google Web Toolkits and App Engine. Four presentations from the parent event in San Francisco were streamed to participants in Colombo and an intensely competitive 'hackathon' gave developers the opportunity to show off their talents.

CSR initiatives



In support of intensified marketing efforts in Jaffna and the North, Mobitel was the 'official mobile communications partner' for Jaffna IT Week 2014, a youth-friendly initiative intended to boost investment in the region by the IT/BPM sector. The event showcased the wide range of opportunities available in ICT for young people, and the programme included mentoring and counselling sessions by leading IT professionals and industry thought leaders.

In Kandy, the Company participated in an e-waste clean-up campaign in partnership with the Central Environment Authority and other groups over the May-June period. A total of 312 metric tonnes of electronic waste was collected and safely recycled or disposed off.

Mobitel also teamed up with Ericsson and the Open University of Sri Lanka to deliver ICT training to teenage girls from farming communities in Sri Lanka through the Connect to Learn global education initiative, which founded by the Earth Institute, Ericsson and Millennium Promise, an education charity. In this collaborative effort, Ericsson supplies the ICT equipment, Mobitel provides the required connectivity and the Open University provides teachers, classrooms and content.

Finally, in a public service move, the Company launched a special hotline and call centre solution in collaboration with the National Cancer Control Programme of the Ministry of Health. The hotline provides callers with free information and advice on cancer prevention and control in Sinhala, Tamil or English.

Looking forward

The commendable market and financial performance of the Company, and its many achievements, awards and accolades are a direct result of the untiring efforts by the Company and its most valued team of people to build a company that is driven not only by profits, but also fuelled by a passion to empower a nation and its people. Mobitel salutes its valued customers who have placed their trust in the Company and in return pledges to reward that trust with a greater future filled with opportunity.

Reinvigorated by sustained growth and success and inspired by the unfolding opportunities in the Information and Communications space, Mobitel will further invest in broadband technology and in building network capabilities to meet future capacity requirements. New partnerships with partners both local and international will be forged towards realising the vision of making Sri Lanka a knowledge rich infocomm society.

As the Sri Lanka telecom industry matures and prepares for consolidation, in addition to investing in organic growth, the Company will take advantage of opportunities presented in the form of acquisitions towards delighting its customers with better value, service and lifestyle enhancing value-added products and services. Developing new services and building new platforms will be foremost in future plans to remain innovative, and Mobitel will assume an active role in delivering new disruptive technologies that would transform the way we live and work.

Investments in quality, service and research has been paramount to Mobitel, and will be of high relevance and importance as the Company embraces the digital future. In the current knowledge economy, investments in knowledge and know-how are as critical as investing in networks and the market for future survival and growth. Surviving the future and meeting the challenges of the future ICT challenges would mean that well-informed and visionary players would be investing in their people who are an integral part of the competitive advantage of their companies. Appreciative of the importance of knowledge, Mobitel will invest in its human resources to keep abreast with latest developments as well as building competencies required to perform in a challenging future. The Company will continue to subscribe to best industry and business practices and ensure that its people are motivated and aligned to the broader values and objectives of the Company.

Grounded in the principle of being different but relevant, Mobitel is on course to making Sri Lanka a knowledge rich infocomm society and consequently subscribing to the national vision of making Sri Lanka a Knowledge Hub in Asia. In that journey, Mobitel, the National Mobile Service Operator, will deliver the full potential of global ICT technologies to Sri Lanka, but duly adapted to meet local conditions and realities whilst maintaining its integrity and credibility in 'Giving Life to Thought' within the ICT ecosystem of Sri Lanka.

SLT Property Management (Private) Limited



Within the first year of operation of the new subsidiary, formed to manage SLT owned properties, has now planned to start a few mega projects using the SLT properties which have been idling over the years.

Most of these projects are invested by local and foreign investors as joint venture projects and few of the projects will address the Group's own infrastructure requirement which will in turn reduce the operational expenditure of the Group.

With the implementation of these projects, SLT will become a highly diversified business conglomerate in highly profitable sectors such as leisure and hospitality and condominium and other real estate development. As a result, the Group assets value will be enhanced by several billions of Rupees along with the Group brand image.

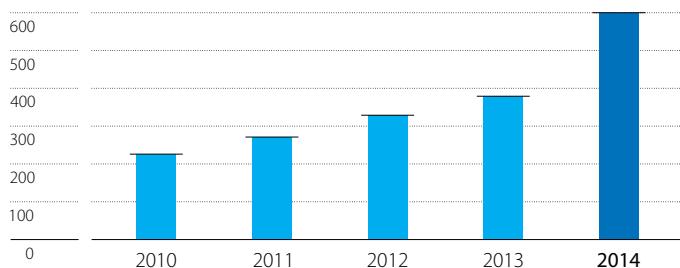
With the implementation of the business plan 2015, the subsidiary has embarked on a promising plan to bring revenue of Rs. 10 billion within next 3 years to the Group while contributing to Group's bottom line substantially.

Further to SLT own properties, SLT PML is planning to be involved in the development of third party properties and the facility management sector.

Sri Lanka Telecom (Services) Limited

Playing a crucial role in the ICT industry, Sri Lanka Telecom (Services) Limited has achieved 58% YoY revenue growth at the end of the year 2014. According to the Table 1.0, compared with the previous years achievements this is a remarkable growth of the Company. The secret behind its success was focusing on providing end-to-end networking and communications solutions to large Corporates and Government institutions.

Year to year revenue growth (Rs. million)



Some of our key accounts in year 2014 are Department of Census and Statistics, Hambantota Ruhunu Magampura International Port Project, Department of Inland Revenue, Hotel Canora, Eastern University, Lanka Sathosa and many more.

Further as shown in the graph below we have diversified our product portfolio into Enterprise network solutions, Enterprise communications, IT security solutions, Managed services, Business class mail service solutions (Biz Mail), Software solutions, Server solutions and branded computers, Trendnet network products and Surveillance systems.

Sri Lanka Telecom (Services) has won the No. 01 Kaspersky Corporate Partner Award at the Avian Corporate Partner Awards 2014 and NEC Premier Partner Award at the Award Ceremony held in Korea in 2014.

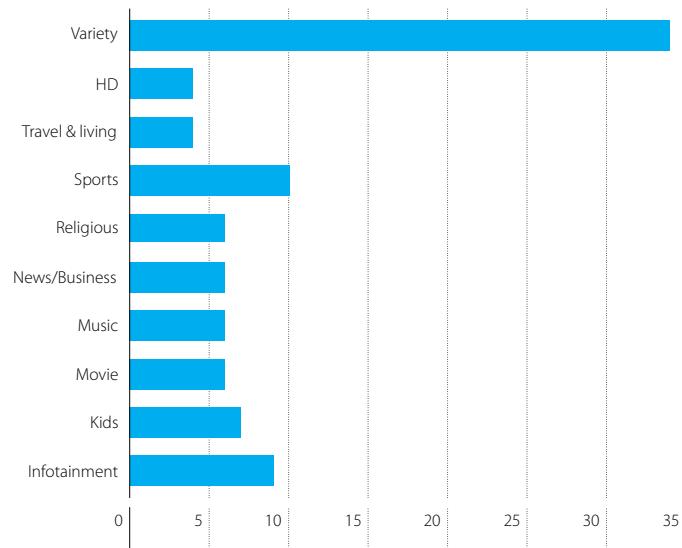
SLT VisionCom (Private) Limited

Subscriber growth

PEO TV

Subscriber base growth YoY	42%
Revenue growth YoY	24%

Channel composition (No. of channels)



New product development

Two new packages launched to cater Tamil-Speaking community- Added apprx 170 new movies and music videos, added to On Demand Library Event TV, a broadcasting solution to telecast live and recorded events at an economical price.

IP television system

Commissioned a state-of-art world class IP Television system with latest TV features. Going beyond from crystal clear image quality to delivery of full HD. Multi-layered, Content quality assurance capabilities with multiscreen capabilities i.e., mobile phone, personal tab, ipad, notebook etc.

SLT Publications (Private) Limited



Being the sole directory publishers to the nation, SLT Rainbow Pages continued to dominate the directory industry of Sri Lanka during the year 2014 too amidst heavy competition from digital and social media. The Company saw an overall growth in the year 2014.

SLT Rainbow Pages Western Province Directory – the flagship product of SLT Publications (Private) Limited – was published in the year with the successful achievement of the set revenue target and distribution of the same was carried out successfully.

Transformation to digital era with the development of a range of digital directory products took place in the year. This is a strategic move in keeping with the digital revolution occurring in the world, directed at addressing evolving needs of people and organisations. In parallel to this, promotion of the digital directory product range (web, mobile app, e-directory and directory CD) was started during the year with a view to generating new revenue for the company while raising public awareness of these cutting-edge platforms through which the general public can access the directory with ease.

Yet another significant achievement during the year was setting-up of the advertising and activation arm as part of the diversification strategy. Initially it focused on carrying out activation activities of the SLT Group and later to focus on other clients particularly SME sector. Accordingly, during the year, all the activations of the SLT Group were successfully carried out by the newly established advertising and activation arm, bringing remarkable savings to the Group.

Also value additions to the existing directory products occurred in the year. As such, the Rainbow Pages web portal was improved and revamped with many new features in order to best cater to the evolving needs of the general public as well as the advertisers. The Rainbow Pages mobile apps was also improved significantly.

During the year 2014, the Company earned a remarkable net profit before tax of Rs. 214 million and net profit after tax of Rs. 154 million.

SLT Human Capital Solutions (Private) Limited

SLT HCS Highlights of 2014

During the year, the Company initiated several new ventures under the five business pillars established along with the new vision 'To deliver consistently innovative human capital solutions that enable our clients to thrive in the changing world of business'.

Some of our Past Awards include:

- Obtained ISO 9001:2008 Certificate in year 2010.
- Obtained Asian Leadership Award for Best in Recruitment and Consulting in 2011 awarded by the Asian Confederation of Businesses and supported by the Stars of the Industry Group.
- Was conferred with The Asia's Best Employer Brand Award - award for 'Best HR Strategy in line with Business' at the 3rd Asia's Best Employer Brand Awards 2012.
- Was conferred with the Award for 'Excellence in HR through Technology' at Global HR Excellence Awards 2013.

The five business pillars that were initiated during 2014 were:

- HR outsourcing and shared services
- HR consultancies
- Education and training
- Assessment centre and people profiling
- HR IT solutions

HR outsourcing and shared services

We've provided HR outsourcing services to many prestigious clients outside the SLT group in various public and private sector industries.

The services include:

- Headhunting specialised talent and skills
- Executive search
- Employee outsourcing

We have also initiated our shared services arm under which we have the following segments:

- Sales services - under this arm our number one priority and commitment is to offer, at all times, a world class service which enables our customers to increase their business and reach sales targets. This team has been successfully performing the sales of IPTV, CDMA and ADSL as an external channel for SLT PLC and its subsidiaries.
- Technical services - This arm currently consists of a team of over 40 technicians providing services island-wide.
- Contact Centre services - our latest venture under shared services provides Contact Centre services to manage customer concerns and queries through multiple channels including voice, e-mail and chat on a 24/7 and 365 days basis including telemarketing services such as up selling and cross selling services

HR consultancies

Initiated with the aim of assisting clients with strategically integrating effective HR processes, programmes and practices for their daily operations, during the year the consultancy arm was able to provided consultancy services in areas such as industrial relations, HR operations, HR strategy and process development etc.

Education

The education arm of SLT HCS was able to reach great heights and initiated its own subsidiary under the SLT Group now incorporated as the 'SLT Campus (Private) Limited'.

SLT Campus (Private) Limited (SLTC) was formed in September 2014. SLTC is working towards achieving the status of a university in near future. SLTC focuses on producing trained employees for crucial and niche industries. More emphasis will be given to the technical requirements in producing a talent pool for different organisational verticals including engineers, technologists and technicians. The goal is to produce graduates who are readily employable from day one in the relevant sectors and are equipped with the necessary skills and right mind-set to perform optimally. SLTC also aims to offer study programmes at affordable prices. Strong industry-oriented focus along with practical expertise offered by SLT will certainly help SLTC to differentiate itself from other institutions that offer technical courses and degrees of similar nature in the country.



During the year, HCS was also able to sign a tri-partite memorandum of understanding together with the University Grants Commission and university of Colombo to offer modern degree programmes in the field of technology and engineering.

Assessment centre and people profiling

Initiated with the purpose of promoting a collection of exercises designed to examine the key competencies of the candidate.

During the year, we were able to Partner with - Thomas Assessments (Private) Limited, the Indian arm of a leading UK assessment and people profiling company which has been for over 30 years in the industry and conducted half million assessments annually in 60+ countries across 32,000+ clients.

Post our launch in August 2014 we have also held our own Thomas PPA Certification Programme for the first time in Sri Lanka.

HR IT solutions

Under this arm during the year for the first time we were able to market our in-house built HRIS system 'eMpower' which is a state-of-the-art web-based system designed to automate main HR-related functions of an organisation from recruitment to retirement.

We were also able to provide IT-based assessment services to leading companies.

Statistics

- By the end of year 2014, the number of personnel deployed under the Company totalled 2,935 which was a 17.8% increment from previous year.
- The total permanent employee count is 996 employees to date.
- The annual employee turnover rate was maintained at 8.97%.

Benefits

- The employee welfare society has contributed approximately 7 million Rupees for employees' welfare and benefits during 2014.
- School books and Items provided for employees' children between grades 1-13 took place for the 3rd consecutive year.
- The second house was built under the '*Sihina niwasa*' housing project at Haragama, Kandy during 2014.

Other

- HCS was also able to win the Men's Championship title at the Mercantile Volleyball Grand Finals in October 2014.

CSR

- During the year the Company initiated its first step towards lending a hand to develop the community education by providing several island wide training programmes for school leavers in order to develop their soft skills and ensure employability.
- The Company also took initiatives to provide donations to a rural school at Monaragala that was deprived of facilities.

Sky Network (Private) Limited

Performance overview

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

SLT 4G LTE implementation

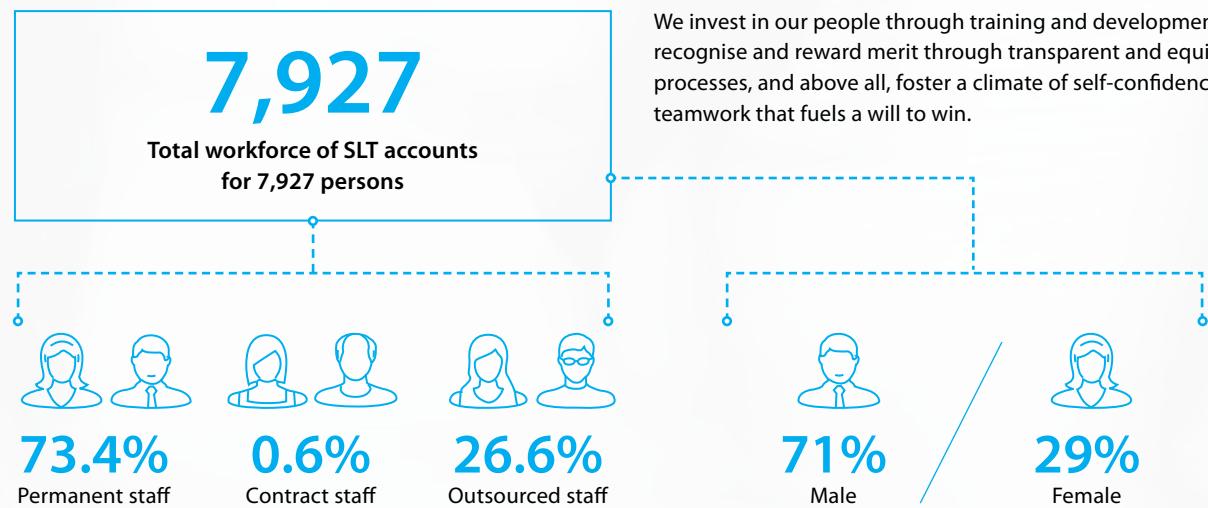
Responding proactively to SLT's plan to retain at least 75% of the fixed broadband market share in the country by end 2017 through the roll-out of complementary fixed broadband platforms, SLT's 4G LTE service was launched during the year 2014 by upgrading the 4G WiMAX network of Sky Networks (Private) Limited while a large scale 4G LTE deployment spanning over three years was moved off the ground by awarding the tender for the implementation. Under this large scale deployment more than 1,500 TD LTE base stations would be commissioned across the country up to end 2017.

SLT Wi-Fi project

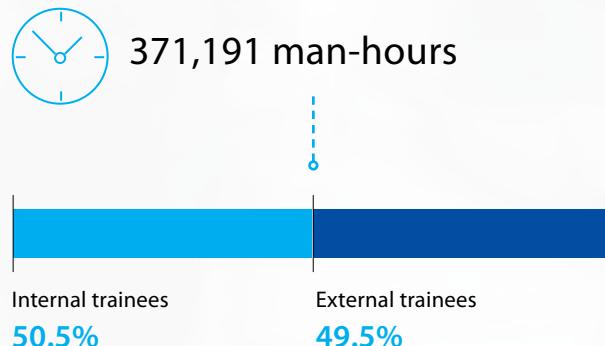
SLT's Carrier Grade Wi-Fi service was launched across 150 hotspots in the island during the year 2014. The project aims to enhance the overall attractiveness of the broadband product offering and capture a wider share of the market. Moreover, by facilitating seamless mobile offloading and roaming for 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. The Carrier Grade Wi-Fi roll-out would continue over the next few years, supplementing the projected fixed broadband growth planned up to 2017.

Development and management of human resources have been the key to our success

➤ 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. While emphasising 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.



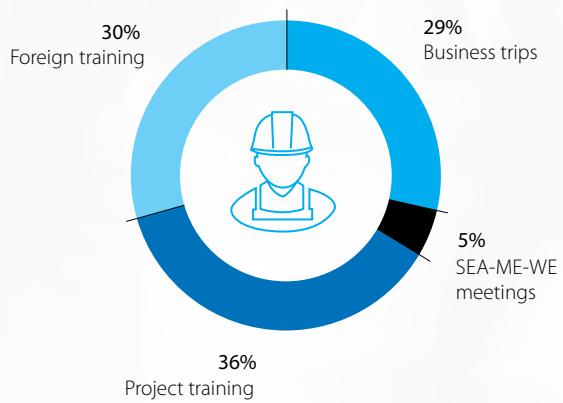
Total number of training hours



We invest in our people through training and development, recognise and reward merit through transparent and equitable processes, and above all, foster a climate of self-confidence and teamwork that fuels a will to win.



Foreign training



Staff who have undergone training abroad share the knowledge they have gained with other employees through presentations and reports, which are archived in the Company library for future reference.

Employees who have contributed in exceptional ways towards the Company's performance and business success are recognised by the presentation of a Transformers Award.

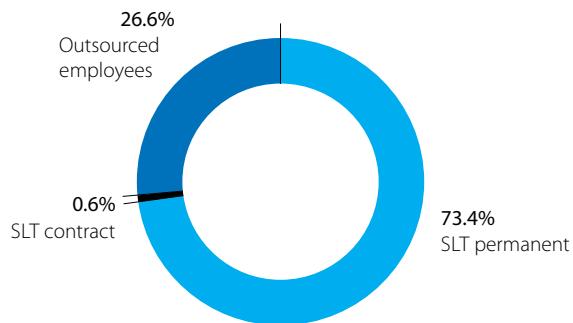
Review of human resources

Employee statistics

Total workforce by employment

Year	SLT permanent	SLT contract	Outsourced employees	Total
2010	6,202	89	1,661	7,952
2011	6,097	53	1,696	7,846
2012	5,991	55	1,857	7,903
2013	5,860	58	1,956	7,874
2014	5,777	45	2,105	7,927

Total workforce by employment - 2014

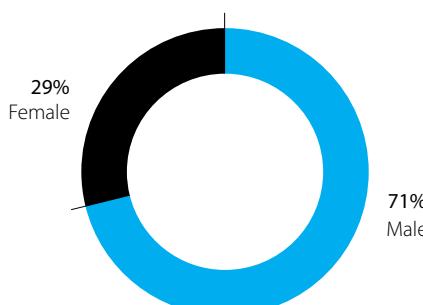


Total workforce by gender

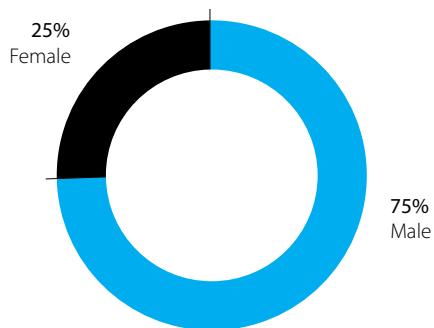
Category	Female	Male	Total
Senior management	13	64	77
Middle management	77	225	302
Executive	207	425	632
Non-executive	1,390	3,421	4,811
Total	1,687	4,135	5,822*

* Excluding outsourced employees

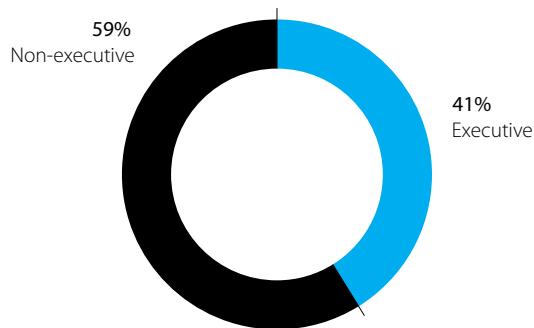
Total workforce by gender (permanent and contract)



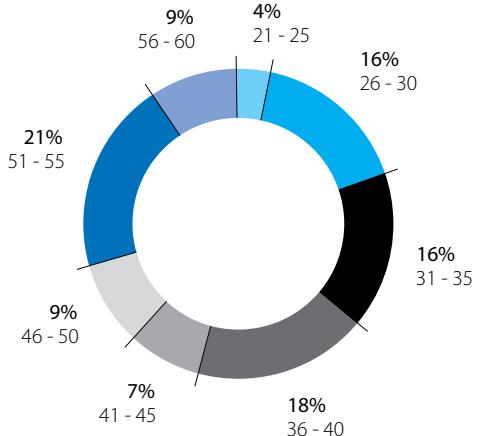
Employee turnover by gender



Recruitment by grade - 2014



Employee turnover by age group



Training and development



Recruitments

Year	Executive	Non-executive	Total recruits	Total employees	% from existing staff
2010	4	0	4	6,291	0.06
2011	5	1	6	6,150	0.10
2012	2	33	35	6,046	0.58
2013	2	5	7	5,918	0.12
2014	48	48	96	5,822	1.65
Total	61	87	148		

Responsibility for employee skills development at SLT lies with the Training and Development Division, which maintains four fully-equipped training schools where internal courses are conducted for employees in all areas related to company business. Each school has its own trainers with specialist knowledge in relevant areas, as well as other dedicated staff. More than 7,000 staff underwent training in the Company's schools during the year under review.

The training schedule is published quarterly on the Company intranet. Employees may select courses appropriate to their requirements. All courses include practical sessions, mainly related to technical areas, and IT courses for which employees may be nominated by their superior officers. SLT staff also follow external training courses and seminars, both in Sri Lanka and abroad. Their course and convention fees and other expenses are underwritten by the Company.

Training requirements for each employee are assessed from completed performance-appraisal forms, which also allow staff to request training in specific areas. Based on this, the division prepares an annual training plan. Our policy is never to turn down a sincere request for training.

In addition to internal staff training, the SLT Training Division also extends training and certification services to university students following relevant courses. SLT is accredited by the UK City & Guilds Institution and by the universities of Sri Lanka to provide such services.

Training Programmes in 2014

Programme	Achievement (No. of Staff)
Datacom, optical fibre, NGN, OSP & access technology-related training	923
Customer centricity, customer care, IT system-related training, etc.	4,662
ADSL, IPTV & backbone-related training	577
Training in competencies to modernise operational architecture	3,225

Training achievements in 2014

- Training gap analysis and monitoring conducted
- Staff assigned to compulsory annual training sessions
- Leadership training for senior/middle management and multi-skills training for other staff
- HR training for non-HR staff
- Finance training for non-finance staff
- Technical training for non-tech staff
- Internal training man-hours increased threefold (2013: 64,287; 2014: 190,540) and total training man-hours increased from 278,685 in 2013 to 371,191 in 2014.

Professional support

SLT will meet the fees and other costs of employees who wish to gain professional qualifications provided they meet certain conditions. The Company has sponsored staff members to qualify with such bodies as CIM, CIMA, IPM, PIM, ICASL, SLIM, ACCA and ICTA.

Exhibitions and conferences

a. Exhibitions

- INFOTEL 2014
- Deyata Kirula 2014 - Kuliapitiya
- Techno SL 2014 - Joint Principal Sponsor
- INFO V ICT Exhibition (Vishaka Vidyalaya) - Platinum Sponsor

b. Conferences

- National IT Conference (CSSL) - Strategic Partner
- CIMA Business Leaders' Summit 2014
- National HR Conference 2014
- CMA Annual Conference 2014
- 14th Annual Conference - CIM

Library facilities

Learning culture at SLT is promoted by well-equipped company libraries, which all employees may make use of. Collectively, libraries at SLT headquarters and training schools contain more than 30,000 books and periodicals. A weekly newsletter, distributed to all employees, advertises newly acquired materials. Employees are encouraged to suggest books to be considered for acquisition.

Staff recognition

Employees who have contributed in exceptional ways towards the company's performance and business success are recognised by the presentation of a Transformers Award. These awards are given in several categories, so that staff in all divisions and departments of the Company are eligible for them. In the year under review, a total of 110 SLT employees received such awards for their performance in 2013. The winners were honoured at a grand ceremony held at a prestigious Colombo last July, at which the Minister Telecommunications and Information Technology was the chief guest.

Knowledge culture at SLT

As a leading technology Company, SLT is heavily reliant on intellectual capital - to wit, the expert domain knowledge of employees who are specialists in one or other of the technical fields and academic disciplines relevant to our business.

The Company optimises its use of intellectual capital in many different ways. Among them are knowledge circles (KCs), teams comprising specialists brought together temporarily to address a particular problem; brainstorming; training sessions conducted by in-house specialists; and dissemination of important information on the company intranet.

Knowledge circles and problem-solving

Over the years, SLT has developed the concept of 'knowledge circles' in which relevant expertise is brought collectively to bear on the resolution of (usually technical) problems. When an issue is identified, a KC comprising several hand-picked members and headed by a Divisional General Manager is appointed to study the issue and propose recommendations to resolve it. Team members are drawn from all departments and seniority grades. When the problem has been dealt with, the KC is dissolved, but team members may also remain as part of a larger, cross-functional Knowledge Team headed by the Chief Corporate Officer, who is also Head of Knowledge Management (KM).

KC recommendations and proposals are forwarded to senior management for approval, although in emergencies action may go forward pending approval. Proposals are also recorded in the KM log for future reference. The implementation of KC recommendations is monitored and evaluated to determine their success, cost-effectiveness and other factors.

Market research

SLT carries out regular market research studies to elicit information on customer behaviour and attitudes, brand health and customer satisfaction. Findings from these studies are shared with senior management and relevant users by way of presentations and access to a web portal where study reports are stored.

Internal knowledge-sharing

Better knowledge-sharing was an important corporate goal in 2014. As befits a telecoms group, we see knowledge-sharing as 'better connectivity between minds'. This metaphor illustrates the importance of ICT as a facilitator of knowledge-sharing. The gathering and exchange of ideas and information from the Web and elsewhere through social networking, micro-messaging and blogging is a vital part of SLT's knowledge culture.

The Company holds regular interactive sessions at which knowledge pertinent to business functions and issues is shared. *Ad hoc* brainstorming sessions with multidisciplinary participation are consciously facilitated and encouraged. Storytelling sessions are held to share pertinent experiences. All these sessions are minuted and the records filed for future reference.

More formal knowledge-sharing sessions are conducted by the Training Division: typically, these deal with technology, managerial soft skills, employee well-being and workplace safety. Engineers and other experts voluntarily conduct sessions for staff on new technologies and their implementation. Other subjects are covered by HR personnel and other relevant experts, typically at interactive workshops held during working hours to encourage participation. The success of this approach is evident from the number of voluntary participants at these workshops, which often have to be repeated to meet demand.

Staff who have undergone training abroad are obliged to share the knowledge they have gained with other employees through presentations and reports, which are archived in the Company library for future reference.

All SLT employees are encouraged to apply their knowledge to the preparation of the annual Business Plan. All suggestions are analysed and considered. 'Lessons learned' logs are also closely studied by the planners and decision-makers who set strategic direction for the year. Such logs are maintained by all divisions of SLT; their subject-matter covers all business and operational areas.

Company intranet

An organisation-wide intranet facilitates communication and supports the sharing of corporate decisions and other memoranda, ideas, business information, emails, etc. among employees at all divisions of SLT. Its contents include:

- a common document portal containing forms, document templates, editorial guidelines, terms of reference, policy documents, manuals, handbooks, circulars and guides to Company processes and procedures
- a quick guide to products and services
- corporate brand guide
- project management
- programme management
- sales workouts

Emails are categorised as 'info', 'circular' or 'social' for easier reference.

Internal publications

Knowledge-sharing is also promoted by the publication and circulation of internal periodicals and newsletters featuring technological content, new industry developments and Group and Company news. Quarterly industry-information bulletins are compiled and circulated among senior managers. These publications are circulated and stored in electronic form, though hard-copy versions are often available. Managers are encouraged to submit comments and concurrences on the information provided.

Industry trends and competitor activity are monitored and captured via media reports and advertisements. These, too, are circulated among all employees in the form of daily email bulletins.

SLT's monthly in-house journal, *Amathuma*, is circulated to all employees. It carries business and company news in a trilingual format.

Knowledge-sharing with customers, suppliers and partners

Knowledge shared between SLT and important stakeholders is a key element in our growth and success.

Knowledge shared with customers is primarily technology-, product- and service-oriented. Conversely, SLT seeks to learn from customer experience. Customer day-visits are carried out by senior SLT managers to obtain feedback of customers, and customer forums are conducted as part of our marketing-communications effort.

In addition, there are a number of other channels by means of which we share knowledge with our customers in a two-way process.

For enterprise customers, these channels include:

- Account managers who share information with their customers on solutions, services and on technological developments, using brochures and information CDs

- Customer forums and events hosted by SLT
- Business publications
- Our corporate website

Knowledge is shared with SME customers through:

- Regionally-appointed provincial sales managers
- Indirectly through the National Chamber of Commerce and its affiliated bodies
- SME forums hosted at provincial level
- The business press and magazines
- SLT's corporate website
- Social media

Residential customers are not neglected. SLT shares knowledge with them through:

- Above-the-line media such as TV, press, radio, magazines and outdoor
- Social media, digital advertising, e-flyers, brochures/leaflets
- Our corporate website
- Door-to-door sales campaigns

Improved operational efficiency is the prime object of knowledge-sharing with suppliers. They, too, are visited by senior SLT managers. Pertinent issues are discussed and knowledge shared at these meetings. Other supplier knowledge-sharing channels include:

- Personal visits by regionally-appointed provincial sales managers
- Direct communications such as emails and flyers

The media and general public are reached through:

- Press conferences and briefings on major product launches and financial performance updates
- Press kits with information on corporate decisions, events and product information
- Our corporate website

SLT also shares pertinent information with its advertising and communications agents through annual marketing presentations, briefs for advertising and promotional activities, etc.

Fostering innovation

Commencing in April 2013, we launched a 'Culture Change' programme to foster the generation and propagation of innovative, workable ideas to improve our technological and service offerings and to build business. Suggestion boxes were placed in SLT offices, facilities and other buildings and employees were requested to submit their ideas. A dedicated web portal, 'Quick Wins' was also set up for this purpose, with a specially-designed submission form and process. A dedicated team analyses each idea, and those considered viable are forwarded to the relevant Chief Officer for possible implementation. Meanwhile, the idea itself is recorded for future reference and use.

Staff members whose ideas are selected for implementation receive Company recognition and financial rewards. The selected 'quick win' is circulated by email in all three languages. In the year under review, 33 'quick wins' were recognised.

Grievance-handling procedure

A grievance is a complaint regarding a violation or a misinterpretation of the rules or procedures of the Company, or any unfair treatment.

The objects of the SLT grievance-handling procedure are as follows:

1. Establish a formal forum for the hearing and settlement of grievances.
2. Build trust and rapport between management and employees.
3. Improve workplace co-operation.

Any staff member with a grievance may take up the matter personally or through his or her trade union representative. The matter should be reported orally or in writing to the employees' Head of Division within a stipulated period. If a satisfactory resolution is not obtained or if there is any delay in obtaining relief, the employee may then appeal in writing to the relevant Chief Officer, who will take steps to resolve the grievance or refer the matter to the Human Resources Group.

Any employee not satisfied with the relief granted by the Chief Officer may also appeal further in writing to the Human Resources Group. In the latter case, the Chief Officer (HR & Legal) or his representative may take steps to resolve the grievance or may refer it to a Committee comprising himself, the Head of Division (Employee Relations) or Manager (Employee Relations) and another senior member of the management team. Beyond this, further appeal may be made to the Chief Executive Officer, whose determination is final and binding.

Performance-related grievances

Employees may also report and seek action on performance-related issues, such as inappropriate or unrealistic goals or targets, unfair evaluation by the supervisor or lack of transparency in evaluation, or violation of the Company's performance-management guidelines.

Grievance handling committee

The Grievance Handling Committee consists of the following officers:

- The Chief HR Officer
- The Relevant Chief Officer or representative
- The DGM Performance Management
- The DGM - Employee relations & Benefit management

Health and safety policy

SLT is determined to provide a safe and healthy working environment for every employee, even as we seek to increase productivity by preventing or controlling industrial accidents, occupational diseases, etc.

Health and safety goals

1. Build a safety culture among SLT employees
2. Create safety standards and values at SLT
3. Raise awareness of Health and safety issues
4. Minimise occupational accidents and diseases
5. Improve productivity, efficiency and performance of SLT employees

Specific health and safety objectives

1. Provide safe plant, machinery, equipment, systems of work and working conditions.
2. Ensure compliance with relevant statutory and regulatory requirements.
3. Draw up and establish practices, procedures, information, instructions, training and supervision to employees, contractors, customers and visitors to ensure their safety.
4. Encourage all employees and employee representatives to share ownership and accountability for H&S.
5. Manage work-related injuries and illness within the framework of SLT's values and maximise person-hours at work.

Whistle-blowing

The Company encourages employees who have concerns about suspected misconduct or a breach of laws and regulations that may adversely affect the Company to come forward and express their concerns without fear of punishment or unfair treatment. It is also company policy to address any complaint of attempted or actual interference, reprisal, retaliation, threat, coercion or intimidation against employees who report, disclose or investigate improper or illegal activities and to protect those who come forward. Reports to management may be made anonymously if desired.

The existence of a distinct whistle-blower policy does not affect or alter Company policies and procedures for handling employee grievances or complaints relating to job performance, terms and conditions of employment, disciplinary matters and sexual harassment, all of which fall under the purview of the Human Resources Department.

Whistle-blowing committee

A seven-member Whistle-blowing committee addresses every complaint. Its members include the relevant Chief Officer, who, however, has no voting power. Meetings are called when and where necessary depending on the cases referred to the committee. The Committee Secretary submits its reports at every Audit committee meeting. The report covers, in summary, all allegations received by the Company, progress on the cases referred to therein, investigation results, root causes, action taken, etc.



We always seek to facilitate a dynamic, knowledge-rich society



Our belief is that being socially responsible directly impacts the long-term sustainability of our business

Our approach to Corporate Social Responsibility is to use our proficiency, technology and partnerships in creating positive impacts to society, whilst also growing our business.

- ICT network and infrastructure for the *Nenasala* Knowledge Centres
- Customised, affordable broadband products and enhanced e-learning for university students
- Single voice and data network connecting all police stations in the country
- Super platinum sponsor for the setting up of a Trauma Unit at the Batticaloa Teaching Hospital



over 1.3 million books distributed

Book Distribution Programme – Since 2003 to date, over 1.3 million books have been distributed; over 120,000 books every year.

- External tertiary level courses for young people pursuing careers in telecommunications
- *Sisu-connect* - Enables children and parents stay in touch easily

over 33,000 children benefited from child protection campaign programmes

SLT Child Protection Campaign – Programmes at 104 schools covering 33,159 children across the country.

Corporate citizenship

Helping build the knowledge society

Committed to the transformation of Sri Lanka into an information society, empowered by the interconnected world, Sri Lanka Telecom works in many ways to help citizens acquire and share knowledge from many sources, including one another and to apply that knowledge usefully in their lives and enterprises.

At grassroots level, SLT provides the ICT network and infrastructure connecting Nenasala knowledge centres around the country. Nenasala, which means Hall of Wisdom, is a Government telecentre project developed under the e-Sri Lanka Initiative and implemented by ICTA. These centres enable rural Sri Lankans to use internet-based knowledge and services to rise out of poverty, develop culture and commerce and sustain peace.

SLT also facilitates interconnectivity among the country's universities and research organisations for the benefit of academics, students and others. Research papers and other publications are made available online and SLT provides Sri Lankan university students with customised, affordable broadband products and enhanced e-learning facilities. Interconnectivity among centres of higher learning and research also facilitates the formation of academic and professional networks.

Public security too, is promoted by knowledge-sharing. This is another area in which SLT is closely involved. In the year under review, we entered into a contract with the Police Department to link all police stations in the country in a single voice and data network.

Going beyond these contributions, which form part and parcel of our business operations, SLT has made a commitment to help Sri Lankans and others gain understanding of our country's unique natural and cultural heritage with a view to sharing these riches and help preserve them for the future. This we do through the publication of corporate communication materials and other items that present nature, culture and arts of Sri Lanka for the edification of various stakeholder groups, including corporate clients, opinion leaders, tourists and media. The areas selected are always with immense national importance where preservation is required.



Preserving heritage for tomorrow

One popular vehicle for this initiative is the annual SLT calendar, which is distributed across the country. Themes are selected for their currency and appropriateness; after one is decided upon, content and images are commissioned from appropriate subject experts and creative contributors. The far-reaching appeal of the SLT calendar has made it popular with academics, artists, nature lovers, students and the general public. The theme for our 2014 calendar was 'Medicinal Plants of Sri Lanka'.

Spreading the wealth of knowledge

As a corporate-citizenship initiative, SLT runs a book-distribution programme for needy communities around the country in collaboration with the Asia Foundation. The programme has been in operation since 2003, with over 120,000 books distributed every year. In total, some 1.3 million books have been distributed to date.

Training and certification for ICT students

In addition to training SLT employees, the Group Training Centre also conducts external tertiary-level courses for young people looking to pursue careers in telecommunications. Following these courses, students may qualify for a City and Guilds Diploma in Telecommunications or an Edexcel/BTEC Higher National Diploma. In 2014, a total of 1,196 students attended these courses completing 180,651 training hours and one of our students, Samith Rajapaksha, became the first student from Asia to win the City & Guilds 'International Learner of the Year' award (see 'Awards & Accolades', page 83).

SLT currently operates four fully equipped training centres, respectively located at Welisara, Moratuwa, Peradeniya and Galle. In addition to fully-equipped training facilities and modern laboratories, each centre also provides residential and recreational facilities to students. Small class sizes with comprehensive course materials provided, together with course fees that deliver value for money, make our courses appealing to students of all ages. Lectures are conducted by a panel of highly experienced and talented SLT engineers.

Sisu-connect and child protection

SLT is also committed to help protect the children of Sri Lanka from various forms of abuse through a series of interlinked activities and programmes. At the core of this effort is *sisu-connect*, a virtual telephone platform that enables children and their parents to stay in touch easily and affordably when the child is away at school or attending a tuition class. *Sisu-connect* is a joint project of the Ministry of Education, the Ministry of Telecommunications & Information Technology and Sri Lanka Telecom.

Sri Lanka Telecom works in many ways to help citizens acquire and share knowledge from many sources, including one another and to apply that knowledge usefully in their lives and enterprises.



In collaboration with National Child Protection Authority SLT sponsors the lectures and workshops on child protection for children and school teachers. These activities are conducted by employees from SLT offices all over the island who volunteer for this work. By the end of the year, nearly 33,159 students in 104 schools across the island had been educated about the dangers of child abuse, how to avoid immoral influences and how to identify and report abuse cases.

Charity projects

Supporting the establishment of the national trauma service in Batticaloa as the Super Platinum Sponsor for the Batticaloa Teaching Hospital project initiated by The Foundation Supporting A National Trauma Service in Sri Lanka (Project BEAP).

Donation of books to libraries in Cancer Hospital Maharagama - In keeping with the true spirit of the *Wesak* season, books were donated to set up 21 libraries at the Cancer Hospital wards. Employees volunteered books for donation and 1,500 books were donated to the hospital. Books donated covered varying subjects including spiritual books, story books and novels, children's books as well as educational books to suit the reading preferences of children, youth, adults and senior citizens who receive treatment at the hospital.

Other CSR activities

ICT awareness programme for young people, Anuradhapura

In collaboration with the Regional Chamber of Commerce, Anuradhapura, SLT conducted an awareness workshop at

Anuradhapura recently in an effort to enhance ICT literacy levels. The workshop was conducted for the children of the Company's small and medium-sized enterprise customers in the area. The workshop was a success, with an attendance of nearly hundred children of SME. The programme included presentations on ICT for business, connectivity solutions and cloud computing and included live demonstrations of products for the SME sector such as internet services, new-technology devices, cloud computing solutions and surveillance camera systems.

SLT child protection CSR campaign (regional awareness programme)

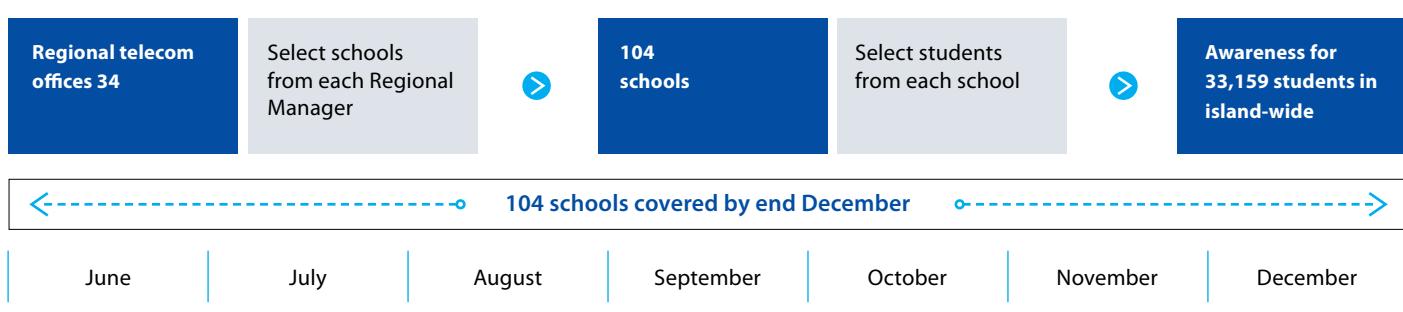
Objectives

- Protect children from all forms of abuse.
- Encourage and promote a safe environment for children.
- Educate children to avoid unethical influences.
- Emphasize community responsibility for preventing child abuse.

Achievements in 2014

- Awareness programmes at 104 schools, covering 33,159 children.

A total of a little over Rs. 1 million contribution of SLT staff vouchers was spent on the programme in the year under review. Our regional offices in Galle and Gampaha were the most active; each conducted a total nine school programmes the former reaching 5,000 students and the latter, 1,853. Our Chilaw, Kandy and Batticaloa Regional Offices each conducted six or more programmes.

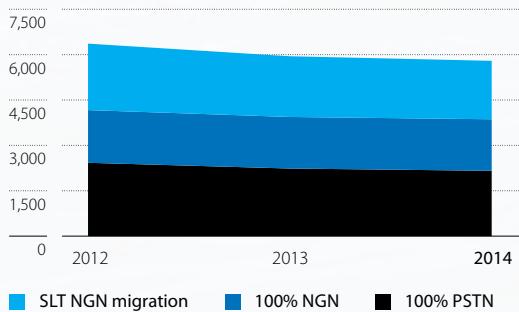


As a responsible corporate citizen we have taken many steps to mitigate the damage to the environment

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



Electricity consumption (MWh)



SLT has always promoted the use of energy efficient technologies and the application of best practices for energy management at all levels of the business.





Environmental protection

SLT strives to be a good environmental citizen, taking measures to reduce pollution and waste generated by its operations to the fullest possible extent. The following tables give the Company's resource consumption and emissions figures for the year under review and the two years preceding:

Electricity consumption (MWh)

	2012	2013	2014
100% PSTN	2,437.50	2,219.50	2,146.50
100% NGN	1,725.50	1,725.50	1,725.50
SLT NGN Migration	2,219.50	2,001.50	1,934.70

Electricity cost (Rs. million)

	2012	2013	2014
100% PSTN	55.18	50.18	47.20
100% NGN	38.88	38.88	38.88
SLT NGN Migration	50.18	45.18	42.60

Fossil fuels (Barrels)

	2012	2013	2014
100% PSTN	1,460.87	1,334.27	1,272.10
100% NGN	1,047.87	1,047.87	1,047.87
SLT NGN Migration	1,334.27	1,207.67	1,148.10

CO₂ emissions (Tons)

	2012	2013	2014
100% PSTN	669.23	612.23	587.85
100% NGN	484.23	484.23	484.23
SLT NGN Migration	612.23	555.23	530.60

Awards and accolades

The year under review was one in which SLT received a large number of awards and accolades from various industry and professional bodies. These awards celebrated our achievements in a variety of different fields, from all-round business excellence to energy efficiency to annual reporting.

Sri Lanka Telecom



National Quality Award 2014.



Gold Award in
Telecommunications
category at ICASL Annual Report
Awards 2013 for the eighth
consecutive year.



Gold Award in the
Communication and Information
Technology category at the
prestigious SAFA Awards for the
seventh consecutive year.



'Best overall stall,' 'best display'
and 'most innovative product
display' Awards at Infotel
Awards 2014.



BestWeb (www.slt.lk) 2014:
overall Silver and Gold Awards,
Corporate, Banking, Finance and
Insurance at the BestWeb.lk
2014 Awards.



Best Corporate Citizen
Award 2014.



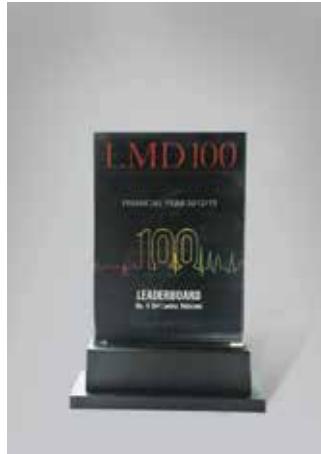
Ranked by 'Business Today'
among the top ten companies in
the country.



Award for Brand Excellence,
Telecom Services Sector, Global
Brand Excellence Awards 2014.



Award for best use of Social Media



Ranked by LMD among top ten companies in the country

- Silver Award at First National Business Excellence Summit, 2014 for quality and performance monitoring software development.
- Quality Management System received ISO 9001:2008 certification by SLSI.
- Certificate of Merit at 2014 National Energy Efficiency and Renewable Energy Awards.
- Recognition for commitment to environmental protection by Central Environmental Authority.
- Merit Award at National Project Management Excellence Awards organised by Project Management Institute.
- SLT Contact Centre's Continuous Improvement team won the Gold Award at the International Convention of Quality Control Circles 2014.
- Certified Knowledge Management Organisation 2014.

HR

- Winner of 2014 Mercantile Athletics Championships obtaining the highest ever number of medals. The SLT Team secured a total of 495 marks by winning 44 Gold, 41 Silver and 36 Bronze medals while keeping almost double the lead in marks from the first runner-up who secured 245 marks.

SLT student receives City & Guilds 'International Learner of the Year' Award

The Company received indirect recognition of the quality for its technical education when Mr. Samith Rajapaksha, a student pursuing a Technician Diploma in Telecommunication Systems from the City & Guilds Institute at the SLT Training Centre, became the first Asian ever to win the Institute's International Learner of the Year Award.

Mr. Rajapaksha also received the Institute's Medal for Excellence in the Telecommunication Systems category. Both awards were conferred on him at a ceremony held at the Roundhouse Theatre in London, England.

The C&G Medal for Excellence recognises the achievements of learners, lecturers and trainers who have achieved results by producing exceptional work - going above and beyond what is expected to achieve their goals. Mr. Rajapaksha survived a highly competitive evaluation process among more than 2.5 million candidates from 80 countries around the world to win his medal, for which he was nominated by Mr. T.S. Bandaranayake, one of his lecturers at the SLT Training Centre.

SLT Training Centre students also won C&G Medals for Excellence in 2011 and 2013.

Mobitel



Gold Award (Infrastructure and Utilities) and Silver Award for 'excellence in local market reach' at the National Business Awards, 2014.



Two Gold Awards at the Techno Sri Lanka Awards, 2014: 'best demonstration' and 'product with the highest social impact'.



- 'Best 5S Implementation in the Telecommunications Sector (Large)' and Taiki Akimoto 5S Award the Japan-Sri Lanka Technical and Cultural Association (JASTECA) Awards, 2014.
- Best Project Award, National Project Management Excellence Awards, 2014.

Three Awards at the eSwabhimani Awards, 2014: best m-content application (Doc Call), best m-health product (mChannelling), science and technology Award (iCard).

The financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASSs) issued by the Institute of Chartered Accountants of Sri Lanka

Financial reports 2014



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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 2014 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. Since the expiration of the management agreement with NTT, no management agreement had been entered into by 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, Wimax 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 the 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 Publications (Private) Limited	Directory information and publication services
SLT Human Capital Solutions (Private) Limited	Workforce solutions
SLT VisionCom (Private) Limited	IPTV support services
Sky Network (Private) Limited	Wireless broadband operations
SLT Property Management (Private) Limited	Property management
SLT Campus (Private) Limited	Higher education services of ICT and business management

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 during 2014 were:

Name of Director	Position	Date of appointment	Date of re-election
Mr. Nimal Welgama	Chairman	20.05.2010	28.03.2011
Mr. Chan Chee Beng	Director	05.06.2008	09.04.2014
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	09.04.2014
Ms. Pushpa Wellappillai	Director	28.06.2012	24.04.2013
Ms. Lai Choon Foong	Director	09.05.2014	

The following Directors resigned from the Directorate subsequent to the financial year:

Name of Director	Position	Date of resignation
Mr. Nimal Welgama	Chairman	22.01.2015
Mr. Jayantha Dharmadasa	Director	16.01.2015
Mr. Shameendra Rajapaksa	Director	09.01.2015
Mr. Kalinga Indatissa	Director	23.01.2015
Ms. Pushpa Wellappilli	Director	21.01.2015

The following Directors were appointed to the Board to fill the casual vacancies that arose due to the above resignations:

Name of Director	Position	Date of appointment
Mr. P. G. Kumarasinghe Sirisena	Chairman	23.01.2015
Mr. Krishantha Cooray	Director	03.02.2015
Ms. Nilanthi Pieris	Director	03.02.2015
Ms. G. D. Chandra Ekanayake	Director	03.02.2015
Mr. Firdouse Farook	Director	03.02.2015

4. Directors appointment 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, in compliance with the Articles of Association of the Company.

All Directors appointed to fill casual vacancies arising from the resignation of the Directors abovementioned, will be proposed for re-election this year, at the forthcoming AGM in accordance with the Company's Articles of Association. In addition, Mr. Jeffrey Jay Blatt who, being subject to retirement by rotation, has been longest in office since his last election, will offer himself for re-election.

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

The entities in which the Directors of the Company hold directorships in other entities are disclosed in page 91 as an annexure. The transactions of the Company with the Directors and with these entities (if any) are disclosed in Note 33.2.

7. Related party transactions

The details are given in Note 33 in the notes to the financial statements on page 144 to 147.

The audit committee has reviewed them in compliance with the Code of Best Practices on Related Party Transactions adopted by the Securities and Exchange Commission of Sri Lanka and made recommendation to the Board that transactions with related parties are recurrent, of revenue and trading nature, which is necessary for the day-to-day operations of the Company.

8. Remuneration and other benefits of Directors

The remuneration and other benefits of the Directors are given in Note 7 to the financial statements on page 120.

9. Share capital

Details of the Company's share capital are set out in Note 29 to the financial statements. The issued share capital of the Company as at 31 December 2014 was 1,804,860,000 ordinary shares. The rights and obligations attached to these shares are governed by Common Law and the Company's Articles of Association.

As per the share register, the following shareholders held more than 5% of the 1,804,860,000 ordinary shares in issue as at 31 December 2014:

Secretary to the Treasury (Government of Sri Lanka)	49.50%
Global Telecommunications Holdings N.V. of Netherlands	44.98%
Shares held by the public (12,205 shareholders)	5.52%
	100.00%

Voting rights

Ordinary shareholders are entitled to receive notice and to attend and speak at any general meetings 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 93. Our significant accounting policies are set out on pages 103 to 117 of the financial statements and conform with IFRS as adopted in Sri Lanka as SLFRSs.

These policies and applicable estimation techniques, have been reviewed by the Directors who have confirmed them to be appropriate for the preparation of the 2014 financial statements.

So far as 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 Lankan Rupees million, unless otherwise stated.

11. Financial results income

The total income for 2013 and 2014 were as follows:

	2014		2013	
	Group Rs. million	Company Rs. million	Group Rs. million	Company Rs. million
Operating revenue	65,040	38,950	60,144	36,781
Operating costs	(46,268)	(29,559)	(41,218)	(26,821)

Details are given in the income statement of the financial statements.

12. Profit

	2014		2013	
	Group Rs. million	Company Rs. million	Group Rs. million	Company Rs. million
Profit before tax	8,251	4,859	7,365	5,014
Profit after tax	6,001	3,324	5,419	3,635

13. Dividends

The Board of Directors of the company has declared a first and final dividend of Rs. 0.89 per share for the financial year ended 31 December 2014 at a meeting held on 27 February 2015. As required by Section 56 (2) of the Companies Act No. 07 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. 07 of 2007 and have obtained a certificate from the auditors, prior to approving the first and final dividend of Rs. 0.89 per share for this year. The first and final dividend will be paid on 22 May 2015 to those shareholders on the register as at 14 May 2015.

14. Reserves

Total Reserves of the Company stood at Rs. 58,577 million as at 31 December 2014, details of which are given in the Statement of Changes in Equity on pages 100 and 101 of the Annual Report.

15. 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.

16. Independent auditors' report

The independent auditors' report is set out on page 97.

17. Changes in accounting policies

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

18. Property, plant & equipment

The movements in property, plant & equipment during the year are set out in Note 13 to the financial statements. Current status of value of properties is disclosed in Page 125 to 127.

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

19. Amounts payable to the firm holding office as an auditor

The remuneration payable by the Company to the independent auditors is given in Note 7 to the financial statements on page 120.

20. 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.

21. 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 on page 99 covering contingent liabilities. The tax position of the company is disclosed on page 123.

22. 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.

23. Donations

During the year the Directors had approved donations amounting to Rs. 50,000/- for charitable purposes (2013 - Rs. 850,000/-). The amount includes contributions on account of Corporate Social Responsibility (CSR) initiatives as well.

24. Employment policies

SLT 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.

The average number of employees in the Group during the period is given in Note 7.1 to the Group financial statements on page 120. Group companies operate within a framework of HR policies, practices and regulations appropriate to their market sector and country of operation. 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 number of persons employed by SLT as at 31 December 2014 disclosed in page 70 and 71.

25. 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 77 to 79 of this report.

26. Events after the reporting date

No event had occurred since the reporting date and the approval of these financial statements, which would require adjustments to, or disclosure in, these financial statements.

27. Appointment of auditors

The Company's auditor, KPMG has indicated its willingness to continue in office and a resolution 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.

KPMG has been SLT's auditors since 2009. The 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 auditors.

The audit committee has recommended their re-appointment to the Board.

28. Going concern

The Performance Section on pages 98 to 102 includes information on our financial results, financial outlook, cash flow, loans and borrowings and financial position. Notes 4, 17, 21 and 22 of the financial statements include information on the financial risk management objectives and exposures to interest, foreign exchange, credit, liquidity and market risks. Group's investments, cash and cash equivalents, borrowings. The Directors are satisfied that the 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.

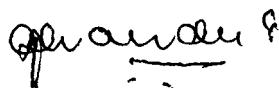
29. Annual General Meeting

The Company's AGM will be held at 10.00 am on Wednesday, 13 May 2015 at Kings' Court, Cinnamon Lakeside Hotel Colombo, No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. 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



P. G. Kumarasinghe Sirisena
Chairman



G. D. Chandra Ekanayake
Director



Mahesh Athukorale
Company Secretary

27 February 2015
Colombo

Annexure

SLT Group Directors and their directorships in other companies are as follows:

Director	Company	Relationship
Mr. Nimal Welgama	Mobitel (Private) 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 Property Management (Private) Limited	Chairman/Director
	SLT Campus (Private) Limited	Chairman/Director
	Upali Group of Companies	CEO
Mr. Chan Chee Beng	Monetary Board of the Central Bank of Sri Lanka	Member
	Maxis Berhad, Malaysia	Director/CEO
	Aircel Limited	Director
	Aircel Cellular Limited	Director
	Mobitel (Private) Limited	Director
	SLT Property Management (Private) Limited	Director
	SLT Campus (Private) Limited	Director
	Usaha Tegas Sdn Bhd	Director
	Global Telecommunication Holding NV	Director
	Maxis Communications Berhad	Director
	Maxis Mobile 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
Mr. Jeffrey Jay Blatt	South Asia Communications (Private) Limited	Director
	PT Axis Telekom Indonesia	Commissioner
	PT Maxis Communications	Commissioner
	Maxis Broadband Sdn Bhd	Director
	SLT VisionCom (Private) Limited	Director
Mr. Shameendra Rajapaksa	SLT Publications (Private) Limited	Director
	SLT Property Management (Private) Limited	Director
	SLT Human Capital Solutions (Private) Limited	Director
	SLT Campus (Private) Limited	Director
	SriLankan Airlines Limited	Director

Director	Company	Relationship
Mr. Jayantha Dharmadasa	SLT VisionCom (Private) Limited	Director
	SLT Human Capital Solutions (Private) Limited	Director
	Nawaloka Hospitals PLC	Chairman
	Nawaloka Holdings (Private) Limited	Chairman
	New Ashford International (Private) Limited	Chairman
	Sasiri Polysacks (Private) Limited	Chairman
	Nawaloka Group of Companies (Private) Limited	Chairman
	Concord Venture Export Lanka (Private) Limited	Chairman
	Nawaloka Metropolis Chemicals Laboratories (Private) Limited	Chairman
	Nawaloka Medical Centre (Private) Limited	Chairman
	Nawaloka Polysacks Sharjah Ceyoka (Private) Limited	Chairman
	Nawaloka Trading (Private) Ltd	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 Campus (Private) Limited	Director
	SLT Property Management (Private) Limited	Director
Mrs. S. Pushpa Wellappili	Ministry of Finance and Planning	Deputy Secretary to the Treasury
Mr. Lawrence Paratz	Mobitel (Private) Limited	Director
	Sky Network (Private) Limited	Director
	SLT Property Management (Private) Limited	Director
	SLT Campus (Private) Limited	Director
	Maxis Communication Berhad	Director
	Vemet (Private) Limited	Director
	Real Thing Entertainment (Pty) Ltd.	Director
	Razorback (Pty) Ltd.	Director
Ms. Lai Choon Foong	Mobitel (Private) Limited	Director

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 97.

The financial statements comprise of:

- Statement of profit or loss and other comprehensive income, which present a true and fair view of the profit and loss of the Company and the Group for the financial year; and
- Statement of Financial Position, which present a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and which comply with the requirements of the Act.

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 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 32 to the financial statements covering contingent liabilities.

By Order of the Board
Sri Lanka Telecom PLC



Mahesh Athukorale
Company Secretary

27 February 2015
Colombo

Audit committee report

Role

We are pleased to present our Report for the financial year ended 31 December 2014.

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

- determining the nature and extent of the significant risks it is willing to accept in achieving the Group's strategic objectives (the Board's risk appetite); and
- ensuring that management implement effective systems of internal controls, risk identification, assessment and mitigation.

The Directors have delegated that responsibility to the audit committee to assist the Board with regard to the roles and responsibilities as set out in 1.3 below of this Report.

Following a detailed review of our risk management structures and resources in and changes introduced to the Group's risk management framework, the Board agreed to delegate the risk management responsibilities to a separate sub-committee comprising Independent Non-Executive Directors in an attempt to strengthen the risk management process.

1.1 Terms of reference and internal audit charter

The audit committee has adopted a formal terms of reference and internal audit charter approved by the Board of Directors. The committee has conducted its affairs in compliance with this term of reference and has discharged its responsibilities contained therein. The term of reference is available on request.

1.2 Members and attendance at meetings

The committee consists of five NEDs of whom 3 are Independent Directors and they meet at least six times per annum as per the terms of reference.

The Chief Executive, Chief Finance Officer and the Head of internal audit and external auditor attend meetings by invitation.

During the year under review, five meetings were held and the meeting scheduled for November 2014 was cancelled due to unavoidable circumstances.

The composition of the audit committee as at 31 December 2014 is as follows:

Mr. Kalinga Indatissa - Chairman
Mr. Chan Chee Beng
Mr. Jayantha Dharmadasa
Ms. Pushpa Wellappili
Ms. Lai Choon Foong (appointed w.e.f. 9 May 2014)

Subsequent to the changes in the Directorate the audit committee was re-constituted as follows:

Mr. Chan Chee Beng - Chairman
Ms. Lai Choon Foong
Ms. G. D. Chandra Ekanayake
Ms. Nilanthi Pieris

Biographical details of the members are set out on pages 12 to 16.

As required by the Listing Rules, Mr. Chan Chee Beng is a fellow member of the Institute of Chartered Accountants of England and Wales while Ms. Lai is a Chartered Accountant of the Malaysian Institute of Accountants and a Certified Practicing Accountant of CPA Australia. The Board considers that the members have an excellent mix of skills and expertise in commercial, financial and audit matters arising from the senior positions they hold or previously held in other organisations.

The Company Secretary is secretary to the Audit Committee.

1.3 Roles and responsibilities

The role and responsibilities of the audit committee are set out in full in the written terms of reference, which are available on the Company's website - www.slt.lk.

The activities undertaken by the audit committee in respect of its principal responsibilities during the year ended 31 December 2014 are summarised below:

1.3 a Financial statements

Monitor the integrity of the Group's interim and annual financial statements and review significant financial reporting judgments contained in them prior to their publication. This included a review of the accounting policies and practices, major judgemental areas and compliance with stock exchange, legal and regulatory requirements.

The audit committee discussed these matters with the external auditor as part of the review of the findings from the audit of the Group financial statements. The committee also discussed with the external auditors their review of the interim financial statements.

1.3 b External auditor

Makes recommendation to the Board on the reappointment of external auditors of the Company, KPMG a registered auditor which, in the opinion of the committee is independent, determines the fees to be paid to the external auditor and their terms of engagement; ensures that the appointment of the external auditor complies with the Companies Act and any other legislation relating to the appointment of auditors, determines the nature and extent of those non-audit services that the external auditor may provide to the Company (and the Group).

1.3 c Review the operation and effectiveness of the Group Internal Audit function

The audit committee approves the annual audit plan for the Group internal audit function. The internal audit submits periodic internal audit reports carried out in line with the approved annual audit plan. The internal audit reports highlight the gaps in the systems and procedures in place and recommend improvements to the existing systems and procedures where necessary after negotiating with the management. Internal audit follows up the implementation of recommendations and reports progress to the management and the audit committee.

Ensures that it is adequately resourced and has appropriate standing within the Group. In the event of the required resources with the required expertise are not available within the internal audit division, committee approves to engage with external parties to carry on such audits.

The Head of internal audit has direct access to the Chairman of the audit committee and the audit committee meets with the Head of Internal Audit on a regular basis without the presence of management.

The audit committee receives regular reports from internal audit, which include summaries of the key findings of each audit in the period.

1.3 d Review the Company's internal control and risk management

The internal audit assists the committee to assess the effectiveness of the Group's operational and financial controls and procedures which include authorisation limits for expenditure, sales contracts and capital expenditure, signing authorities, IT application controls, organisation structure, Group policies, segregation of duties and reviews by management. The gaps identified thereon will be reported to the Board with recommendation for improvement.

1.4 Meetings

The audit committee met five times during the year. It also convenes additional meetings as and when necessary.

The activities carried out at the meetings held during the year under review are as follows:

Date of meeting	Main activities carried out
20 February 2014	<ul style="list-style-type: none"> • Deliberated on the finalisation of the Annual Audit Plan. New approach adopted to rank and prioritise the Company processes taking into account risks associated with them. • KPMG, External auditors presented the final audited accounts and deliberated on the key findings during their audit. • 4th quarter results were reviewed and recommended for approval of the Board. • Assessed the performance of the external auditors and their independence, objectivity and professional skepticism. • Considered the reappointment of KPMG as the auditors for the financial year 2014. • Review of internal audit reports presented by the internal auditors.
9 May 2014	<ul style="list-style-type: none"> • Deliberated on the adequacy of internal control process of SLT VisionCom, a fully-owned subsidiary of SLT. As per the TOR of the audit committee, SLT internal audit should assist the Board evaluating the adequacy and effectiveness of controls, discipline, systems and procedures in place within subsidiary companies except Mobitel, which has its own internal audit committee. • Considered and made recommendations to the Board on the periodic internal audit reports submitted by the internal auditors particularly on audits on the processes and internal controls of operations of main stores and some of the existing human resource functions. • Reviewed and recommended first quarter results for approval of the Board.

Date of meeting	Main activities carried out
27 June 2014	<ul style="list-style-type: none">• Discussion on the status of the management responses for the observations raised in the 2013 management letter.• Deliberated on the requirement of outsourcing some of the key internal audit functions due to the complexity of the subject matters and lack of expertise within the organisation.• Discussion on the status of the Internal Audit Manual.• Considered the internal audit reports.• Reviewed the status of the audits assigned to PWC and KPMG. On the recommendation of the audit committee, the Board has approved to assign vendor balance reconciliation and cashiering and billing systems to KPMG and PWC respectively. PWC was consulted particularly to assess on the vulnerability test and penetration test in order to set up new security architecture.
15 August 2014	<ul style="list-style-type: none">• Reviewed the second interim financial reports and recommended for approval of the Board.• Reviewed the status of the implementation of the recommendations made based on the internal audits and the new audit reports and work-in-progress.
26 September 2014	<ul style="list-style-type: none">• Reviewed the internal audit reports and ensured that controls were introduced on operations of main stores, debtors and treasury operation management etc. in addition to the ongoing matters.

Other issues

Details of the fees paid to the external auditor during 2014 is disclosed in Note 7 to the financial statements.

On behalf of the
Audit committee



Chan Chee Beng
Chairman of the audit committee

27 February 2015
Colombo

Independent auditors' report



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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 ("Group"), which comprise the statement of financial position as at December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 98 to 149 of the annual report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company give a true and fair view of its financial position as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo

27 February 2015

Statement of profit or loss and other comprehensive income

(All amounts in Sri Lankan Rupees million)

	Notes	2014	2013	Group	Company
For the year ended 31 December				2014	2013
Revenue	6	65,040	60,144	38,950	36,781
Operating costs	7	(46,268)	(41,218)	(29,559)	(26,821)
Operating profit before depreciation and amortisation		18,772	18,926	9,391	9,960
Depreciation	13	(12,325)	(11,755)	(6,875)	(6,505)
Amortisation of intangible assets	14 & 15	(736)	(680)	(289)	(299)
Operating profit		5,711	6,491	2,227	3,156
Refunds on Telecommunication Development Charge (TDC)	8	1,259	607	937	367
Other income		582	322	362	292
Dividend income		–	–	660	680
Interest expense and finance costs	9	(198)	(736)	(49)	(371)
Foreign exchange (loss)/gain	9.a	(13)	(441)	14	18
Interest income	10	910	1,122	708	872
Profit before tax		8,251	7,365	4,859	5,014
Income tax expenses	11	(2,250)	(1,946)	(1,535)	(1,379)
Profit for the year		6,001	5,419	3,324	3,635
Other comprehensive income					
Defined benefit plan actuarial (losses)/gain	26	(478)	(103)	(438)	(76)
Tax on other comprehensive income	23	122	21	122	21
Other comprehensive income for the year net of tax		(356)	(82)	(316)	(55)
Total comprehensive income for the year		5,645	5,337	3,008	3,580
Profit attributable to:					
Owners of the Company		6,001	5,419	3,324	3,635
Total comprehensive income attributable to:					
Owners of the Company		5,645	5,337	3,008	3,580
Earnings per share					
- Basic (Rs.)	12	3.32	3.00	1.84	2.01

The notes on pages 103 to 149 form an integral part of these financial statements.

Statement of financial position

(All amounts in Sri Lankan Rupees million)

As at 31 December	Notes	Group		Company		
		2014	2013	2014	2013	
Assets						
Non-current assets						
Property, plant & equipment	13	90,935	80,506	60,221	47,549	
Intangible assets and goodwill	14	3,412	3,976	1,326	1,613	
Financial prepayments	15	79	176	–	–	
Investments in subsidiaries	16	–	–	14,189	14,156	
Deferred tax assets	23	46	58	–	–	
Other receivables	18	2,789	2,733	2,789	2,733	
Total non-current assets		97,261	87,449	78,525	66,051	
Current assets						
Inventories	19	475	2,174	282	1,918	
Trade and other receivables	20	13,335	11,329	12,728	10,870	
Current tax receivable		88	243	83	225	
Other investments	17	6,750	3,393	6,397	3,203	
Cash and cash equivalents	21	4,695	3,459	1,002	823	
Total current assets		25,343	20,598	20,492	17,039	
Total assets		122,604	108,047	99,017	83,090	
Equity						
Stated capital	29	18,049	18,049	18,049	18,049	
Insurance reserve	27	560	500	560	500	
Retained earnings		45,291	41,240	39,968	38,554	
Equity attributable to equity holders of the company		63,900	59,789	58,577	57,103	
Non-controlling interest		–	–	–	–	
Total equity		63,900	59,789	58,577	57,103	
Liabilities						
Non-current liabilities						
Grants	28	22	28	22	28	
Borrowings	22	17,986	12,378	11,700	2,662	
Deferred income	24	2,578	2,825	2,512	2,747	
Deferred tax liabilities	23	2,805	1,750	2,801	1,746	
Employee benefits	26	3,875	3,003	3,512	2,725	
Trade and other payables	25	2,407	1,748	250	270	
Total non-current liabilities		29,673	21,732	20,797	10,178	
Current liabilities						
Borrowings	22	9,136	8,312	4,359	3,268	
Deferred income	24	2,398	2,683	706	745	
Current tax liabilities		442	359	–	–	
Trade and other payables	25	17,055	15,172	14,578	11,796	
Total current liabilities		29,031	26,526	19,643	15,809	
Total liabilities		58,704	48,258	40,440	25,987	
Total equity and liabilities		122,604	108,047	99,017	83,090	

The Notes on pages 103 to 149 form an integral part of these financial statements.

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

Udeni K. Samaratne
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors on 27 February 2015.

Signed for and behalf of the Board

P. G. Kumarasinghe Sirisena
Chairman

G. D. Chandra Ekanayake
Director

Statement of changes in equity - Group

(All amounts in Sri Lankan Rupees million)

Group	Notes	Attributable to owners of the Company						
		Stated capital	Insurance reserve	Fair value reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interest
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 Hong Kong	–	–	–	(4)	–	(4)	–	(4)
Fair value reserve reclassified to profit or loss	–	–	3	–	–	3	–	3
Defined benefit plan actuarial (losses)/gain, net of tax	–	–	–	–	(82)	(82)	–	(82)
Total other comprehensive income	–	–	3	(4)	(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 shareholders	–	–	–	–	(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

Group	Notes	Attributable to owners of the Company						
		Stated capital	Insurance reserve	Fair value reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interest
Balance as at 1 January 2014	18,049	500	–	–	–	41,240	59,789	–
Total comprehensive income for the year								
Net profit for the year 2014	–	–	–	–	–	6,001	6,001	–
Other comprehensive income								
Defined benefit plan actuarial (losses)/gain, net of tax	–	–	–	–	–	(356)	(356)	–
Total other comprehensive income	–	–	–	–	–	(356)	(356)	–
Total comprehensive income for the year	–	–	–	–	–	5,645	5,645	–
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Dividends to equity shareholders	–	–	–	–	–	(1,534)	(1,534)	–
Insurance reserve								
Transfer to insurance reserve	27	–	60	–	–	(60)	–	–
Balance as at 31 December 2014	18,049	560	–	–	–	45,291	63,900	–

The notes on pages 103 to 149 form an integral part of these financial statements.

Statement of changes in equity - Company

(All amounts in Sri Lankan Rupees million)

Company	Notes	Attributable to owners of the Company				
		Stated capital	Insurance reserve	Fair value reserve	Retained earnings	Total equity
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 (losses)/gain, net of tax		–	–	–	(55)	(55)
Total other comprehensive income		–	–	3	(55)	(52)
Total comprehensive income for the year		–	–	–	3,580	3,583
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Dividends to equity shareholders		–	–	–	(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

Company	Notes	Attributable to owners of the Company				
		Stated capital	Insurance reserve	Fair value reserve	Retained earnings	Total equity
Balance as at 1 January 2014		18,049	500	–	38,554	57,103
Total comprehensive income for the year						
Net profit for the year 2014		–	–	–	3,324	3,324
Other comprehensive income						
Defined benefit plan actuarial (losses)/gain, net of tax		–	–	–	(316)	(316)
Total other comprehensive income		–	–	–	(316)	(316)
Total comprehensive income for the year		–	–	–	3,008	3,008
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Dividends to equity shareholders		–	–	–	(1,534)	(1,534)
Insurance reserve						
Transfer to Insurance Reserve	27	–	60	–	(60)	–
Balance as at 31 December 2014		18,049	560	–	39,968	58,577

The notes on pages 103 to 149 form an integral part of these financial statements.

Statement of cash flows

(All amounts in Sri Lankan Rupees million)

For the year ended 31 December	Notes	Group		Company	
		2014	2013	2014	2013
Cash flows from operating activities					
Cash generated from operations	30	20,355	15,790	11,322	9,624
Interest received		918	1,223	716	973
Interest paid		(279)	(693)	(366)	(377)
Tax paid		(823)	(853)	(216)	(232)
Gratuity paid (Note 26)		(124)	(81)	(100)	(72)
Net cash generated from operating activities		20,047	15,386	11,356	9,916
Cash flows from investing activities					
Acquisition of property, plant & equipment		(20,178)	(18,575)	(16,438)	(10,080)
Acquisition of intangible assets	14	(75)	(2,139)	(2)	(586)
Proceeds from disposal of property, plant & equipment		79	88	67	87
Proceeds/(Purchase) of short-term investments		(3,350)	4,119	(3,092)	3,991
Proceeds/(Purchase) of long-term investments		–	–	–	–
Proceeds on liquidation of subsidiary		–	–	–	49
Investments in subsidiaries		–	–	(33)	–
Net cash (used) in investing activities		(23,524)	(16,507)	(19,498)	(6,539)
Cash flows from financing activities					
Proceeds from borrowings		13,430	7,220	13,092	–
Finance lease principal re-payments		(77)	(48)	(59)	(38)
Re-payment of borrowings		(6,780)	(5,581)	(2,456)	(2,448)
Dividends paid to the equity shareholders		(1,534)	(1,534)	(1,534)	(1,534)
Net cash (used)/generated from financing activities		5,039	57	9,043	(4,020)
(Decrease)/increase in cash and cash equivalents		1,562	(1,064)	901	(643)
Movement in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		2,194	3,269	83	737
Effect of exchange fluctuation on cash and cash equivalents		18	(11)	18	(11)
		2,212	3,258	101	726
(Decrease)/increase in cash and cash equivalents		1,562	(1,064)	901	(643)
At the end of the year	21.a	3,774	2,194	1,002	83

The notes on pages 103 to 149 form an integral part of these financial statements.

Notes to the financial statements

(All amounts in Sri Lankan Rupees million)

1 Reporting entity

Sri Lanka Telecom PLC (the 'Company') is a company domiciled in Sri Lanka. The address of the Company's registered office is Lotus Road, Colombo 1. The separate financial statements of the Company relates to Sri Lanka Telecom PLC. The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Financial statements of all companies within the Group are prepared for a common financial year which ends on 31 December. The Group primarily is involved in providing broad portfolio of telecommunication services across Sri Lanka. In addition, the range of services provided by the Group include, *inter alia*, internet services, data services, domestic and international leased circuits, broadband, satellite uplink, maritime transmission, IPTV service and directory publishing. 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 of the Group and the Company which comprises the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) as laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

(b) Approval of financial statement by Directors

The consolidated and Company financial statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 27 February 2015.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements except for the following item:

'The liability for defined benefit obligation is actuarially valued and recognised at the present value of the defined benefit obligation.'

The financial statements have been prepared on a going concern basis.

(d) Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency and the Group's presentation currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest million, unless otherwise indicated.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with Sri Lanka Accounting Standards 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 recognised 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 recognised in the financial statements is included in the following notes:

- Note 13 - Property, plant & equipment
- Note 14 - Intangible assets
- Note 20 - Trade and other receivables
- Note 23 - Deferred tax
- Note 24 - Deferred income
- Note 26 - Employee benefits

(f) Changes in accounting policies

No changes in accounting policies have taken place during the year ended 31 December 2014 other than those disclosed in Note 3 (ii-a).

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated. The accounting policies of the Company have been consistently applied by the Group entities where applicable and deviations, if any, have been disclosed in Note 34.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii-a) Changes in accounting policies

SLFRS 10 which is effective for financial periods beginning on or after 1 January 2014, replaces the guidance on control and consolidation in LKAS 27 - 'Consolidated and Separate Financial Statements' and in SIC 12 'Consideration - Special Purpose Entities'.

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under SLFRS 10 than under LKAS 27. No differences were found for any of the investments.

(ii-b) Critical judgments in applying the entity's accounting policies

The Directors have concluded that the Group controls all subsidiaries as it has majority control and voting rights over its subsidiaries as depicted in Note (ii-c), below:

(ii-c) Interest in subsidiaries

Set out below are the Group's principal subsidiaries as at 31 December 2014.

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest held by the Group	Principal activities
Mobitel (Private) Limited	Colombo/Sri Lanka	100.00%	Mobile service provider
Sri Lanka Telecom (Services) Limited	Colombo/Sri Lanka	99.99%	Providing network solutions for corporate customers and small businesses
SLT VisionCom (Private) Limited	Colombo/Sri Lanka	100.00%	Providing IPTV support services
SLT Publications (Private) Limited	Colombo/Sri Lanka	100.00%	Directory information and publication services
SLT Human Capital Solutions (Private) Limited	Colombo/Sri Lanka	100.00%	Providing workforce solutions
Sky Network (Private) Limited	Colombo/Sri Lanka	99.94%	Wireless broadband operations
SLT Property Management (Private) Limited	Colombo/Sri Lanka	100.00%	Managing SLT's real estate resources
SLT Campus (Private) Limited	Colombo/Sri Lanka	100.00%	Higher education services of ICT and Business Management

(iii) Non-controlling interest (NCI)

NCI are measured at their proportionate share of acquiree's identifiable net assets at the date of acquisition. Changes in the Group interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the asset and liabilities of the subsidiary and any related NCI (if applicable) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in statement of profit or loss and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(c) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(a) Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(a-i) Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss	A financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in the statement of profit or loss and other comprehensive income.
Held-to-maturity financial assets	These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.
Loans and receivables	These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Loans and receivables comprise cash and cash equivalents*, staff loans, and trade and other receivables**, including related party receivables.
Available-for-sale financial assets	These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to statement of profit or loss and other comprehensive income.

* 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 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 flow.

** Trade and other receivables

Trade and other receivables are stated at their estimated realisable amount.

(a-ii) Non-derivative financial liabilities – Measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(a-iii) Fair value measurement

SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A Fair value measurement requires an entity to determine the following:

1. The particular asset or liability that is the subject of the measurement.
2. For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).
3. The principal (or most advantageous) market for the asset or liability.
4. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

- Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(a-iv) Reclassification

Reclassifications of financial assets, other than as set out below or of financial liabilities between measurements categories are not permitted following initial recognition.

Held-for-trading non-derivative financial assets are transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are transferred out of the available-for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets are reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification is amortised to the profit or loss over the remaining life of the financial asset, using the effective interest method.

(a-v) Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposure.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognised in profit or loss.

(b) Impairment

(b-i) Non-derivative financial assets

Financial assets not classified at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes -

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the statement of profit or loss and other comprehensive income

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to the statement of profit or loss and other comprehensive income. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in statement of profit or loss and other comprehensive income. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through statement of profit or loss; otherwise, it is reversed through OCI.

(b-ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a *pro-rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Property, plant & equipment

(i) Recognition and measurement

Items of property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that asset.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant & equipment are recognised in profit or loss.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment. In the year of acquisition, depreciation is computed on proportionate basis from the month the asset is put into use and no depreciation will be charged to the month in which the particular asset was disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful lives for the 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 and transmission equipment	8 - 12.5 years
Transmission equipment and towers	12.5 - 40 years
Motor vehicles	5 years
CDMA handsets	3 years
PABX system	1 - 6 years
Other fixed assets	4 - 10 years

(iv) Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation.

Major spare parts and project-related inventory qualify as property, plant & equipment when the entity expects to use them during more than one period and are used in connection with specific items of property, plant & equipment.

(v) Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal. Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment and are recognised net within 'other income' in the statement of profit or loss and other comprehensive income.

When replacement costs are recognised in the carrying amount of an item of property, plant & equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

(vi) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see Note 3 (a) (i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Licenses

Separately acquired licences are shown at historical cost. Expenditures on license fees that is deemed to benefit or relate to more than one financial year is classified as license fee and is being amortised over the license period on a straight-line basis.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software 3-5 years

(f) Leased assets

Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

For operating leases, the leased assets are not recognised on the Group's Statement of Financial Position.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle. Value of inventories includes expenditure incurred in acquiring, conversion costs and other costs incurred in bringing them to their existing location and condition.

(h) Stated capital

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(i) Government grants

Government grants are recognised initially at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in the statement of profit or loss and other comprehensive income as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the statement of profit or loss and other comprehensive income on a systematic basis over the useful life of the asset.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognised as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Employees' provident fund

All employees of the Company are members of the Sri Lanka Telecom Provident Fund to which the Company contributes 15% of such employees' basic salary and allowances.

All employees of subsidiaries of the Group are members of Employees' Provident Fund (EPF), to which respective subsidiaries contribute 12% of such employees' basic salary and allowances. Employees of SLT Services (Private) Limited are members of Employees' Provident Fund (EPF), where the Company contribute 15% of such employees' basic salary and allowances.

Employees' Trust Fund

The Company and other subsidiaries contribute 3% of the salary of each employee to the Employees' Trust Fund.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by an independent actuary using Projected Unit Credit Method as recommended by LKAS 19 - 'Employee Benefits'. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield on Government Bonds at the reporting date and have maturity dates approximating to the terms of the Company's obligations.

The Group recognises actuarial gains and losses that arise in calculating the Company's obligation in respect of a plan in other comprehensive income.

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 26. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 - 'Employee Benefits'. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or leave encashment plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(k) Provisions

A provision is recognised 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.

(l) Trade and other payables

Trade and other payables are stated at their cost.

(m) Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments and of its Subsidiaries for which the Company is also liable severally or otherwise are also included with appropriate disclosures.

(n) 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 recognised 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 recognised as a reduction of revenue as the sales are recognised.

The revenue is recognised as follows:

(i) Domestic and international call revenue, rental income

Revenue for call time usage by customers is recognised as revenue as services are performed on accrual basis. Fixed rental is recognised as income on a monthly basis in relation to the period of services rendered.

(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 recognised, net of taxes, based on usage taking the traffic minutes/per second rates stipulated in the relevant agreements and regulations and based on the terms of the lease agreements for fixed rentals.

Revenue arising from the interconnection of voice and data traffic between other telecommunications operators is recognised at the time of transit across the Group's network and presented on gross basis. The relevant revenue accrued is recognised under income and interconnection expenses recognised under operating costs in profit or loss.

(iii) Revenue from broadband

Revenue from Data services and IPTV services is recognised on usage and the fixed rental on a monthly basis when it is earned net of taxes, rebates and discounts.

(iv) Revenue from other telephony services

The revenue from other telephony services are recognised on an accrual basis based on fixed rental contracts entered between the Group and subscribers.

(v) Deferred income

- The connection fees relating to Public Switch Telephone Network (PSTN) are deferred over a period of 15 years. Revenue is recognised on an annual basis irrespective of the date of connection.
- IRU revenue relating to leasing of SEA-ME-WE 4 cable capacity are recognised on a straight line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue. In the event that a customer terminates an IRU prior to the expiry of the contract and releases the Company from the obligation to provide future services, the remaining unamortised deferred revenue is recognised in the period the contract is terminated.
- Backhauling revenue which is leasing of SEA-ME-WE 3 cable capacity is recognised on a straight line basis over the period of contracts. Amounts received in advance for any services are recorded as deferred revenue.
- Revenue from the sale of prepaid CDMA cards is deferred until such time as the customer uses the call time, downloadable quota or the credit expires.

(vi) CDMA revenue

The connection fees relating to Code Divisional Multiple Access (CDMA) connections are recognised as revenue at the point the connection is activated.

(vii) Equipment sales

Revenue from sale of equipment is recognised, net of taxes, once the equipment is delivered.

(viii) Sales of Directories

Revenue from publication sales relating to advertising revenue is recognised on publishing the advertisement on the telephone directory and a copy delivered to the subscriber on a percentage of completion method.

(o) Expenditure

The expenses are recognised on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant & equipment in a state of efficiency is charged against income in arriving at the profit for the year.

(p) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed. Determining whether an arrangement contains a lease.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specific asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

(q) Finance income and expenses

The Group's finance income and finance cost include:

- Interest income from repurchase agreements
- Interest income from fixed deposits
- Staff loan interest income
- Interest expense from borrowings
- Interest expense arising from Leases
- Foreign exchange gains or losses

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

(i) Current taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

Provisions for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland revenue Act No. 10 of 2006 and the amendments thereto at the rates specified in Note 11.

(ii) Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax is not recognised for the undistributed profits of subsidiaries as the parent company has control over the dividend policy of its subsidiaries and distribution of those profits. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Economic Service Charge (ESC)

Economic Service Charge (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.

(s) Earnings per share

The Group presents basic Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(t) Insurance reserve

The Company transfers annually from the retained earnings an amount equal to 0.1% of additions to property, plant & equipment to an insurance reserve. An equal amount is invested in a sinking fund to meet any funding requirements for potential losses from uninsured property, plant & equipment. The insurance reserve is maintained to recover any losses arising from damage to property, plant & equipment, except for motor vehicles, that are not insured with a third-party insurer.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Provision for final dividends is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders.

(v) 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.

(w) Cash flow statement

The cash flow statement has been prepared using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS 07) - 'Statement of Cash Flows'. Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand, balances with banks, placements with banks, money at call and short notice.

(x) Events after the reporting period

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in respective notes to the financial statements.

(y) Directors' responsibility statement

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements.

(z) New accounting standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards. However, these standards have not been applied in preparing these financial statements:

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
SLFRS 9 - Financial Instruments	The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard will be effective for financial periods beginning on or after 1 January 2018.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 9.
SLFRS 15 - Revenue from Contract with Customers	Establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. This standard will be effective for financial periods beginning on or after 1 January 2017.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 15.
Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41)	These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant & equipment and included in the scope of LKAS 16 - 'Property, plant & equipment'; instead of LKAS 41 - 'Agriculture'. The amendments are effective for annual reporting periods beginning on or after 1 January 2016.	None. The Group does not have any bearer plants.
SLFRS 14 - Regulatory Deferral Accounts	The Objective of this standard is to specify the financial reporting requirements of regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulations. The amendments are effective for annual reporting periods beginning on or after 1 January 2016.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 14.

4 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management processes are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the Group activities.

The audit committee oversees how management monitors compliance with the Group's risk management processes/guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The audit committee is assisted in its oversight role by internal reviews of risk management controls and procedures. The results of which are reported to the audit committee.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

4.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or 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.

4.1.1 Trade receivables

The Group has a very well-established credit policy for both International Interconnect customers and Domestic customers to minimise the credit risk. A separate committee has been established to evaluate and recommend the credit worthiness for the International Interconnect customer. Further, prepaid sales are used as a means of mitigating credit risk.

Domestic service is offered to a new customer only after scrutinising through a internal blacklisted data base. The Group has a well-established credit control policy and process to minimise the credit risk. Customers are categorised according to the segments and credit limit has been fixed as per their average monthly bill value. Customer usage and bill payments are monitored as per the credit limit. Credit limit will be periodically revised as per the past monthly bill value.

High risk voice customers are subject to auto disconnection when they reach the threshold limit. Credit control actions and recovery actions are taken for overdue customers and defaulted customers to minimise the credit risk. High revenue-generated customers including corporate customers are monitored individually.

As at 31 December 2014, the maximum exposure to credit risk for trade by geographic region was as follows:

Rs. million	Group		Company	
	2014	2013	2014	2013
Sri Lanka	13,900	12,359	10,602	9,610
Middle East	405	265	382	258
Asia	548	626	327	318
Europe	1,427	1,017	1,097	897
Australia	40	58	25	21
America	134	273	134	273
Other	62	48	3	5
Total Trade Receivables	16,516	14,646	12,570	11,382

As at 31 December 2014, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

Rs. million	Group		Company	
	2014	2013	2014	2013
Wholesale customers	4,000	3,793	3,813	3,594
Retail customers	10,252	9,073	7,486	6,692
Other network operators	1,134	958	1,134	958
Other	1,130	822	137	138
Total Trade Receivables	16,516	14,646	12,570	11,382

As at 31 December the Group's most significant customer was Saudi Arabia Telecom which accounted for Rs. 283 million of trade receivables (2013 - Rs. 84 million).

Impairment

As at 31 December 2014, the aging of trade receivables that were not impaired was as follows:

Rs. million	Group		Company	
	2014	2013	2014	2013
Past due 1 Year	82	81	378	16
Past due 2 Years and above	9	18	28	59
	91	99	406	75

Management believes that the unimpaired amounts that are past due more than 2 years are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk.

Out of the above not impaired balance, Mobitel (Private) Limited value amounts to Rs. 365 million (2013 - Rs. Nil).

The Movement in the allowance for impairment in respect of trade receivables during the year is as follows:

Rs. million	Group Impairment	Company Impairment
Balance as at 1 January 2013	4,863	3,946
- Impairment loss recognised	799	540
- Amounts written-off	-	-
Balance as at December 2013	5,662	4,486
- Impairment loss recognised	898	591
- Amounts written-off	-	-
Balance as at 31 December 2014	6,560	5,077

4.1.2 Other investments

The Group limits its exposure to credit risk by investing only in government debt securities, repos and in short-term deposits with selected bankers with Board approval.

4.1.3 Cash and Cash equivalents

The Group held cash and cash equivalents of Rs. 4,695 million as at 31 December 2014 (2013 - Rs. 3,459 million).

4.1.4 Employee loans

The Group limits its exposure to credit risk by ensuring the loan balance are recovered from the employees' monthly salary, or if the employee leaves such amounts are recovered from the employees' EPF balance.

4.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures its liquidity is maintained by investing in short, medium and long-term financial instruments to support operational and other funding requirements. The Group determines its liquidity requirements by the use of both short and long-term cash forecasts. These forecasts are supplemented by a financial headroom analysis, which is used to assess funding adequacy for at least a 12-month period and the same is reviewed on an annual basis.

Short and medium-term requirements are regularly reviewed and managed by the treasury division.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted:

Rs. million	Carrying Value	Up to 1 Years	Up to 2 Years	Up to 5 Years	Over 5 Years
Group					
As at 31 December 2014					
Bank overdrafts	921	921	-	-	-
Bank borrowings and others	18,011	5,356	4,414	8,241	-
Vendor financing	7,874	2,777	2,899	2,198	-
Lease liabilities	316	82	91	143	-
	27,122	9,136	7,404	10,582	-

As at 31 December 2013

Rs. million	Carrying Value	Up to 1 Years	Up to 2 Years	Up to 5 Years	Over 5 Years
Group					
As at 31 December 2013					
Bank overdrafts	1,265	1,265	-	-	-
Bank borrowings and others	9,025	4,385	4,640	-	-
Vendor financing	10,091	2,587	5,376	2,128	-
Lease liabilities	309	75	58	176	-
	20,690	8,312	10,074	2,304	-

Rs. million	Carrying Value	Up to 1 Years	Up to 2 Years	Up to 5 Years	Over 5 Years
Company					
As at 31 December 2014					
Bank overdrafts	-	-	-	-	-
Bank borrowings and others	15,837	4,299	3,297	8,241	-
Vendor financing	-	-	-	-	-
Lease liabilities	222	60	162	-	-
	16,059	4,359	3,459	8,241	-

As at 31 December 2013

Rs. million	Carrying Value	Up to 1 Years	Up to 2 Years	Up to 5 Years	Over 5 Years
Company					
As at 31 December 2013					
Bank overdrafts	740	740	-	-	-
Bank borrowings and others	4,922	2,468	2,454	-	-
Vendor financing	-	-	-	-	-
Lease liabilities	268	60	52	156	-
	5,930	3,268	2,506	156	-

4.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

4.3.1 Currency risk

The Group is exposed to currency risk on services provided, services received and borrowings that are denominated in a currency other than Sri Lankan Rupees (LKR).

The Group manages its currency risk by a natural hedging mechanism to a certain extent by matching currency outflows for repayments of foreign currency loans and services with currency inflows for services settled in foreign currencies.

The summary of quantitative data about the Group's exposure to foreign currency was as follows:

	Group USD million	Profit or loss	Balance sheet	
	Strengthening	Weakening	Strengthening	Weakening
Group				
2014 December				
USD (10%)	(1,777)	1,777	(1,777)	1,777
2013 December				
USD (10%)	(788)	788	(788)	788
Company				
2014 December				
USD (10%)	(1,579)	1,579	(1,579)	1,579
2013 December				
USD (10%)	(492)	492	(492)	492

As at December 2014

	Group USD million
Foreign trade receivables	21
Secured bank loans	(15)
Unsecured loans	(120)
Trade payables	(2)
Net statement of financial position exposure	(116)
As at December 2013	
Foreign Trade receivables	18
Secured Bank Loans	(23)
Unsecured Loans	(38)
Trade Payables	(3)
Net statement of financial position exposure	(46)

As at December 2014

	Company USD million
Foreign trade receivables	16
Secured bank loans	-
Unsecured loans	(120)
Trade payables	(1)
Net statement of financial position exposure	(105)

As at December 2013

	Company USD million
Foreign Trade receivables	14
Secured Bank Loans	-
Unsecured Loans	(38)
Trade Payables	(1)
Net statement of financial position exposure	(25)

The following significant exchange rates have been applied during the year:

	Average rate		Year end spot rate	
	2014	2013	2014	2013
USD	130.56	129.11	131.87	130.89
EUR	173.47	171.51	160.51	180.44

Sensitivity analysis

A reasonable possible strengthening (weakening) USD would have an impact on the Group's borrowings. This analysis assumes that all other variables, in particular, interest rates remain constant.

	Rs. million	Profit or loss	Balance sheet	
	Strengthening	Weakening	Strengthening	Weakening
Group				
2014 December				
USD (10%)	(1,777)	1,777	(1,777)	1,777
2013 December				
USD (10%)	(788)	788	(788)	788
Company				
2014 December				
USD (10%)	(1,579)	1,579	(1,579)	1,579
2013 December				
USD (10%)	(492)	492	(492)	492

4.3.2 Interest rate risk

Interest rate risk mainly arises as a result of Group having interest sensitive assets and liabilities, which are directly, impacted by changes in the interest rates. The Group's borrowings and investments are maintained in a mix of fixed and variable interest rate instruments and periodical maturity gap analysis is carried out to take timely action and to mitigate possible adverse impact due to volatility of interest rates.

Foreign currency borrowing at variable interest rate with a cap minimises any adverse impact due to an upward movement of USD interest rate in the market. Further, the Company has obtained an interest rate SWAP to minimise the impact of variable interest rate borrowing.

Short-term interest rate management is delegated to the treasury operations while long-term interest rate management decisions require approval from the Board of Directors.

Interest rate sensitivity of the Company was computed using the floor interest rate (minimum) of 4.75% and cap interest rate (maximum) of 6.75% as stipulated in the loan agreement. The Group interest rate sensitivity was computed based on a 100 basis point increase or decrease. This analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant. The sensitivity of interest rate movement is shown below:

	Rs. million	Profit or loss
	Increase	Decrease
Group		
2014 December		
Variable rate instruments	(100)	76
2013 December		
Variable rate instruments	(137)	116
Company		
2014 December		
Variable rate instruments	(38)	14
2013 December		
Variable rate instruments	(52)	31

4.4 Analysis of financial Instruments by measurement basis

The fair value of financial assets and liabilities, together with carrying amounts shown in the statement of financial position are as follows:

Financial assets:

Type of the Financial Instrument (2014)	Note	Fair value through profit or loss Group/Company	Available-for-sale Group/Company	Loans and Receivables (Note 4.4.1)		Held-to-maturity Group/Company
				Group	Company	
Trade and other receivables	20 & 18	–	–	16,124	15,517	–
Other Investments	17	–	–	6,750	6,397	–
Total		–	–	22,874	21,914	–

Type of the Financial Instrument (2013)						
Trade and other receivables	20 & 18	–	–	14,062	13,603	–
Other Investments	17	–	–	3,393	3,203	–
Total		–	–	17,455	16,806	–

Financial liabilities:

Type of the Financial Instrument (2014)	Note	Fair value through profit or loss Group/Company	Other financial liabilities (Note 4.4.1)	
			Group	Company
Trade and other payables	25	–	19,462	14,828
Borrowings	22	–	27,122	16,059
Total		–	46,584	30,887

Type of the Financial Instrument (2013)					
Trade and other payables	25	–	16,920	12,066	
Borrowings	22	–	20,690	5,930	
Total		–	37,610	17,996	

4.4.1 These financial Instruments are carried at amortised cost in the financial statements. The Company does not anticipate the fair value of these instruments to be significantly different to their carrying values and considers the impact as not material for disclosure.

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.

4.5 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of stated capital and reserves. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	Group		Company	
	2014	2013	2014	2013
Total borrowings	27,122	20,690	16,059	5,930
Total equity	63,900	59,789	58,577	57,103
Total capital	91,022	80,479	74,636	63,033
Gearing ratio (%)	29.8	25.7	21.5	9.4

5 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Board of Directors, (the Chief Operating Decision Maker - CODM) reviews internal management reports on at least quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Fixed Telephony operations includes supply of fixed telecommunication services.
- Mobile Telephony operations includes supply of mobile telecommunication services.
- Other Segment operations includes Directory publication and support services. None of these segments meet the quantitative thresholds for determining reportable segments in 2014 or 2013.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax. As included in the internal management reports that are reviewed by the Board of Directors (BOD). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segmental reporting - for the year ended 31 December

(All amounts in Sri Lankan Rupees million)

Information about reportable segments

	Fixed telephony operations		Mobile operations		Other segments operations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
External revenues	35,708	33,804	28,325	26,105	1,007	235	65,040	60,144
Inter-segment revenue	3,242	2,977	2,275	1,377	1,706	1,588	7,223	5,942
Reportable segment revenue	38,950	36,781	30,600	27,482	2,713	1,823	72,263	66,086
Reportable segment profit before tax	4,859	5,014	3,500	3,040	322	(170)	8,681	7,884
Interest revenue	708	872	177	219	25	31	910	1,122
Interest expenses	(49)	(371)	(140)	(352)	(9)	(13)	(198)	(736)
Depreciation and amortisation	(7,164)	(6,804)	(5,817)	(5,546)	(80)	(85)	(13,061)	(12,435)
Reportable segment assets	99,017	83,090	41,591	41,714	1,684	1,472	142,292	126,276
Capital expenditure	16,440	10,666	3,800	10,037	13	11	20,253	20,714
Reportable segment liabilities	40,440	25,987	23,177	25,457	1,290	1,358	64,907	52,802

	2014	2013
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Revenues

Total revenue for reportable segments	69,550	64,263
Revenue for other segments	2,713	1,823
	72,263	66,086
Elimination of inter-segment revenue	(7,223)	(5,942)

Consolidated revenue

Total Profit or loss for reportable segments	8,359	8,054
Profit or loss for other segments	322	(170)
	8,681	7,884
Elimination of inter-segment profits	(430)	(519)
Consolidated profit from continuing operations before tax	8,251	7,365

	2014	2013	
Assets			
Total assets for reportable segments	140,608	124,804	
Assets for other segments	1,684	1,472	
	142,292	126,276	
Elimination of inter-segment assets	(19,688)	(18,229)	
Consolidated total assets	122,604	108,047	
Liabilities			
Total liabilities for reportable segments	63,617	51,444	
Liabilities for other segments	1,290	1,358	
	64,907	52,802	
Elimination of inter-segment liabilities	(6,203)	(4,544)	
Consolidated total liabilities	58,704	48,258	
	Reportable segment totals	Adjustments	Consolidated totals
Other material items (2014)			
Interest revenue	910	–	910
Interest expense	(198)	–	(198)
Capital expenditure	20,253	–	20,253
Depreciation and amortisation	(13,061)	–	(13,061)
Other material items (2013)			
Interest revenue	1,122	–	1,122
Interest expense	(736)	–	(736)
Capital expenditure	20,714	–	20,714
Depreciation and amortisation	(12,435)	–	(12,435)

6 Revenue

The significant categories under which revenue is recognised are as follows:

	Group 2014	2013	Company 2014	2013
Release of deferred connection charges (Note 24)	586	679	586	679
Rental income	6,588	6,308	4,911	4,787
Domestic call revenue	22,314	21,047	5,098	5,245
Receipts from other network operators - Domestic	1,767	1,740	755	821
International call revenue	2,291	2,229	921	1,013
Receipts from other network operators - International	96	122	13	37
International settlements	10,826	9,372	6,864	6,476
CDMA revenue	1,481	1,742	1,481	1,742
Broadband revenue	8,232	7,233	6,199	5,441
Data and other services	10,859	9,672	12,122	10,540
	65,040	60,144	38,950	36,781

7 Operating costs

The following items have been included in arriving at operating profit before depreciation and amortisation:

	Group		Company	
	2014	2013	2014	2013
Staff costs (Note 7.1)	14,150	13,058	10,322	9,771
Directors' emoluments	20	19	17	16
Payments to international network operators	1,499	1,607	1,499	1,607
Payments to other network operators				
- International	2,761	2,060	1,982	1,503
- Domestic	2,016	2,011	822	841
Int'l Telecommunication Operators Levy (Note 8)	2,186	2,329	1,297	1,588
Auditors' remuneration				
Audit				
- KPMG	11	9	9	8
- Other auditors	4	3	—	—
Non-audit				
- KPMG	8	7	8	7
- Other auditors	6	3	6	2
Repairs and maintenance expenditure	3,419	2,979	2,696	2,284
Provision for impairment of debtors	937	781	630	522
Impairments/(reversals) of inventory	13	88	13	77
Impairment of property, plant & equipment (Note 13)	518	149	518	149
Other operating expenditure	18,720	16,115	9,740	8,446
	46,268	41,218	29,559	26,821

7.1 Staff costs

	Group		Company	
	2014	2013	2014	2013
Salaries, wages, allowances and other benefits	12,545	11,569	9,059	8,595
Post employment benefits				
- Defined contribution plans	1,087	1,003	814	755
- Defined benefit obligations (Note 26)	518	486	449	421
	14,150	13,058	10,322	9,771
Average number of persons employed	9,985	9,767	5,786	5,950

8 Refunds on Telecommunication Development Charge (TDC)

In accordance with the Finance Act No. 11 of 2004, all Telecommunication Gateway Operators are required to pay a levy defined as the Telecommunication Development Charge (TDC) to the Government of Sri Lanka, based on international call minutes terminated in the country. This levy was made effective from 3 March 2003, where initially the levy was defined in such a way that operators were allowed to claim 2/3rd of the TDC against the costs of network development charges.

First revision to this regulation 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 January 2012, in accordance with the Budget Proposal for 2012.

Total TDC refunds claimed are as follows:

	Group		Company	
	2014	2013	2014	2013
TDC refund	1,259	607	937	367

The refunds claimed during the year by the Company and the Group were for periods between April 2009 to July 2010. This will be the final refund the Company and Group will receive from the Telecommunication Regulatory Commission (TRC).

International Telecommunicaton Operators Levy (ITL) recognised as expense for the period is as follows:

	Group		Company	
	2014	2013	2014	2013
ITL	2,186	2,329	1,297	1,588

9 Interest expense and finance costs

	Group		Company	
	2014	2013	2014	2013
Rupee loans [see Note (a) below]	53	198	–	–
Foreign currency loans [see Note (a) below]	824	622	481	348
Other charges [see Note (b) below]	68	38	49	23
Total Interest and finance cost	945	858	530	371
Interest Capitalised	(747)	(122)	(481)	–
Net total interest and finance cost	198	736	49	371

- (a) Interest cost of the Company relates to the USD loans. Interest cost of the Group related to Rupee loans, USD loans and vendor financing.
- (b) Other charges mainly include interest cost of finance leases and overdraft facilities.

9. a Foreign exchange (loss)/gain

	Group		Company	
	2014	2013	2014	2013
Net foreign exchange (loss)/gain	(13)	(441)	14	18

(a) Foreign currency (loss) or gain of the company mainly includes,

- i. Exchange gain of Rs. 129 million (2013 - Rs. 220 million) arising from revaluation of fixed deposits and bank balances maintained in USD.
- ii. Exchange loss - Nil on payment to foreign suppliers (2013 - Rs. 31 million).
- iii. Exchange loss of Rs. 115 million (2013 - Rs. 171 million) arising from revaluation of USD syndicate loan.

(b) Foreign currency (loss) or gain of the group mainly includes,

- i. Exchange gain of Rs. 129 million (2013 - of Rs. 220 million) arising from revaluation of the fixed deposits and bank balances maintained in USD.
- ii. Exchange loss of Rs. 5 million on payment to foreign suppliers (2013 - Rs. 391 million).
- iii. Exchange loss of Rs. 137 million (2013 - Rs. 270 million) arising from revaluation of USD syndicate loan and other term loans.

10 Interest income

	Group		Company	
	2014	2013	2014	2013
Interest income from:				
Treasury Bond	-	5	-	5
Repurchase agreement - Repos	187	132	28	42
Fixed Deposits	271	549	228	389
Staff Loan Interest	452	436	452	436
	910	1,122	708	872

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 including restricted deposits and USD were 8.96% (2013 - 15.23%) and 3.65% (2013 - 5.28%) respectively.
- (b) The weighted average interest rate on investments in Government Securities was 6.05% (2013 - 8.64%).
- (c) The weighted average interest rates on staff loans are between 12% and 14% (2013 - 15%).
- (d) According to 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 1/9th. Accordingly, the Company has accounted for Rs. 3 million as notional tax credit for the year 2014. (2013 - Rs. 5 million).

11 Income tax expenses

Tax recognised in statement of profit or loss

	Group		Company	
	2014	2013	2014	2013
Current tax expense				
Current year	1,061	987	358	387
Adjustment for prior years	–	5	–	5
	1,061	992	358	392
Deferred tax expense				
Origination and reversal of temporary differences (Note 23)	1,189	954	1,177	987
	1,189	954	1,177	987
Tax expense	2,250	1,946	1,535	1,379

Tax recognised in other comprehensive income - Group

	Before tax	Tax (expenses) benefit	Net of tax	Before tax	Tax (expenses) benefit	Net of Tax
Defined benefit plan actuarial gains/(losses)	(478)	122	(356)	(103)	21	(82)
	(478)	122	(356)	(103)	21	(82)

Tax recognised in other comprehensive income - Company

	Before tax	Tax (expenses) benefit	Net of tax	Before tax	Tax (expenses) benefit	Net of Tax
Defined benefit plan actuarial gains/(losses)	(438)	122	(316)	(76)	21	(55)
	(438)	122	(316)	(76)	21	(55)

Reconciliation of effective tax rate

	Group/2014		Group/2013	
	%		%	
Profit before tax	–	8,251	–	7,365
Tax using the Company's domestic tax rate	28.00	2,310	28.00	2,062
Effect of different Tax rates [Note (a) & (b) below]	(4.08)	(337)	(3.56)	(262)
Non-deductible expenses	6.47	534	6.57	484
Income not subject to tax	(3.10)	(257)	(4.59)	(338)
	27.27	2,250	26.42	1,946

Reconciliation of effective tax rate

	Company/2014		Company/2013	
	%		%	
Profit before tax	–	4,859	–	5,014
Tax using the company's domestic tax rate	28.00	1,361	28.00	1,404
Non-deductible expenses	8.20	398	6.16	309
Income not subject to tax	(4.6)	(224)	(6.66)	(334)
	31.60	1,535	27.50	1,379

Current income tax charge of the Group/Company is made up as follows:

	Group 2014	2013	Company 2014	2013
Sri Lanka Telecom PLC	358	387	358	387
Mobitel (Private) Limited	644	587	—	—
Sri Lanka Telecom (Services) Limited	14	4	—	—
SLT Human Capital Solutions (Private) Limited	(1)	1	—	—
SLT Publications (Private) Limited	43	4	—	—
SLT VisionCom (Private) Limited	3	2	—	—
Sky Network (Private) Limited	—	2	—	—
SLT Property Management (Private) Limited	—	—	—	—
SLT Campus (Private) Limited	—	—	—	—
	1,061	987	358	387

- (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 2014/2015, SLT Human Capital Solutions (Private) Limited is liable for income taxes at the rate of 10% on their taxable income.
- (c) As per the agreement with the Board of Investment of Sri Lanka (BOI) dated 19 November 2009 under Section 17 of BOI Act No. 4 of 1978 Sky Network (Private) Limited is exempt from income tax for a period of 6 years. For the above purpose the year of assessment shall be reckoned from the year in which the company commences to make profits or any year of assessment not later than two years reckoned from the date on which the Company commences commercial operation, whichever is earlier as may be specified in a certificate issued by the Board. In view of the above the Company is not liable to income tax on business profit.

12 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	Group 2014	2013	Company 2014	2013
Net profit attributable to equity holders (Rs. million)	6,001	5,419	3,324	3,635
Weighted average number of ordinary shares in issue (million)	1,805	1,805	1,805	1,805
Basic earnings per share (Rs.)	3.32	3.00	1.84	2.01

Diluted EPS is the same as computed above, as the Company does not have any instrument that will potentially dilute the shareholdings.

13 Property, plant & equipment

Group	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
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	–	–	(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)
Disposals	–	–	721	1,128	–	78	–	1,928
Impairments loss	–	–	–	(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
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 2014	356	3,007	85,791	19,660	76,882	31,683	12,643	230,022
Additions at cost	1	–	912	101	1,736	1,196	19,933	23,879
Transfers from capital work-in-progress	–	81	4,845	2,423	3,586	2,856	(13,791)	–
Disposals	–	–	(24)	(164)	(9,833)	(379)	–	(10,400)
Adjustments	–	(9)	–	–	–	9	–	–
As at 31 December 2014	357	3,079	91,524	22,020	72,371	35,365	18,785	243,501
Accumulated depreciation								
As at 1 January 2014	–	(1,734)	(69,175)	(14,849)	(38,360)	(25,398)	–	(149,516)
Disposals	–	–	24	164	9,231	374	–	9,793
Impairments loss	–	–	–	(435)	–	(83)	–	(518)
Depreciation charge	–	(97)	(2,707)	(932)	(6,102)	(2,487)	–	(12,325)
As at 31 December 2014	–	(1,831)	(71,858)	(16,052)	(35,231)	(27,594)	–	(152,566)
Carrying value as at 31 December 2014	357	1,248	19,666	5,968	37,140	7,771	18,785	90,935

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	–	–	(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

Company	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
Accumulated depreciation								
As at 1 January 2013	–	(1,663)	(66,962)	(14,901)	(13,256)	(22,243)	–	(119,025)
Disposals	–	–	721	1,112	–	60	–	1,894
Impairments loss	–	–	–	(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

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 2014	356	2,980	85,019	19,682	21,183	29,948	12,166	171,334
Additions at cost	1	–	912	101	74	799	18,181	20,068
Transfers from capital work-in-progress	–	81	4,845	2,423	1,907	2,856	(12,112)	–
Disposals	–	–	(24)	(164)	(106)	(330)	–	(624)
Adjustments	–	(9)	–	–	–	9	–	–
As at 31 December 2014	357	3,052	90,752	22,042	23,058	33,282	18,235	190,778

Company	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
Accumulated depreciation								
As at 1 January 2014	–	(1,734)	(68,661)	(14,874)	(14,168)	(24,348)	–	(123,785)
Disposals	–	–	24	164	106	327	–	621
Impairments loss	–	–	–	(435)	–	(83)	–	(518)
Depreciation charge	–	(97)	(2,643)	(932)	(1,009)	(2,194)	–	(6,875)
As at 31 December 2014	–	(1,831)	(71,280)	(16,077)	(15,071)	(26,298)	–	(130,557)
Carrying value as at 31 December 2014	357	1,221	19,472	5,965	7,987	6,984	18,235	60,221

- (a) On 1 September 1991, the Department of Telecommunications (DoT) transferred its entire telecommunications business and related assets and liabilities to SLT. A valuation of the assets and liabilities transferred to SLT was performed by the Government of Sri Lanka. The net amount of those assets and liabilities represents SLT's Contributed Capital on incorporation and the value of property, plant & equipment as determined by the Government of Sri Lanka. Valuers were used 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 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 2014 was Rs. 49,285 million (2013 - Rs. 90,030 million). The cost of fully depreciated assets still in use in the Group as at 31 December 2014 was Rs. 59,385 million (2013 - Rs. 93,476 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. Nil as at 31 December 2014 (2013 - Rs. 9.7 billion).
- (d) The Directors believe that the Company has freehold title to land and buildings transferred on incorporation (conversion of SLT into a public limited company on 25 September 1996), although the vesting orders specifying all 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 & equipment is not insured except for buildings and equipment situated at SLT headquarters and Welikada premises. Further all the motor vehicles have been insured. An insurance reserve has been created together with a sinking fund investment to meet any potential losses with regard to uninsured property, plant & equipment. At the reporting date, the insurance reserve amounted to Rs. 560 million (2013 - Rs. 500 million) (Note 27).
- (f) Impairment of assets mainly consists of the carrying value of switches, Rs. 29 million, that were impaired as a result of implementation of Next Generation Network (NGN) (2013 - Rs. 149 million). Further a provision of Rs.489 million has been made in 2014 for switches and IPTV Equipment.
- (g) Additions include assets costing Rs. 11 million (2013 - Rs. 224 million) obtained under finance leases (where the Company is the lessee) and the additions of the Group includes assets costing Rs. 78 million obtained under finance leases (2013 - Rs. 249 million) where the Group is the lessee.
- (h) The Company capitalised borrowing costs amounting to Rs. 481 million during the year (2013 - Rs. Nil). Borrowing cost capitalised from a Group perspective amounted to Rs. 747 million (2013 - Rs. 122 million).
- (i) The property, plant & equipment includes assets acquired under finance leases, the net book value of which is made up as follows:

	Group		Company	
	2014	2013	2014	2013
Cost	557	479	440	429
Accumulated depreciation	(286)	(195)	(247)	(173)
Carrying value	271	284	193	256

(j) Property, plant & equipment include submarine cables. The total cost and accumulated depreciation of all cables under this category are as follows:

	Group/Company	
	2014	2013
Cost	6,304	6,304
Accumulated depreciation at 1 January	(4,711)	(4,550)
Depreciation charge for the year	(176)	(161)
Carrying amount	1,417	1,593

14 Intangible assets

Group

	Goodwill	Licences	Software	Others	Total
Cost					
Balance as at 1 January 2013	394	1,978	2,643	330	5,345
- Acquisitions	-	2,081	82	-	2,163
- Adjustment	-	-	(23)	-	(23)
Balance as at 31 December 2013	394	4,059	2,702	330	7,485
Balance as at 1 January 2014	394	4,059	2,702	330	7,485
- Acquisitions	-	2	73	-	75
Balance as at 31 December 2014	394	4,061	2,775	330	7,560
Accumulated amortisation					
Balance as at 1 January 2013	253	618	1,725	330	2,926
- Amortisation	-	275	308	-	583
Balance as at 31 December 2013	253	893	2,033	330	3,509
Balance as at 1 January 2014	253	893	2,033	330	3,509
- Amortisation	-	386	253	-	639
Balance as at 31 December 2014	253	1,279	2,286	330	4,148
Carrying Amounts					
31 December 2014	141	2,782	489	-	3,412
31 December 2013	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:

	2014	2013
Mobitel (Private) Limited	141	141
Total	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. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	2014 %	2013 %
Growth rate	8 - 12	10 - 12
Discount rate	10.22	10.50

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. No impairment charge has been recognised for the year ended 31 December 2014 for the above CGU (2013 - Rs. Nil).

Company

	Licences	Software	Others	Total
Cost				
Balance as at 1 January 2013	816	1,724	330	2,870
Acquisitions	612	12	–	624
Adjustment	–	(38)	–	(38)
Balance as at 31 December 2013	1,428	1,698	330	3,456
Balance as at 1 January 2014	1,428	1,698	330	3,456
Acquisitions	2	–	–	2
Balance as at 31 December 2014	1,430	1,698	330	3,458
Accumulated amortisation				
Balance as at 1 January 2013	75	1,139	330	1,544
Amortisation	97	202	–	299
Balance as at 31 December 2013	172	1,341	330	1,843
Balance as at 1 January 2014	172	1,341	330	1,843
Amortisation	146	143	–	289
Balance as at 31 December 2014	318	1,484	330	2,132
Carrying Amounts				
31 December 2014	1,112	214	–	1,326
31 December 2013	1,256	357	–	1,613

15 Financial prepayments

	Group	
	2014	2013
As at 1 January	1,097	1,097
Acquired/Incurred during the period	–	–
As at 31 December	1,097	1,097
Amortisation		
As at 1 January	823	726
Amortisation for the year	97	97
As at 31 December	920	823
Carrying amount – Current	98	98
Carrying amount – Non-current	79	176
As at 31 December	177	274

16 Investments in subsidiaries

	2014	2013
Opening net book amount	14,156	14,192
Impairment of investment	-	-
Additions/(Disposals)	33	(36)
Closing net book amount	14,189	14,156

Details of the subsidiary companies in which the Company had control as at 31 December are set out below:

	2014	2013		2014	2013
	Investment	Company holding %		Investment	Company holding %
Mobitel (Private) Limited [See Note (b) below]	13,980	100		13,980	100
SLT VisionCom (Private) Limited [See Note (e) below]	100	100		100	100
SLT Publications (Private) Limited [See Note (c) below]	50	100		50	100
Sri Lanka Telecom (Services) Limited [See Note (a) below]	25	99.99		25	99.99
SLT Human Capital Solutions (Private) Limited [See Note (d) below]	1	100		1	100
Sky Network (Private) Limited [See Note (f) below]	-	99.94		-	99.94
SLT Property Management (Private) Limited [See Note (g) below]	8	100		-	-
SLT Campus (Private) Limited [See Note (h) below]	25	100		-	-
	14,189			14,156	

The Directors believe that the fair values of each of the companies listed above do not differ significantly from their book values.

- (a) This investment in subsidiary company consists of 2,500,000 shares representing 99.99% of stated capital of Sri Lanka Telecom (Services) Limited.
- (b) The Company owns 1,320,013,240 shares representing 100% of the entire Ordinary Share capital of Mobitel (Private) Limited.
- (c) This investment in subsidiary company consists of 5,000,000 shares representing the entire stated capital of SLT Publications (Private) Limited.
- (d) This investment in subsidiary company consists of 50,000 shares representing the entire stated capital of SLT Human Capital Solutions (Private) Limited.
- (e) This investment in subsidiary company consists of 10,000,000 shares representing the entire stated capital of SLT VisionCom (Private) Limited.
- (f) This investment in subsidiary company consists of 42,071,251 shares representing a 99.94% holding of the issued stated capital and 6,000,000 12% cumulative and redeemable preference shares of Sky Network (Private) Limited. The investment is fully impaired.

At 31 December 2014, preference dividends amounting to Rs. 44 million (2013 - Rs. 37 million) has not been recognised in the financial statements.

- (g) This investment in subsidiary consists of 850,001 shares representing entire stated capital of SLT Property Management (Private) Limited.
- (h) This investment in subsidiary consists of 2,500,001 shares representing entire stated capital of SLT Campus (Private) Limited.

All the subsidiaries except for Mobitel (Private) Limited are audited by KPMG.

17 Other investments

	Group		Company	
	2014	2013	2014	2013
Current investments				
Fixed deposits	6,750	3,393	6,397	3,203
	6,750	3,393	6,397	3,203

Fixed deposits are classified as loans and receivables and measured at amortised cost. Fixed deposits with a carrying value of Rs. 568 million (2013 - Rs. 515 million) are restricted at bank.

Interest rates of other investments are as follows:

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Fixed deposits – Restricted at bank	8.96	15.28	8.96	15.28
Fixed deposits – Rs.	6.00 - 7.00	7.00	Nil	Nil
Fixed deposits – USD	3.65	5.28	3.65	5.28
Repurchase agreement – Repo	6.05	8.64	6.05	8.64

The Group's exposure to credit and market risk and fair value information related to other investment are disclosed in Note 4.

18 Other receivables

	Group		Company	
	2014	2013	2014	2013
Non-current	2,789	2,733	2,789	2,733
Current	695	676	686	667
	3,484	3,409	3,475	3,400
Employee loans	2,947	2,769	2,938	2,760
Prepaid staff cost	537	640	537	640
	3,484	3,409	3,475	3,400
Prepaid staff cost 1 January	640	661	640	661
Additions	180	255	180	255
Amortisation	(283)	(276)	(283)	(276)
Prepaid staff cost at 31 December	537	640	537	640

The Group provides loans to employees at concessionary rates. These employee loans are fair valued at initial recognition using level 2 inputs. The fair value of the employee loans are determined by discounting expected future cash flows using market related rates for similar loans.

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

The employee loans are classified as loans and receivable and subsequently measured at amortised cost.

19 Inventories

	Group		Company	
	2014	2013	2014	2013
CDMA equipment	370	937	370	937
Cable and networks	293	2,048	293	2,048
Other consumables	414	690	182	397
	1,077	3,675	845	3,382
Provision for change in carrying value of inventories	(602)	(1,501)	(563)	(1,464)
	475	2,174	282	1,918

(a) Inventories includes 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	
	2014	2013	2014	2013
Domestic trade receivables	13,900	12,359	10,602	9,610
Foreign trade receivables	2,616	2,287	1,968	1,772
	16,516	14,646	12,570	11,382
Less: Provision for bad and doubtful receivables	(6,560)	(5,662)	(5,077)	(4,486)
Less: Interest/revenue in suspense	(19)	(19)	–	–
Trade receivables - Net	9,937	8,965	7,493	6,896
Amount due from subsidiaries [Note 33.1 (j)]	–	–	3,871	2,865
Amount due from related companies [Note 33.2 (f)]	272	123	272	123
Advances and prepayments [See Note (a) below]	1,908	927	260	167
Employee loans (Note 18)	695	676	686	667
Other receivables [See Note (b) below]	523	638	146	152
Amounts due within one year	13,335	11,329	12,728	10,870

- (a) Advances and prepayments of the Company mainly consist of advances on building rent of Rs. 9 million (2013 - Rs. 11 million), payments for software maintenance of Rs. 186 million (2013 - Rs. 120 million) prepaid frequency charges Rs. 40 million (2013 - Rs. 49 million) and purchase advance of Rs. 4 million (2013 - Rs. 4 million). Advances and prepayments of the Group mainly consist of advances on building rent purchases of Rs. 139 million (2013 - Rs. 127 million), payments for software maintenance of Rs. 186 million (2013 - Rs. 120 million), prepayment for advertising hoardings Rs. Nil (2013 - Rs. 15 million), prepaid TRC frequency Rs. 952 million (2013 - Rs. 191 million) and current portion of financial prepayment Rs. 98 million (2013 - Rs. 98 million).
- (b) Other receivables of the Company consist of refundable deposits of Rs. 99 million (2013 - Rs. 98 million). Other receivables of the Group mainly consist of refundable deposits of Rs. 99 million (2013 - Rs. 190 million), receivables from sales agents Rs. 53 million (2013 - Rs. 105 million) and site rentals receivables from other operators Rs. 214 million (2013 - Rs. 315 million).

21 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
Cash at bank and in hand	1,123	852	369	471
Call Deposits	400	352	398	352
Fixed deposits	14	22	–	–
Repurchase agreements - Repo	3,158	2,233	235	–
	4,695	3,459	1,002	823

a. For cash flow purpose

Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
Cash and cash equivalents	4,695	3,459	1,002	823
Bank overdrafts	(921)	(1,265)	–	(740)
	3,774	2,194	1,002	83

22 Borrowings

	Group		Company	
	2014	2013	2014	2013
Current (due within one year)				
Bank overdrafts	921	1,265	–	740
Bank borrowings and others [See Note 22 (e) below]	5,356	4,385	4,299	2,468
Vendor financing	2,777	2,587	–	–
Lease liabilities	82	75	60	60
	9,136	8,312	4,359	3,268
Non-current (due after one year)				
Bank borrowings and others [See Note 22 (e) below]	12,656	4,640	11,538	2,454
Vendor financing	5,096	7,504	–	–
Lease liabilities	234	234	162	208
	17,986	12,378	11,700	2,662
Total borrowings	27,122	20,690	16,059	5,930

(a) The interest rate exposure of the borrowings of the Group and Company were as follows:

	Group		Company	
	2014	2013	2014	2013
Total borrowings				
- at fixed rates	14,622	1,574	13,580	1,008
- at floating rates	12,500	19,116	2,479	4,922
	27,122	20,690	16,059	5,930

The currency exposure of the borrowings of the Group and the Company as at the reporting date were as follows:

	Group		Company	
	2014	2013	2014	2013
Foreign currency	25,807	19,116	15,837	4,922
Local currency	1,315	1,574	222	1,008
	27,122	20,690	16,059	5,930

(b) Effective interest rates of the Group and Company are as follows:

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Average effective interest rates:				
- Bank overdrafts	6.10 - 10.00	10.80	7.39	10.80
- Foreign bank borrowings	1.20 - 2.24	1.24 - 2.52	-	-
- Bank borrowings (USD loan)	4.98	5.29	4.98	5.29
- Bank borrowings	7.34 - 8.25	12.1 - 15.2	-	-
- Lease liabilities	8.00 - 16.00	8.00 - 16.00	8.00 - 10.00	8.00 - 10.00
- Vendor financing	1.95 - 4.15	1.95 - 4.15	-	-

(c) Maturity analysis of the Group and Company is as follows:

	Group		Company	
	2014	2013	2014	2013
Maturity of non-current borrowings: (excluding finance lease liabilities)				
- Between 1 and 2 years	7,664	10,016	3,297	2,454
- Between 3 and 5 years	10,088	2,128	8,241	-
- Over 5 years	-	-	-	-
	17,752	12,144	11,538	2,454

(d) Analysis of the finance lease liabilities of the Group and Company are follows:

	Group		Company	
	2014	2013	2014	2013
Finance lease liabilities - minimum lease payments				
- Not later than 1 year	122	106	88	97
- Later than 1 year and not later than 5 years	289	309	198	268
	411	415	286	365
Less: future finance charges on finance leases	(95)	(106)	(64)	(97)
Present value of finance lease liabilities	316	309	222	268
Representing lease liabilities:				
- Current	82	75	60	60
- Non-current	234	234	162	208

- (e) During the year the Company obtained a term loan of USD 100 million (equivalent to Rs. 13,092 million) which was drawn in 4 instalments. This loan was obtained on a floating rate and converted to a fixed rate term loan through an Interest Rate Swap (IRS).
- (f) The loan covenants include submission of audited financial statements to the lenders within a specified period from the financial year end, maintenance of covenant ratios and to maintain adequate accounting records in accordance with Sri Lanka Accounting Standards.
- (g) The Directors believe that the Company and the Group will have sufficient funds available to meet its present loan commitments.
- (h) Lease liabilities of the Company and the Group are effectively secured by the lessor against the rights to the title of the asset.
- (i) Bank borrowings and supplier credits of Mobitel (Private) Limited, a subsidiary of the Company, are secured, *inter alia*, by corporate guarantees given by the Company.
- (j) Mobitel (Private) Limited has borrowed Rs. 296 million during the year for the purpose of Capital Expansion Projects.
- (k) Guarantee facilities amounting to Rs. 26 million (2013 - Rs. 26 million) were provided to Sri Lanka Telecom (Services) Limited to obtain facilities for working capital requirements.

23 Deferred tax

Recognised deferred tax (assets)/liabilities

Deferred 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 tax is provided under the liability method using a principal tax rate of 28% (for the year 2013 - 28%).

The amount shown in the statement of financial position represents the following:

	Group		Company	
	2014	2013	2014	2013
Deferred tax liabilities	2,805	1,750	2,801	1,746
Deferred tax assets	(46)	(58)	-	-
	2,759	1,692	2,801	1,746

The movement in the deferred tax account is as follows:

	Group		Company	
	2014	2013	2014	2013
At beginning of year	1,692	759	1,746	780
Release to comprehensive income (Note 11)	1,189	954	1,177	987
Release to other comprehensive income (Note 11)	(122)	(21)	(122)	(21)
At end of year	2,759	1,692	2,801	1,746

The taxable and deductible temporary differences mainly arise from property, plant & equipment, deferred income, provision for defined benefit obligations and other provisions.

The movement in deferred tax assets and liabilities of the Group during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property, plant & equipment	-	-	6,453	4,934	6,453	4,934
Defined benefit obligations	(987)	(765)	-	-	(987)	(765)
Provisions	(1,841)	(1,508)	-	-	(1,841)	(1,508)
Deferred income	(856)	(937)	-	-	(856)	(937)
Tax losses	(10)	(32)	-	-	(10)	(32)
Tax (assets) liabilities before set off	(3,694)	(3,242)	6,453	4,934	2,759	1,692
Set off of tax	3,694	3,242	(3,694)	(3,242)	-	-
Net tax (assets) liabilities	-	-	2,759	1,692	2,759	1,692

Movement in deferred tax balances during the year – Group

	Balance 1 January 2013	Recognised in profit or Loss	Recognised in other comprehensive income	Balance 31 December 2013	Recognised in profit or Loss	Recognised in other comprehensive income	Balance 31 December 2014
Property, plant & equipment	3,770	1,164	–	4,934	1,519	–	6,453
Defined benefit obligations	(646)	(98)	(21)	(765)	(100)	(122)	(987)
Provisions	(1,312)	(196)	–	(1,508)	(333)	–	(1,841)
Deferred income	(1,053)	116	–	(937)	81	–	(856)
Tax losses	–	(32)	–	(32)	22	–	(10)
	759	954	(21)	1,692	1,189	(122)	2,759

Movement in deferred tax balances during the year – Company

In Rs. million	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property, plant & equipment	–	–	6,450	4,932	6,450	4,932
Defined benefit obligations	(983)	(763)	–	–	(983)	(763)
Provisions	(1,810)	(1,486)	–	–	(1,810)	(1,486)
Deferred income	(856)	(937)	–	–	(856)	(937)
Tax (assets) liabilities before set off	(3,649)	(3,186)	6,450	4,932	2,801	1,746
Set off of tax	3,649	3,186	(3,649)	(3,186)	–	–
Net tax (assets) liabilities	–	–	2,801	1,746	2,801	1,746

Movement in deferred tax balances during the year – Company

	Balance 1 January 2013	Recognised in profit or Loss	Recognised in other comprehensive income	Balance 31 December 2013	Recognised in profit or Loss	Recognised in other comprehensive income	Balance 31 December 2014
Property, plant & equipment	3,771	1,161	–	4,932	1,518	–	6,450
Defined benefit obligations	(644)	(98)	(21)	(763)	(98)	(122)	(983)
Provisions	(1,294)	(192)	–	(1,486)	(324)	–	(1,810)
Deferred income	(1,053)	116	–	(937)	81	–	(856)
	780	987	(21)	1,746	1,177	(122)	2,801

Unrecognised deferred tax (assets) and liabilities

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the group can utilise the benefit therefrom. The Group did not recognise deferred tax assets in respect of tax losses of subsidiaries amounting to Rs. 195 million (2013 - Rs. 200 million) that can be carried forward against future taxable income.

	Adjusted tax losses available for carry forward as at 31 December	
	2014	2013
SKY Network (Private) Limited	52	52
SLT VisionCom (Private) Limited	143	148
	195	200

24 Deferred income

The connection fees relating to Public Switch Telephone Network (PSTN) are deferred over a period of 15 years. Revenue is recognised on an annual basis irrespective of the date of connection.

Revenue from the sale of prepaid credit on CDMA, Internet is deferred until such time as the customer uses the call time, downloadable quota or the credit expires.

Backhauling revenue which is leasing of SEA-ME-WE 3 cable capacity is recognised on a straight line basis over the period of the contract. Amounts received in advance for any services are recorded as deferred revenue.

Directory income includes amounts collected for directories not yet printed. Such income will be recognised as income depending on the percentage of directories distributed to the end customer as described in accounting policy (n) (viii).

IRU revenue relating to leasing of SEA-ME-WE 4 cable capacity is recognised on a straight line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue. In the event that a customer terminates an IRU prior to the expiry of the contract and releases the Company from the obligation to provide future services, the remaining unamortised deferred revenue is recognised in the period the contract is terminated.

	Group		Company	
	2014	2013	2014	2013
At beginning of year	5,508	5,664	3,492	3,926
Additions				
Connection fees for the year	315	283	315	283
Pre-paid card revenue	25,706	19,882	271	240
Backhauling charges	69	86	69	86
Deferred directory income	64	280	–	–
Total Additions	26,154	20,531	655	609
Release				
Connection charges (Note 6)	(586)	(679)	(586)	(679)
Pre-paid card revenue	(25,800)	(19,777)	(268)	(246)
Backhauling charges	(55)	(97)	(55)	(97)
Directory income	(214)	(101)	–	–
IRU Sales	(20)	(21)	(20)	(21)
Network equipment cost	(11)	(12)	–	–
Total Release	(26,686)	(20,687)	(929)	(1,043)
At end of year	4,976	5,508	3,218	3,492
Representing deferred income				
Current	2,398	2,683	706	745
Non-current	2,578	2,825	2,512	2,747
	4,976	5,508	3,218	3,492

25 Trade and other payables

	Group		Company	
	2014	2013	2014	2013
Amounts due within one year				
Domestic trade payables	1,524	1,808	499	566
Foreign trade payables	214	323	95	84
Amount due to subsidiaries [Note 33.1 (j)]	–	–	2,028	1,376
Amount due to related companies [Note 33.2 (f)]	47	51	47	51
Capital expenditure payables [See Note (a) below]	7,693	6,347	7,245	5,760
Social security and other taxes [See Note (b) below]	796	1,209	763	666
Interest payable	489	184	–	–
Other payables [See Note (c) below]	6,292	5,250	3,901	3,293
	17,055	15,172	14,578	11,796
Amounts due after one year				
International direct dialling deposits	232	232	232	232
PSTN guarantee deposits	18	38	18	38
Domestic trade payables	614	566	–	–
Capital expenditure payables	1,543	912	–	–
	2,407	1,748	250	270

- (a) Capital expenditure payables of the Company mainly consist of contractors' payable and retention of Rs. 6,104 million (2013 - Rs. 5,010 million) and advances on network restoration after road works of Rs. 1,132 million (2013 - Rs. 901 million). Capital expenditure payables of the Group mainly consist of contractors' payable and retention of Rs. 6,551 million (2013 - Rs. 5,318 million) and advances on network restoration after road works of Rs. 1,132 million (2013 - Rs. 901 million).
- (b) Social security and other taxes of the Company mainly consist of Telecommunication Levy (TL) of Rs. 445 million (2013 - Rs. 344 million), Cess Rs. 67 million (2013 - Rs. 63 million), IDD Levy of Rs. 16 million (2013 - Rs. 18 million) and EPF payable of Rs. 86 million (2013 - Rs. 90 million). Social security and other taxes of the Group mainly consist of Telecommunication Levy (TL) of Rs. 633 million (2013 - Rs. 714 million), Cess of Rs. 127 million (2013 - Rs. 116 million) and IDD Levy payable of Rs. 36 million (2013 - Rs. 38 million).
- (c) Other payables of the Company mainly consist of dividend payable to the Government of Sri Lanka of Rs. 244 million (2013 - Rs. 244 million), payable for unpaid supplies of Rs. 1,242 million (2013 - Rs. 440 million), International Telecommunication Operators' Levy payable of Rs. 206 million (2013 - Rs. 227 million) and accrued expenses and other payables of Rs. 1,201 million (2013 - Rs. 1,252 million). Other payables of the Group mainly consist of dividend payable to the Government of Sri Lanka of Rs. 244 million (2013 - Rs. 244 million), payable for unpaid supplies of Rs. 1,242 million (2013 - Rs. 440 million), International Telecommunication Operators' Levy payable (without netting off TDC refunds) of Rs. 231 million (2013 - Rs. 252 million) and accrued expenses and other payables of Rs. 3,661 million (2013 - Rs. 2,877 million).

26 Employee benefits

	Group		Company	
	2014	2013	2014	2013
Total employee benefit liability at 1 January	3,003	2,495	2,725	2,300
Movement in present value of employee benefit liabilities				
Current service cost	205	181	162	145
Interest cost	313	299	287	276
Actuarial losses/(gains)	478	103	438	76
Transitional assets recognised	–	6	–	–
Gratuity paid during the year	(124)	(81)	(100)	(72)
Balance as at 31 December	3,875	3,003	3,512	2,725
The expenses recognised in the income statement				
Current service cost	205	181	162	145
Interest cost	313	299	287	276
Transitional assets recognised	–	6	–	–
	518	486	449	421
Recognised in other comprehensive income				
Actuarial (Gain)/Loss	478	103	438	76
	478	103	438	76

The principal actuarial assumptions used were as follows:

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Discount rate (long-term)	9.5 - 10.0	10.5	10.0	10.5
Future salary increases	8.5	8.5 - 9.0	8.5	8.5

In addition to above, demographic assumptions such as mortality, withdrawal, retirement age were considered for the actuarial valuation. In 2014, 1967/70 Mortality Table issued by the Institute of Actuaries London (2012 - 1967/70 Mortality Table) was taken as the base for the valuation.

The provisions for defined obligations of Sri Lanka Telecom PLC, SLT Human Capital Solution Limited, SLT Publications (Private) Limited and Mobitel (Private) Limited are actuarially valued by Messrs Actuarial and Management Consultants (Private) Limited and Messrs Piyal S. Goonetilake and Associates respectively. The employee benefit liability of all other companies in the Group are based on gratuity formula.

The provision for defined benefit obligations is not externally funded.

Sensitivity analysis

The Following demonstrates the sensitivity of the material subsidiaries to a reasonable possible change in the key assumptions employed with all other variables held constant in the employee benefit liability measurement.

The sensitivity of the statement of profit or loss and other comprehensive income and the statement of financial position, is the effect of the assumed changes in discount rate and salary increment rate as depicted below:

Sri Lanka Telecom PLC

2014	Effect on charge to the statement of profit or loss and other comprehensive income		Effect on Net defined benefit liability	
	Increase	Decrease	Increase	Decrease
Discount rate (Change by 1%)	(172)	193	(172)	193
Salary increment rate (Change by 1%)	211	(191)	211	(191)

2013	Effect on charge to the statement of profit or loss and other comprehensive income		Effect on Net defined benefit liability	
	Increase	Decrease	Increase	Decrease
Discount rate (Change by 1%)	(147)	164	(147)	164
Salary increment rate (Change by 1%)	180	(163)	180	(163)

Mobitel (Private) Limited

2014	Effect on charge to the statement of profit or loss and other comprehensive income		Effect on Net defined benefit liability	
	Increase	Decrease	Increase	Decrease
Discount rate (Change by 1%)	(19)	22	(19)	22
Salary increment rate (Change by 1%)	21	(19)	21	(19)

2013	Effect on charge to the statement of profit or loss and other comprehensive income		Effect on Net defined benefit liability	
	Increase	Decrease	Increase	Decrease
Discount rate (Change by 1%)	(9)	10	(9)	10
Salary increment rate (Change by 1%)	12	(11)	12	(11)

27 Insurance reserve

	Group/Company	
	2014	2013
As at 1 January	500	435
Transferred from retained earnings	60	65
As at 31 December	560	500

As stated in Accounting Policy 3(t) the Company transfers annually from the retained earnings an amount equal to 0.1% of additions to property, plant & equipment to an insurance reserve. An equal amount is invested in a sinking fund to meet any funding requirements for potential losses from uninsured property, plant & equipment.

Management regularly monitors the charges made against the insurance reserve and the adequacy of the provision made.

28 Grants

	Group	Company	
	2014	2013	2014
Balance at 1 January	28	35	28
Grant credited to profit or loss	(6)	(7)	(6)
Balance at 31 December	22	28	22

Grant in Company and Group consists of Exchange equipment received from Alcatel CIT France in 2005.

29 Stated capital

	Company	
	2014	2013
1,804,860,000 ordinary shares	18,049	18,049

The stated capital is made up as follows:

	2014	2013	
	Holding %	Number of shares	Holding %
Government of Sri Lanka	49.50	893,405,709	49.50
Global Telecommunications Holdings N.V.	44.98	811,757,869	44.98
Public shareholding	5.52	99,696,422	5.52
	100.00	1,804,860,000	100.00

30 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2014	2013	2014	2013
Profit before tax	8,251	7,365	4,859	5,014
Adjustments for:				
Depreciation (Note 13)	12,325	11,755	6,875	6,505
Grant received less amortisation (Note 28)	(6)	(7)	(6)	(7)
Amortisation of intangible assets (Note 14)	639	583	289	299
Amortisation of financial prepayments (Note 15)	97	97	–	–
Provision/write off of bad and doubtful debts	937	781	630	522
Provision for fall in value of inventories	13	88	13	77
Interest expense and finance costs (Note 9)	198	736	49	371
Foreign exchange (loss)/Gain (Note 9.a)	13	441	(14)	(18)
Interest income (Note 10)	(910)	(1,122)	(708)	(872)
Connection fees less amortisation	(532)	(156)	(274)	(434)
Profit on sale of property, plant & equipment	528	(69)	(64)	(69)
Impairment of assets (Note 13)	518	149	518	149
Gain on SLT Hong Kong Investment	–	–	–	(15)
Provision for retirement benefit obligations (Note 26)	518	486	449	421
	22,589	21,127	12,616	11,943
Changes in working capital				
- Receivables and prepayments	(2,999)	(946)	(2,544)	544
- Inventories	(1,450)	339	(1,513)	401
- Payables	2,215	(4,730)	2,763	(3,264)
Cash generated from operations	20,355	15,790	11,322	9,624

31 Capital commitments

The Group and the Company have purchase commitments in the ordinary course of business as at 31 December is as follows:

	Group		Company	
	2014	2013	2014	2013
Property, plant & equipment				
- approved but not contracted	33,829	29,125	33,829	29,125
- approved and contracted	15,069	8,344	12,371	5,944
	48,898	37,469	46,200	35,069

Operating lease and other commitments

The future minimum lease payments under operating leases are as follows:

- Not later than 1 year	141	88	118	88
- Later than 1 year and not later than 5 years	221	91	153	91
	362	179	271	179

Letter of Credit Commitments

Outstanding Letter of Credit commitments of the Company and the Group as at 31 December 2014 amounted to Rs. 409 million and Rs. 721 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 require separate disclosures.

32 Contingencies

- (a) **Global Electroteks Limited** initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from SLT for alleged unlawful disconnection of interconnection services.

Further trial on 27 March 2015

- (b) **SC (CHC) 31/2010 - Directories Lanka (Private) Limited (DLPL)**

Appeal Case filed by DLPL against SLT against the dismissal of CHC 2/2006(3) claimed damages of Rs.250 million, for alleged unfair competition with regard to artwork on the cover page of the Directory by SLT.

The appeal proceedings have still not commenced in the Supreme Court.

- (c) **12/2008 CBCU - An Inquiry started by Sri Lanka Customs** - A consignment of CDMA equipment was 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/. Order was delivered on 17 October 2014 imposing a mitigated forfeiture of Rs. 1,820,502,062/- on SLT.

SLT has filed case CA/writ/387/2014 against this order. Next date is on 6 May 2015 for support.

- (d) **Customs Case No. ADP/031/2009** - Goods valued at USD 996,785.65, which was imported under the last consignment of equipment for NGN Phase II expansion project, was detained by the Customs on or about 14 May 2009. Subsequently, the equipment was cleared on 18 July 2009. Pending inquiry, based on a Bank Guarantee placed by SLT to the value of Rs. 35,000,000/. The customs inquiry against SLT is pending.

No date given. Awaiting the NC Committee decision which was re-sent for re-confirmation.

- (e) **Ahmedabad City Civil Court - 802/2014** - Bhuwal Industries have initiated legal action on 11 April 2014 against SLT in Ahmedabad City Civil Court, India claiming for damages of Indian Rs. 161,521,447.00 for malicious prosecution. The case is proceeding and SLT to file the written statement by 18 April 2015.

- (f) **Labour Tribunal Colombo Case Nos. 08/760/2014, 08/820/2014, 08/821/2014 and 08/819/2019** - Former employees of SLT Human Capital Solutions (Private) Limited (HCS) filed legal action against SLT and HCS at Labour Tribunal Colombo against termination of their employment by HCS, on 6 January 2014. Proceedings stayed until the determination of revision application in High Court Colombo.

In addition to the above referred cases there are other claims by employees and third parties for damages and other relief. In the opinion of the Directors none of these actions is likely to result in a material liability to the Company and its subsidiaries.

The Company has provided guarantees on behalf of its subsidiaries for following credit and trade finance facilities.

- (i) Facilities amounting to Rs. Nil (2013 - Rs. 5,750 million) and US\$ 194.2 million (2013 - US\$ 191.2 million) for Mobitel (Private) Limited for the GSM roll-out stage, 4, 5, 6 and 7.
- (ii) Facilities amounting to Rs. 26 million (2013 - 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 recognised in the financial statements up to 31 December 2014.

33 Related party transactions

33.1 The Company had following transactions with its subsidiaries during the year under review:

	Company	2014	2013
(a) Mobitel (Private) Limited			
Sale of goods and services			
Provision of E1 links	1,747	1,462	
Leased line	975	976	
Interconnection charges	325	350	
TDM, VOIP Platform and Transit	173	166	
	3,220	2,954	
Purchase of goods and services			
Call charges on official mobile phones	47	39	
Interconnection charges	1,658	881	
Antenna tower space	565	449	
Building rent	3	3	
E1 link	1		
	2,274	1,372	

As per the TRC approval dated 19 May 2014, Mobitel is entitled to receive discounts if the Company uses more than 3500 E 1 links. Further, Mobitel receives discounts on infrastructure services provided by Sri Lanka Telecom PLC.

The Company has provided guarantees on behalf of Mobitel for following loans and obligations:

Facilities amounting to Rs. Nil (2013 - Rs. 5,750 million) and US\$ 194.2 million (2013 - US\$ 191.2 million) for Mobitel (Private) Limited for the GSM roll-out stage 4, 5, 6 and 7.

	Company	2014	2013
(b) Sky Network (Private) Limited			
Sale of goods and services			
Supply of services	-	-	
Purchase of goods and services			
Service provisioning	-	-	
(c) SLT Publications (Private) Limited			
Sale of goods and services			
Supply of services	4	4	
Purchase of goods and services			
Directory distribution	-	-	

SLT Publications provides event management services to SLT PLC. As per the agreement SLT Publications is entitled to receive a retainer for the service provided.

Impairment of related party receivable amounting to Rs. 9.7 million was made during the year.

	Company	
	2014	2013
(d) Sri Lanka Telecom (Services) Limited		
Sale of goods and services		
Supply of services	4	4
Purchase of goods and services		
Project-related services	112	179

The Company has provided guarantees on behalf of Sri Lanka Telecom (Services) Limited for following loans and obligations:

Facilities amounting to Rs. 26 million (2013 - Rs. 26 million) for Sri Lanka Telecom (Services) Limited to obtain facilities for working capital requirements.

Impairment of related party receivable amounting to Rs. 10.4 million was made during the year.

	Company	
	2014	2013
(e) SLT Human Capital Solutions (Private) Limited		
Sale of goods and services		
Supply of services	6	5
Purchase of goods and services		
Provision of manpower service	1,181	1,247
(f) SLT VisionCom (Private) Limited		
Sale of goods and services		
Supply of services	8	10
Purchase of goods and services		
Service provisioning	122	110

Ad-Insertion revenue

SLT received an ad-insertion revenue from SLT VisionCom (Private) Limited amounting to Rs. 3.3 million. SLT's share of revenue is based on the following percentages.

Advertisement on PEO TV - EPG - 34%
Channel advertisement - 17%

Service Fee

SLT PLC pays SLT VisionCom (Private) Limited the total cost incurred plus a 5% margin which amounted to Rs. 122 million in 2014.

Impairment to related party receivable amounting to Rs. 12.2 million was made during the year.

	Company	
	2014	2013
(g) SLT Property Management (Private) Limited		
Sale of goods and services		
Supply of services	—	—
Purchase of goods and services		
Service provisioning	5	—
(h) SLT Campus (Private) Limited		
Sale of goods and services		
Supply of services	—	—
Purchase of goods and services		
Service provisioning	—	—
(i) Fees for secondment of personnel and services provided to/by SLT PLC		
SLT Publications (Private) Limited	36	36
SLT Human Capital Solutions (Private) Limited	10	9
	46	45
(j) Outstanding balances arising from sale/purchase of services		
Receivable from subsidiaries		
Mobitel (Private) Limited	3,317	2,342
SLT Publications (Private) Limited	223	185
SLT Human Capital Solutions (Private) Limited	146	137
SLT VisionCom (Private) Limited	41	50
Sri Lanka Telecom (Services) Limited	19	31
Sky Network (Private) Limited	120	120
SLT Property Management (Private) Limited	5	—
	3,871	2,865
Payable to subsidiaries		
Mobitel (Private) Limited	1,569	973
SLT Publications (Private) Limited	67	32
SLT Human Capital Solutions (Private) Limited	225	217
Sri Lanka Telecom (Services) Limited	166	153
Sky Network (Private) Limited	1	1
	2,028	1,376

33.2 Transactions with other related parties

	Group		Company	
	2014	2013	2014	2013
(a) Maxis Communications Berhad and its subsidiaries				
Sale of goods and services				
Sale of SEA-ME-WE 3 cable capacity	10	10	10	10
International incoming traffic	243	186	241	147
	253	196	251	157
Purchase of goods and services				
International outgoing traffic	85	75	85	73
(b) Upali Group of Companies				
Sale of goods and services				
Providing Voice & Data services	10	11	9	11
(c) Nawaloka Group				
Sale of goods and services				
Providing Voice & Data services	6	5	6	5
Purchase of goods and services				
Medical services	10	18	9	17
(d) SriLankan Airlines Limited				
Sale of goods and services				
Providing Voice, Data & Infrastructure services	221	81	220	81
(e) Sri Lanka Cricket				
Sale of goods and services				
Providing Voice and Data services	1	3	1	3
Cricket Team and umpire sponsorship	7	2	-	-
(f) Outstanding balances arising from sale/purchase of services				
Receivable from related companies				
Upali Group of Companies	2	5	2	5
Nawaloka Group	1	1	1	1
SriLankan Airlines Limited	144	57	144	57
Sri Lanka Cricket	3	5	3	5
Maxis Communications Berhad and its subsidiaries	122	55	122	55
	272	123	272	123
Payable to related company				
Maxis Communications Berhad and its subsidiaries	47	51	47	51

(g) Government-related key institutions

The Government of Sri Lanka holds 49.5% of the voting rights of the Company as at 31 December 2014 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 Disclosures.

During the year ended 31 December 2014, the Company has carried out transactions with the Government of Sri Lanka and other Government related entities in the ordinary course of business.

The Company identified individually significant transactions with Key Government-Related entities as given below:

- (i) Revenue from provision of telecommunication services during the year ended 31 December 2014 amounted to Rs. 4,450 million (2013 - Rs. 3,632 million) and credit receivables as at 31 December 2014 amounted to Rs. 784 million (2013 - Rs. 609 million).
- (ii) Deposits, repurchase agreements (Repo) and Borrowings of the Group at/from Government banks amounted to Rs. 7,020 million (2013 - Rs. 3,555 million) and Rs. 2,479 million (2013 - Rs. 4,921 million).
- (iii) Dividend payable to the Government amounted to Rs. 244 million (2013 - Rs. 244 million).

33.3 Transactions with key management personnel

Key Management Personnel comprise the Directors and Chief Officers of the Company and the Group.

	Group		Company	
	2014	2013	2014	2013
Short-term benefits	238	212	189	174
Post-employment benefits	24	19	20	17
Salaries and other benefits	262	231	209	191

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 Publications (Private) Limited
SLT Human Capital Solutions (Private) Limited
SLT VisionCom (Private) Limited
Sky Network (Private) Limited
SLT Property Management (Private) Limited
SLT Campus (Private) Limited

Related party transactions disclosed above should be read in conjunction with Note 16 to the financial statements.

34 Non-uniform accounting policies

The impact of non-uniform accounting policies adopted by the subsidiary company has been adjusted in the consolidated financial statements as set out below:

Adjustment due to different accounting policies of the parent and the Group entity

Sri Lanka Telecom PLC accounts for refunds on Telecommunication Development Charge (TDC) on cash basis when the payment is received whereas Mobitel (Private) Limited recognises it in the statement of profit or loss and other comprehensive income on a straight-line basis.

Therefore, the recognition of the refund by Mobitel (Private) Limited was eliminated and is recognised on cash basis in the consolidated accounts.

	Group impact	
	2014	2013
Reversal of deferred revenue recognised in statement of profit or loss and other comprehensive income by Mobitel (Private) Limited	(92)	(79)
Other comprehensive income by Mobitel (Private) Limited		
Receipt of refund during the year from TDC recognised in the consolidated financial statements	322	240

35 Events after the reporting date

The Board of Directors of the Company has recommended a first and final dividend of Rs. 0.89 per share (2013 - Rs. 0.85 per share) on voting shares of the Company to be paid by way of cash dividend for the financial year ended 31 December 2014.

Further, this dividend is to be approved at the Annual General Meeting to be held on 13 May 2015. This proposed final dividend has not been recognised as a liability as at 31 December 2014. Under the Inland Revenue Act No. 10 of 2006, a WHT of 10% has been imposed on dividend declared. Final dividend proposed for the year amounts to Rs. 1,606,325,400/-, in compliance with Sections 56 and 57 of Companies Act No. 07 of 2007. As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with the Section 57, prior to recommending the final dividend. A statement of solvency completed and duly signed by the Directors on 27 February 2015 has been audited by Messrs KPMG.

The 2015 interim budget was presented by the Government of Sri Lanka (GoSL) on 29 January 2015 and approved by the Parliament of Sri Lanka on 7 February 2015. The GoSL is working towards enacting legislation pertaining to the budget proposals which would in turn bring the said proposals into force and also provide clarity with respect to applicability and execution considerations. Therefore, pending legislation and lucidity at this point of time, the consolidated financial results for the year ended 31 December 2014 excludes any and all impacts from the interim budget pertaining to the super-gain tax, levy on license mobile telephone operators and the discontinuation from charging the 25% telecommunication levy from prepaid card subscribers.

Except as disclosed above, no other events have arisen since the statement of financial position date which require changes to, or disclosure in the financial statements.

Ten year progress - Group

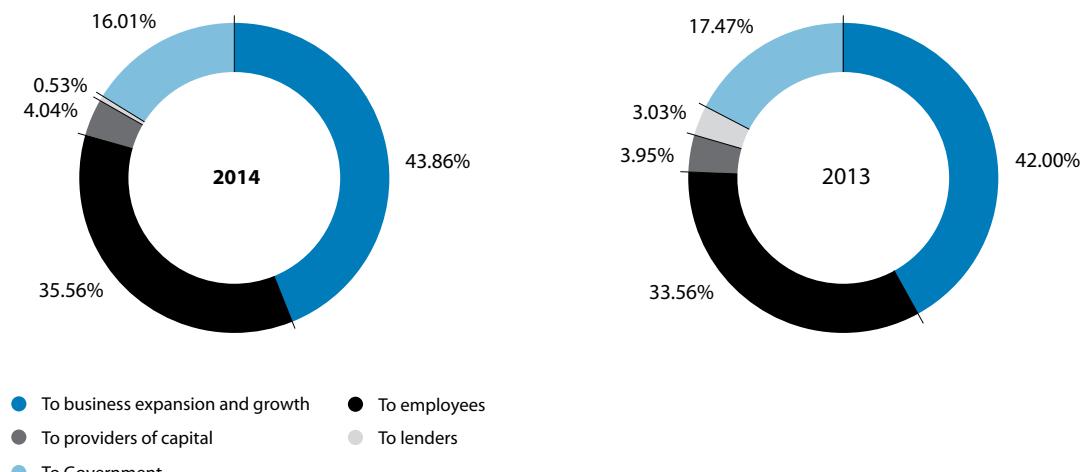
(All amounts in Sri Lankan Rupees million)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Financial position - Group										
Property, plant & equipment	90,935	80,506	73,602	67,705	61,258	65,896	57,073	53,881	54,202	56,151
Total assets	122,604	108,047	104,510	96,603	87,030	90,220	93,199	85,372	84,042	81,520
Current assets	25,343	20,598	25,712	24,341	21,238	19,764	32,389	28,609	27,292	23,843
Current liabilities	29,031	26,526	28,091	23,948	22,691	27,403	32,819	16,830	16,370	13,892
Borrowings	27,122	20,690	17,852	14,709	11,316	13,351	21,716	19,285	20,785	22,840
Equity	63,900	59,789	55,987	53,660	49,849	46,311	47,525	41,900	37,866	33,793
Performance										
Revenue	65,040	60,144	56,771	51,644	50,250	48,077	47,044	43,234	40,691	32,515
Operating profit	5,711	6,491	6,055	5,169	5,144	2,547	7,809	9,176	9,895	6,087
Finance cost	211	1,177	2,233	841	1,012	2,024	2,130	2,232	1,884	2,085
Earnings before tax	8,251	7,365	5,851	6,162	5,961	1,395	9,560	8,399	9,227	4,812
Taxation	2,250	1,946	1,930	1,657	2,018	617	2,193	2,759	3,789	1,719
Earnings after tax	6,001	5,419	3,921	4,505	3,943	778	7,367	5,640	5,438	3,093
Cash flow										
Net operating cash flows	20,047	15,386	16,094	20,250	15,260	18,213	16,214	15,090	13,435	17,200
Net cash used in investing activities	23,524	16,507	15,362	22,968	7,975	7,238	15,288	10,073	9,197	10,686
Net cash used in/(from) financing activities	5,039	57	174	1,494	3,965	11,408	526	2,555	5,093	2,571
Key financial indicators										
Earnings per share (Rs.)	3.32	3.00	2.17	2.50	2.18	0.44	4.08	3.12	3.01	1.70
Return on assets (%)	4.66	6.01	5.79	5.36	5.91	2.82	8.38	10.75	11.77	7.50
Return on equity (%)	9.39	9.06	7.00	8.40	7.91	1.68	15.50	13.46	14.36	9.20
Operating margin (%)	8.78	10.79	10.67	10.01	10.24	5.30	16.60	21.22	24.32	18.70
Asset turnover (No. of times)	0.53	0.56	0.54	0.54	0.58	0.53	0.50	0.51	0.48	0.40
Current ratio (No. of times C.L.)	0.87	0.78	0.92	1.02	0.94	0.72	0.99	1.70	1.67	1.72
Quick asset ratio (No. of times C.L.)	0.80	0.69	0.84	0.93	0.88	0.65	0.91	1.61	1.58	1.66
Gearing ratio (Debt to Rs. 1/- of total equity)	0.30	0.26	0.24	0.21	0.19	0.22	0.31	0.32	0.35	0.40
Interest cover (No. of times interest)	9.73	9.58	6.73	11.43	6.89	1.69	5.49	4.76	5.90	4.35
Dividends per share (Rs.)	0.89	0.85	0.85	0.85	0.60	0.25	1.00	1.00	0.75	0.75
Net assets per share (Rs.)	35.40	33.13	31.02	29.73	27.62	25.66	26.33	23.21	20.98	18.72

Value added statement

	2014	%	2012	%
Value added				
Revenue	65,040		60,144	
Other Income	2,751		2,051	
	67,791		62,195	
Goods & Services purchased from other sources	(27,995)		(23,335)	
Value creation	39,796		38,860	
Distribution of Value Added				
To Employees				
- Salaries, wages and other benefits	14,152	35.56	13,041	33.56
To Providers of capital				
- Dividend to shareholders	1,606	4.04	1,534	3.95
To Government				
- Taxes and regulatory fees	6,371	16.01	6,788	17.47
To Lenders				
- Interest and related charges	211	0.53	1,177	3.03
To Business expansion & growth				
- Depreciation	13,061	32.82	12,435	32.00
- Retained income	4,395	11.04	3,885	10.00
	39,796	100.00	38,860	100.00

Distribution of value added



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% is held by 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 a timely manner complements the communication process.

Focusing mainly the lenders to Sri Lanka Telecom Group, the company continued to maintain its credit ratings through two globally recognised rating agencies, Standard & 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.

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 - 1,000 Shares	9,500	2,989,104	0.17	21	10,893	0.00	9,521	2,999,997	0.17
1,001 - 10,000 Shares	2,368	9,521,763	0.53	29	162,475	0.01	2,397	9,684,238	0.53
10,001 - 100,000 Shares	255	5,343,899	0.30	12	275,645	0.02	267	5,619,544	0.32
100,001 - 1,000,000 Shares	10	1,593,647	0.09	2	401,500	0.02	12	1,995,147	0.11
Over 1,000,000 Shares	9	972,803,205	53.90	1	811,757,869	44.98	10	1,784,561,074	98.87
	12,142	992,251,618	54.97	65	812,608,382	45.03	12,207	1,804,860,000	100.00

Categories of shareholders

Categories of shareholders	No. of shareholders	No. of shares
Individual	12,074	17,909,790
Institutional	133	1,786,950,210
	12,207	1,804,860,000

Share price trend

	2014	2013	2012	2011	2010	2009	2008	2007
Highest value (Rs.)	57.30	50.00	50.00	64.50	51.00	48.00	49.75	43.25
Lowest value (Rs.)	33.00	36.10	34.00	44.00	35.00	39.50	29.75	28.00
Last traded price (Rs.)	49.90	37.00	44.50	48.00	49.00	46.00	31.00	31.50
Market capitalisation (Rs. billion)	90.00	66.78	80.32	86.63	88.44	83.02	55.95	56.85

Trading activity

	2014	2013
No. of transactions	6,629	4,481
No. of shares traded	14,696,347	3,433,607
Value of shares traded (Rs.)	682,114,330	152,703,746

List of 20 major shareholders as at 31 December 2014

Name	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	24,165,092	1.34
4. Sri Lanka Insurance Corporation Limited – Life Fund	17,713,735	0.98
5. Bank of Ceylon A/C Ceybank Unit Trust	16,756,819	0.93
6. National Savings Bank	13,158,700	0.73
7. Employees' Trust Fund Board	3,302,188	0.18
8. Sri Lanka Insurance Corporation Limited – General Fund	2,094,476	0.12
9. Seylan Bank PLC/ARC Capital (Private) Limited	1,137,248	0.06
10. Bank of Ceylon A/C Ceybank – Century Growth Fund	1,069,238	0.06
11. Mr. Vandrevala	231,500	0.01
12. The Incorporated Trustees of the Church of Ceylon	223,590	0.01
13. Bank of Ceylon No. 1 Account	214,000	0.01
14. Mr. Van Starrex	198,638	0.01
15. Mr. Tanaka	170,000	0.01
16. Union Assurance PLC/Account No. 05	162,006	0.01
17. Ceylon Biscuits Limited	162,000	0.01
18. Mrs. Edirisinghe	160,000	0.01
19. Pinnacle Trust (Private) Limited	160,000	0.01
20. Sinharaja Hills Plantation (Private) Limited	107,491	0.01
Total	1,786,350,299	98.97

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 Rs. 500,000/- with their respective values are as follows:

Location	Extent (Hectare)	Value of Land (Rs. million)
No. 108 & 109, Walawwaththa Road, Anuradhapura	0.2434	24
Maithripala Senanayake Mawatha, Anuradhapura	0.1125	56
Maithripala Senanayake Mawatha, Anuradhapura	0.3355	166
Galkandehena, Kekirawa	0.1310	12
14, Nivanthaka Chethiya Road, Anuradhapura	0.0466	4
Mannar Road, Medawachchiya	0.3315	5
Medawachchiya Road, Medawachchiya	0.1468	2
Nochchiyagama Idama, Nochchiyagama	0.1800	9
Behind the Mosque, Maithripala Senanayake Mawatha, 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, Mahiyanganaya	0.0790	5
Circuit Bangalow, Namunukula	0.2100	10
Senanayake Mawatha, Bandarawela	0.0705	11
Anduwakelepathana, Haputale	0.4080	32
6, Senanayake Mawatha, Bandarawela	0.2380	56
8, Wakwella Road, Galle	0.1697	50
Court Road, Gampaha	0.1523	54
Lotus Road, Colombo	1.3154	2600
Dickmans Road, Colombo 5	0.3360	291
No. 5, Anderson Road, Colombo 5	0.1889	299
No. 7, Anderson Road, Colombo 5	0.1363	216
No. 9, Anderson Road, Colombo 5	0.1949	308
No. 17, Sugathodaya Mawatha, Colombo 2	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 Road, 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 Road, Nugegoda	0.1170	116
Polhengoda Road, Narahenpita	0.3030	240
Pottoda, Katunayaka	0.3039	12
Thimbirigaskatuwa, Pottoda, Negombo	0.6037	24
Thimbirigaskatuwa, Pottoda, 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 Gunarathana Mawatha, Panadura	0.2952	47

Location	Extent (Hectare)	Value of Land (Rs. million)
Hotel Road, Mount Lavinia	0.1913	95
Airport Junction, Ratmalana	0.2076	62
Main Street, Ratnapura	0.3645	86
Old Negombo Road, Ja-Ela	0.0870	43
Minuwangoda Road, Kotugoda	8.0937	440
Ragama Road, Ragama	0.2048	40
Negombo Road, Welisara	2.2280	484
Old Negombo Road, Wattala	0.1012	80
Aliyamalagala, Anuradhapura	0.2027	2
Post Office Road, Eppawela	0.0914	3
Kuda Galnewa Road, Galnewa	0.1453	1
Police Station Road, Horowpothana	0.4180	2
Kahatagasdigiliya, Anuradhapura	0.0993	1
Padaviya Road, Kebithigollewa	0.2628	8
Anuradhapura - Kurunegala Road, Thambuttegama	0.0860	7
Hospital Road, Inginiyagala	0.0470	1
Badulla Road, Padiyatatalawa	0.1020	2
Panama Road, Pottuvil	0.2570	15
No. 63, Cemetery Road, Veedukkadu, Batticaloa	0.1019	5
Ketawala Road, Hali Ela	0.0940	22
Ella Road, Namunukula	0.1485	9
Dammeria Estate Road, Passara	0.2460	17
Poonagala Road, Balagala	0.1264	5
Railway Station Road, Ella	0.0330	4
Haputalegama Road, Diyathalawa	0.0226	6
Wellawaya Road, Koslanda	0.0440	3
Ettampitiya Road, Pattiyagedara	0.1568	6
Wellawaya Road, Monaragala	0.3160	41
Vishaka Hill, Bandarawela	0.0958	11
Divitotawela, Welimada	0.1112	11
Ella Road, Wellawaya	0.1300	10
Kurunegala Road, Mukalanhena Village	0.3190	9
Old Town-Madampe Road, Ihalagama Village	0.1048	12
Marawila-Nattandiya Road, Ihalagama Village	0.0507	5
Puttalam	0.3054	42
Galle Main Street, Baddegama	0.1340	8
Galle Road, Elpitiya	0.1460	6
Galle Road, Gintota	0.0513	5
Galle Road, Habaraduwa	0.0796	8
Akuressa Road, Imaduwa	0.2150	4
Galle Road, Kosgoda	0.0920	6
Galle Road, Nagoda	0.1230	1
Church Street, Galle	0.2520	50
Donald Janz Road, Galle	0.0510	5
Makumbura Road, Udugama	0.1391	3
Dunaly Estate, Galaha	0.1253	2
Gonahena, Nawalapitiya	0.2782	22
No. 6, Galaha Road, Peradeniya	0.1089	28
Pussellewa Exchange, Nuwara Eliya Road	0.2155	9

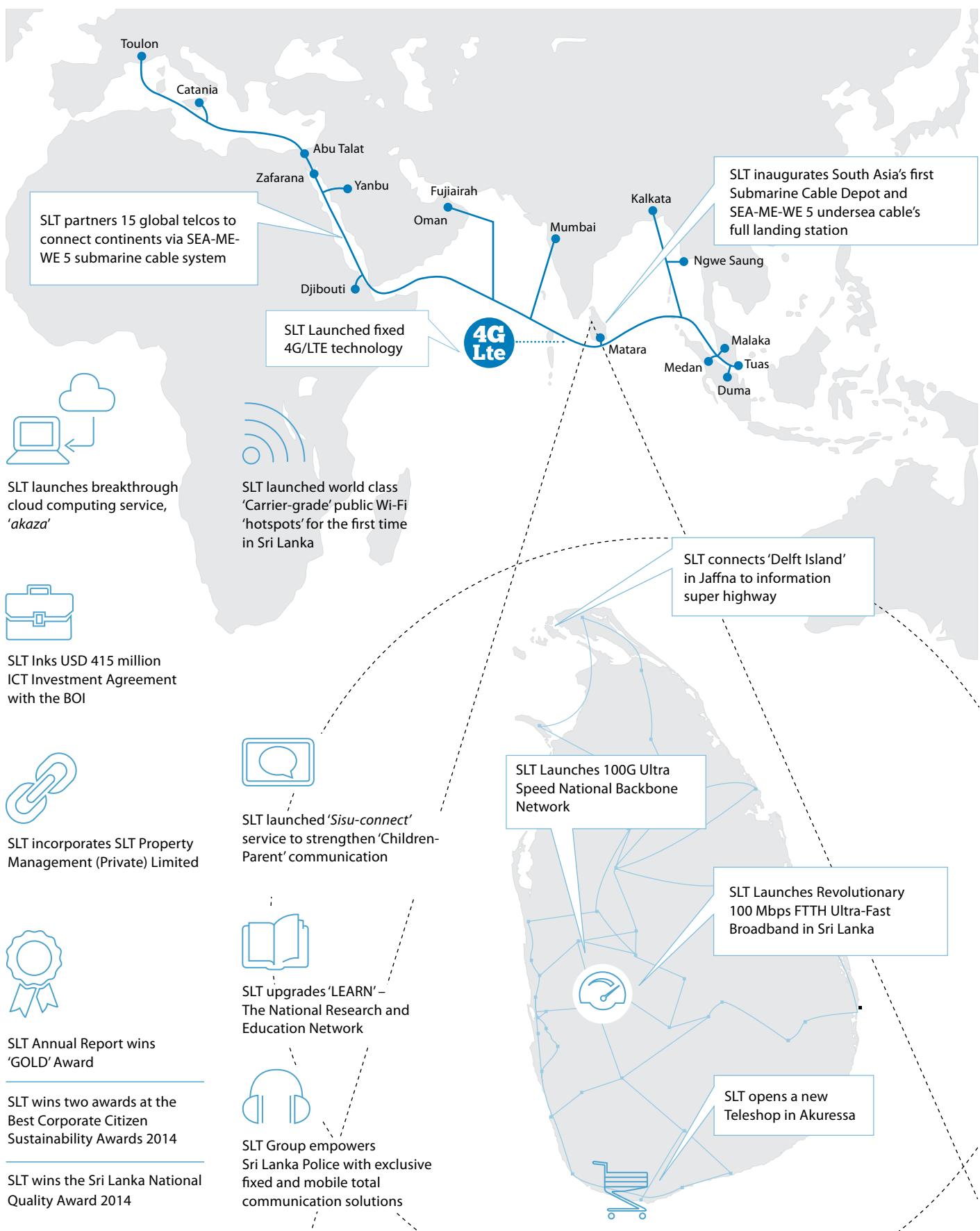
Location	Extent (Hectare)	Value of Land (Rs. million)
Udawalagedara Watta, Gampola	0.0285	6
Nittambuwa Road, Kirindiwela	0.2129	17
Naligama Road, Mirigama	0.1874	15
Kandy Road, Pasyala	0.0534	4
Negombo Road, Veyangoda	0.0889	7
New Kandy Road, Waliveriya	0.0438	7
Rideeyagama Road, Ambalanthota	0.1720	3
No. 66, Barrak Street, Hambantota	0.1920	7
No. 6, Tower, Hill Road, Hambantota	0.2150	11
Kotuwegoda Road, Tangalle	0.1960	31
Tissamaharama Road, Tissamaharama	0.0820	5
Beliatta Road, Walasmulla	0.0803	8
Kotabo Road, Weeraketiya	0.1700	10
Danbar Road, Hatton	0.8306	41
Pundaluoya	0.2620	2
Talawakelle	0.1813	9
Debathgama Road, Gevilipitiya	0.1200	1
Kandy Road, Ballapana	0.1031	4
Bulathkohupitiya Road, Kegalle	1.4515	244
Kegalle Road, Ampe North, Kotiyakumbura	0.1012	6
Aranayaka Road, Mawanella	0.0910	6
Nawa Rohala Road, Warakapola	0.0867	6
Alawwa-Giriulla Road, Alawwa	0.0760	3
No. 67, Gettuwana, Kurunegala	0.2730	27
No. 116/53, Tank Circular Road, Kurunegala	0.2060	24
Galgamuwa-Ehetuwewa Road, Arsonwewa	0.1580	2
Pannala-Kurunegala Road, Pahala Narangamuwa	0.1010	1
Hettipola Road, Dolahamuna	0.0980	5
No. 7, Gattuwana Circular Road, Gattuwana, Kurunegala	0.1210	12
Madampe-Narammala Road, Kuliyapitiya	0.2298	45
No. 139, Kandy Road, Kurunegala	0.9200	164
Wariyapola Road, Narammala	0.0970	5
Anuradapura Road, Nikadalupotha	0.1180	1
Puttalum Road, Nikaweratiya	0.0850	4
Negombo Road, Pannala	0.0940	3
Polgahawela-Kegalle Road, Galaboda, Polgahawela	0.1998	8
Wariyapola-Ganewatta Road, Wariyapola	0.1077	4
Kalmunai Road, Akkaraipattu	0.2050	49
Yard Road, Kalmunai	1.2250	170
Telecom Road, Paiyagala North	0.0253	3
Mangala Road, Beruwala	0.2100	21
Telecom Road, Palligoda, Matugama	0.0597	8
Telecom Road, Pahala Welgama, Bulathsinhala	0.1934	1
Telecom Road, Meegahatenna	0.2618	2
Digana	0.1986	8
Galagedara Exchange, Rambukkana Road	0.1386	5
Kadugannawa Exchange, Kandy Road	0.0356	3
Primrose Hill, Kandy	0.1233	2

Location	Extent (Hectare)	Value of Land (Rs. million)
Rikillagaskada	0.1300	4
Station Road, 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 Road, 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 Road, Kelepitimulla Village	0.1710	6
St. Christopher Lane, Kochchikade	0.0410	5
Wennappuwa-Lunuwila Road, Wennappuwa	0.0900	5
Police Station Road, Ragala	0.0791	10
Gonakele, Maturata	0.1670	5
Gampola Road, Thawalantenna	0.0982	12
Welimada Road, Udupussellawa	0.0906	4
Ragala Road, Wathumulla	0.0770	3
Telecom Road, Urugala-Ingiriya	0.2800	28
Batticaloa Road, Pollonnaruwa	0.3129	9
New Town, Ratnapura	0.0632	5
Embilipitiya-Pelmadulla Road, Kahawatta	0.0250	1
Kalawana-Weddagala Road, Obokka	0.2060	2
Ratnapura Road, Kiriella	0.0875	2
Ratnapura Road, Kolonna	0.3320	3
Kuruwita-Udakada Road, Delgamuwa, Kuruwita	0.0653	2
New Town, Ratnapura	0.0531	4
Nivitigala-Kahawatta Road, Nivitigala	0.2830	3
Pelmadulla-Kuttapitiya Road, Pelmadulla	0.0950	5
Rakwana-Godakawela Road, Rakwana	0.2035	2
Batticaloa Road, China Bay	0.0678	4
Lane Off Inner Harbour Road, Trincomalee	0.3294	65
Post Office Road, Kantalai	0.1244	9
Mannar Road, Vavuniya	0.3060	33
Station Road, Vavuniya	0.1500	18
Saviapragasa Vidyalai Veethy Road, Vavuniya	0.4047	40
Eramadu Road, Pulmoddai	0.3103	5
Nilaveli Road, Nilaveli	0.0581	2
Temple Road, Mutur	0.2838	8
Pulmoddai Road, Kuchchaveli	0.0690	1
Periyathumunai Road, Kinniya	0.1080	7
Off Main Street, Hingurakgoda	0.0583	4
Main Street, Valachchenai	0.2036	6

Location	Extent (Hectare)	Value of Land (Rs. million)
Trinco Road, Eravur	0.0925	13
Kandapola	0.0894	7
Badalgama-Mahaoya Road, Badalgama	0.0984	4
Digana, Ahaspokuna	0.3560	4
Balungala Wattu	0.2317	1
Telicom Road, Pahala, Nebeda	0.1032	1
Telicom Road, Agalawatta	0.0080	1
Ibbagamuwa-Keppettipola Road, Rideegama	0.2530	3
Bulathkohupitiya Road, Moradana Pahala	0.0969	1
Watawala	0.1210	4
Watagoda	0.1850	2
Upcot	0.1495	1
Maskeliya	0.1046	2
Ginigathenna Land, Kurundugolla	0.1310	2
Killarney Estate Road, Bogawantala	0.1247	3
Mavihena Road, Kandalama	0.1555	2
Pathirajakanda Estate Road, Pathirajakanda	0.1010	1
Galle Road, Ambalangoda	0.7900	15
Chilaw-Puttalam Road, Rajakadaluwu	0.1490	6
Chilaw-Puttalam Road, Kuruwikulam	0.2023	3
Poonagala Estate, Ampitikanda	0.1920	5
Haldummulla	0.0990	2
Beddegama, Namunukula	0.1373	3
Madulsima	0.3870	15
Batticaloa Road, Lunugala	0.1346	13
Mahakele Road, Kandaketiya	0.0253	2
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
Godapragahalanda, Malabe	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
Udumullahena Wattu, Kotuwegoda, Kotte	0.0311	5
Bogahawtta, Nawala	0.0304	12
Millennium City, Athurugiriya	0.0197	2
Asdiyapokunawatta, Mulleriyyawa, Angoda	0.0379	4
Primrose Hill, Kandy	0.0751	6
Heiyanduwa, Biyagama	0.0506	7
Hettiyoovita, Biyagama	0.0374	5
Walawewwatta, Delgoda	0.0320	3
Ketakelagahawatta, Ranmuthugala, Kadawatha	0.0329	5
Ihala Karagahamuna, Kadawatha	0.0430	3
Puwakgahalanda, Siyambalape	0.0202	2

Location	Extent (Hectare)	Value of Land (Rs. million)
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, Kirulapone	0.0244	24
Delgahalanda, Ihala Bope, Padukka	0.0266	1
Rukmalgama, Maharagama	0.0817	8
Srimathi Road, Keselwatta, Panadura	0.0632	15
St. Anthony's Road, Moratumulla, Moratuwa	0.0276	4
3A, Rawatawatte Road, Moratuwa	0.0202	4
Millagahakanatta, Molpe, Ratmalana	0.0257	3
Kahatagahalanda Estate, Makandana, Ratmalana	0.0177	2
Gorakaghawatta, Wethara	0.0253	2
Batakeththara, Piliyandala	0.0253	4
Bokundara, Piliyandala	0.0316	4
Godapragahalanda, Honnonthara, Piliyandala	0.0519	5
Kandawala Estate, Borupana, Ratmalana	0.0190	4
Madangahawatta, Laxapathiya, Moratuwa	0.0253	4
Keerakotuwa, Nawanuge Road, Peliyagoda	1.6432	325
Awissawella, Ratnapura Road, Welikanna	0.1623	3
Kotawera Pallegama, Welimada	0.0526	2
Puttalam Road, Chilaw	0.2708	54
Kiribathkumbura, Pilimathalawa	0.5805	11
No. 47/1A, Church Road, Mattakkuliya	0.0303	15
Nawalapitiya Road, Ginigathena	0.1420	3
Alpitiya Road, Alpitiya	0.1789	2
Dambulla Road, Ibbagamuwa	0.1011	2
Telecom Road, Dodangoda	0.1510	9
Namadagala Village, Medamahanuwara	0.1247	1
Pallekele-Kundasale	0.0899	9
Pugoda Road, Giridara, Dompe	0.0050	1
Mandawala Road, Owitigama Pugoda	0.0253	2
Ukuwela, Matale	0.0506	1
Magammana, Homagama	0.0151	1
Telecom Road, Mahaaruggoda	0.0759	4
Kudugalla Road, Wattegama	0.1511	7
No. 27, Station Road, Batticaloa	0.0585	9
Karinagar	0.0507	1
Ariyalai, Jaffna	0.0658	4
Point Pedro, Jaffna	0.0809	3
Pandathirippu, Jaffna	0.0514	1
Pesalei	0.0908	1
Dalupothawatta, Pillewatta, Udugampola	0.0025	1
Total		11,995

Milestones



GRI index

G3.1 Content index - GRI application level C

Profile disclosures

1. Strategy and analysis

Profile disclosure	Response/Location of disclosure (Page)
1.1 Statement from the most senior decision-maker of the organisation	8

2. Organisational profile

2.1 Name of the organisation	Inner back cover
2.2 Primary brands, products, and/or services	4
2.3 Operational structure of the organisation	24
2.4 Location of organisation's headquarters	Inner back cover
2.5 Number of countries where the organisation operates	53
2.6 Nature of ownership and legal form	3 and 86
2.7 Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	4
2.8 Scale of the reporting organisation	86
2.9 Significant changes during the reporting period regarding size, structure or ownership	No significant changes
2.10 Awards received in the reporting period	82 - 84

3. Report parameters

3.1 Reporting period	7
3.2 Date of most recent previous report	7
3.3 Reporting cycle	7
3.4 Contact point for questions regarding the report	7
3.5 Process for defining report content	7
3.6 Boundary of the report	7
3.7 Any specific limitations on the scope or boundary of the report	7
3.8 Basis for reporting on joint ventures, subsidiaries, etc.	7
3.10 Explanation of the effect of any restatements of information provided in earlier reports	No re-statements
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	158-160

4. Governance, commitments and engagement

4.1 Governance structure of the organisation	24
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	26
4.3 The number and gender of Board members and their roles (independent and/or non-executive)	12 - 16, 25 and 26
4.4 Mechanisms for shareholders and employees to provide recommendations to Board	30
4.14 List of stakeholder groups engaged by the organisation	40 - 42
4.15 Basis for identification and selection of stakeholders with whom to engage	40

Performance indicators

Indicator	Disclosure	Response/Location of disclosure (Page)
Economic		
Economic performance		
EC1	Direct economic value generated and distributed	151
EC3	Coverage of the organisation's defined benefit plan obligations	110
Market presence		
Indirect economic impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	48 and 77
Environmental		
Materials		
EN1	Materials used by weight or volume	81
Energy		
EN3	Direct energy consumption by primary energy source	81
EN4	Indirect energy consumption by primary source	81
EN5	Energy saved due to conservation and efficiency improvements	81
Emissions, effluents and waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	81
EN17	Other relevant indirect greenhouse gas emissions by weight	81
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	81
Social: Labour Practices and Decent Work		
Employment		
LA1	Total workforce by employment type, employment contract and region, broken down by gender	71
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region	72
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	110
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	75
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	76
LA9	Health and safety topics covered in formal agreements with trade unions	76
Training and education		
LA10	Average hours of training per year per employee by gender, and by employee category	72 and 73
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	73 and 74
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	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	71

Indicator	Disclosure	Response/Location of disclosure (Page)
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	75
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening	75
Non-discrimination		
HR4	Total number of incidents of discrimination and actions taken	76
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	76
Indigenous rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	No reported violations
Remediation		
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	75
Social: Society		
Local communities		
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	54 and 55, 78 and 79
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	None reported
Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No such fines
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	58
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	None 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	51 - 53
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	56 and 57
Marketing communications		
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	None
Customer privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	56
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

Abbreviations

4G	- Fourth Generation	IP-VPN	- Internet Protocol Virtual Private Network	SEA ME WE	- South East Asia-Middle East-West Europe
ADSL	- Asymmetric Digital Subscriber Line	IPTV	- Internet Protocol Television	SLBN	- Sri Lanka Telecom Broadband Network
ASPI	- All Share Price Index	ISP	- Internet Service Provider	SLIM	- Sri Lanka Institute of Marketing
BPO	- Business Process Outsourcing	ITU	- International Telecommunication Union	SME	- Small and Medium Enterprise
CDMA	- Code Division Multiple Access	KPO	- Knowledge Process Outsourcing	SMS	- Short Message Service
CLI	- Caller Line Identification	KPI	- Key Performance Indicator	STM-1	- Synchronous Transport Module Level-1
DC HSPA+	- Dual-Carrier High Speed Packet Access	LEARN	- Lanka Education and Research Network	SVOD	- Subscription Video on Demand
DEL	- Direct Exchange Line	LED	- Light Emitting Diode	TRCSL	- Telecommunication Regulatory Commission of Sri Lanka
E1	- E – Carrier System Level 1	LGN	- Lanka Government Network	UMTS	- Universal Mobile Telecommunications System
EBITDA	- Earnings Before Interest, Taxes, Depreciation and Amortisation	LTE	- Long-Term Evolution	VDSL	- Very High Bit Rate Digital Subscriber Line
EFTNS	- External Fixed Telecommunications Network Services	Mbps	- Megabits per second	VoD	- Video on Demand
EPF	- Employees' Provident Fund	MEF	- Metro Ethernet Forum	VoIP	- Voice over Internet Protocol
ETA	- Electronic Travel Authorisation	MEN	- Metro Ethernet Network	VPN	- Virtual Private Network
ETF	- Employees' Trust Fund	MIMO	- Multiple-Input and Multiple-Output	WAP	- Wireless Access Protocol
FCR	- Fault Clearance Rate	MPEG	- Moving Picture Experts Group	WiMAX	- Worldwide Interoperability for Microwave Access
FTTN	- Fibre-To-The-Node	MPLS	- Multiprotocol Label Switching		
Gbps	- Gigabits per second	MSAN	- Multi-Service Access Nodes		
GDP	- Gross Domestic Product	NBN	- National Backbone Network		
GITR	- Global Information Technology Report	NFC	- Near Field Communication		
GPS	- Global Positioning System	NGN	- Next Generation Network		
GRI	- Global Reporting Initiative	NOC	- Network Operating Centre		
GSR	- Global Symposium for Regulators	NRI	- Network Readiness Index		
GTH	- Global Telecommunications Holdings	OSS	- Operational Support System		
HDTV	- High Definition Television	OTT	- Over the Top		
HSPA	- High Speed Packet Access	PEO TV	- Personalised Entertainment Option Television		
ICT	- Information and Communication Technologies	PoP	- Point of Presence		
ICTA	- Information and Communication Technology Agency of Sri Lanka	PSTN	- Public Switched Telephone Network		
IDD	- International Direct Dialling	PTC	- Pacific Telecommunications Council		
IFRS	- International Financial Reporting Standards	RAS	- Revenue Assurance System		
IGW	- International Gateway	SAFA	- South Asian Federation of Accountants		
IMS	- IP Multimedia Subsystem	SBN	- SLT Backbone Network		
IP	- Internet Protocol	SDH	- Synchronous Digital Hierarchy		
		SDM	- Space Division Multiplex		

Notice of meeting

Sri Lanka Telecom PLC
(Company Registration No. PQ 7)
Lotus Road, Colombo 01.

Notice is hereby given that the Eighteenth Annual General Meeting of Sri Lanka Telecom PLC will be held on 13 May 2015 at 10.00 a.m. at Kings' Court, Cinnamon Lakeside Hotel Colombo, No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, 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 2014 with the Report of the Auditors thereon.
2. To declare a first and final dividend of eighty nine Cents (89 Cents) per share as recommended by the Directors.
3. To re-elect as a Director, Mr. Jeffrey Jay Blatt, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
4. To elect as a Director, Mr. P. G. Kumarasinghe Sirisena, who retires in terms of Article 97 of the Articles of Association.
5. To elect as a Director, Ms. Lai Choon Foong, who retires in terms of Article 97 of the Articles of Association.
6. To elect as a Director, Mr. Krishantha Cooray, who retires in terms of Article 97 of the Articles of Association.
7. To elect as a Director, Ms. Chandra Ekanayake, who retires in terms of Article 97 of the Articles of Association.

8. To elect as a Director, Ms. Nilanthi Pieris, who retires in terms of Article 97 of the Articles of Association.
9. To elect as a Director, Mr. Mohamed Firdouse Farook, who retires in terms of Article 97 of the Articles of Association.
10. To reappoint Messrs KPMG, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration:
11. To authorise the Directors to determine and make donations to charities.
12. To transact any other business of which due notice has been given.

By order of the board
Sri Lanka Telecom PLC



Mahesh Athukorale
Company Secretary

1 April 2015

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.

Form of proxy

I/We (holder of NIC No.) of being a member/members of Sri Lanka Telecom PLC hereby appoint (holder of NIC No.) of whom failing*

Mr. P. G. Kumarasinghe Sirisena	whom failing*
Mr. Chan Chee Beng	whom failing*
Mr. Jeffrey Jay Blatt	whom failing*
Mr. Lawrence Michael Paratz	whom failing*
Ms. Lai Choon Foong	whom failing*
Mr. Krishantha Cooray	whom failing*
Ms. G. D. Chandra Ekanayake	whom failing*
Ms. Nilanthi Pieris	whom failing*
Mr. Firdouse Farook	

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 Eighteenth Annual General Meeting of the Company, to be held on 13 May 2015 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 2014 with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To declare a first and final dividend of eighty nine Cents (89 Cents) per share as recommended by the Directors. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect as a Director, Mr. Jeffrey Jay Blatt, who retires by rotation in terms of Articles 91 & 92 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To elect as a Director, Mr. P. G. Kumarasinghe Sirisena, who retires in terms of Article 97 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To elect as a Director, Ms. Lai Choon Foong, who retires in terms of Article 97 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To elect as a Director, Mr. Krishantha Cooray, who retires in terms of Article 97 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To elect as a Director, Ms. G. D. Chandra Ekanayake, who retires in terms of Article 97 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To elect as a Director, Ms. Nilanthi Pieris, who retires in terms of Article 97 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To elect as a Director, Mr. Firdouse Farook, who retires in Terms of Article 97 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. To reappoint Messrs KPMG, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. 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 Fifteen.

.....
Signature

*Please delete what is inapplicable.

Note: Instructions as to completion appear overleaf.

Instructions as to completion of form of proxy

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. Please indicate with an "X" in the space provided, how your proxy is to vote on each resolution. If no indication is given the proxy in his/her discretion will vote as he/she thinks fit.
3. In the case of a corporate member the proxy must be executed in accordance with the Articles of Association. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company, Sri Lanka Telecom PLC, Lotus Road, Colombo 01 not later than 48 hours before the time fixed for the holding of the meeting.

Corporate information

Name of the Company

Sri Lanka Telecom PLC

Legal Form

A public Limited Liability Company incorporated in Sri Lanka in September 1996 under the Conversion of Public Corporations of Government-Owned Business Undertakings into Public Limited Companies Act No. 23 of 1987 and quoted on the Colombo Stock Exchange in January 2003.

Company Registration Number

PQ 7

Stock Exchange Listing

1,804,860,000 Ordinary Shares of the Company are listed in the Colombo Stock Exchange.

Registered Address

Telecom Headquarters, Lotus Road, Colombo 01.

Board of Directors

Mr. Kumarasinghe Sirisena - Chairman
Mr. Chan Chee Beng
Mr. Jeffrey Jay Blatt
Mr. Lawrence Paratz
Ms. Lai Choon Foong
Mr. Krishantha Cooray
Ms. Nilanthi Pieris
Ms. G. D. Chandra Ekanayake
Mr. Firdouse Farook

Audit Committee

Mr. Chan Chee Beng - Chairman
Ms. Lai Choon Foong
Ms. G. D. Chandra Ekanayake
Ms. Nilanthi Pieris

Remuneration and Nomination Committee

Mr. Jeffrey Jay Blatt - Chairman
Mr. Lawrence Paratz
Mr. P. G. Kumarasinghe Sirisena

Risk Management Committee

Mr. Jeffrey Jay Blatt - Chairman
Mr. Lawrence Paratz
Ms. Lai Choon Foong
Ms. G. D. Chandra Ekanayake

Technologies Sub-committee

Mr. Lawrence Paratz - Chairman
Mr. Jeffrey Jay Blatt
Mr. Firdouse Farook

Senior Tender Board

Mr. Jeffrey Jay Blatt - Chairman
Mr. Lawrence Paratz
Mr. Krishantha Cooray
Mr. Firdouse Farook
Ms. Lai Choon Foong
Ms. Nilanthi Pieris

Auditors

KPMG (Chartered Accountants),
No. 32A, Sir Mohamed Macan Markar Mawatha,
Colombo 03.

Company Secretary

Mahesh Athukorale

Credit Rating

By Fitch Ratings Lanka Limited

AAA (Ika)

(National long-term currency)

BB-

(Long-term local and foreign currency)

By Standards & Poor's

B+

(Local and foreign currency)

Bankers

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
HSBC Bank
Hatton National Bank PLC
Sampath Bank PLC
Standard Chartered Bank
Seylan Bank PLC
Citibank N.A.
Nations Trust Bank PLC
NDB Bank PLC
Deutsche Bank



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