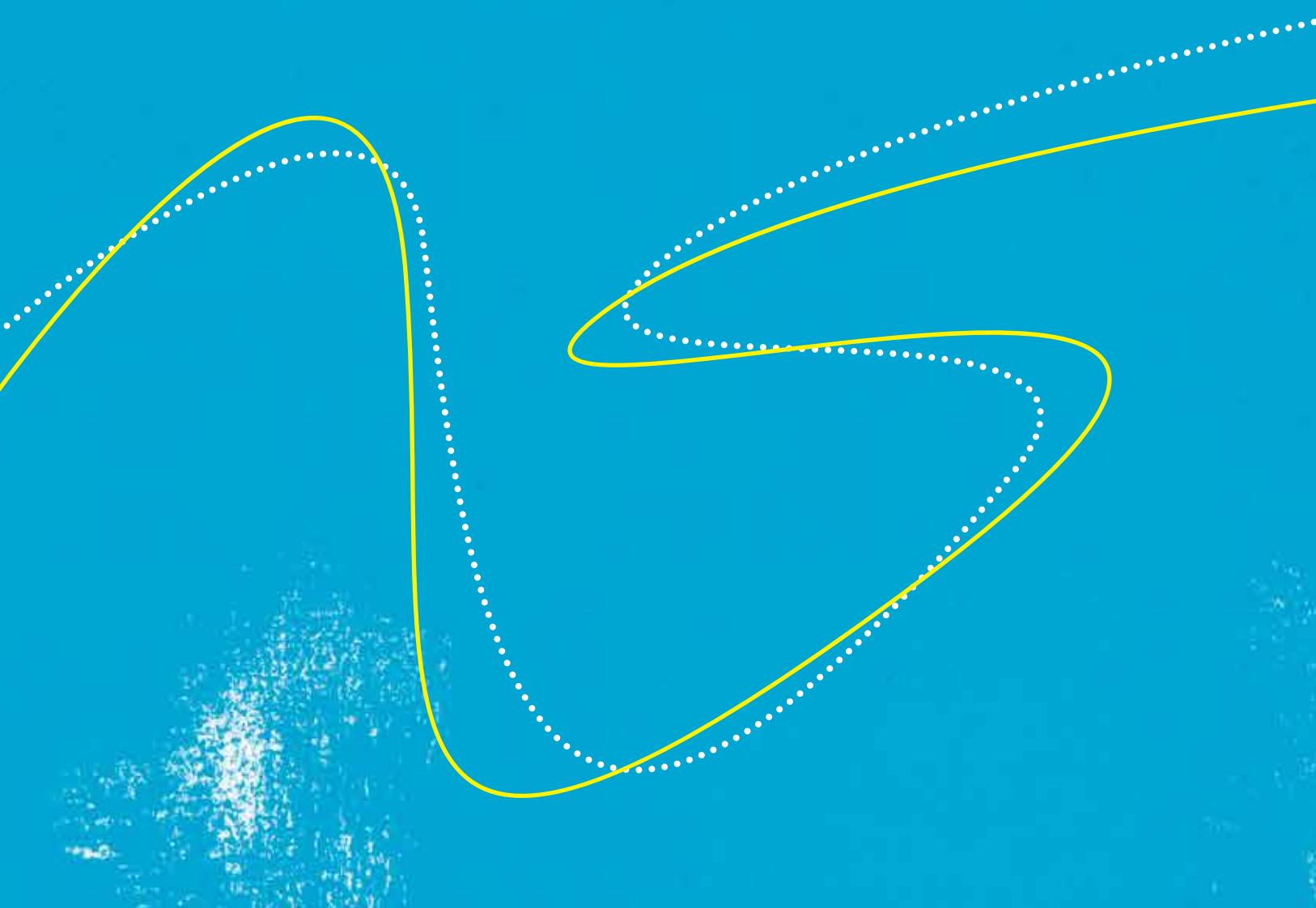
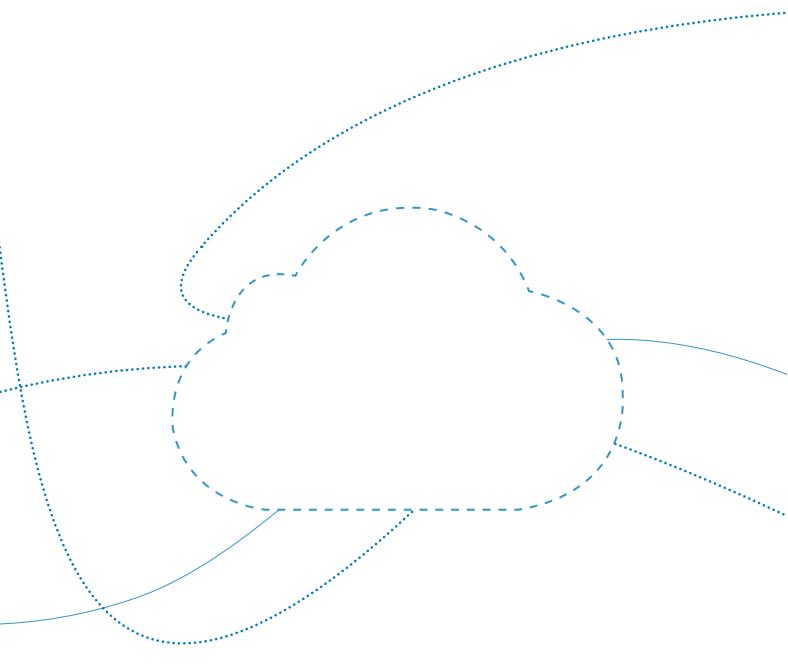


Sri Lanka Telecom PLC

Annual Report 2015





Our Vision

All Sri Lankans seamlessly connected with world-class information, communication and entertainment services.

Our Mission

Your trusted and proven partner for innovative and exciting communication experiences delivered with passion, quality and commitment.

Our Values

Customer Caring

We put our customers at the centre of everything we do

Innovative

We continuously invent new opportunities through creative thinking

Teamwork

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

Results Driven

We are committed to enhancing shareholder value

Trustworthy

We are true to our promises

Responsive

We are ready to listen and act promptly

Excellence

We are committed to exceptional performance

Welcome to Sri Lanka Telecom PLC's Annual Report 2015 -----	03
Highlights -----	04

Message from the Group Chairman -----	06
Group Chief Executive Officer's Review -----	08

Stewardship / 12

Board of Directors -----	12
Leadership Team -----	20
Corporate Governance -----	25
Remuneration & Nomination Committee Report -----	31
Risk Management -----	32

Business Model / 36

About Us -----	36
Operating Environment -----	38
Strategic Direction -----	43
Stakeholders -----	47
Materiality -----	51
Value Creation and Capital Formation -----	52

Management Discussion and Analysis / 56

Financial Capital -----	56
Institutional Capital -----	62
Investor Capital -----	64
Customer Capital -----	67
Business Partner Capital -----	78
Employee Capital -----	79
Social and Environmental Capital -----	84

Leadership and Recognition / 90

Driving Two Decades of Internet History in Sri Lanka -----	90
Awards and Accolades -----	92
Our Technological Milestones -----	94

Financial Reports / 97

Annual Report of the Board of Directors on the Affairs of the Company -----	98
Statement of Directors in Relation to their Responsibility for the Preparation of Financial Statements -----	103
Audit Committee Report -----	104
Independent Auditors' Report -----	106
Statement of Profit or Loss and Other Comprehensive Income -----	107
Statement of Financial Position -----	108
Statement of Changes in Equity - Group -----	109
Statement of Changes in Equity - Company -----	110
Statement of Cash Flow -----	111
Notes to the Financial Statements -----	112

Supplementary Information / 165

Our Subsidiary Businesses -----	165
Ten Year Progress - Group -----	167
Portfolio of Lands -----	168
GRI Content Index -----	172
Abbreviations -----	175
Notice of Annual General Meeting -----	176
Form of Proxy -----	Enclosed
Corporate Information -----	Inner Back Cover

We pioneered telecommunications in Sri Lanka more than 150 years ago. We re-invented ourselves many times over to lead the telecom and digital revolutions in the country. We forge ahead in the spirit of pioneering and innovation.





Welcome to Sri Lanka Telecom PLC's Annual Report 2015

This Annual Report 2015 of Sri Lanka Telecom PLC is an integrated report. It communicates coherently and concisely the relationships and interdependence of the many aspects of our business - such as strategy, governance, performance and prospects - in the context of creating value over time.

The underlying concepts that provide the structure of our integrated reporting, are discussed in the section on Business Model commencing on page 36, where we also explain the broader meaning of value creation and capital formation - a recurrent theme that runs throughout the Report.

In preparing this Report we have drawn on concepts, principles and guidance given in the following where applicable:

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

Report Boundary

The overall boundary of this Annual Report comprises Sri Lanka Telecom PLC and its subsidiaries, duly identified as 'SLT' or the 'Company' individually, and 'Group' collectively. Consistent with the framework adopted in the previous year, key financial aspects are discussed in the context of the Company and the Group. SLT Group's business is dominated by two principal segments, namely, fixed ICT operations and mobile ICT operations. Our Management Discussion and Analysis thus treats these two segments either separately or as one 'ICT business' as appropriate and duly identified as such.

Compliance

This Annual Report 2015, covers the 12-month period 1 January to 31 December 2015 and is consistent with our usual annual reporting cycle for financial and sustainability reporting.

There are no significant changes from previous reporting periods in the scope and aspect boundaries. The most recent previous Annual Report, dated 27 February 2015, covered the 12-month period ending 31 December 2014. It is available on our website www.slt.lk.

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 section on corporate governance (page 25) and the independent auditors' report (page 106).

Precautionary Principle

The Company applies the precautionary principle in relation to social and environmental sustainability. We are highly mindful of the impacts caused to society and environment by our actions and take necessary actions to mitigate such risks.

Queries

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

Mr Mahesh Athukorale,
Company Secretary
Sri Lanka Telecom,
Lotus Road, Colombo 01,
Sri Lanka.
Telephone: +94 11 239 9478
Email: mathukorale@slt.com.lk
Web: www.slt.lk

Highlights

	2015	2014	Change (%)
Group			
Revenue (Rs. billion)	68.02	65.04	4.58
Operating profit (Rs. million)	6,789	5,711	18.88
Profit before tax (Rs. million)	5,515	8,251	-33.16
Profit after tax (Rs. million)	3,724	6,001	-37.94
Earnings per share (Rs.)	2.06	3.32	-37.94
Return on equity (%)	5.71	9.39	
Company			
Revenue (Rs. billion)	40.56	38.95	4.13
Operating profit (Rs. million)	2,371	2,227	6.47
Profit before tax (Rs. million)	2,795	4,859	-42.48
Profit after tax (Rs. million)	1,728	3,324	-48.01
Earnings per share (Rs.)	0.96	1.84	-48.01
Return on equity (%)	2.94	5.67	
Mobitel			
Revenue (Rs. billion)	32.56	30.60	6.41
Profit before tax (Rs. million)	3,351	3,461	-3.16
Profit after tax (Rs. million)	2,713	2,817	-3.69

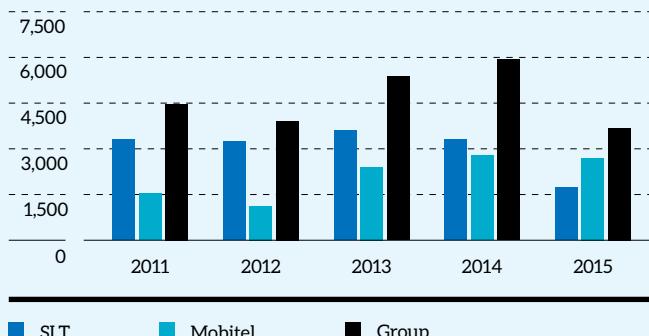
Revenue (Rs. million)



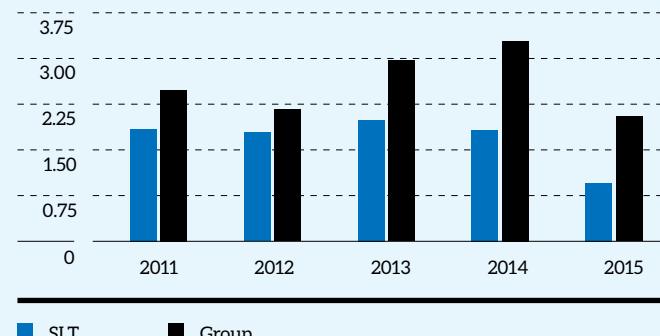
Profit before tax (Rs. million)



Profit after tax (Rs. million)



Earnings per share (Rs.)



Centres of Excellence

Realignment of the organisation structure to the needs of the business successfully carried out through centres of excellence focused on planning, sales, service delivery and network operation

Customers

Fixed ICT

Broadband	PEO TV
8.5% 	39.6% 
490,048 — 531,437 (2014) — (2015)	124,851 — 174,278 (2014) — (2015)

Mobile ICT

Mobile Subscribers
9.3% 

5,400,000 — 5,900,000
(2014) — (2015)

Speed Up Campaign



'Speed Up' campaign launched to aggressively promote countrywide adoption of fibre and LTE services

New Products



Fibre optic broadband launched



Cloud platform established

Projects



Increased the coverage of SLT carrier grade Wi-Fi network to more than 200 sites island wide



SLT set up a PoP in Singapore for improved Internet reliability



Completely migrated to the NGN network from the legacy network



3,128 km of fibre optic cable added to the network under i-Sri Lanka project

Message from the Group Chairman



The digital revolution is turning the world into an all-pervasive information system. Superfast broadband is driving this revolution in transforming the global economy and lifestyles, be it in creating new business models, improving process efficiencies, reducing costs and much more. However, to achieve full potential, it also calls for overcoming certain hurdles, particularly those of a technical, behavioural and regulatory nature.



As the flagship national ICT solutions provider and the national backbone network operator, we at SLT are at the forefront of this revolution in Sri Lanka. Ours is a two-pronged strategy that supports national ICT imperatives while delivering long-term value to shareholders.

Having just celebrated two decades of Internet in the country, one may want to ask how we have fared. Sri Lanka has done well among peers in lower middle income countries on broadband adoption. A recent study (detailed on page 41) indicates that out of 10 key performance indicators, Sri Lanka has outperformed the average in terms of eight, namely, political and regulatory environment, business innovation environment, affordability, skills, business usage, government usage, economic impacts and social impacts, while lagging behind on two – infrastructure and individual usage.

In response, we are continuing to invest in infrastructure, notably in high speed optical fibre broadband and mobile broadband technologies specially focusing on 4G LTE. To drive retail penetration, our 'Speed Up' campaign launched in 2015 promotes fibre and LTE services countrywide. We increased the coverage of SLT Wi-Fi network to more than 200 sites and completed the migration from the legacy network to the next generation network during the year. More are on the cards, such as the completion of our Rs. 5.2 billion investment in the SEA-ME-WE 5 submarine cable system in 2016 that will take the country's global connectivity capacity to a new Terabits level.

Going beyond infrastructure, we also invest in our people – our very own 'corporate backbone network' – who continue to deliver superior results. We realigned our organisation structure during the year along four 'centres of excellence' focused on planning, sales, network operations and service delivery. We are also introducing process improvements through projects on enterprise resource planning and customer relationship management.

I am happy to report that all these measures have helped the SLT Group to maintain its leadership position in the country's ICT industry. They also make us well prepared to face future challenges.

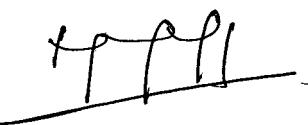
Group revenue in 2015 rose by a modest 4.6% while operating profit increased by a commendable 18.9% over the previous year. While these are sound results that have also remained consistent over the past, the temporary setback in profitability during the year was due to a large foreign exchange loss arising from the steep depreciation of the Sri Lanka rupee and due to the additional taxes imposed on mobile operators. Nevertheless, shareholders will be glad to note that we are declaring a first and final dividend for the year 2015, which is on par with the dividend declared in the previous year.

Shareholders and others reading this Annual Report 2015 will notice a change in the reporting format. This is an integrated report that seamlessly blends both financial and non-financial disclosures in the context of sustainable value creation and capital formation. It is about how we invent and re-invent our future through a robust business model built on scanning the operating environment, setting objectives, developing strategic plans, measuring performance and evaluating the outcomes continually with strong emphasis on best governance practices.

In conclusion, I wish to thank all our customers for their unwavering loyalty, our employees for their dedication and solid results and our regulators for their supportive vision in driving the rapid development of the country's ICT industry as a whole.

I thank my colleagues on the Board of Directors for their contribution and counsel. The year under review saw Messrs Krishantha Cooray and Firdouse Farook resigning from the Board. I thank them both for the support and guidance they provided during their tenure. I am also delighted to welcome Messrs W K H Wegapitiya and Rohan De Silva to the Board. We appreciate the skills and experience they bring to our deliberations and decisions.

Finally, but not least, I wish to assure shareholders that we remain committed to adding value to their investment and look forward to their continued support.



P G Kumarasinghe Sirisena
Group Chairman

29 March 2016

Group Chief Executive Officer's Review



The pace of change in a technology-driven business is rapid and convergence of voice, data and entertainment paves the footprint of the future. Together with mobile technology, the Internet of Things and smart cities concepts will mature to provide platforms of what we are about to experience. Though definitely exciting, as in any transformative technology, we also need to know how to manage the flipside.

SLT is actively pursuing global trends in telecommunications technology while investing for growth, building its employee capital and expanding its presence in international communications. The year under review saw solid results on all these fronts.



Realigning our strategic direction

We realigned our organisation structure to meet the strategic direction of our core ICT business with SLT delivering fixed ICT operations and mobile ICT operations through our fully-owned subsidiary Mobitel (Private) Limited. Strategic plans are being implemented along with delegated authority and accountability at top levels of the structure. They are underpinned by SLT's 'centres of excellence' built on four pillars - planning, sales, network operations and service delivery.

We forged a marketing alliance between SLT and Mobitel to jointly drive our ICT business by leveraging each other's brand equity and cross selling complementary products and services through 'packages'.

Streamlining our processes

Two important projects are being implemented to complement our strategic direction. The enterprise resource planning (ERP) project launched in 2015 will go commercially live in Q3 2016. It is intended to seamlessly integrate the supply chain, inventory, finance, accounting, projects, assets, human resources, training, planning and reporting functions. Together with the ERP project we launched a customer relationship management (CRM) project, which will go commercially live in Q4 2016 for retail customers and in Q2 2017 for corporate customers.

Several other initiatives aimed at process upgrades and enhancements were executed during the year, notably in the areas of business process re-engineering and IT.

Investing for sustainable growth

We invested Rs. 21.8 billion in our ICT business during the year, with fixed ICT operations accounting for 80% of the total.

SLT's Rs. 5.2 billion investment in the new SEA-ME-WE 5 submarine cable system connecting South East Asia, Middle East and Western Europe is a milestone project that is due for completion in 2016. This 20,000 km cable with a 24 Tbps design capacity will make the country and SLT future-ready to take on the coming data 'explosion'. Further, the envisaged full landing station on Sri Lankan soil will pave the way for the establishment of a global point of presence (PoP) in Sri Lanka in the near future.

Other significant investments include the setting up of SLT's PoP in Singapore for improved reliability and the ongoing expansion of SLT's 100 Gbps national backbone network. By way of new products, the launch of 'Smartline' for superfast fibre optic broadband services and the establishment of the cloud platform 'Akaza' are noteworthy.

We set up the Mobitel Innovation Centre at Trace Expert City Colombo that supports an eco system driven by science, technology and innovation.

Building our employee capital

We employed a total of 9,331 persons in our ICT business by end 2015, with fixed ICT operations accounting for 85% of the total. Going beyond investing in networks and assets, we continue to invest in our people by providing them training, skills and support to deliver superior service and solutions to our customers. This was reinforced through a programme of change management across all grades of employees that will support our strategic direction and the ongoing ERM and CRM projects. Going beyond our business boundary, employees engage with and support local communities in many ways through volunteerism, while the SLT Group provides the financial backing where needed for the CSR initiatives.

Managing external shocks

SLT and the Group posted revenue growths of 4.1% and 4.6% respectively over the previous year, while operating profits grew at 6.5% and 18.9% respectively. While these are commendable results achieved in a competitive environment, they did not translate into bottom line growths in terms of profitability, primarily due to the unprecedented 9% depreciation of the Sri Lanka rupee during the year which impacted on our foreign currency borrowings. The internally generated foreign currency inflows could not fully neutralise this. In response, we have taken a closer look at our risk management system, appointed a Group treasury committee and are reducing our dollar denominated borrowings.

We have weathered many a storm in the past 150 years and more as a pioneer and trailblazer in ICT in Sri Lanka. We face the future with confidence and commit ourselves to deliver the full benefits of broadband connectivity to all Sri Lankans whilst continuing to deliver significant direct as well as indirect contributions to the Sri Lankan economy.



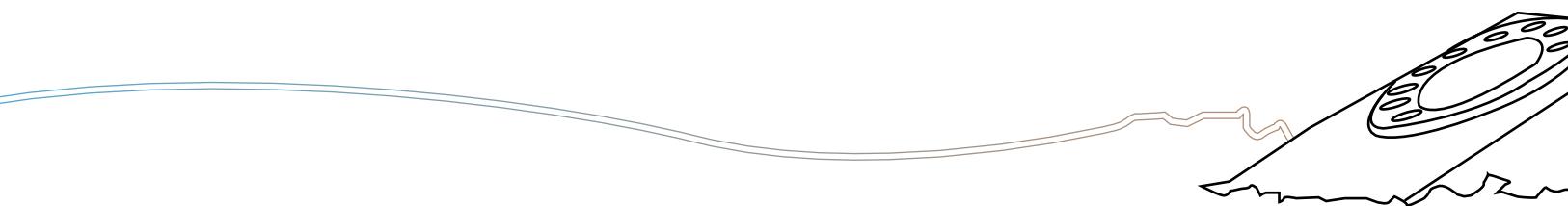
Dileepa Wijesundera
Group Chief Executive Officer

29 March 2016

Always Building the Future

Our journey commenced over 150 years ago, providing us with a solid base to launch into the future. Back then we were the first to introduce telegraph and telephony services... then more recently, Internet access... and still more recently up to 100 Mbps fibre optic ultra high speed broadband facilities across the country.

In fact, we are always building the future!





Board of Directors

1



2



3



4



Stewardship ←

Business Model

Management Discussion and Analysis

Leadership and Recognition

Financial Reports

Supplementary Information

5**6****7****8****10****9**

→ **Stewardship**

- Business Model
- Management Discussion and Analysis
- Leadership and Recognition
- Financial Reports
- Supplementary Information

1 Mr P G Kumarasinghe Sirisena

Chairman

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

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

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

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

2 Mr Chan Chee Beng

Director

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

He counts over 37 years of experience in Investment Banking, General and Financial Management and Accounting. He worked at Ernst & Young and Morgan Grenfell & Co. Limited, prior to joining the Usaha Tegas Sdn Bhd ("UTSB") Group in 1992, as the Head of Corporate Finance. He is an Executive Director of UTSB and serves on the Boards of several companies, including Bumi Armada Berhad, Binariang GSM Sdn Bhd and Maxis Communications Berhad of Malaysia.

He is also a Director of Yu Cai Foundation and MEASAT Satellite Systems Sdn Bhd ("MSS"), a regional satellite operator. In addition, he is a Non-Executive Director of MEASAT Global Berhad ("MGB"), the holding Company of MSS and a member of the Executive Committee of MGB.

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

**3 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 and SLT Campus (Private) Limited.

Mr Blatt is a seasoned legal and business executive with over 35 years of experience assisting telecom, media and technology ('TMT') companies in the United States and in Asia. He is a Silicon Valley pioneer that worked directly with the founders of groundbreaking companies including Apple Computer, Sun Microsystems, Intel and Broadcom to protect and leverage their innovative technologies. In Asia, Mr Blatt was a key member of the executive team that built and launched 'Astro' which has become S.E. Asia's largest direct-to-home (DTH) digital satellite television business.

Mr Blatt leads the TMT practice at the law firm of Tilleke & Gibbins in Bangkok, Thailand, and is consistently recognised as a leading practitioner in TMT by Chambers Asia-Pacific, The Legal 500 Asia-Pacific, Asialaw Leading Lawyers, and The International Who's Who of Telecoms & Media Lawyers. His clients have included a variety of high profile international telecom, technology, social and new media companies including Microsoft, Apple, AT&T, Telstra, Verizon, Alibaba, 20th Century Fox, Facebook and LINE.

Prior to his current position, Mr Blatt was Special Counsel to Astro All Asia Networks PLC as well as to its parent company, Usaha Tegas Sdn. Bhd. ('UT') in Malaysia. From 1997-2000 he was the Senior Vice President of Business Affairs and General Counsel of Astro and the Group General Counsel of UT and its group of companies in the telecom, broadcasting, satellite and media industries.

Before moving to Malaysia, Mr Blatt was a partner in the nationally recognised law firms of Irell & Manella LLP, and Blakely, Sokoloff, Taylor and Zafman LLP, in Los Angeles, California and represented Fortune 500 and start-up companies in the telecom and high technology industries as well as Hollywood studios, including James Cameron's Lightstorm Entertainment, Pixar and Sony Pictures Entertainment.

Mr Blatt is a frequent speaker and author on issues relating to technology and the intersection of data privacy, cyber threats, lawful government access, encryption and cloud and digital security, in addition to technology procurement, licensing and intellectual property.

Mr Blatt attended the Lewis and Clark Law School, Oregon, USA and holds a Juris Doctor (JD) degree, *cum laude*, as well as a Bachelor of Science (BS) degree in Engineering from the University of California, Los Angeles (UCLA) and a Master of Science (MS) degree with *Highest Distinction*, from Tiffin University, Ohio. He is a member of the California Bar and the United States Federal Bars, and is a licensed United States Patent Attorney.

4 Mr Lawrence Paratz

Director

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

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

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

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

He is as a Director of Maxis Communication Berhad, Chairman of the Technology Committee of the Board and a Director of Vernet Private Limited, a company providing ultra high speed broadband to universities and research establishments in Australia. He was a former senior executive of Telstra Corporation as well. Mr Paratz is also the Chairman of the Technology Sub-Committee and member of the Risk Management Committee and the Senior Tender Board. He is also a Director of Mobitel (Private) Limited, Sky Networks (Private) Limited, SLT Property Management (Private) Limited, SLT Campus (Private) Limited, Sri Lanka Telecom (Services) Limited, VisionCom (Private) Limited, and SLT Publications (Private) Limited. He is also a director of Real Thing Entertainment Pty Limited, and Razorback Private Limited.

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

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

→ **Stewardship**

Business Model
Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

5 Ms Lai Choon Foong

Director

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

She has over 30 years of experience in Finance, Procurement and Auditing in the Telecommunications, Banking and Government sectors. Ms Lai was formerly with Maxis Berhad and is currently the Finance Head of Maxis Communications Berhad. She is a Non-Executive Director of three subsidiary companies as well.

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

6 Ms Chandra Ekanayake

Director

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

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

Ms Ekanayake holds a Bachelor of Science (Special Degree) from the University of Kelaniya and an MBA from the Postgraduate Institute of Management, Sri Lanka. In addition, she holds postgraduate diplomas in Development Planning Techniques (ISS, The Hague), International Relations (BCIS Colombo) and Economic Development (University of Colombo). She represented the Treasury in the Council of the Asian Reinsurance Corporation from 2002 to 2013 and functioned as its Vice Chairperson from 2008 to 2013. She also represented the Treasury on the Board of the NDB Bank from February 2011 until March 2015. Currently, she represents the Treasury on the Boards of the People's Bank and the Management of the Superior Court Complex. In May 2015, Ms Ekanayake was also appointed as the Chairman of MILODA, the Academy of Financial Studies – the training arm of the Ministry of Finance.

Stewardship ←

Business Model

Management Discussion and Analysis

Leadership and Recognition

Financial Reports

Supplementary Information

7 Ms Nilanthi Pieris

Director

Ms Pieris was appointed to the Board on 3 February 2015 as an Independent Non-Executive Director and is a member of the Audit 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 29 years of experience including 28 years of practice at the Bar. Currently she serves as the Partner of Paul Ratnayake Associates.

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

8 Mr W K H Wegapitiya

Director

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

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

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

→ **Stewardship**

- Business Model
- Management Discussion and Analysis
- Leadership and Recognition
- Financial Reports
- Supplementary Information

9 Mr Rohan De Silva

Director

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

Mr De Silva has over 40 years of experience in management, in the Mercantile and Government sectors. He is a specialist in shipping, marine, aviation and the leisure sectors, pioneering business ventures and innovating professional services in the mercantile sector in particular.

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

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

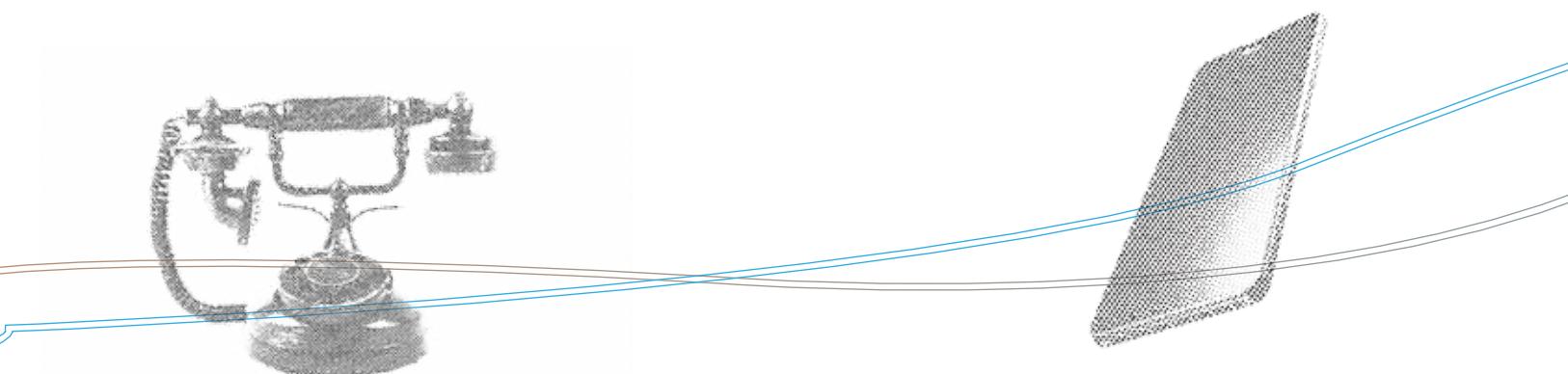
10 Mr Mahesh Athukorale

Company Secretary

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

He joined Sri Lanka Telecom PLC in 2003 as the Assistant Company Secretary. In his career spanning over 20 years he has 13 years of experience in the SLT group and 7 years in the mercantile and financial sector.

He also functions as Company Secretary for Board Sub-Committees and subsidiaries of SLT Group.





Leadership Team

Annual Report 2015 —————

Sri Lanka Telecom PLC

→ **Stewardship**

Business Model

Management Discussion and Analysis

Leadership and Recognition

Financial Reports

Supplementary Information



Stewardship ←

Business Model

Management Discussion and Analysis

Leadership and Recognition

Financial Reports

Supplementary Information



→ **Stewardship**

Business Model
Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

1 Mr Dileepa Wijesundera

Group Chief Executive Officer, Sri Lanka Telecom PLC

Mr Dileepa Wijesundera is an engineer with extensive experience in project logistics, profitability and restructuring both at private and Government institutions. He holds a BSc in Civil Engineering and a MSc in Management from the Loughborough University (UK). He has held leadership positions in several prestigious organisations including Head of Emirates Sky Cargo, Canada, Senior Vice-President – Qatar Airways, Chairman – Sri Lanka Ports Authority amongst others. Mr Wijesundera assumed duties as the Group CEO of SLT on 9 March 2015.

2 Mr Mahinda B Herath

Chief Planning Officer

Mr Herath is a Chartered Engineer with a Degree in Engineering from the University of Moratuwa and a Master's Degree in Industrial Mathematics from the University of Sri Jayewardenepura. In his career at SLT spanning over 31 years, he has gained multi-disciplinary exposure in the fields of Engineering, Management, Regulation and Business. He has previously held a number of senior positions, including, Deputy General Manager, Head of Province and General Manager of Regulatory Affairs and International Business. Mr Herath has gained extensive training by reputed international operators, including Telia AB of Sweden, France Telecom, AT&T of USA and KDD of Japan. He has also gained certifications in Telecommunication Regulation from the Commonwealth Telecommunications Organisation (CTO), Australian Communication and Media Authority (ACMA) and University of Florida. He has also been involved in the activities of ITU study groups, Sri Lanka Association for the Advancement of Science (SLAAS) and International Development Research Centre (IDRC), with several research papers and a book chapter to his credit. Mr Herath is currently heading the Planning Group of SLT which is being developed as a centre of excellence in strategy and planning for both network and information technology of the Company.

3 Mr K A Kiththi Perera

Chief Enterprise and Wholesale Officer

Mr Perera joined SLT in 1994. He holds a MEng from University of Moratuwa in Electronics and Telecommunications Engineering and is a Chartered Engineer of the Institute of Electrical Engineers and Engineering Council (UK). He has extensive experience in International Transmission Systems, Submarine Cable Systems, Data and IP Networking and Project Management. He counts over 12 years of experience in the enterprise and Government customer segments. In addition, he was instrumental in introducing Metro Ethernet Technology to Sri Lanka. Mr Perera has provided voice-data integrated enterprise solutions connected with high speed resilient connectivity services to many customers.

4 Mr S K Lal Ranjith

Chief Corporate Officer and Chief Sales Officer

Mr Ranjith joined SLT in 1984 as an Engineer. He holds a BSc in Electronics and Communication from the University of Moratuwa and an MBA from the Postgraduate Institute of Management of the University of Sri Jayewardenepura. In addition to the Postgraduate Diploma in Marketing from the CIM (UK), he is a Chartered Engineer cum Chartered Marketer with memberships in the Institution of Engineers, Sri Lanka and CIM (UK). He is a Toastmaster as well.

His professional commitments encompass a wide spectrum including Business and Strategic Planning, Investment Governance, Regulatory Concerns, Knowledge Management and Enterprise Risk Management to name a few. He played a catalytic role in introducing new business concepts to SLT such as 5S, Workplace Cooperation, Break-Through Thinking (BTT) and Change Management. After assuming the additional role of Chief Sales Officer, he was responsible for Consumer and SME sales of the Company.

5 Mr Chinthaka C Wijesuriya

Chief Regional Officer

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

**6 Mr Ajantha Seneviratne**

Chief Marketing Officer

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

7 Mr M B P Fernandez

Chief Network Officer

Mr Fernandez joined SLT in 1991. He holds a BSc Eng. in Electronics and Telecommunications from the University of Moratuwa and an MBA from the University of Sri Jayewardenepura. He is a Chartered Engineer and a Fellow of the Institute of Engineers, Sri Lanka. Mr Fernandez counts over 27 years of experience in Operations, Maintenance, Project Management, Customer Service and Marketing in telecom-related networks and businesses. He also serves as Director of Sri Lanka Telecom (Services) Limited since 2007. Mr Fernandez was a resource person in many telecom and management-related institutes such as TTI and IPM.

8 Mr Udeni K. Samaratne

Chief Financial Officer

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

9 Mr D W R Wijeweera

Chief Information Officer

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

10 Mr Priyantha Perera

Chief Logistics Officer

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

He has extensive experience in numerous areas of operations including, regional management, project management, marketing management, administration and supply chain management to name a few. He has successfully led cross-functional teams on special assignments such as productivity improvement, 5S and breakthrough thinking.

11 Mr Tilak De Silva

Chief Business Innovation and Development Officer

Mr De Silva joined SLT in 1984 and counts over 30 years of experience in IT and Communication. He was a pioneer in transforming SLT to an IT enabled company. He has gained multidisciplinary exposure in the fields of engineering, information technology and global telecom business. Mr De Silva has held key positions including Head of IT, Chief Global Officer, Chief Network Officer and Advisor to CEO on Technology Strategies at SLT. He has also held the position of CEO, SLT Hong Kong which was a subsidiary of SLT.

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. In addition, he was the president of Institution of Engineers, Sri Lanka (IESL) in year 2013 and has gained professional memberships in FIE (SL), FIET (UK), FBCS (UK) and MIEEE (USA).

→ **Stewardship**

- Business Model
- Management Discussion and Analysis
- Leadership and Recognition
- Financial Reports
- Supplementary Information

12 Mr P Roshan Kaluarachchi

Chief Business Strategies Officer (Subsidiaries)

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

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

Prior to joining SLT, he served as General Manager – Marketing at Mobitel where his strategic marketing leadership enabled Mobitel to become the second largest mobile operator within a short span of 3 years. Currently, he is reading for PhD in Management and Business Studies at the University of Colombo.

13 Ms Indrani Hissalle

Chief Human Resources Officer

Ms Hissalle, joined SLT in 1993 and holds a BSc in Electronic & Electrical Engineering and MSc in Telecommunications Engineering from University of Peradeniya. She is a Fellow of Institution of Engineers Sri Lanka and a Past President of IESL Provincial Centre. In addition, she is a Member of Institute of Electrical & Electronic Engineering, IEEE (USA) and currently holds the position of President of Microwave Theory & Techniques Society (Sri Lankan Chapter).

She has extensive expertise in Regional Operations, Project Management, Training, Contact Centre business including Administration. She has been engaged with employee relationship activities by heading disciplinary committees, Governance Board and Company Dress Code Committee for last 6 years. She has been the President of SLT Netball Association from its inception.

Ms Hissalle is a reputed speaker at IQPC International Quality & Productivity Centre and a visiting lecturer of University of Peradeniya. She is a reputed member of the International Rotary Club and is currently the District Attendance Committee Chairperson. She is reading for her PhD at the University of Peradeniya.

14 Mr Mohan Padmaperuma

Chief Transformation and Development Officer

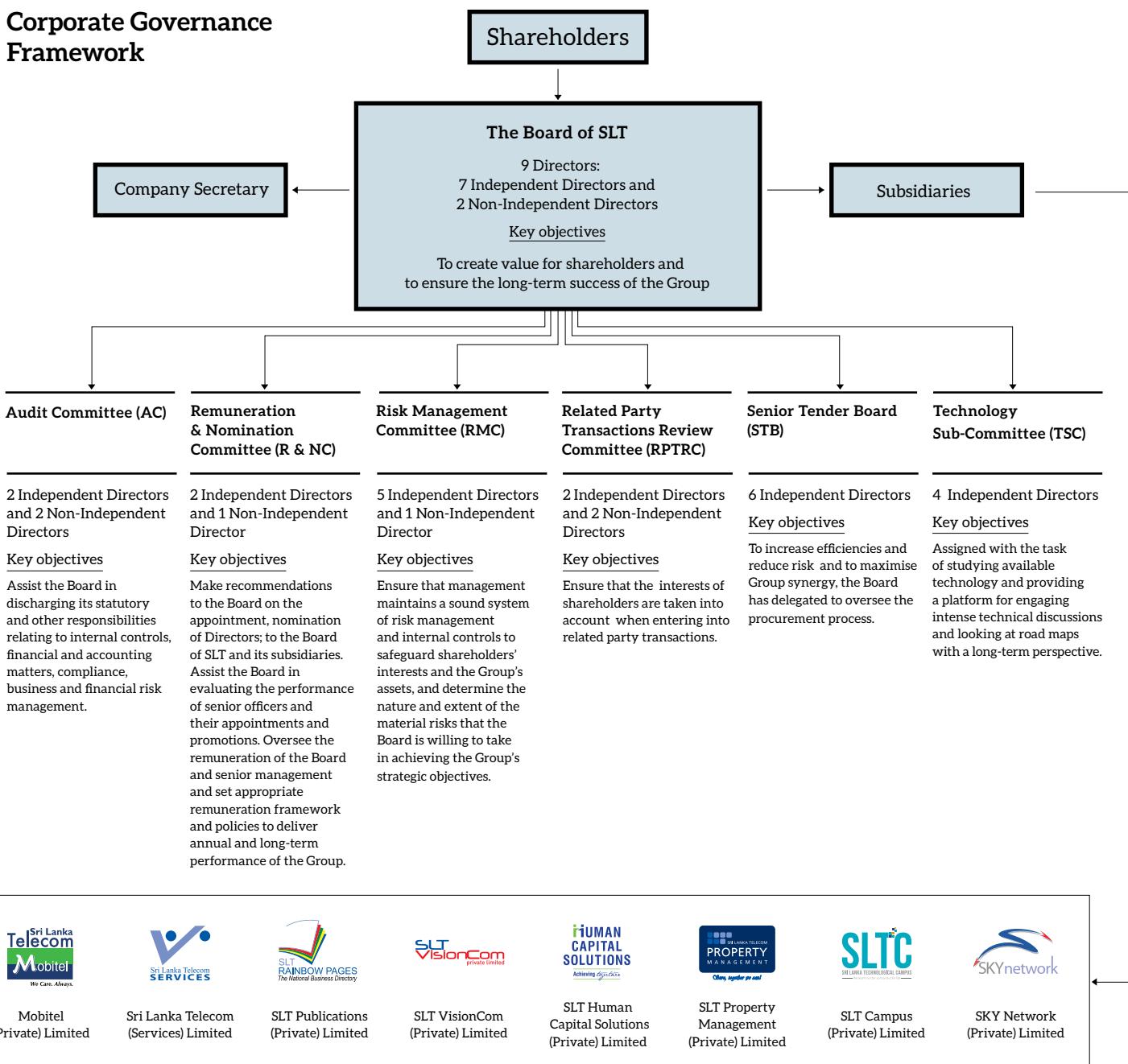
Mr Padmaperuma joined SLT as an Engineer in 1984. He holds a BSc in Electronics and Telecommunications from University of Moratuwa. He is a Chartered Engineer and a Fellow of the Institution of Engineers, Sri Lanka. He gained experience at Emirates Telecommunication Company from 1989-1991.

Corporate Governance

The Board and management of SLT Group are committed to operate in accordance with best practices in business integrity and ethics whilst maintaining the highest standards of financial reporting and Corporate Governance. The Directors believe that the Group has complied in good faith with the following steering instruments on governance throughout the year:

- Legislations, particularly the Companies Act No. 07 of 2007 and the Telecommunication Act No. 25 of 1991 as amended by Act No. 27 of 1996.
- Company's Articles of Association.
- Listing Rules of the Colombo Stock Exchange.
- Internal Company rules and processes and industry codes of best practices.

Corporate Governance Framework



→ **Stewardship**

- Business Model
- Management Discussion and Analysis
- Leadership and Recognition
- Financial Reports
- Supplementary Information

→ The Board of Directors

Composition →

The Board comprises the Chairman and eight Non-Executive Directors ('NED'), of which seven are independent Directors. The independence of the Directors was determined in accordance with the requirements of the CSE Listing Rules. The NEDs contribute valuable experience and independent judgment to the Company on business strategies, operations, technology, finance and governance.

The two major shareholders of the Company namely the Government of Sri Lanka acting through the Secretary to the Treasury and Global Telecommunication Holdings N.V., recommend the appointment of five and four Directors respectively to the Board.

Under the terms of the Articles of Association of the Company, all Directors appointed by the Board are required to be elected by the shareholders at the first AGM after their appointment. A Director must also retire by rotation and seek re-election at the AGM if he or she was last elected or re-elected at an AGM held on or prior to three years before the year in question.

Role of the Board and conduct of its affairs →

The duty of the Board is to act in good faith in the best interests of the Group, create value for the shareholders and ensure the long-term success of the Group by focusing on the development and implementation of appropriate strategies, business models, controls and risk management processes, and management and compensation framework.

The Board provides leadership to the Group and oversees the business affairs in terms of the corporate strategies, business plans, financial and investment plans, annual budget, financial performance as well as compliance and corporate governance practices. The Board sets the tone for the entire Group in respect of ethics and values.

The Group has established financial authority and approval limits for incurring operating and capital expenditure and has delegated authority for certain operational matters to the management in order to ensure efficiency.

The Board meets on scheduled meeting dates which are agreed at the commencement of the year. The agenda for the meetings includes presentations by senior management and executives as well as external consultants or specialists where required. This allows the Board to develop a good understanding of the Group's businesses and to promote active engagement with the senior management and executives.

Other specific responsibilities are delegated by the Board to Sub-Committees which operate within clearly defined Terms of Reference. Details of responsibilities and operations of the Sub-Committees are provided in the following section.

Board Sub-Committees →

The Board considers the selection of Sub-Committee members carefully to ensure that each Sub-Committee comprises Directors with appropriate qualifications and skills, and that there is an equitable distribution of responsibilities among Directors.

The record of each Director's memberships and attendance at the Board and Board Sub-Committee meetings during the financial year ended 31 December 2015 is set out on page 28.

Audit Committee (AC)

Membership

Mr Chan Chee Beng, Sub-Committee Chairman and NED
Ms Lai Choon Foong, INED
Ms Chandra Ekanayake, NED
Ms Nilanthi Pieris, INED

Role and Key Responsibilities

This Sub-Committee assists the Board in discharging the responsibilities in relation to the Group's financial results, finance and accounting matters, internal controls and corporate risks.

The Sub-Committee has full access to the management and staff, internal auditors and external auditors. It also has the authority to investigate any matter within its Terms of Reference and to review its Terms of Reference as and when required and recommend changes to the Board.

Stewardship

Business Model

Management Discussion and Analysis

Leadership and Recognition

Financial Reports

Supplementary Information

Remuneration & Nomination Committee (R & NC)

Membership

Mr Jeffrey Jay Blatt, Sub-Committee Chairman and INED
 Mr Lawrence Paratz, INED (Stepped down w.e.f. 18.02.2016)
 Mr P G Kumarasinghe Sirisena, INED
 Mr Chan Chee Beng, NED (Appointed w.e.f. 18.02.2016)

Role and Key Responsibilities

This Sub-Committee provides support and guidance to the Board on the following areas in the Group:

- Nomination, selection and appointment of Non-Executive Directors, Chief Executive Officers and key senior management officers
- Succession planning for the Chief Executive Officer and senior management
- Reviewing composition of the Board particularly in relation to the diversity of background, skills and experience
- Formulating the Group's policy for determining the fees and allowances for the Chairman and Directors of the Board, Board Sub-Committees and subsidiary companies
- Reviewing and recommending the remuneration for the Chief Executive and senior management
- Proposing appropriate recruitment and retention or incentive schemes.

Risk Management Committee (RMC)

Membership

Mr Jeffrey Jay Blatt, Sub-Committee Chairman and INED
 Mr Lawrence Paratz, INED
 Ms Lai Choon Foong, INED
 Ms Chandra Ekanayake, NED
 Mr W K H Wegapitiya (Appointed w.e.f. 18.02.2016)
 Mr Rohan De Silva (Appointed w.e.f. 18.02.2016)

Role and Key Responsibilities

The RMC is responsible for identifying, evaluating and reporting on the Group's risks, and to recommend mitigation strategies and plans to the Board.

The Board and management have established processes for identifying, evaluating and managing the varied and dynamic risks faced by the Group.

Technology Sub-Committee (TSC)

Membership

Mr Lawrence Paratz, Sub-Committee Chairman and INED
 Mr Jeffrey Jay Blatt, INED
 Mr Krishantha Cooray, INED (Resigned w.e.f. 01.12.2015)
 Mr Firodouse Farook, INED (Resigned w.e.f. 07.12.2015)
 Mr W K H Wegapitiya (Appointed w.e.f. 18.02.2016)
 Mr Rohan De Silva (Appointed w.e.f. 18.02.2016)

Role and Key Responsibilities

The TSC is responsible for ensuring the development and implementation of appropriate network and information technology strategies and systems in response to new technological advances and the needs of the business and customers.

The Sub-Committee consolidates common technical requirements across SLT and its subsidiaries to influence development in both standard bodies and into common strategic vendors.

Senior Tender Board (STB)

Membership

Mr Jeffrey Jay Blatt, Sub-Committee Chairman and INED
 Mr Lawrence Paratz, INED
 Mr Krishantha Cooray, INED (Resigned w.e.f. 01.12.2015)
 Ms Lai Choon Foong, INED
 Mr Firodouse Farook, INED (Resigned w.e.f. 07.12.2015)
 Ms Nilanthi Pieris, INED
 Mr W K H Wegapitiya (Appointed w.e.f. 18.02.2016)
 Mr Rohan De Silva (Appointed w.e.f. 18.02.2016)

Role and Key Responsibilities

The STB is responsible for ensuring proper governance and transparency of the Group's procurement and tenders. It is also responsible for reviewing the Group's procurement policies, processes and requirements; considering the outcome of tenders over a certain threshold and the recommendations of management; and proposing the recommendations for the approval of the Board.

→ **Stewardship**

Business Model
Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

Directors' attendance at Board and Board Sub-Committee Meetings during the financial year ended 31 December 2015

Board Member	Status	Board	Audit Committee (AC)	Remuneration & Nomination Committee (R & NC)	Technology Sub-Committee (TSC)	Senior Tender Board (STB)	Risk Management Committee (RMC)
Mr Kumarasinghe Sirisena – Chairman	INED	7/7	-	3/4	-	-	-
Mr Chan Chee Beng*	NED	6/7	5/5	-	-	-	-
Mr Jeffrey Jay Blatt**	INED	7/7	-	4/4	7/7	7/7	6/6
Mr Lawrence Paratz***	INED	7/7	-	4/4	7/7	7/7	6/6
Ms Lai Choon Foong	INED	7/7	5/5	-	-	7/7	6/6
Ms Chandra Ekanayake (Appointed on 03.02.2015)	NED	6/6	5/5	-	-	-	5/5
Ms Nilanthi Pieris (Appointed on 03.02.2015)	INED	6/6	5/5	-	-	6/6	-
Mr Krishantha Cooray (Resigned on 01.12.2015)	INED	4/6	-	-	-	4/6	-
Mr Firodouse Farook (Resigned on 01.12.2015)	INED	5/6	-	-	5/6	5/6	-
Mr W H K Wegapitiya (Appointed on 02.12.2015)	INED	-	-	-	-	-	-
Mr Rohan De Silva (Appointed on 30.12.2015)	INED	-	-	-	-	-	-

* Chairman AC

** Chairman RMC, R & NC and STB

*** Chairman TSC

Roles and Responsibilities between the Chairman and the Group CEO →

The Board recognises the need for the distinct roles and responsibilities of the Chairman of the Board and the CEO. The Chairman of the Board is a Non-Executive appointment and is separate from the office of the Group CEO.

The Chairman leads the Board and is mainly responsible for ensuring the effectiveness of the Board and its governance processes including unrestricted and timely access to relevant information necessary for decision making.

This includes setting the agenda of the Board meetings and promoting an open dialogue among the Directors, as well as between the Board and the Group CEO. The Chairman maintains communication with the major shareholders, Government and regulators.

The Group CEO reports to the Board and is responsible for implementing the Group's strategies and policies as approved by the Board, and developing business plans and budgets to support the Group's strategies.



Access to Information →

Prior to each Board meeting, SLT's management provides the Board with reports and information relevant to matters on the agenda for the meeting. In-line with SLT's commitment to conservation of the environment and technology advancement, SLT has implemented a paperless Board meeting solution where the Directors are provided with iPad devices to enable them to access and read Board and Board Committee papers.

The Board has separate and independent access to the senior management and Company Secretary. The Company's Articles of Association provides for Directors including Board Sub-Committee members to seek independent professional advice where required.

Role of the Company Secretary →

The Company Secretary supports the Board in facilitating compliance with the Listing Rules of the CSE and Companies Act No. 07 of 2007 and other relevant laws and regulations. In performing this duty, the Company Secretary performs the following responsibilities:

- Statutory duties as specified under the Listing Rules of the CSE and Companies Act 2007
- Organising and attending the Board and Board Sub-Committee meetings and ensuring that the Board meetings are properly convened and the proceedings are properly recorded
- Maintaining records that meet statutory requirements
- Providing information and assistance to the Board as and when required
- Supporting the Board in ensuring adherence to the Board's policies and procedures

The profile of the Company Secretary is provided on page 18.

Codes of Conduct for Employees and Third Parties →

SLT Group has a strict code of conduct for all employees and another code for third parties dealing with the Group with the purpose of promoting responsible decision making and ethical practices. The code for employees sets out the principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with its customers, suppliers, competitors and the community. The code covers areas such as equal opportunity employment practices, workplace health and safety, conduct in the workplace, business conduct, protection of the Group's assets, proprietary information and intellectual property, data protection, confidentiality, conflict of interest, and non-solicitation of customers and employees. The code is accessible on the Group's internal website.

Remuneration

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

The remuneration for the Chairman and Non-Executive comprised of a monthly fixed fee for attendance of the Board meetings and review of key matters in the Group. Additional fees are not paid to Directors for attendance at Board Sub-Committees meetings or Board meetings of subsidiaries. The travelling and accommodation costs of non-resident Directors are reimbursed by the Group. The fees paid to the Directors remained unchanged since 2008. The aggregate fees of Rs. 19 million was paid to the Directors for the financial year 2015.

Communication with Shareholders

The Board uses the Annual General Meeting (AGM) to communicate with the shareholders on the affairs and matters of the Group. The Chairman of the various Board Sub-Committees will be available at the AGM to answer questions raised by the shareholders.

→ **Stewardship**

Business Model
Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

→ Major Transactions

There were no major transactions entered into by the Group for the year 2015 in terms of the definition stipulated in the Companies Act No. 07 of 2007.

→ Related Party Transactions

The Board has appointed a Related Party Transaction Review Sub-Committee comprising 2 NEDs and 2 INEDs. The objective of the Sub-Committee is to ensure that the interests of shareholders are taken into account when entering into RPTs and to enhance corporate transparency and promote fair transactions between SLT and its subsidiaries and other related parties. The related party relationship with its subsidiaries is disclosed in 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.



Remuneration & Nomination Committee Report

→ Composition of the Committee

The Remuneration Committee and Nomination Committee, which functioned separately, were amalgamated as "Remuneration & Nomination Committee" in February 2015 and reconstituted with the following members:

Mr Jeffrey Jay Blatt – Independent Director (Chairman)
 Mr P G Kumarasinghe Sirisena – Independent Director
 Mr Lawrence Paratz – Independent Director

Subsequently, with the reorganisation of Board Sub-Committees in January 2016 Mr Chan Chee Beng, Non-Executive Director was appointed as a member of the Sub-Committee in place of Mr Lawrence Paratz, in compliance with the CSE Listing Rules on Corporate Governance.

The Company Secretary functions as the Secretary of the Sub-Committee.

The Sub-Committee invites the Group Chief Executive Officer, Chief Human Resource Officer and External Advisers to attend all or any part of the meeting as required.

→ Role and Responsibilities

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

The Term of Reference of the Sub-Committee is available on the Company's website – www.slt.lk.

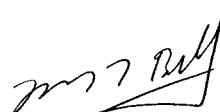
→ Activities carried out during 2015

The Sub-Committee met on four occasions during the year 2015 and the activities carried out are summarised below:

- Recommendation for appointments/promotions to the position of senior management.
- Recommending extension of services of senior officers.
- Performance review of senior management.
- Recommending payment of annual bonus and increments for employees of SLT and its subsidiaries.
- Making recommendation for reconstitution of Board Sub-Committees and the Boards of subsidiary companies.

The Sub-Committee also takes this opportunity to place on record its appreciation of the contribution made by Mr Lawrence Paratz during his tenure as a member of the Sub-Committee.

On behalf of the
 Board Remuneration & Nomination Committee



Jeffrey Jay Blatt
 Chairman

29 March 2016

→ **Stewardship**

Business Model
Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

→ Enterprise Risk Management (ERM)

In the present context of highly competitive and volatile business environments, customer migration to other operators, increasing OTT Players' offerings, fast changing technology, economic uncertainties etc., are threatening the continuity of SLT's business. Further, cyberattacks are increasing and SLT's network elements and systems are exposed to these risks. Therefore, it is vital for us to foresee business critical risks and those to be managed effectively. Having considered this context, the Board of Directors (BOD) has given direction to implement risk management process across the organisation in May 2011. In complying with the BOD's direction; Enterprise Risk Management (ERM) process and ERM framework for SLT was developed in 2011. Reference has been made to the best practices of ERM such as ISO 31000, COSO and taken guidance from M/s Deloitte. Implementation of ERM process within SLT was started in early 2012 to identify and manage functional risks to create a risk management culture as being Business as Usual (BAU).

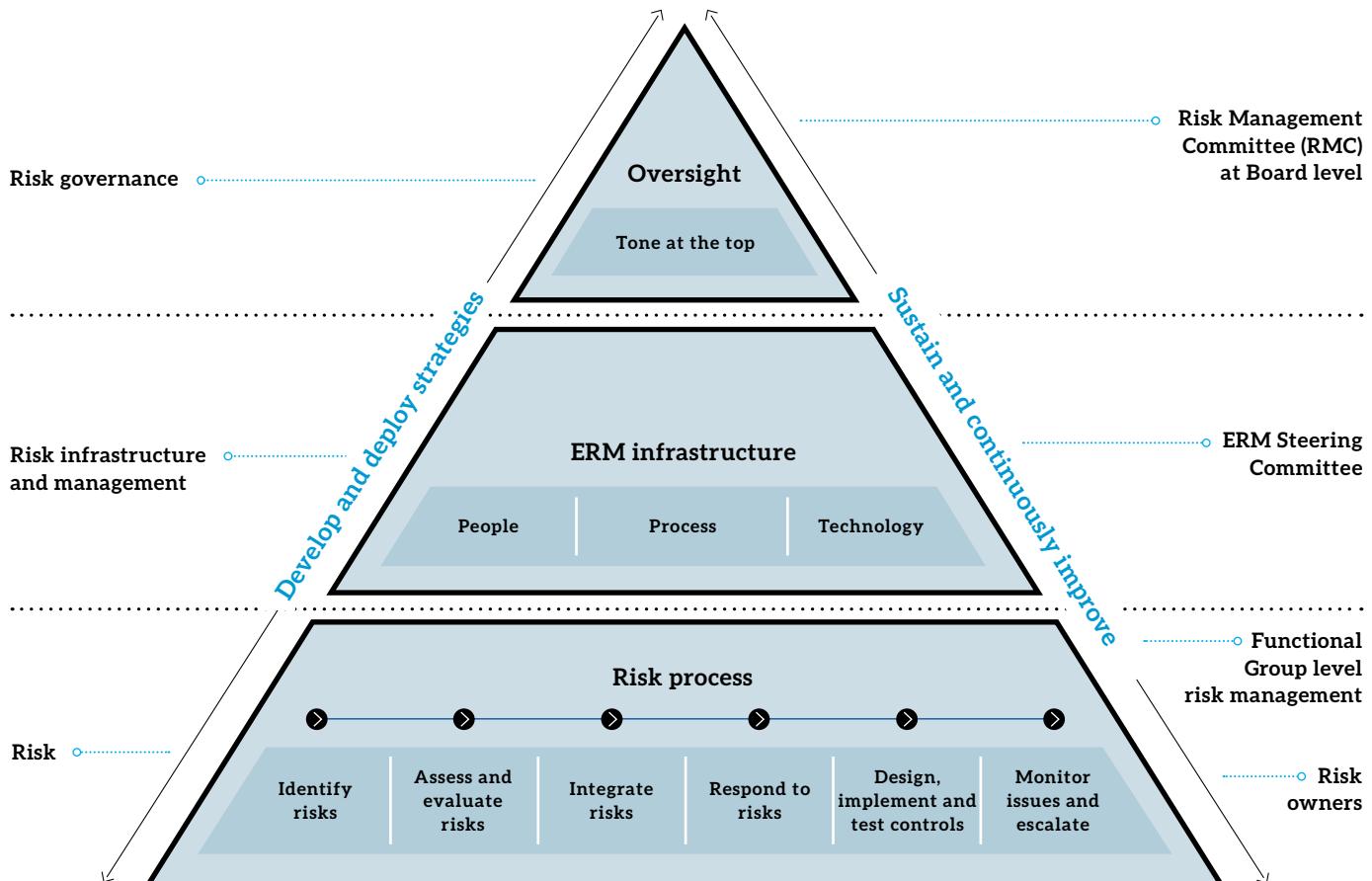
In September 2014, the Board of Directors took another step to keep ERM tone on by setting up of a Risk Management Committee (RMC) at Board level chaired by a Director to enhance and drive ERM process within SLT and scrutinise the business critical top risks at Board level. Today holding a RMC meeting parallel to meetings of the Board of Directors has become a practice. Inputs from overseas Directors, those who are having global experience and exposure are a great advantage to the process.

In addition, a Risk Management Steering Committee (RMSC) was also formed under the chairmanship of the Group CEO to assist the RMC in scrutinising the escalated risks from functional groups and to identify business critical risks. Thus, the ERM framework was modified with the guidance of the RMC.

Now risk management culture is at a matured stage at functional units as well as in project management at SLT. Over the past several years, since the introduction of ERM in 2011, ERM has become an important Business As Usual (BAU) process. ERM encourages senior executives to embed the risk management process into functional units. This will empower them to take appropriately, calculated positive risks (rewarded risks) and accept, mitigate, avoid or transfer the negative risks (unrewarded risks).

The figure in page 33 illustrates ERM organisation, its responsibilities and relevant scopes of responsible groups. This elaborates that due consideration should be given to enterprise-related risks when making all business decisions. The following table summarises top business critical risks – both Company specific and Industry 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.

Stewardship ←
 Business Model
 Management Discussion and Analysis
 Leadership and Recognition
 Financial Reports
 Supplementary Information



No.	Type	Category	Risk description	Impact	Severity	Mitigation factors
1.	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 2016]	Threat for SLT's wholesale business and potential revenue loss	High	Actions are in progress with revised strategies related to international connectivity and enterprise business
2.	Company	Finance	Pervading trend of Rupee depreciation leads to forex losses	Risk of forex translation losses high capital and operational costs in LKR terms	High	Seeking possible hedging options

→ **Stewardship**

Business Model
Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

No.	Type	Category	Risk description	Impact	Severity	Mitigation factors
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. SLT handles legal proceedings and seeks support from external consultants to mitigate such risks as required
4.	Company	Operational	Pressures to absorb the staff of the subsidiary SLT Human Capital Solutions (Private) Limited into SLT	Increased operational costs for SLT	High	Timely breaks in recruitment process to mitigate the increase of HR cost and enhancement of competencies of the recruited outsourced staff to improve their cooperative contribution
5.	Industry	Business	Grey operators and OTT players 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
6.	Industry	Information security risk	Possible cyberattacks to business critical information systems and network elements may cripple SLT 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 advice on threat/incident information are obtained from experts such as TechCERT and Sri Lanka CERT
7.	Industry	Operational	Telecom industry experiences the need of new technological convergence and upgrading the networks to survive in the market. Prevailing competition structure pressurises the telco operators	Threat to growth of business and market share	High	SLT is investing on new technologies and converged infrastructure to effectively face the competition



No.	Type	Category	Risk description	Impact	Severity	Mitigation factors
8.	Industry	Operational	Telco and non-telco business entities developing optical fibre networks, which leads to lower the returns on investment of National Backbone Network (NBN) developed by SLT aligning with national ICT development programme	Inadequate Returns on investment 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 emphasis the objectives of NBN
9.	Industry	Regulatory	Growth of wireless high speed broadband solutions (4G LTE) is exponential and non-availability of fair distribution of spectrum among operators has impacted competition adversely.	Unfair competition and disadvantage over broadband speeds	Medium	SLT consistently lobbies TRCSL on additional spectrum allocations
10.	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
11.	Industry	Regulatory	Absence of a legal framework to protect telco operators being charged/taxed by local authorities/other Government agencies without consultation of the regulator on development of telecommunication infrastructure. (e.g., Thoroughfare Act, Central Environment Act etc.)	Burden of additional charges and taxes on network development becomes a constraint for development of infrastructure in green area leading to incur additional costs and unfair and unbalanced cost structures in the industry	Low	SLT continuously lobbies with the RDA, TRCSL and other relevant Government authorities

Please refer to note 4 on page 125 for information on SLT's financial risk management activities.

Business Model

About Us

Sri Lanka Telecom PLC ('SLT' or the 'Company') is the national information and communications technology (ICT) solutions provider and the leading broadband and backbone infrastructure services provider in the country. With over 150 years of expertise behind us, we have been fulfilling the dreams and aspirations of all Sri Lankans – from basic connectivity to an ever evolving range of applications that distinguish the ICT industry today.

→ Group Structure



SLT VisionCom (Private) Limited IPTV support services 100%	Sri Lanka Telecom (Services) Limited Network solutions for corporate customers and small businesses 99.99%
Mobitel (Private) Limited Mobile service provider 100%	Sky Network (Private) Limited Wireless broadband operations 99.94%
SLT Human Capital Solutions (Private) Limited Workforce solutions 100%	SLT Publications (Private) Limited Directory information and publication services 100%
SLT Property Management (Private) Limited Managing SLT's real estate resources 100%	SLT Campus (Private) Limited Higher education services of ICT and business management 100%

The above come within three operating segments which are the Group's strategic segments, namely:

- Fixed ICT operations
- Mobile ICT operations
- Other segment operations

Fixed and mobile ICT operations constitute the SLT Group's core business. They collectively accounted for 99% of revenue, 97% of profit before tax, 99% of total assets and nearly 100% of capital expenditure of the SLT Group in 2015.

→ Products and Markets

Fixed ICT operations →

SLT, the flagship Company of the Group focuses on the fixed ICT business. It provides telecom networks and ICT services to organisations of all sizes across all economic sectors, other telecommunication operators and Internet service providers (ISP), public sector institutions and domestic customers. ICT facilities and services provided include voice, data, broadband, wholesale, enterprise, cloud, international and TV services. One of the key strategic objectives of the SLT Group is to drive broadband-based consumer and enterprise services by expanding the broadband footprint via next generation network (NGN) and national backbone network (NBN), together with next generation access of ADSL2+, VDSL2, optical fibre, carrier-grade Wi-Fi and both fixed and mobile 4G LTE technologies. The Company also aims to be a key regional player by offering state-of-the-art global services provided through multiple international undersea cable systems.

Mobile ICT operations →

Mobitel (Private) Limited ('Mobitel'), the fully-owned subsidiary of SLT, offers mobile ICT services, which includes mobile telephony services, high-speed broadband, international services, value added services and a host of digital services such as enterprise solutions, mobile money etc. Mobitel was the pioneer in South Asia to launch a Super 3.5G network, to successfully demonstrate HSPA + MIMO technology and successfully trial 4G/LTE technology. The introduction of 4G LTE services in June 2013 makes Mobitel's broadband speeds the fastest in the country. Mobitel's coverage spans the entire country with international roaming available in over 400 networks worldwide.

Our reach →

The SLT Group covers the whole country and serves a customer base of over seven million accounts across fixed

and mobile ICT services. Our customers include domestic users, SMEs and retail customers, multinationals and enterprises, public sector institutions as well as other operators and wholesale customers.

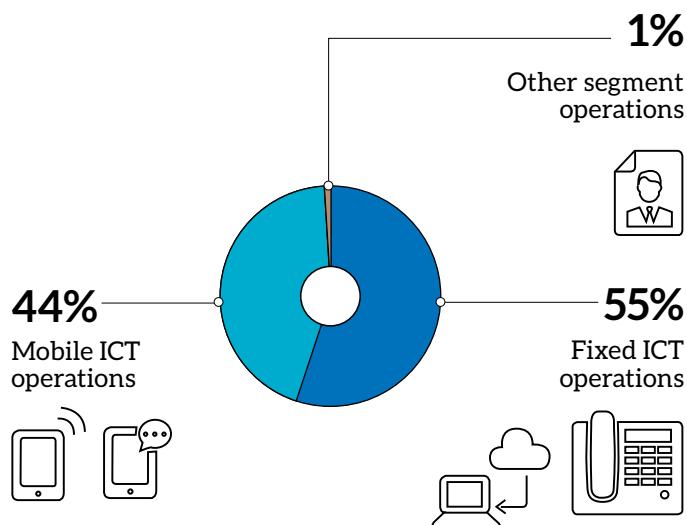
→ Scale of Operations

SLT Group revenue, FYE 2015 →

Total revenue of the SLT Group grew by 4.6% to Rs. 68 billion during the year, driven by a 4.1% revenue growth by SLT and a corresponding 6.4% growth at Mobitel. When analysed by business lines independent of segments, voice, enterprise solutions, broadband and value added services of both fixed and mobile categories had the fastest growth rates in terms of revenue.

In terms of composition, fixed ICT solutions contributed 55% to Group revenue, followed by a 44% share coming from mobile operations. When analysed by business lines independent of segments, voice, enterprise solutions and broadband of both fixed and mobile categories were the top three contributors towards Group revenue.

Composition of group revenue →



Market capitalisation →

SLT is one of Sri Lanka's most valuable blue chip companies, with a market capitalisation of Rs. 84 billion as at 31 December 2015, ranking 6th among the listed companies on the Colombo Stock Exchange.

Operating Environment

Annual Report 2015

Sri Lanka Telecom PLC

Stewardship

→ Business Model

Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

→ The Global Telecom Industry

The world took yet another small step towards becoming fully connected in 2015. An estimated 3.2 billion people are now online, up from 2.9 billion in 2014, according to a new report published by Facebook. But this means that a further 4.1 billion people, over half of the world's population, are without any Internet connection at all.

ITU's Connect 2020 Agenda →

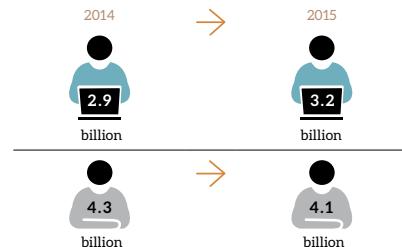
The Connect 2020 Agenda of the International Telecommunication Union (ITU) calls for at least 50% of developing nations' households to have Internet access by 2020 and to reduce the cost and discrimination which is keeping many from being online. Without a coordinated approach to connectivity, however, the ITU estimates that nearly three billion people will remain offline in 2020, almost all of them in developing nations.

Global connectivity – current state and key barriers →

State of connectivity



People using the Internet



People connected in 2015

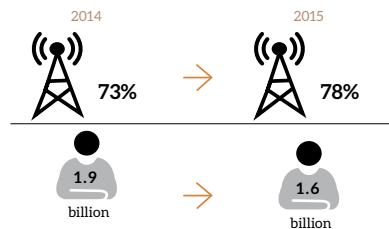


43%

Availability



Share of population covered by mobile broadband networks



Remote mobile sites cost 2 to 3 times as much as urban sites and can reach fewer people

Affordability



People who can afford 500 MB per month



To get online, the 2.7 billion people who are not mobile phone users face costs three times higher than those who are

500 million more people could afford mobile data services than at the end of 2013

Relevance



Languages with high levels of relevant content online (at least 100,000 Wikipedia articles)



People speaking these as their primary language People speaking these as primary or secondary languages

Readiness



Skills



1 billion people lack basic literacy skills

Awareness and understanding



Over two thirds of the unconnected in developing countries do not understand what the Internet is

Cultural and social acceptance



Women in developing countries are 25% less likely to be online than men

Global competition →

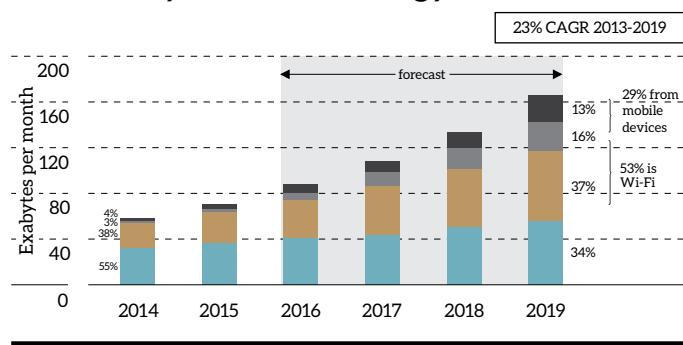
Sri Lanka is among those that are ahead of the Broadband Commission's global target for all countries to have a national broadband plan (NBP) by 2015. A national backbone network (NBN) based on optical fibre technology has already been developed and deployed by SLT. Nearly all major players are now investing heavily to capitalise on developments in broadband technology, with FTTx, VDSL vectoring, ADSL 2+ and both fixed and mobile 4G LTE technologies offering higher broadband speeds. Globally 4G is growing rapidly, with the GSM Association (GSMA) expecting 4G network infrastructure to account for much of the USD 1.7 trillion of expected investment by mobile operators worldwide during 2015-2020. Despite some operators experiencing decreases in revenues, most operators are continuing to invest in upgrades to their infrastructure and network consolidation.

Asia-Pacific now accounts for half of all mobile broadband subscribers. The rapid expansion of Asia-Pacific is squeezing other regions in terms of regional market shares. For example, Europe and the Americas both saw declining proportional shares of mobile broadband subscribers from 2014 to 2015 – despite absolute increases in the number of subscribers, Europe's share fell from 16% to 14% and the Americas from 24% to 22%.

Overall data traffic growth →

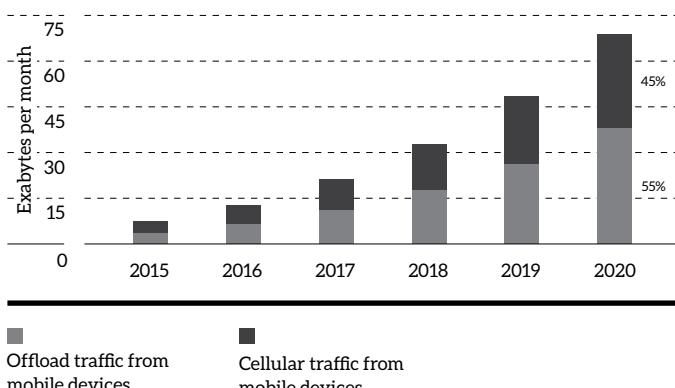
Traffic volumes on fixed networks will continue to dominate data traffic, including the traffic off-loaded to such fixed networks. With the exploding growth and impact of mobile devices and lifestyles, it is estimated that Wi-Fi traffic off-loaded to fixed networks from both mobile devices and Wi-Fi-only devices together, will account for more than half (53%) of total IP traffic by 2019, up from 41% in 2014. Some forecast global trends are given below.

IP traffic by access technology



Source: Cisco VNI mobile, 2016

By 2020, 55% of total mobile data traffic will be offloaded

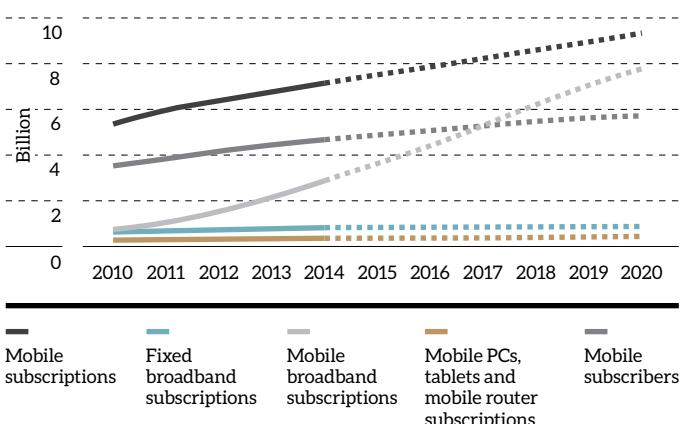


Source: Cisco VNI mobile, 2016

Notes:

- Offload pertains to traffic from dual-mode devices (excluding laptops) over Wi-Fi or small-cell networks
- The prefix 'exa' is a decimal unit in the metric system denoting 10^{18} (or 1,000,000,000,000,000,000)

Total mobile SIMs per unique subscriber, end 2014



Source: Ericsson Mobility Report, June 2015

Transforming towards digital lifestyles →

The complexities of modern lifestyles have led to the increased dependency on broadband services for daily business, educational and social lives. Internet users are now generating content and uploading them onto the web to be shared within their circles of friends. This can only be done with the wide deployment of the broadband network.

Obviously, broadband has become the most critical infrastructure in modern society. Not content with the current broadband services on offer, consumers continue to demand greater digital economy. Sophisticated ICT infrastructure and services remains the only way to fulfil the insatiable demand for connectivity, while supporting parallel platforms for interactive television, distance learning, online education, e-Health, and opportunities for cloud computing, private business networking and much more at superior speeds, with higher quality and reliability.

Broadband development in Sri Lanka →

Strategy	Benchmarks*	Sri Lanka's status	
Availability	<ul style="list-style-type: none"> → Initiatives to overcome barriers to access → Connect 40% of households (HH) to broadband (BB) by 2015 	Needs much improvement	<ul style="list-style-type: none"> → National Broadband Policy in place → Fixed BB in 8% of HH (2012, ITU) vs. Broadband Commission target of 40% by 2015 → However, GDP per capita figures for 2012 should support fixed BB in 21% of the HHs
Affordability	<ul style="list-style-type: none"> → Entry level BB to be made affordable by 2015 → Offer basic fixed BB at <5% of monthly GNI <i>per capita</i> → Promote inter-platform competition for BB uptake 	On target	<ul style="list-style-type: none"> → One of the world's lowest entry level BB prices (< USD 5/month) → Sri Lanka offers BB at 2.9% of monthly GNI <i>per capita</i> → Has achieved Broadband Commission target of basic BB at <5% of monthly GNI <i>per capita</i>
Applicability	<ul style="list-style-type: none"> → Measures to stimulate creation of local content → Encourage creation of apps in high social impact areas; health, education, Government transactions [In general, adoption of public apps and services] → Promote IDN uptake to enhance multilingualism 	Needs much improvement	<ul style="list-style-type: none"> → ICT literacy and computer penetration has increased more than two fold from 2008 to 2012 → Limited availability of apps in high social impact areas such as health, education, Government etc. to entice/engage the masses → Limited local and local language content

*Source: Broadband Commission targets and international research

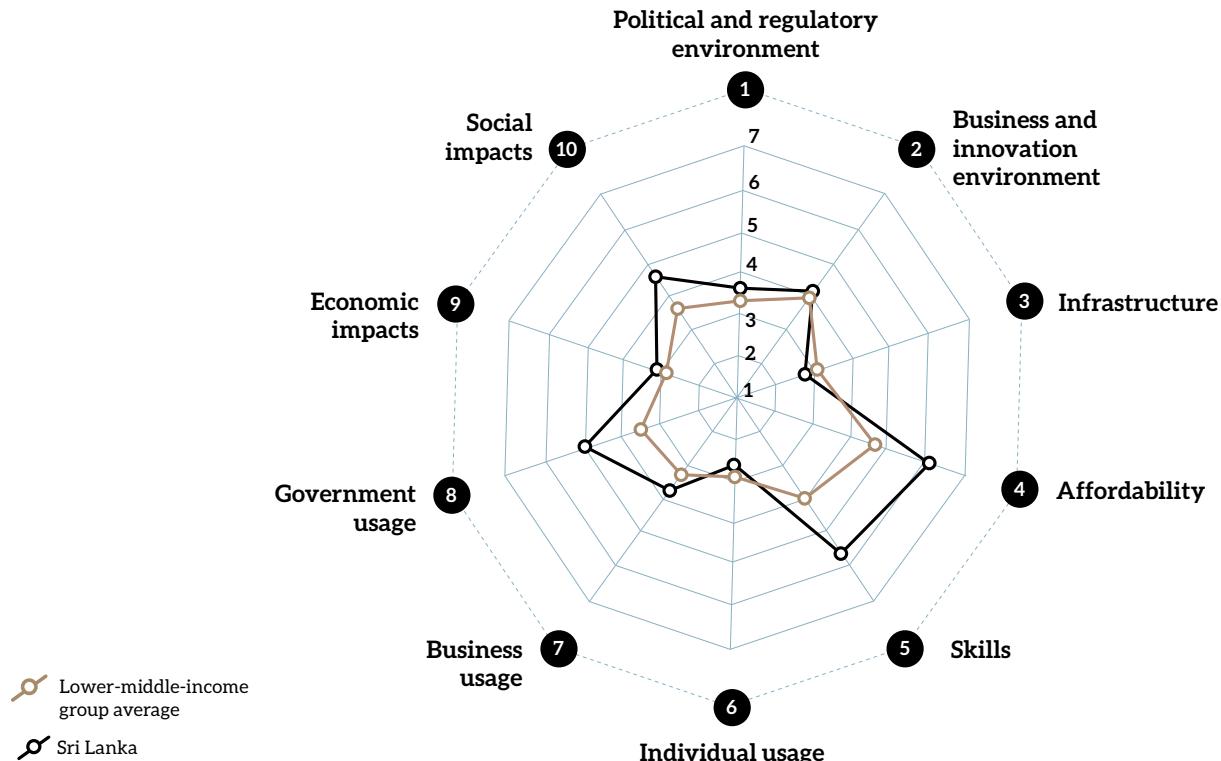
We see from the above that Sri Lanka's broadband prices are affordable, and yet the penetration is low compared to GNI per capita capability. The primary barriers are availability and applicability, particularly in the dearth of public apps and services that add value to day-to-day lives of masses.

Local Trends

Status of broadband in Sri Lanka - 2014 →

Measure	Value	Global ranking
Fixed broadband subscriptions per 100 capita	2.6	114
Mobile broadband subscriptions per 100 capita	13.0	126
Households with Internet %	15.3	81
Individuals using Internet %	25.8	122

Source: *The State of Broadband 2015 report by The Broadband Commission for Digital Development - ITU and the UNESCO*

Benchmarking Sri Lanka →

Source: The Global Information Technology Report 2015 | 2.1:
Country/Economy Profiles – Page 237

From the above we see that Sri Lanka scored more than the average for the lower-middle-income group of countries in eight of the 10 pillars, but was below average on 'infrastructure' and 'individual usage' scores.

Network readiness index 2015 →

Sri Lanka moved to 65th place out of 143 economies, improving from its 76th place in 2014 in terms of network readiness. The country ranked highest among SAARC nations.

Recent trends and opportunities →

Despite the low penetration noted earlier, entry level fixed broadband charges in Sri Lanka are amongst world's lowest. The country is also one of the first in the world to narrow the gap between the bandwidth offered to the subscriber and the actual speed delivered as per quality of service (QoS) regulation.

With ICT literacy at 40% (end 2013), Sri Lanka bagged the Prestigious 'Offshoring Destination of the Year Award' of the National Outsourcing Association Awards (NOAAS, UK) for the second successive year and was nominated for the third consecutive year in 2015.



Sri Lanka ranked the highest among SAARC countries in terms of network readiness



Sri Lanka has one of the world's lowest entry level broadband prices (< USD 5/month)



26% of individuals use Internet in Sri Lanka



Sri Lanka is ranked 16th among outsourcing destinations by AT Kearney

Sri Lanka is emerging as a global IT business process outsourcing destination of choice in a number of key focus domain areas. The country is ranked among the Top 50 Global Outsourcing destinations by AT Kearney by climbing up five places to be ranked 16, demonstrating the remarkable forward momentum of the local ICT industry.

Also Sri Lanka ranked among Top 20 Emerging Cities by Global Services Magazine. As per the UN e-Gov Development Index, Sri Lanka has leapfrogged 41 places to be ranked 74 out of 192 countries in the world, showcasing the country's tremendous advancement in the e-Government agenda.

With larger national budgetary allocations for ICT coupled with plans for 'megapolis development' we see the emergence of the 'smart city' concept taking place in Sri Lanka. A smart city aims to enhance the quality of life by using technology to improve the efficiency of services and meet residents' needs. ICT allows city officials to interact directly in real-time with the community and the city infrastructure (such as departments, transportation, hospitals, schools and such like) and to inform what is happening in the city, how the city is evolving, and how to tackle inefficiency.

Threat of OTT players →

As over-the-top (OTT) companies like Netflix, Skype, Facebook and Google encroach on the telecom industry, operators need to find ways to counter the threat to traditional revenue streams of the telcos. However, OTT is not only a threat but also an opportunity in terms of drivers for Internet penetration and increasing usage. The options include defending one's territory or finding ways to work with these new players. Either way, the telecom companies must put to use their distinct assets and capabilities to their best advantage, such as their wide fixed and wireless networks, their millions of customers and the fully-integrated customer data, logistics and other services they can offer.

According to Booz & Company (2013) operators can employ three possible strategies. The first involves developing advanced connectivity services in order to defend their core networking and infrastructure business. The second requires that they create new services such as data analytics and billing, which they can sell to businesses in different verticals. The third is to develop new apps and other services and offer them directly to consumers. None of these options are exclusive and operators need to consider and experiment with all of them. In all cases, the key is for operators to see the opportunities in developing the profit pools where their particular capabilities offer the greatest chances of success.

Strategic Direction

Internet usage and demand for the data and entertainment services in the country will continue to rise. Hence, a key strategic objectives of the SLT Group is to drive broadband-based consumer and enterprise services. This will include expanding the broadband footprint via the 'Next Generation Network', 'National Backbone Network' and provision of ADSL2+, VDSL2, optical fibre, carrier-grade Wi-Fi and both fixed and mobile 4G LTE technologies.

The SLT Group's total integrated solution portfolio includes voice, Internet, networking, data hosting, managed services, cloud computing services and mobile based consumer and enterprise solutions provided through its fully owned subsidiary, Mobitel via its 2.5G, 3.5G and 4G LTE networks.

Regionally, SLT aims to be a key player by providing Global Services through major investments in multiple international submarine cable systems such as SEA-ME-WE 5, SEA-ME-WE 4, SEA-ME-WE 3, Bharat-Lanka submarine cable system and Dhiraagu-SLT submarine cable system.

In the paragraphs that follow we discuss the key strategic initiatives of the SLT Group in respect of its fixed and mobile ICT businesses.

→ Strategic Direction of Fixed ICT Operations

Summary

Objectives	Strategies
Operational excellence	Make SLT a great place to work by creating 'centres of excellence' Promote business synergies through an integrated group approach
Customer and market centricity	Offer innovative ICT and smart lifestyle solutions to all, anywhere, anytime Provide best in class delivery and assurance
Enhanced network and technology	Enable network and IT convergence and develop the network and IT infrastructure to handle the growing data traffic
Sustainable and inclusive growth	Catalyse national economic development Invest in sustainable CSR initiatives

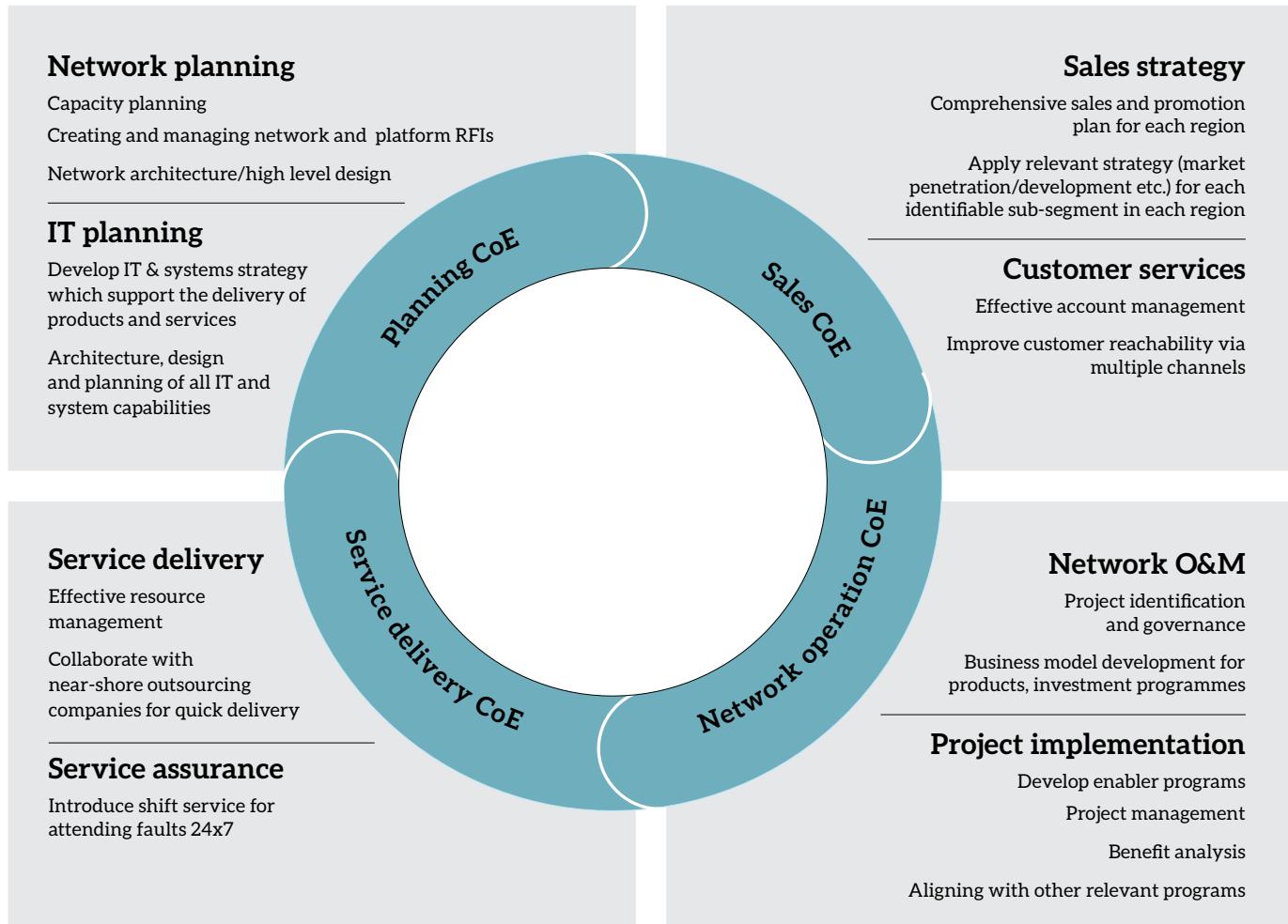
Strategic objective: Operational excellence →

Make SLT a great place to work by creating 'centres of excellence' →

Organisational transformation will be an ongoing process to face future challenges. It will focus on organisational restructuring, process automation associated with process simplification and realigning with the business requirements, good governance, promoting a learning and innovative culture, implementing best practices within the organisation, improving employee productivity and their level of satisfaction.

Realignment of the organisation structure to the needs of the business was successfully carried out in late 2015. Functions and key performance indicators (KPI) related to the new organisation structure were established and agreed by Chief Officers, and duly communicated to all concerned. Monitoring and evaluation systems are in place and operationalised in 2016.





Promote business synergies through an integrated group approach →

We will aim to reap the benefits of synergy by sharing resources and developing centres of excellence (CoE) within the SLT Group and also through a collaborative approach (within the Group and external partners) to invest, innovate and to seize market opportunities more effectively.

In this context we see considerable opportunities for synergy with our mobile operator subsidiary Mobitel. However, we cannot merge, as required by the regulator. This is because merging of operators will be detrimental to the customer as it can affect pricing. However, we may synergise operationally, as we did in 2015, working as one team in all operational and

marketing aspects such as cross selling each other's products. For example, in providing a comprehensive ICT solution to a customer, Mobitel could take care of the mobility aspects, while SLT handles the overall architecture, data security, data centres, cloud and connectivity.

Strategic objective: Customer and market centricity →

Offer innovative ICT and smart lifestyle solutions to all, anywhere, anytime →

This requires penetrating into new market segments by moving beyond the traditional boundaries with innovative solutions that support prospects and customers to adopt a smarter lifestyle. Under this theme SLT make efforts to address the emerging market threats through new business models and future-focused products and technologies.

Provide best in class delivery and assurance →

One of our long-term objectives is to differentiate our services through a superior quality of service and customer experiences that go beyond the expectations of our customers. Modernising the channels of interaction for the best convenience of customers, developing long-term relationships and earn the best ratings and recommendations from our customers are covered under this theme. Some of our KPIs under this include winning an international quality award and meeting global standards on service delivery and service interruptions.

Strategic objective: Enhanced network and technology →**Enable network and IT convergence and upgrade the network and IT architecture to handle the growing data traffic →**

In addition to convergence and expanding access network footprint with high speed broadband capabilities SLT will introduce future oriented technologies and services to support 'Smart Sri Lanka' plans.

We will speed up the nation in moving towards a digital economy by introducing the most modern technologies to provide super high speed broadband/Internet services, both wired and wireless. We have already acquired capabilities to serve 20 Mbps broadband speeds to a majority of customers connected to our wired network. Our goal is to gradually increase it to meet over 100 Mbps speed to all our broadband customers in time to come.

The 'Smartline' which uses the latest optical fibre technology that was launched in 2015 is one such initiative to take the nation towards a super speed digital economy and SLT will continue this drive until we seamlessly connect the whole nation to digital services available from anywhere in the world at any time. In this drive, SLT is increasing its core and transport network capabilities too in order to cater the data traffic volumes that are expected to grow rapidly with the expansions of SLT's network footprint and digital services.

Strategic objective: Sustainable inclusive growth →**Catalyse national economic development →**

We contribute towards economic prosperity through pioneering technology and by expanding the broadband footprint. We support the growth of the country's leading corporates as well as SMEs that contribute to employment and economic development. We are targeting each and every household with ultra high speed fibre optic connectivity and an array of ICT solutions over the Internet protocol (IP) space.

SLT will continue to invest heavily to further strengthen the country's global connectivity, thereby supporting the national objective of making Sri Lanka the digital hub of the region. Examples include recent upgrades to several undersea optical fibre cable systems as well as launching of new systems.

As the incumbent ISP of Sri Lanka we maintain connectivity with all Internet hot spots across the globe, which also saw SLT setting up a point of presence (PoP) in Singapore. As the sole national backbone network (NBN) provider, SLT has deployed a countrywide, secure fibre network to fulfil domestic transport requirements of service providers.

Invest in sustainable CSR initiatives →

We reach the hearts and minds of people as a responsible corporate citizen.

SLT always stays close to the public through their corporate social responsibility projects and activities with special focus on propelling social values, assisting underprivileged and needy groups of people in society and protecting heritage for the future. In addition, SLT contributes for the programmes on building a healthy, knowledgeable and responsible society.

→ Strategic Direction of Mobile ICT Operations**Summary**

Objectives	Strategies
Strong overall market position	Gain market share in identified segments Upgrade branches Build the Mobitel brand
Enhanced broadband experience	Expand the network and increase download speed Acquire more spectrum Drive broadband adoption
Info comm services provider to key economic sectors	Build a strong infrastructure Innovate and build on synergies Create and develop the market
A world class organisation	Implement industry best practices

Stewardship

→ **Business Model**

Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

Strategic objective: Strong overall market position →

Gain market share in identified segments →

- Gain market share through enhanced broadband experience and service offerings
- Focus on the Northern and Eastern Provinces that are opening up by building brand equity with intense communication and promotional offers and increase market share three-fold with a broad range of product and service offerings
- Consolidate market position in other areas
- Gain corporate sector market share to eventually become the market leader

Upgrade branches →

- Uplift and refurbish existing branches with state-of-the-art facilities to serve consumer needs and enhance efficiency

Build the Mobitel brand →

- Exploit SLT's fixed ICT solutions provider brand equity to complement Mobitel's mobile ICT business
- Implement CSR projects across consumer segments that are structured and sustainable.

Strategic objective: Enhanced broadband experience →

Expand the network and increase the download speed →

- Expand the network to build a strong digital infrastructure with the Stage 8 network expansion project which will enhance coverage to rural areas and facilitate faster download speeds

Acquire more spectrum →

- Plan to acquire more spectrum to drive broadband through economical deployment of infrastructure

Drive broadband adoption →

- Initiate product and promotional activities to drive broadband adoption
- Promote usage of smart phones and smart devices across customer segments; offer upgrades and buy back options.

Strategic objective: Infocomm services provider to key economic sectors →

Infocommunications or infocomm is the natural expansion of telecommunications with information processing and content handling functions including all types of electronic communications (fixed and mobile telephony, data communications, media communications, broadcasting, etc.) on a common digital technology base, mainly through Internet technology.

Build a strong infrastructure →

- Build the infocomm services around the strong infrastructure we are laying out that will support a wide array of products and services.
- Expand on 4G and further improve speed
- Work on affordability as well

Innovate and build on synergies →

- Think out of the box, as innovation is largely disruptive; we are not looking at traditional ways of doing things
- Work on synergies between the business of Mobitel with that of SLT

Create and develop the market →

- Collaborate with competitors to create and develop the infocomm market; it is not a zero sum game
- Get prepared to manage a complex business as we expand outside telecom to embrace new facets of business such as e-commerce and m-cash services that come under other regulators such as the Central Bank of Sri Lanka.

Strategic objective: A world class organisation →

Implement industry best practices →

- Implement industry best practices and processes to achieve speed, reliability and convenience
- Drive efficiency and agility through world class systems (ERP/CRM)
- Maintain above industry EBITDA margin through network cost leadership and operational efficiencies.

→ Identification

Our stakeholders are entities that may be expected to be significantly affected by our activities, products, and services; and whose actions may be expected to affect our ability to successfully implement our strategies and achieve our objectives.

In this context, our primary stakeholders are investors, customers, business partners, employees and the society and environment in which we operate, as well as regulators and Government authorities.

→ Engagement

The nature and scope of our overall ICT business, that include both of SLT and Mobitel, impact on the lives of all Sri Lankans in some degree or form. 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 was preceded by an analysis of the operating environment, strategies best suited to address opportunities and threats, which in turn shape our engagement processes.

Stakeholder engagement →

Material issues pertaining to the stakeholder	Engagement	Frequency of engagement	Key initiatives for the year
Shareholders			
Dividend, share price, innovation and industry growth	<ul style="list-style-type: none"> → Quarterly results → Annual report → Annual general meetings → CSE filings → Media releases → Rating reviews 	<ul style="list-style-type: none"> → Quarterly → Annually → Annually → Need-based → Regular basis → Annually 	AGM and rating reviews to rating agencies
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 	Quarterly Brand Health Track Study Regional account management customer gathering

Stewardship

→ **Business Model**

Management Discussion and Analysis
 Leadership and Recognition
 Financial Reports
 Supplementary Information

Material issues pertaining to the stakeholder	Engagement	Frequency of engagement	Key initiatives for the year
Improve SME customer relationship and retention	<ul style="list-style-type: none"> → Proposals by regional sales staff → SME Customer Forums → Customer visits and meetings → Product awareness programmes → ICT workshops for SME business owners and IT Managers → Market surveys → Newsletters 	<ul style="list-style-type: none"> → Regular basis → Once in two months → Regular basis → Regular basis → Monthly → Need-based → Once in two months 	SME forums Field sales campaigns
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 forums
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 	
Dealers looking for 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 	Dealer convention
Suppliers looking for 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 	Publications awareness on new business strategy and culture
Lenders funding ICT operations seeking optimal returns	<ul style="list-style-type: none"> → Meetings → Annual reports and quarterly reports 	<ul style="list-style-type: none"> → Need based → Annually and quarterly 	-



Material issues pertaining to the stakeholder	Engagement	Frequency of engagement	Key initiatives for the year
Employees			
Employee welfare, satisfaction and retention	<ul style="list-style-type: none"> → Employee satisfaction survey → Information sharing through Intranet → Employee affinity → Grievance handling → Transfer handling → Emails → Notice boards → Cultural and religious associations → Award ceremonies → Involvement in community projects → Loan facilities → Circuit bungalow facility 	<ul style="list-style-type: none"> → Regular basis → Regular basis → Throughout the year → Throughout the year → Annually → Regular basis → Need-based → Need-based → Annually → Need-based/Annually → Need-based → Need-based 	Internal communication campaigns
Government and regulatory authorities			
Investment and 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 → Payment of taxes 	<ul style="list-style-type: none"> → Need-based → Annually and quarterly → Need-based → Weekly basis → Annually → Half monthly, monthly, quarterly and annually 	Monthly meeting with the regulator Forums
Media and advocacy 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 	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 	Website revamp and social media drive Community projects

Stewardship

→ **Business Model**

Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

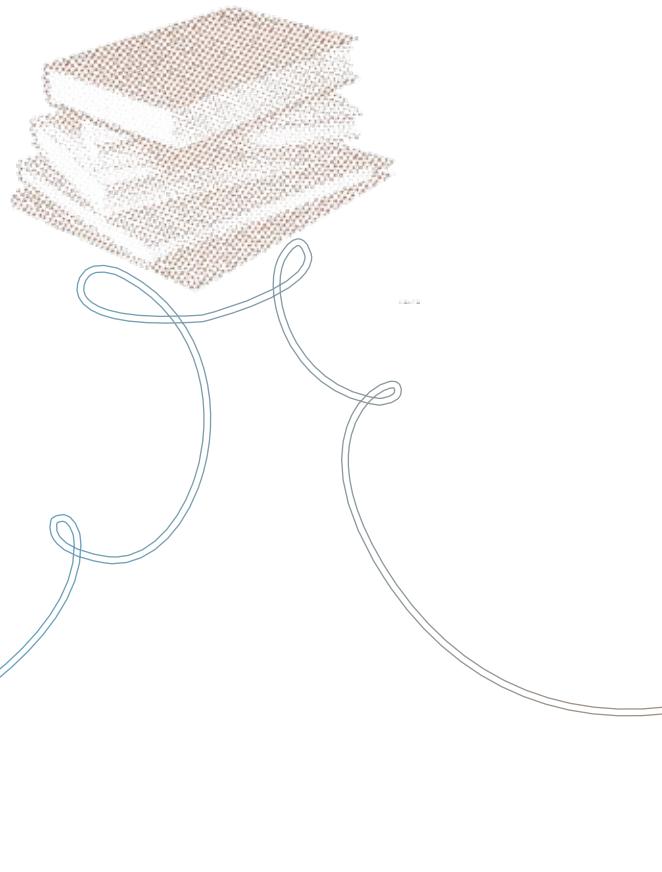
→ Memberships, Partnerships and Associations

SLT is a member of several associations and members of staff actively participate in their respective activities. Key memberships are listed below:

- International Telecommunication Union (ITU)
- Commonwealth Telecommunications Organisations (CTO)
- Asia Pacific Telecommunity (APT)
- Consortium of SEA-ME-WE for multiple global connectivity projects
- South East Asia and Indian Ocean Cable Maintenance Agreement (SEAIOCMA)
- International Cable Protection Committee (ICPC)
- Bharat-Lanka submarine cable system
- Dhiraagu-SLT submarine cable system
- Asia Pacific Network Information Centre (APNIC)
- Routing Assets Database (Radb)
- Amsterdam Internet Exchange (AMS-IX)
- Deutscher Commercial Internet Exchange (DEC-IX)
- National IPv6 Working Committee
- Institute of Engineers Sri Lanka (IESL)
- Sri Lanka Internet Society
- IPv6 Execution Committee
- National Broadband Committee
- Next Generation Network Committee
- Government Initiative of Free Wi-Fi Programme
- Lanka Government Network (LGN) e-Government Programme
- Online Secondary School Education (Schoolnet) Programme
- Online University Education Programme (LEARN) Programme
- National On-line Distance Education Service (NODES)
- Government Information Centre (GIC-1919)
- Closed Circuit Television (CCTV) Surveillance System

SLT migrated its ISO 27001 Information Security Management System certification from ISO 27001:2005 to ISO27001:2013 in August 2015. This achievement assures that SLT's core operational activities comply to international information security standards in a competitive ICT market while increasing the confidence and trust that customers and shareholders have on our services.

SLT first achieved the BS 7799 information security certification in year 2006 for its Internet Data Centre (iDC) which was later migrated to the ISO 27001 standard certification and has maintained the certification continuously while expanding the scope of the certification to other operational areas.

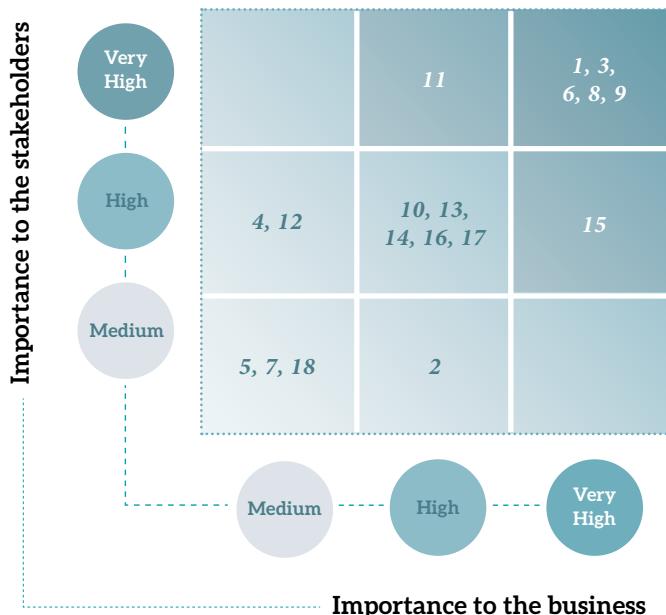


Approach

Our business model focuses on aspects that are important, from the perspective of our telecom business (comprising SLT and Mobitel) as well as that of the stakeholder. What is 'important' is a judgment based on relevance and significance, the latter being determined by the probability of occurrence and the magnitude of the impact.

The aspects we consider to be important are thus rated as medium, high and very high and are tabulated below with a cross reference to the GRI Content Index that appears on page 172.

Materiality Matrix



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

Value Creation and Capital Formation

Annual Report 2015 —————

Sri Lanka Telecom PLC

Stewardship

→ Business Model

Management Discussion and Analysis
Leadership and Recognition
Financial Reports
Supplementary Information

→ The Dual Aspects of Value Creation

We take a broad view of value creation. It is a two-way process, as the ability of our telecom business (comprising SLT and Mobitel) to create sustainable value for itself is also related to the value it creates for its stakeholders. Thus we distinguish between our business and its stakeholders, identify which ones are important to our business, and understand why our business is important to them. The materiality matrix discussed previously underscores this process.

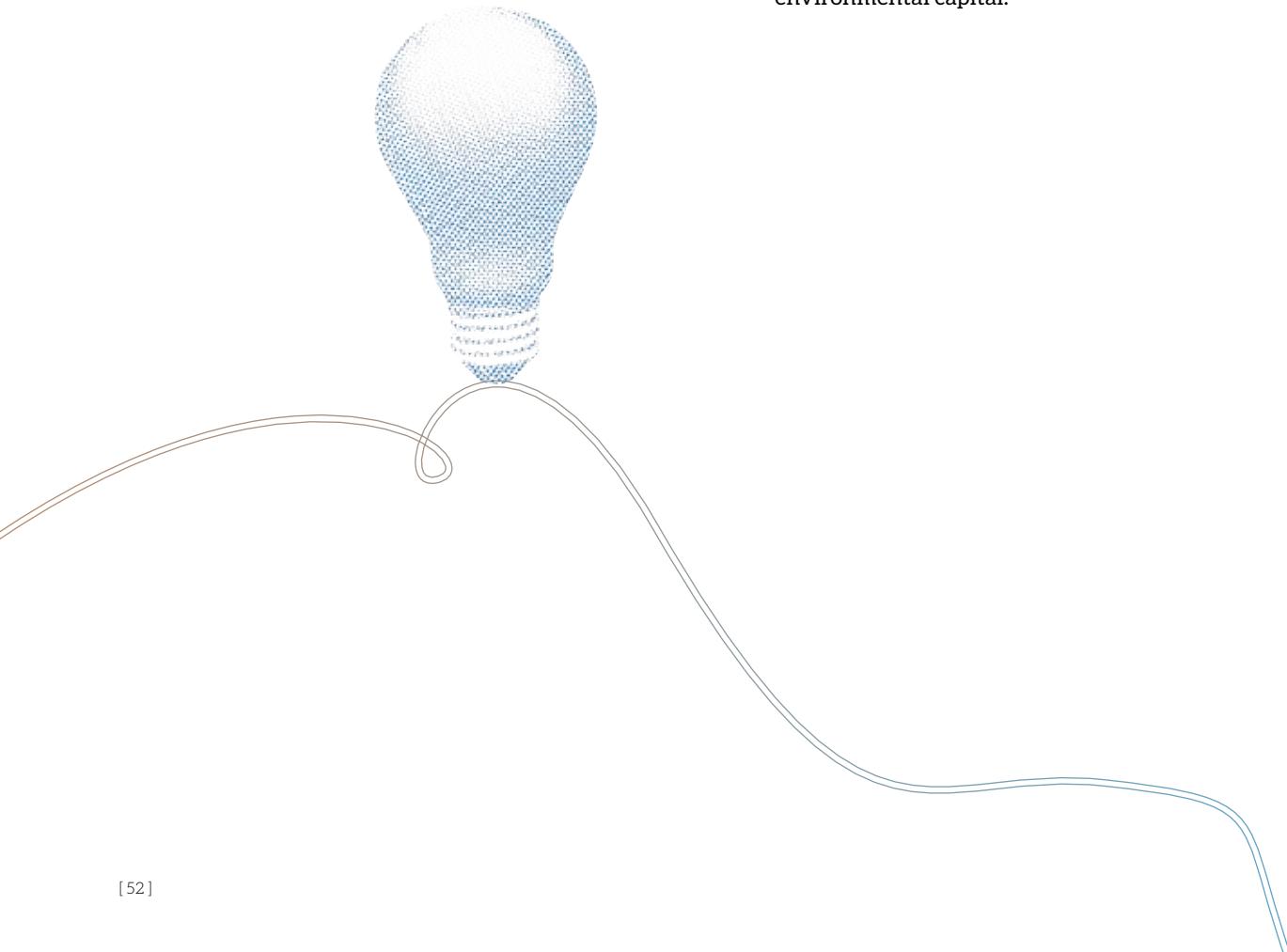
→ Capital Formation

Value creation leads to capital formation. As a store of value, capital takes on a broader meaning in integrated reporting, and constitutes the resources and relationships used and affected by the business.

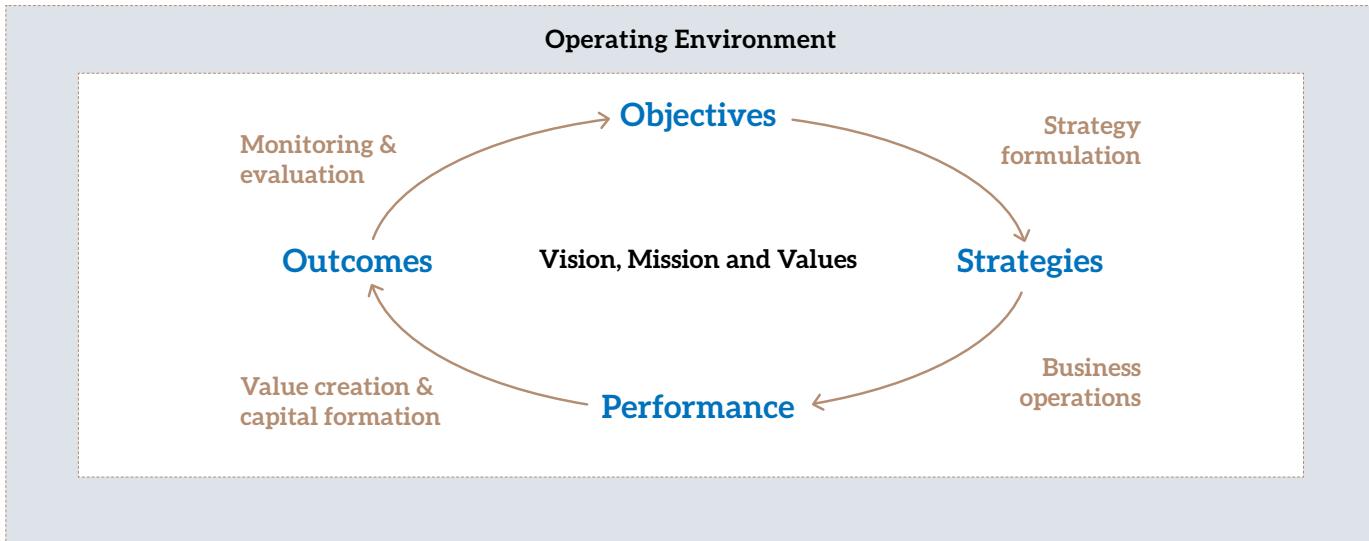
We classify capital that is owned by the business as being 'internal' capital, while capital that is not owned as 'external' capital. Ownership is irrelevant here, as the business has access to and uses all forms of its capital to create sustainable value for itself and its stakeholders.

Our internal capital comprises financial capital and institutional capital. The former is what gets reported in the Financial Statements, while the latter are intangibles such as integrity, trust, specialised knowledge and brand image.

Our external forms of capital thus centre on key stakeholders and comprise investor capital, customer capital, business partner capital, employee capital and social & environmental capital.



→ An Integrated View of Our Business Model



The diagram shown above is a dynamic view that integrates the key elements of our business model.

Our corporate vision and mission lie at the core of all what we do. They explain 'why' we exist and 'where' we want to go. These are brought into focus through strategic objectives (pages 43 and 45) which explain 'what' we want to achieve in the short, medium and long-term. Translating these objectives into action plans are the strategies (pages 43-46), which explain 'how' we will do it.

Our strategies are implemented through business operations, with results measured through key performance indicators (KPI). While KPIs focus on time-bound specifics, a more holistic view of our business takes us to value creation and capital formation – which are the outcomes.

Both performance and outcomes are reviewed in the section on Management Discussion and Analysis (pages 56-89) that follows.

Value creation lies at the core of all what we do. It is a dynamic process with flows taking place between the various forms of capital all the time. This is managed through monitoring and evaluation systems at several levels leading to oversight mechanisms such as Corporate Governance (page 25), Risk Management (page 32) and environmental scanning (operating environment, page 38).

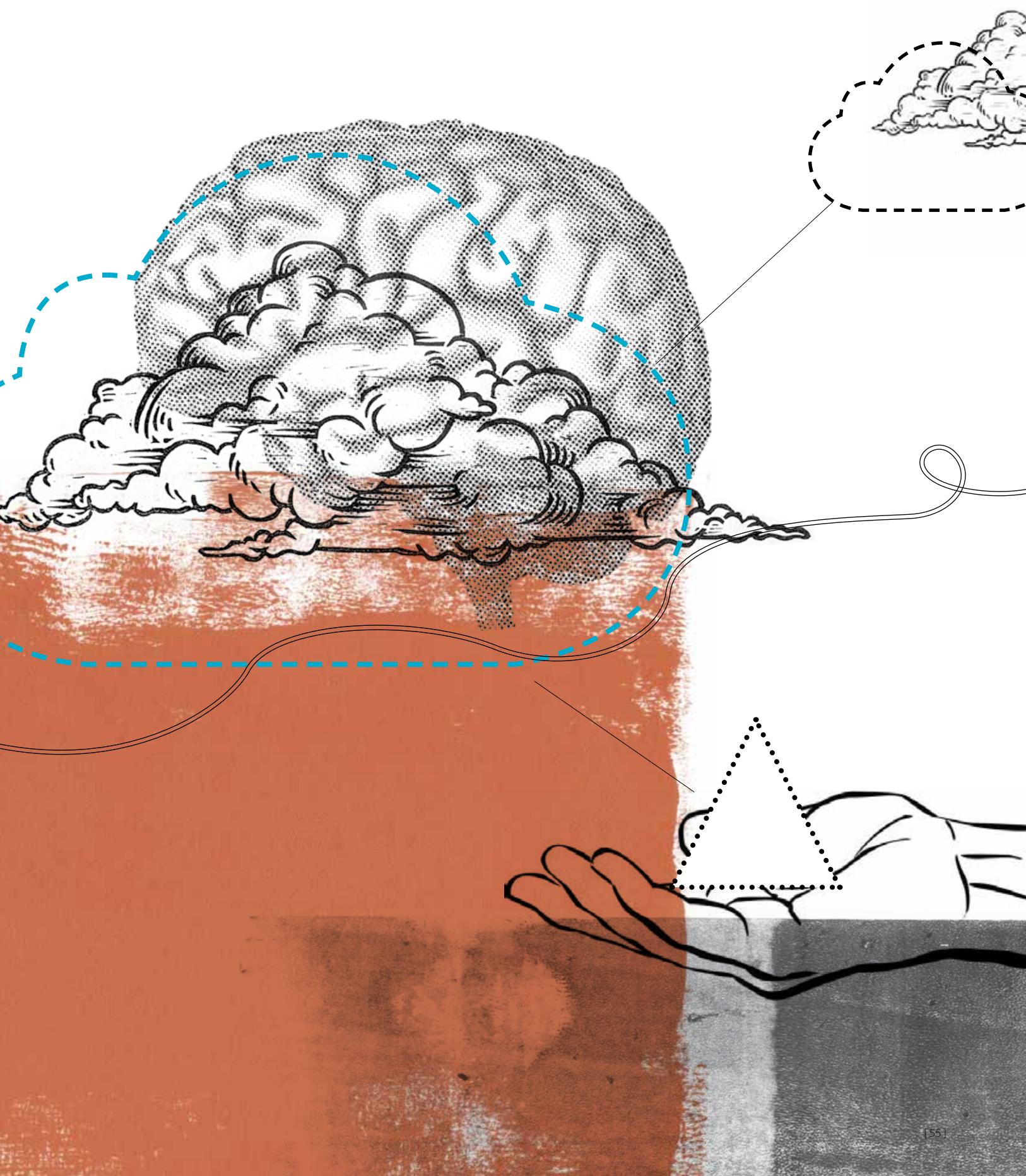
The outcomes in turn lead to a re-evaluation and fine tuning of corporate objectives, and the process goes on.

→ Management Approach

The Management Discussion and Analysis that follows explains why we consider an aspect to be material, what we do to manage them and how we evaluate our performance and outcomes. The discussion is thus structured along value creation and capital formation, duly supported by key performance indicators and measures.

The future of communications lies beyond traditional legacy networks. Today, we are excited by the Smart concept – the linking of entire cities on a platform of cloud and high speed fibre optic enabled broadband services helping them manage and enhance quality and performance standards across a variety of functions such as governance, education, healthcare, transport and more. SLT is in the vanguard of ushering in a Smart Sri Lanka – facilitated by its Akaza cloud platform and high speed broadband services.

We are helping Sri Lanka ‘Get Smart’ !



Management Discussion and Analysis

Financial Capital

We exist to create value, for ourselves and for our stakeholders – over the short, medium and long-term. The most visible value we create for ourselves can be seen in the profits we make, the growth and quality of our telecom asset base and our financial stability. In this section, we will briefly review our financial performance, which are supplemented by the audited Financial Statements and the notes thereon that appear on pages 107 - 164.

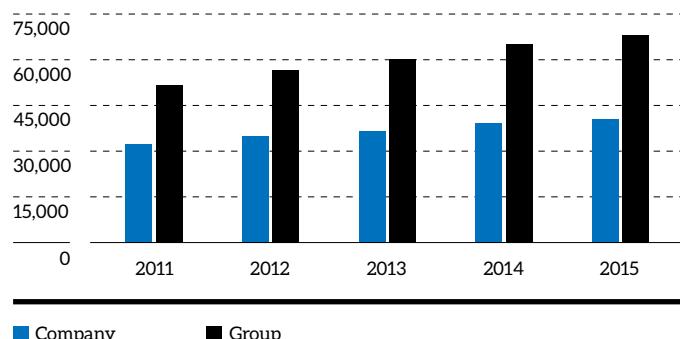
Profitability

Revenue →

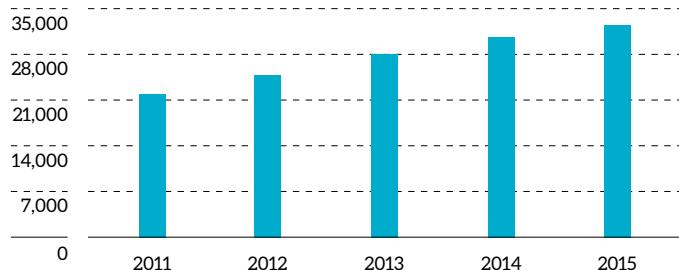
Group revenue increased by 4.6% year on year (YoY) to Rs. 68 billion in financial year 2015, supported by all segments of the Group, comprising Sri Lanka Telecom PLC ('SLT' or 'Company') and its eight subsidiaries. The holding company, SLT, crossed the Rs. 40 billion revenue milestone, reflecting an increase of 4.1% over the previous year. This was largely driven by over Rs. 20 billion investment in capacity building, introduction of new technologies and improving the automation of internal processes.

The subsidiary company, Mobitel (Pvt) Limited ('Mobitel') continued its growth momentum recording a 6.4% increase in revenue to Rs. 32.6 billion in 2015. This was mainly driven by broadband, followed by value added services and voice revenue, which continued to grow despite high subscriber penetration levels in the Sri Lankan mobile market. The notable increase in broadband revenue was consequent to the continuous investment in upgrades in technology in both 3G and 4G, as well as marketing initiatives undertaken to drive smart phone adoption and pricing innovations.

Revenue (Rs. million)



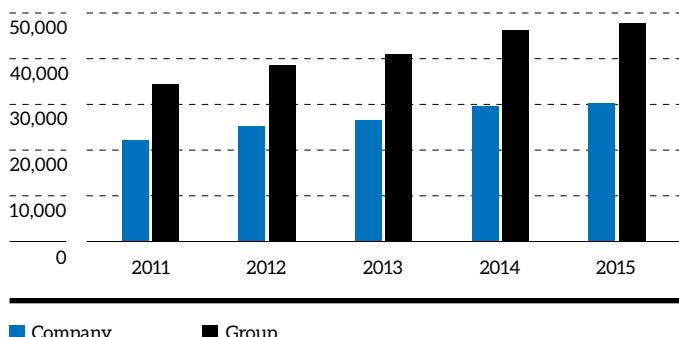
Revenue – Mobitel (Rs. million)



Expenditure →

Group operating costs were capped at Rs. 48 billion, reflecting a 3.8% YoY increase, a result of effective cost control measures adopted by the Group. SLT's operating costs increased by a marginal 2.9% to Rs. 30.4 billion in 2015, in-line with investment in infrastructure expansion. Mobitel recorded a 6.6% increase in operating costs to Rs. 22.7 billion during the year.

Operational expenses (Rs. million)



Profits →

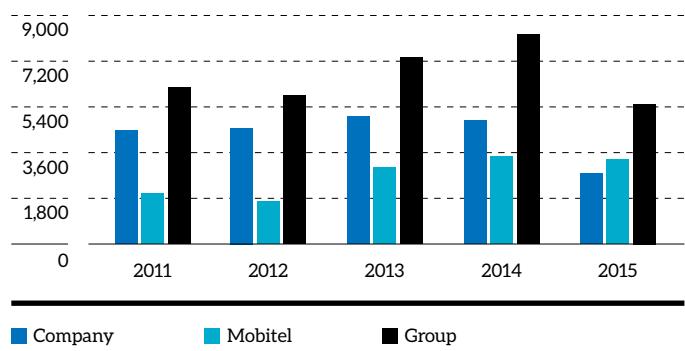
The Group recorded a profit before tax (PBT) of Rs. 5.52 billion for the financial year 2015, reflecting a 33% YoY decline, compared to the Rs. 8.25 billion recorded in 2014. The significant drop in PBT is attributed to the US dollar appreciation against the Sri Lanka rupee, resulting in an exchange loss of Rs. 2.13 billion for the year 2015, compared to the marginal loss of Rs. 13 million recorded in 2014. The internally generated foreign currency inflows could not

fully neutralise this negative impact on our foreign currency borrowings. In response we have fine tuned our risk management system, appointed a Group Treasury Committee and are reducing our dollar denominated borrowings. In addition, the zero level refunds on Telecommunication Development Charge (TDC) in 2015, compared to the Rs. 1.26 billion received in the previous year also adversely impacted the PBT of the Group. Consequently, the Group profit after tax (PAT) dipped 38% YoY to Rs. 3.72 billion compared to the Rs. 6.00 billion recorded in 2014.

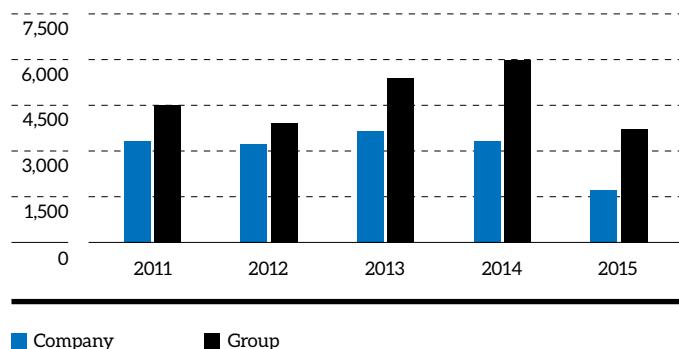
At Company level, SLT's PBT and PAT amounted to Rs. 2.80 billion and Rs. 1.73 billion respectively in 2015. The Company's profits were impacted by foreign exchange losses of Rs. 0.92 billion and a zero level TDC refund compared to a minor foreign exchange gain and a Rs. 0.94 billion TDC refund of the previous year.

Mobitel recorded a PAT of Rs. 2.73 billion, reflecting a marginal decline of 4.6% against Rs. 2.86 billion in financial year 2014. The main contributory factor for this decline was the US dollar appreciation against the Sri Lanka rupee, resulting in an exchange loss of Rs. 1.2 billion for the year 2015. The additional taxes imposed by the Government during 2015, such as the mobile operator levy of Rs. 250 million and prepaid recharge tax given away in the form of a bonus to the customer, also impacted the profits during the year.

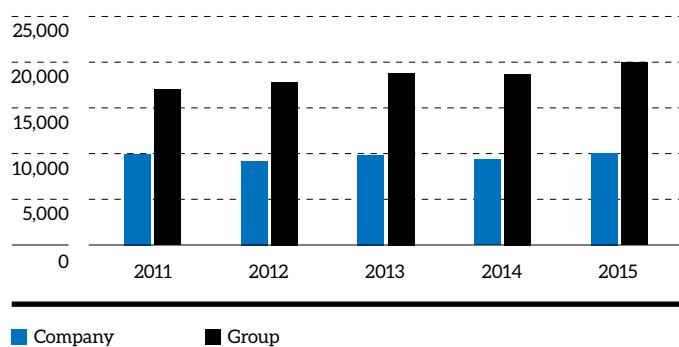
Profit before tax (Rs. million)



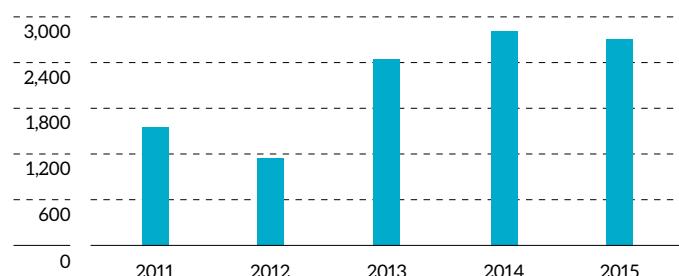
Profit after tax (Rs. million)



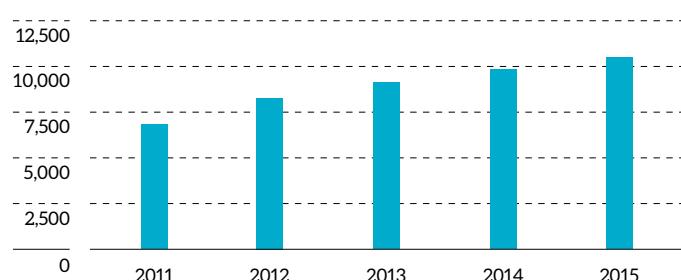
EBITDA (Rs. million)



Net profit after tax - Mobitel (Rs. million)



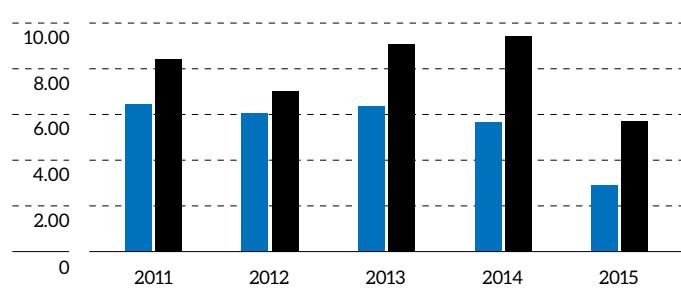
EBITDA - Mobitel (Rs. million)



Return on Equity →

Return on Equity (RoE), which is the profit attributable to shareholders as a percentage of shareholders' equity decreased to 5.7% in 2015 at Group level, compared to 9.4% in 2014. At Company level RoE stood at 2.9% in 2015, compared to 5.7% in 2014.

Return on Equity (%)

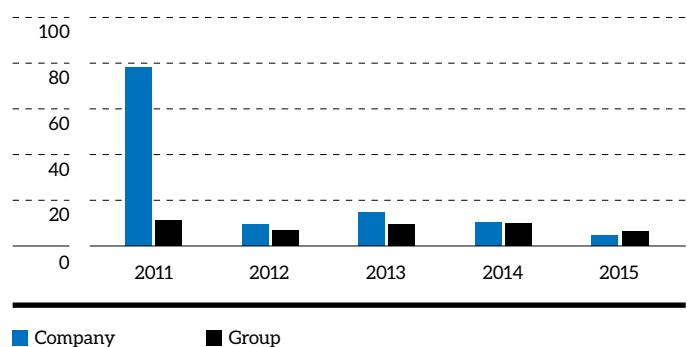


■ Company ■ Group

Interest Cover

Group interest cover decreased to 6.3 in 2015 from 9.7 in 2014. At Company level, it decreased to 4.5 from 10.2 in the previous year.

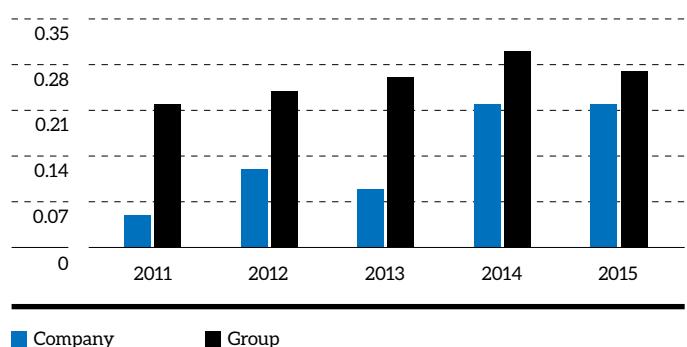
Interest cover (Times)



Gearing

The gearing ratio, which measures the proportion of a company's borrowed funds to its equity, decreased to 0.27 as at 31 December 2015, compared to 0.30 as at the previous financial year end. At Company level, it was maintained at 0.22 in 2015 and 2014.

Gearing (Times)



■ Company ■ Group

→ Assets

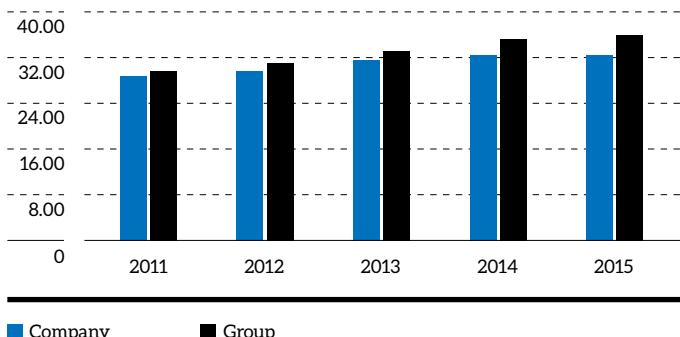
Non-current assets →

Total non-current assets of the Group increased by 8.1% to Rs. 105.12 billion as at financial year end 2015, compared to Rs. 97.26 billion in the previous year. At Company level, SLT's total non-current assets increased by 12.4% to Rs. 88.29 billion, compared to Rs. 78.53 billion in 2014.

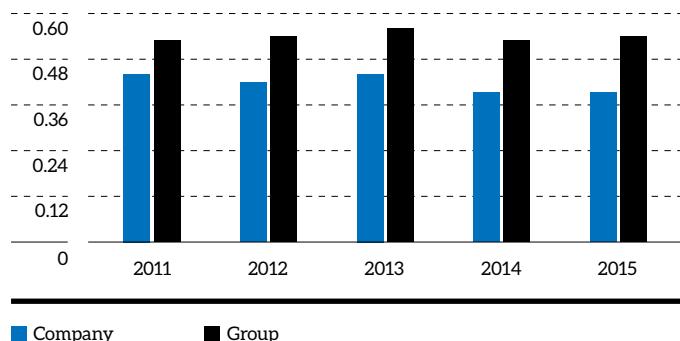
Property, plant & equipment →

Group property, plant & equipment increased by 9.2% to Rs. 99.28 billion in 2015, compared to Rs. 90.93 billion in 2014, reflecting an increase of Rs. 8.35 billion. At Company level, property, plant & equipment increased by 16.4% to Rs. 70.08 billion, compared to Rs. 60.22 billion in 2014, reflecting an increase of Rs. 9.86 billion.

Net assets per share (Rs.)



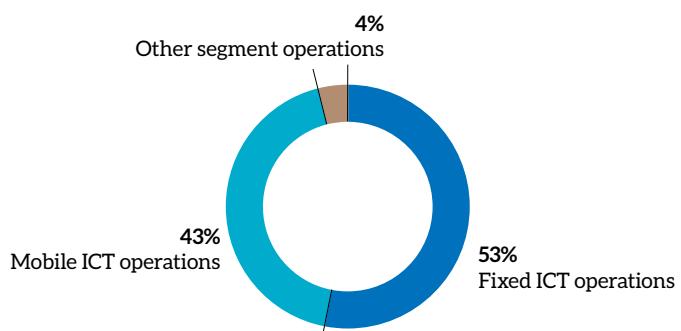
Assets turnover (Times)

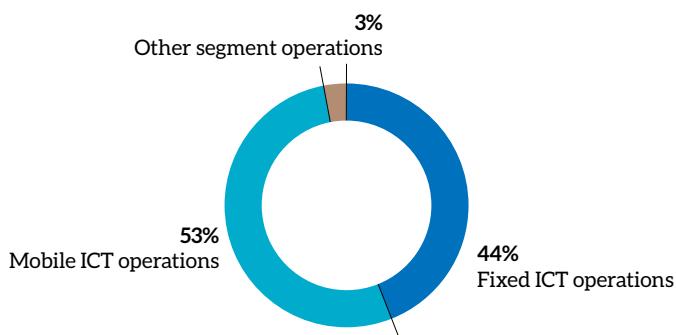


→ Segmental Performance

The business of the SLT Group is dominated by fixed ICT operations (carried out by SLT) and mobile ICT operations (carried out by Mobitel).

Reportable segment revenue (%)

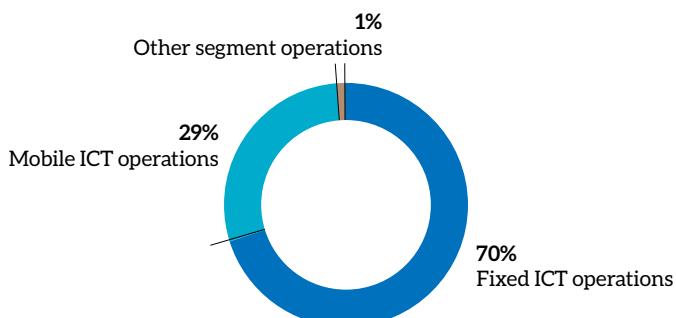
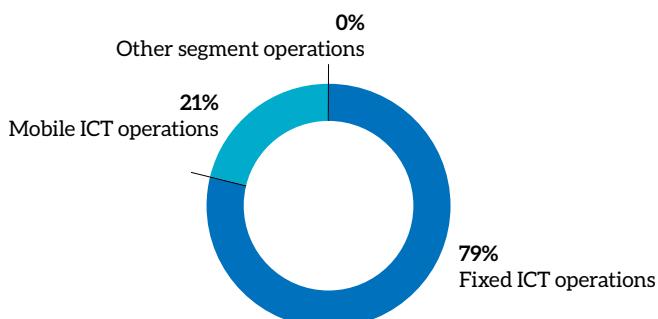


Reportable segment profit before tax (%)

From the above, we see that fixed ICT operations accounted for 53% of the revenue and 44% of PBT in 2015. A converse situation prevails in the case of mobile ICT operations, which accounted for 43% of revenue and 53% of PBT.

The asset base of fixed ICT operations, more than double, that of mobile ICT operations, as can also be seen by the much larger capital expenditure incurred in 2015.

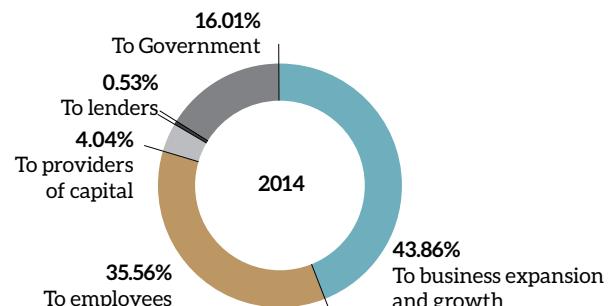
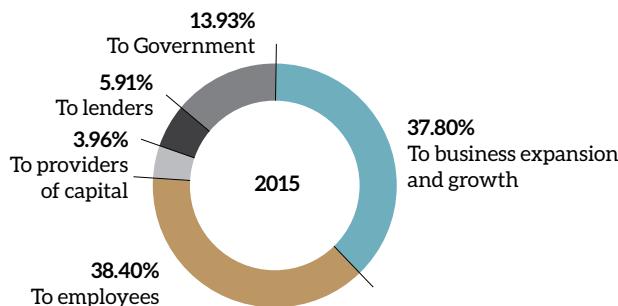
Additional information on segmental performance is given in Note 5 to the Financial Statements.

Reportable segment assets (%)**Capital expenditure (%)**

Value Added Statement

	2015	%	2014	%
Value added				
Revenue	68,022		65,040	
Other income	1,124		2,751	
	69,146		67,791	
Goods and services purchased from other sources	(28,579)		(27,997)	
Value creation	40,567		39,794	
Distribution of value added				
To employees				
- Salaries ,wages and other benefits	15,577	38.40	14,150	35.56
To providers of capital				
- Dividend to shareholders	1,606	3.96	1,606	4.04
To Government				
- Taxes and regulatory fees	5,649	13.93	6,371	16.01
To lenders				
- Interest and related charges	2,398	5.91	211	0.53
To business expansion and growth				
- Depreciation	13,219	32.59	13,061	32.82
- Retained income	2,118	5.22	4,395	11.04
	40,567	100.00	39,794	100.00

Value added and distributed



Institutional capital, like financial capital, resides within our business and encompasses intangible aspects such as corporate ethics and values, organisational knowledge, systems, processes, intellectual property, brand equity and so on. They are underpinned by exemplary stewardship (page 25) that sets the tone from the top.

and systems changes made through implementation of innovative ideas of employees, even if they fall outside their respective job descriptions, are welcomed, and they are appraised, recognised and rewarded.

Mobitel has a flat organisation structure that promotes a familial culture. It also encourages lifelong employment which complements its corporate mission of 'care, share and deliver'.

→ Our Values

Our seven core values (inner front cover) hinge on being customer centric, trustworthy, innovative, responsive and working as a team to achieve excellence and delivering results.

We believe in living our values. New employees are made aware at the induction training programmes. Internal campaigns are carried out for employees from time to time emphasising the detailed interpretations of values, and above all, we lead by example. Management staff act as role models and they take every possible effort to share Company values.

We maintain written policies on legal and ethical behaviour. These include aspects such as whistle blowing, open door feedback to raise concerns and inform management about acts of misconduct at an early stage and any sexual harassment. In addition to guidelines, awareness programmes are conducted from time to time, supplemented by counselling to rectify any negative behaviour immediately.

→ Corporate Culture

At SLT we foster an organisation culture with open communication, high performance and close engagement with employees to foster innovations and novel ideas. All employees are provided with training on customer care, and the need to focus on all stakeholder interests. The need for adherence to Company policies, sharing Company values and concentrating on productivity improvement are reinforced from time to time through refresher training programmes, messages from the CEO and our change management initiatives. To strengthen organisational performance through diverse ideas Kaizen suggestion schemes and employee suggestion boxes, registers and intranet are made available. We also conduct brainstorming sessions from time to time.

Innovation, a core value, is actively promoted. Employees are encouraged to propose and implement new ideas, new processes and new systems which ultimately contribute to the achievement of our key strategic objectives. Processes

→ Systems and Processes

Supply chain management →

The procurement manual provides guidelines in detail which ensure transparency and fairness in our dealings. Most of the goods and services required are purchased centrally through the Procurement Division, while items to be procured directly by user departments are listed in the web site of the Procurement Division.

The supply chain includes from point of requisition by user departments for an item or service up to the point of delivery and any delivery issues. We maintain an automated inventory management system for stock items, while suppliers are registered and screened in advance. Suppliers are required to submit quality certifications as applicable, and our quality inspection unit inspects incoming material for conformance with published quality requirements.

The performance (such as delivery and quality) of vendors is evaluated through user departments, evaluation teams and quality assurance teams and feedback is provided to suppliers about their performance through e-mails, letters and meetings. Penalties are imposed where applicable, and we maintain vendor ranking and blacklisting procedures.

Going forward, we will be migrating to a new ERP system in 2016, which will further automate procurements while the need for specialised functions such as technical and commercial evaluations will continue in parallel.

Business process re-engineering (BPR) →

During the year 2015 several processes were developed as well as modified by the BPR team based on the business requirements. They include IT system projects such as BPM/ SOA and Seibel customer relationship management (CRM) and the next generation network (NGN) Centex process development. Smart Connect was another new process developed during the year for the contact centre.



To improve the process efficiency we implemented projects on IMS cutover and LTE base stations, which have improved the visibility of the LTE base station deployment and introduced a central monitoring capability to the project team.

We also aligned the Megaline product structure with fibre to the home (FTTH) and LTE product structure.

Enterprise resource planning (ERP) →

The ERP project, based on Enterprise Business Suite, was successfully launched in 2015. Once we commercially go live during Q3 2016 the supply chain, inventory, finance & accounting, projects, assets, human resources & training and planning & reporting will be seamlessly integrated. Together with ERP project we have successfully launched the CRM project with CRM and it will commercially go live in Q4 2016 for retail customers and in Q2 2017 for corporate customers.

IT systems →

The key initiatives and accomplishments of 2015 are summarised below:

- BSS/IMM upgrade with enhancement of interconnect billing.
- Operational support system (OSS) version upgrade project.
- Service oriented architecture (SOA) project.
- IT infrastructure revamp project to phase out aging end of life hardware platforms.
- MS exchange 2013 upgrade project.

Brand Image

Regarding fixed ICT solutions, many perceive SLT as being the 'national' ICT solutions provider in the country. This gives a high degree of confidence in the brand. However, there are others who still see the 'Government department' in SLT. To change this perception and capture the minds of the younger generation we embarked on an island wide 'Speed up' campaign. It bore good results by promoting key products such as high speed broadband Internet options including fibre-to-the-home (Smartline) and personalised entertainment options (PEO TV).

The SLT brand stretches further as the 'leading broadband services provider' and 'backbone infrastructure services provider' in the country. Island wide coverage, distributed networks and operations, multiple global connectivity options and national backbone network (NBN), specialised

enterprise and SME services and full range of ICT product portfolios are our core competencies to be dynamic in this highly competitive ICT industry.

In the competitive mobile landscape brand is critical for Mobitel. Therefore, brand health is measured and monitored on a regular basis. The Mobitel brand is actively present in the social media space. Investments are injected to all areas of the mobile business that in turn nourishes the Mobitel brand.

Compliance

We maintain a Regulatory Division and a Legal Division which monitor all regulatory and statutory enactments. Employees are kept aware of relevant developments through SLT intranet. Our human resource practices comply with labour regulations and other statutory requirements. We also ensure compliance by outsourced companies such as payment of EPF, ETF to outsourced employees and safety aspects of contractor staff. SLT takes every effort to fully comply with Government regulations. As a listed company SLT adheres to the rules and regulations of the Colombo Stock Exchange. All Company policies, procedures and guidelines have been developed in compliance with regulatory and statutory requirements and compliance is audited by internal auditors as well as external auditors.

There were no fines imposed in relation to non-compliance with laws and regulations relating to the provision and use of our products and services. Likewise, no complaints were received in respect of breaches in customer privacy. Information security of SLT's overall operations is a top priority and we have adopted the ISO Quality Management System Standards as well as ISO/IEC Information Security Standard Company-wide.

Risks and Contingencies

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework (page 32). The Audit Committee oversees how management monitors compliance with the Group's risk management processes. Aspects of financial risk management are discussed in Note 4 to the Financial Statements beginning on page 125. Reputation and other risks, such as contingent liabilities arising from lawsuits involving the SLT Group are discussed in Note 32 to the Financial Statements beginning on page 159.

Our investors are both individual and institutional entities who provide financial capital with an expectation of a return in the short, medium and long-term. They are also of value to us in guiding our enterprise forward, and we in turn drive future earnings to derive a sustainable return for the SLT Group and our shareholders.

→ Shareholder Profile

The two main shareholders of Sri Lanka Telecom PLC as at year end were the Government of Sri Lanka which held 49.50% through the Secretary to the Treasury and Global Telecommunication Holdings N.V. of Curacao, which owned a 45.0% stake. The balance 5.5% of the shares are publicly traded on the Colombo Stock Exchange.

Government of Sri Lanka →

With the Government of Sri Lanka being the major shareholder of SLT gives many consumers a feeling of security and confidence in the products and services we market, knowing that the desired quality and service levels will be maintained at all times. This is further enhanced by SLT's historical role as a pioneer in the telecom sector and its present position as the national ICT services provider.

Global Telecommunication Holdings N.V. →

GTH is the holding company of Maxis, the Malaysia based telecommunication company. Maxis provides technical expertise and telecommunication knowhow to SLT.

→ Stability

The stability and long-term viability of SLT is of paramount importance, not only for our shareholders but for the country as a whole given our national role. Our ratings are strong, as given below:

Fitch Ratings →

National long-term rating of AAA (lka)

Long-term local currency and foreign currency rating BB-

Standard & Poor's Ratings →

Local and foreign currency credit rating of B+

→ Investor Relations

SLT communicates its performance to shareholders and other interested parties including the investing community through several means. As discussed in the section on engagement (page 47) we use media releases, the annual general meeting with shareholders, our web portal and announcements to the Colombo Stock Exchange in addition to any ad hoc meetings. Our annual reports with comprehensive financial and non-financial information, presented in a timely manner complement the communication process.

Stewardship

Business Model

Management Discussion and Analysis ←

Leadership and Recognition

Financial Reports

Supplementary Information

Distribution of shares →

Shareholdings	Resident			Non-Resident			Total		
	No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)
1 - 1,000 shares	9,504	2,922,457	0.16	17	8,137	0	9,521	2,930,594	0.16
1,001 - 10,000 shares	2,296	9,110,747	0.50	30	163,610	0.01	2,326	9,274,357	0.51
10,001 - 100,000 shares	229	4,887,687	0.27	9	232,716	0.01	238	5,120,403	0.28
100,001 - 1,000,000 shares	9	1,751,847	0.10	2	401,480	0.02	11	2,153,327	0.12
Over 1,000,000 shares	9	973,623,450	53.94	1	811,757,869	44.99	10	1,785,381,319	98.93
	12,047	992,296,188	54.98	59	812,563,812	45.02	12,106	1,804,860,000	100.00

Categories of shareholders →

Category	No. of shareholders	No. of shares
Individual	11,980	16,934,292
Institutional	126	1,787,925,708
	12,106	1,804,860,000

Share price trend →

	2015	2014	2013	2012	2011	2010	2009	2008
Highest value (Rs.)	54.90	57.30	50.00	50.00	64.50	51.00	48.00	49.75
Lowest value (Rs.)	43.00	33.33	36.10	34.00	44.00	35.00	39.50	29.75
Last traded price (Rs.)	47.00	49.90	37.00	44.50	48.00	49.00	46.00	31.00
Market capitalisation (Rs. billion)	84.83	90.00	66.78	80.32	86.63	88.44	83.02	55.95

Trading activity →

Category	2015	2014
No. of transactions	3,173	6,629
No. of shares traded	2,062,507	14,696,347
Value of shares traded (Rs.)	99,644,736.70	682,114,330.40

List of 20 major shareholders as at 31 December 2015 →

Name	Shareholding	%
1. Secretary to the Treasury	893,405,709	49.5
2. Global Telecommunications Holdings NV	811,757,869	44.98
3. Employees' Provident Fund	24,164,497	1.34
4. Sri Lanka Insurance Corporation Limited - Life Fund	17,713,735	0.98
5. Bank of Ceylon A/C Ceybank Unit Trust	17,343,538	0.96
6. National Savings Bank	13,158,700	0.73
7. Employees' Trust Fund Board	3,302,188	0.18
8. Sri Lanka Insurance Corporation Limited - General Fund	2,041,538	0.11
9. Bank of Ceylon A/C Ceybank Century Growth Fund	1,356,297	0.08
10. Seylan Bank PLC/ARC Capital (Private) Limited	1,137,248	0.06
11. Union Assurance PLC/AC. No. 5	391,128	0.02
12. Mr Vandrevala	231,500	0.01
13. The Incorporated Trustees of the Church of Ceylon	223,590	0.01
14. Bank of Ceylon No. 1 Account	214,000	0.01
15. Mr Van Starrex	198,638	0.01
16. Mr Tanaka	169,980	0.01
17. Ceylon Biscuits Limited	162,000	0.01
18. Pinnacle Trust (Private) Limited	160,000	0.01
19. People's Leasing and Finance PLC/C N Jayasooriya	150,000	0.01
20. Mrs Edirisinghe	145,000	0.01
	1,787,427,155	99.03

We place our customers at the centre of everything we do. They provide the reason for our existence. In our fast-changing, technology-driven industry we anticipate emerging trends and customer needs, and deliver innovative ICT products and services with passion, care and commitment.

→ Delivering Value to Our Customers

Our customers are

- Multinationals and enterprises
- Public sector institutions
- Other operators/Wholesale customers
- SMEs and retail customers
- Domestic users
- Mobile users

who are served through

- Enterprise solutions
- Global services
- Backbone/Wholesale services
- Triple-play services (Voice, Broadband and Entertainment)
- Mobile services
- Managed services/Cloud services

and are backed by

- Strong shareholders
- Strong brand and reputation
- Dedicated workforce
- Superior network and technology platforms
- Innovation
- Suppliers/Business partners

→ Fixed ICT Products and Services

Our primary products and services under fixed ICT business are:

- Voice - fixed (PSTN) and fixed wireless (CDMA and LTE)
- Internet - fixed (ADSL2+, VDSL2, FTTH and dial up) and fixed wireless (LTE)
- Enterprise data
- Wholesale
- Managed services including cloud services
- International
- Entertainment - IPTV services
- Networking solutions and structured cabling

Key ICT initiatives during the year →

Broadband speed enhancement →

The maximum speeds of nine broadband packages were doubled to 16 Mbps with effect from January 2015, thus enhancing our position as a provider of consistent, uninterrupted, high-speed service.

Broadband volume enhancement →

Catering to ever increasing customer demand, effective from March 2015 SLT Broadband became the Internet provider with the highest volume and fastest Internet while providing the best value for money.

Launch of fibre optic broadband →

The 'Smartline', a premium fibre optic broadband service, offers up to 100 Mbps download speeds and up to 50 Mbps upload speeds. This new product targets existing and new customers who require ultra-high speeds and heavy download volumes.



SLT e-Sports challenge

Enhancement to Abhimaana broadband package →

To strengthen SLT Broadband service among state sector employees the volume of the *Abhimaana* package was enhanced by 40% to 3.5 Gb per month. This serves to penetrate broadband into a largely untapped market.

PEO TV →

New channel genres in areas such as religious, kids educational and movies were introduced to offer a greater variety of content. Many discounted offers were introduced to existing voice and double play customers to minimise their entry costs to subscribe for PEO TV. We ran a 'speed up' campaign and introduced new product bundling.

À la carte ordering and a video on demand (VOD) feature were activated for greater customer choice.

Web hosting packages →

Shared web hosting charges were made more attractive for customers with packages targeting consumer, SME and enterprise segments. Further, customers are offered with free and optional value added services such as email accounts, domain name server (DNS), database hosting, web builder services and image galleries.

IDD package →

We introduced the 'per minute' package for international direct dialling (IDD) to make SLT IDD more affordable for customers, with offers up to 17% rate reduction for the most popular countries, while a bill back message and SMS campaign was carried out to promote the budget IDD card to CDMA customers.

Air ticketing offers →

Special air ticketing offers were made available for Megaline and Citylink telephone users.

Wi-Fi hotspots →

Supporting the national objective to expand Wi-Fi access in the country we set up public Wi-Fi hotspots in several popular locations where SLT customers may connect by using their home broadband username and password while non-SLT customers may access with a Wi-Fi prepaid card.

SLT Citylink CDMA reloading facility through mCash →

Citylink prepaid phones were given the facility to reload through mCash retail points with effect from August 2015, thus increasing customer convenience.

Digisolutions →

SLT offers 'digisolutions' which enables the customer to monitor and automate their home from anywhere, anytime using a smartphone or tablet. The first demonstration centre for 'digisolutions' was established at the SLT Havelock Town regional office.

SLT Intelligent Solutions →

The SLT Intelligent Solutions encompass the entire gamut of next generation voice, networking, data hosting and managed services to facilitate local businesses to compete in the global arena. Globally, the convergence of voice, data and video networks is having a profound impact on the way businesses are run and SLT is proud to be at the forefront of this revolution in Sri Lanka.

Akaza cloud service →

On demand access to a multiple array of IT-related services has become an imperative of corporate enterprises. It is in this backdrop that Akaza, the national cloud platform of SLT, was established in 2015. Local corporates are now able to utilise shared configurable computing resources via locally hosted Internet servers, and pay in line with usage. This groundbreaking venture has addressed the essential requirement of securing confidential data which is where the bottleneck has been in the past.

BIZ Voice →

These are customised and tailor-made solutions to 'voice' communications requirements and are for companies, enterprises and Government institutions.

Data centre →

SLT's state-of-the-art data centre offers infrastructure and applications which help client companies to enjoy reliability, security and scalability, backed by professional support for their data storage requirements.

SME solutions →

We provide a complete range of ICT solutions to empower our SME customers. SLT's SME solutions include voice, networking, data hosting and managed services which are specially designed taking into consideration the unique requirements of this sector.

→ Mobile ICT Products and Services

Our primary products and services under mobile ICT business are:

- Mobile voice
- Mobile Internet
- Digital services

Key mobile ICT initiatives during the year →**Voice →**

During the year, many initiatives were undertaken to drive post-paid and pre-paid usage. This included the Cash Bonanza Draw for year 2015 offering Rs. 230 million as prizes for both pre-paid and post-paid customers as a usage inducement strategy. Various other incentives such as seasonal promotions, segmented promotions, bonuses and bundled offers were extended to other voice services such as roaming and IDD.

Mobile broadband →

Several initiatives were embraced to increase broadband penetration by providing best user experience and device affordability to facilitate adoption.

Digital services →**mCash**

Mobitel mCash enables customers the unique opportunity to withdraw cash from Commercial Bank Cardless ATMs in a quick and effortless manner. Also Mobitel's mCash launched an innovative Mobile Wallet App for both Apple iOS and Android smartphone users, who now can use the app as an all-in-one solution to suit their daily needs such as transferring money, settling utility bills, paying insurance premiums, top up airtime and settling mobile bills, as well as purchasing goods and services through the app.

mTicketing

Following recommencement of the Colombo-Jaffna railway service, Mobitel unveiled its mTicketing counter at the Jaffna railway station to provide commuters a hassle-free reservation and ticket collection experience, which also enhanced the brand image of Mobitel in the region.

The mTicketing service, an initiative that Mobitel launched in 2009 for railway ticket reservations, will now be made available to other operators including Dialog, Etisalat, Airtel, Hutch and SLT as well through our partnership with Sri Lanka Railways.

Business solutions

In 2015 we introduced a suite of mobile business solutions to uplift the efficiency of the business community of Sri Lanka. Some examples:

- Under our mAutomotive initiative we launched the ultrasonic fuel sensor, a state-of-the-art technology that is expected to revolutionise the monitoring mechanism for fuel consumption of vehicles in the most reliable and efficient manner for the first time in Sri Lanka.
- In partnership with a leading tea broker we launched the mAuction app, which is a comprehensive data management system for the Colombo Tea Auction that connects tea brokers and buyers on a single platform through a live feed.

mLearning

Our mLearning platform for distance education has become well accepted, with the University of Colombo having used it for the last seven years. This is now also used to conduct public administration courses for government officers while several other educational institutions also conduct programmes through this platform. The Faculty of Graduate Studies of the University of Colombo won a prestigious award for distance learning based on this Mobitel mLearning platform.

Other initiatives →

We supported innovation in many ways. The opening of the Mobitel Innovation Centre at TRACE Expert City Colombo supports an ecosystem driven by science, technology and innovation. Mobitel also hosted the Google I/O Extended Sri Lanka conference for the third consecutive year in May 2015, which is a developer focused event for Google enthusiasts.

**Market Reach**

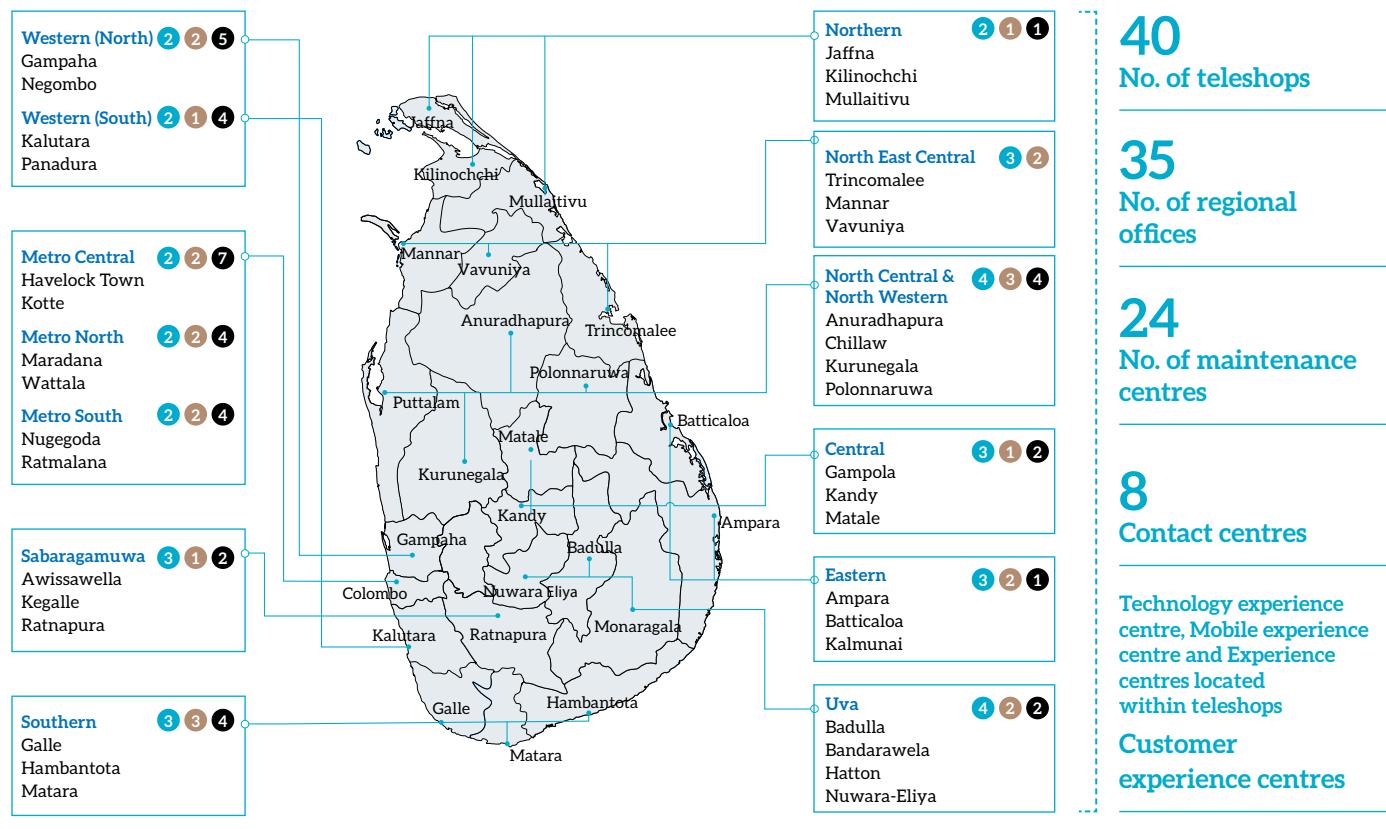
The SLT teleshops and regional telecom offices located at central places help customers to obtain all our services conveniently. Our island-wide dealer and reseller network helps further to reach customers with pay phone cards and facilities to register for broadband and LTE. Customers may pay their bills at all popular banks, supermarkets and sales outlets of selected top companies that have a countrywide presence.

Joint marketing by SLT and Mobitel →

A new approach was adopted in 2015 whereby all ICT products and services are now marketed under one roof. SLT customer touch points such as teleshops provide Mobitel services to customers in selected areas, and this will be expanded further.

SLT and Mobitel teams are working together to develop our overall ICT business by cross selling products and total fixed-mobile solutions to enterprises, Government sector institutions and individuals.

Market Reach

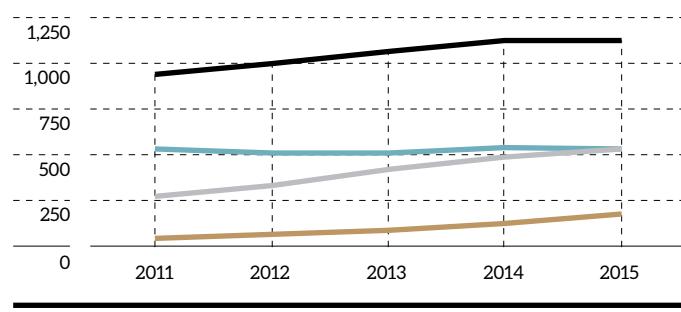


● Regional offices ● Maintenance centres ● Teleshops

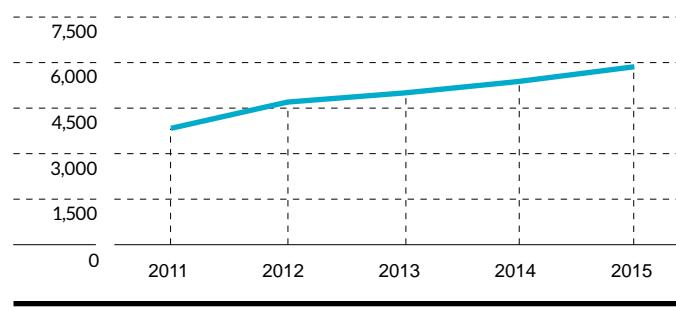
Number of teleshops, regional officers, maintenance centres and contact centres were increased during the year to improve customers convenience.

Key Trends

Fixed ICT operations customer base (No.'000)



Mobile ICT operations customer base (No.'000)



— Megoline — Citylink — Broadband — PEO TV



Customer Care

Information on products and services →

Customer engagement to provide accurate and up-to-date information on products and services and to obtain feedback is done mainly through one-on-one interactions, the contact centre, through our website and social media, mailers, newsletters, brochures, customer satisfaction survey, ICT workshops for SME business owners and IT managers, enterprise customer forums and customer visits and meetings. Mass media such as advertising is used mainly to communicate information on products and services to the general public.

Our website, facebook page, front office staff, field staff, telemarketing and other marketing communication activities provide information to customers.

Enterprise customers are frequently visited by the account managers assigned to each customer. Enterprise customers contact the account manager for any support they need. The contact details of senior staff have been provided to enterprise customers to escalate any issues if they do not receive the expected service.

Contact centre →

The SLT contact centre is a gateway provided to customers to obtain information, technical assistance and to log complaints. Customers may connect through voice calls by dialling the well-publicised toll free hotline number 1212, or through email, web-chat, fax and SMS. The service is operational round the clock on all seven days of the week.

As an information provider, the contact centre also performs a marketing function and has succeeded in attracting new business as well as the sale of upgrades and product enhancements to existing customers.

Likewise, Mobitel operates a 24x7 call centre which is accessible by dialling the hotline 1717 to cater to the needs of mobile subscribers.

Complaint management →

Customer complaints received by the contact centre and enterprise help desk are logged in the operational support system (OSS) and forwarded to relevant work groups. Until trouble tickets are attended and closed they remain open in the system. Officers in charge of these work groups monitor the system. The OSS history of activities is analysed for decision-making on further improvements. Samples of closed trouble tickets are picked to obtain feedback from customers who lodged complaints, and further action is taken as appropriate.

The total call volume during 2015 was 10.88 million, which works out to an average of over 29,800 calls per day including weekends and holidays. We maintained a customer satisfaction rate of 93% for the year.

Quality assurance →

SLT is continuing with the ISO 9001:2008 quality management system and certification obtained in 2013 for its third successive year. We regularly conduct internal audits to assess whether we keep to our promises and internal benchmarks, and work on corrective measures as required.

SLT was the only organisation to win the World Class Award under the 'large service' category at the Global Performance Excellence Awards 2015 (GPEA). This is the highest recognition under the GPEA which attracted 24 competing organisations from nine Asian and Pacific Rim countries last year.

Service assurance →

Service	Service fulfilment index		Uninterrupted service index		Service restoration index	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Megaline	66	71	88	89	65	68
Citylink	84	90	97	97	71	78
Broadband	57	59	86	87	58	67

The service fulfilment index indicates delivery within a promised time (No. of days) for new customers. The uninterrupted service index denotes the services provided to existing customers without a single breakdown or fault. Service restoration index indicates the fault clearance within a promised/standard time period.

We initiated several measures to improve service quality. They include –

- 70% of the core network elements powered by dual power sources
- Strengthened standby power supply by adding fixed and mobile generators and batteries
- Installed auto-reclosers to multi service access nodes (MSAN) to minimise service outages
- Introduced lithium iron phosphate (LFP) batteries which can withstand high temperature and have longer life to reduce service outages due to weak batteries during commercial power failures

- Improved the ring earth system of identified locations for better lightning protection
- Strengthened staff capability in power and AC installations and operation and maintenance by providing related training, tools and test equipment.

Customer satisfaction →

Developing a customer satisfaction index (CSI) as measuring performance was an important strategic theme for 2015. Several internal programmes were launched across SLT during the year that included –

- Defining and communicating a customer-oriented vision
- Instilling a customer-oriented culture that embeds customer satisfaction throughout organisational practices
- Focusing on the total customer experience
- Establishing customer service standards and accountability.
- Carrying out customer satisfaction surveys covering three main segments, namely, enterprise, SME and consumer, with the support of an external research institute

The solution space is open for us. Surveillance solutions, street cameras handled by the police, video conferencing solutions, eLearning and distance learning solutions and customer internal networks are some examples, all of which have a fixed and mobile element.

In the hospitality and leisure sector and the megapolis project we see opportunities such as in mixed development projects and smart cities.

We have been very strong in connectivity, while we see the sunset for voice. Enterprises now migrate their voice into data by setting up a network to converge both voice and data. When they want to contact a customer in the telecoms network they are free to go out of the network. However, branch to branch and branch to HQ stays within the corporate voice and data integrated network. There is a cannibalisation internally, but we do provide that in view of retaining and growing this customer segment in the long run.

This is being challenged by other operators as they are equally good in providing connectivity with the emergence of the LTE Acer technology. This is the broadband network capable of delivering high quality of services. Other operators with this new technology are capable of providing robust solutions to enterprise and Government customers in the space of connectivity.

Our main strategy is to further add value by providing cloud-based services, business applications and industry specific solutions. A key strategy is to expand our optical fibre network so that customers' branch offices are also connected through fibre. We need to build the infrastructure, strengthen the connectivity and add further value in the context of cloud, data hosting, applications and industry vertical solutions.

Small and Medium Enterprises →

SMEs are an important future growth area, particularly in the use of IT for their small businesses. We have a system to visit the SME customer and to educate and show them the value additions they reap from IT applications. Some of the solutions are tailor-made. We saw an increased interest created in this during the year, including the Small Office Home Office (SOHO) solutions we offer.

Enterprise customers →

The banking and finance sector holds much opportunity, particularly in non-voice services such as connectivity for networking with branches. We will further add value in data hosting and cloud services and are exploring solutions like enterprise resource planning (ERP), customer relationship management (CRM) and eLearning applications.

Public sector institutions →

The low level of IT automation in the Government sector presents opportunities for us. The Lanka Government Network which was established by SLT and some of the applications introduced by ICTA in collaboration with the respective Government departments and ministries were important milestones in promoting IT adoption. Yet more needs to be done. An area we are exploring is to set up the Government cloud and the data centre.

Wholesale →

The wholesale business encompasses the whole gamut of domestic licence service providers, and mainly focuses on fulfilling their needs to deliver final products and solutions to their customers by way of providing infrastructure and transport layer solutions.

International →

International has two components – voice and data. Voice is the bigger portion. As in the rest of the world while we face the challenge of retaining the traditional legacy voice we are also aggressively trying to grow the non-voice area. We are into new services such as managed services, cloud, business and industry specific applications etc.

We hope to expand our global business and establish PoPs (point of presence) and take them to some of the regional locations. Our business is very much confined to Sri Lanka at present, but we are looking at Singapore, North America, Europe and Middle East to set up businesses. We are investing heavily on the submarine cables with the SEA-ME-WE-5 which will provide us considerable capacity by mid-2016.

→ Investing for the Future

We are making several long-term investments on development projects that will fuel the future growth of the SLT Group and the country.

Global connectivity →

SLT is aggressively pursuing new markets in the region. Building international connectivity is an important aspect of this strategy. SLT's global coverage includes multiple undersea optical fibre cable systems: SEA-ME-WE 3, SEA-ME-WE 4, Bharat-Lanka (between India and Sri Lanka) and Dhiraagu-SLT (between Maldives and Sri Lanka). The SEA-ME-WE 4 cable system was upgraded with 100 Gbps technology in 2014.

Empowering leading banks with a total communications solution →

SLT entered into an agreement to provide total communications solutions to a leading state bank and its branch offices located countrywide. This will provide the bank and its network of some 740 branches with access to SLT's voice services and ultra high speed fibre optic broadband Internet facilities. Benefits include cost savings on inter-branch communications and improved productivity.

SLT's customised solutions have been acquired by about 90% of leading finance and banking sector institutions in the country, including state banks, private sector banks and rural development banks in a competitive ICT business environment.



The country's geographical location makes it a natural nexus for communications in the Indian Ocean basin and helps Sri Lanka stay connected with unfolding new technologies across the region. Going forward SLT is in the process of implementing an unmatched global connectivity project, the SEA-ME-WE 5 international undersea cable system with a total design capacity of 24 Tbps and 100 Gbps technology. This 20,000 km cable runs from Singapore to France via Sri Lanka and is owned by a 20-member international consortium including SLT. The project commenced in September 2014 and is due for completion in 2016.

With SLT's Rs. 5.2 billion investment in the new SEA-ME-WE 5 cable, the country's global connectivity capacity will move to the next level - with Terabits of capacity; making Sri Lanka and SLT future-ready to take on the envisaged 'data explosion'. The envisaged full landing status granted to Sri Lanka by the SEA-ME-WE 5 consortium will pave the way to establish a global point of presence (POP) in Sri Lanka in the future. Furthermore, the SEA-ME-WE 5 cable station that is being established in Matara facilitates double landing; thereby enhancing the reliability of Sri Lanka's connectivity to the system. With these global connectivity advancements, Sri Lanka has opportunities to be the most preferred destination in the region for BPO or data centre operations.

PoP at Singapore →

As the incumbent Internet service provider (ISP) of Sri Lanka, SLT maintains connectivity with all Internet hot spots such as New York, Paris, Frankfurt, Amsterdam, Italy, Mumbai, Chennai, Singapore and Hong Kong. These are single cable connectivities to international ISPs and during an outage the particular connection may be out of reach until the cable is restored. This is the typical network footprint of any small scale ISP in the Internet industry. The bigger ISPs have their own PoPs with multiple cable/equipment availability around the globe and hence can deliver undisturbed services due to the diversity.

To overcome the inherent weakness in our own system noted above SLT recently set up a PoP in Singapore. PoP is an extension of SLTNet, and we are confident in providing undisturbed Internet services through Singapore when there are cable outages. Similarly, there are plans to establish PoPs in Europe and USA.

National backbone network services →

As the national backbone network (NBN) services provider, SLT has deployed a countrywide, secure optical fibre network to fulfil domestic transport requirements of service providers. At present, our NBN covers all 168 electorates around the country, and we are working towards making NBN connectivity available to all divisional secretariats. Eliminating historic legacy platforms, the new NBN will reduce maintenance costs, improve efficiencies, deliver faster service and increase speed and performance; all leading to service excellence for domestic operators.

SLT's 100 Gbps national backbone network



SLT as the NBN operator designs, builds and operates the network, while offering wholesale services to domestic operators on an open access basis, thus empowering domestic operators to offer retail services to consumers.

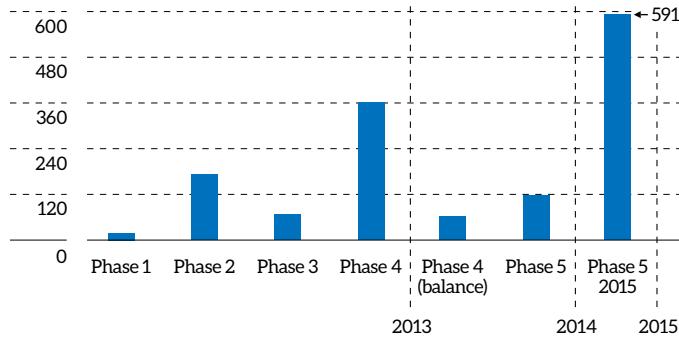
i-Sri Lanka project →

The i-Sri Lanka project will be completed in 2016 resulting in -

- At least 90% of SLT broadband customers having up to 20 Mbps download speeds
- Customers having access to
 - Fibre to the home (FTTH)
 - Fibre to the business (FTTB)
 - 4G/LTE

Network modernisation through NGN →

SLT is working on transforming the entire national communications network into a next generation network (NGN). Such an NGN would be capable of handling massive amounts of data at super-fast speeds while ensuring maximum data integrity which enables voice, data and IPTV services. This ongoing project started in 2011.

**NGN migration –
phase by phase progress (No. '000)**

i-Sri Lanka uses fibre optic FTTC, FTTB and FTTH technologies to extend connectivity via multi-service access nodes (MSANs) located in close proximity to the customer location.

About 25% of the country is covered by legacy SLT copper fixed lines. The balance 75% yet to be covered is open to SLT and all other operators to provide broadband services. SLT is working on providing FTTH and fixed LTE to this market segment. Our target for 2016 is to provide Smartline (FTTH), Megaline (ADSL/VDSL) and 4G/LTE connections as per market demand, with the longer-term target of connecting the entire country with an optical fibre backbone that will ensure high speed access to all.



SLT was the only organisation to win the World Class Award under the 'large service' category at the Global Performance Excellence Awards 2015 (GPEA)

Our customer care centre maintained a customer satisfaction rate of 93% for the year





'Smartline' premium fibre optic broadband service offers up to 100 Mbps download speed and up to 50 Mbps upload speed

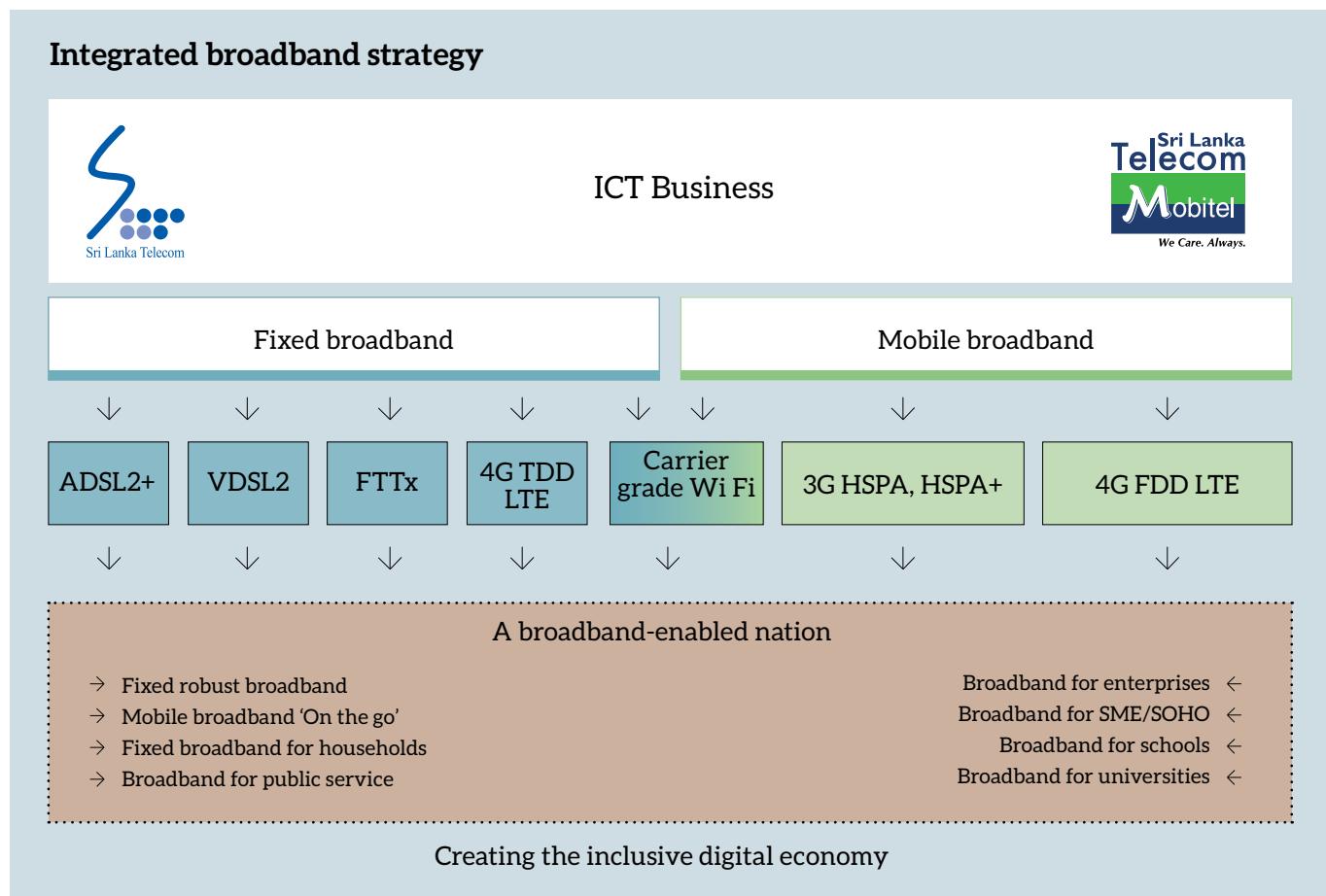


The Mobitel Innovation Centre was opened in 2015

We had 25,000 km of optical fibre by the end of 2015. It has adequate bandwidth for SLT customers and other national requirements including all other telecom operators who use the backbone.

In addition we have initiated a national data centre project. This will cater to all national data requirements in terms of storage, servers, software and backup in a cloud environment.

With the completion of the NGN 2016, in which SLT has invested Rs. 13.8 billion from year 2008, we will completely migrate from our legacy voice based network. We are now working on the convergence of fixed and mobile networks so that customers may enjoy a full range of services, namely, fixed, mobile and broadband services with one single bill by implementing an IP multimedia subsystem (IMS) according to the 3rd Generation Partnership Project (3GPP) architecture. This will also result in better energy efficiency reliability.



While FTTN, FTTC and FTTB solutions are available with the migration to NGN, fibre to the home (FTTH) will be enabled at 100 Mbps download speed, thus increasing the reliability and quality of broadband data, voice and IPTV services.

Carrier grade Wi-Fi project →

SLT launched the first ever carrier grade Wi-Fi in Sri Lanka in 2014 with the capability of mobile data offloading, enterprise and prepaid and postpaid broadband. Going further, together with ICTA and TRCSL, we launched free Wi-Fi services in public locations such as universities, hospitals and railway stations at the beginning of the year 2015. This supports the Government's goal of providing free Wi-Fi to every citizen.

CEA network expansion →

Expanded the communications enabled applications (CEA) coverage based on the SLT's transport network architecture, access side capacity and foot print. Further supported the wholesale business by providing customer premises equipment.

Several other enhancement and expansion projects were undertaken, such as the IPMPLS network expansion, ISP network expansion and enhancement, ISP upgrade and IDC network enhancement.

'SLT Speed Up' campaign →

The Speed Up campaign was an important event of 2015. The objectives were to create awareness among the public on the availability of Internet broadband options and solutions, as well as to enhance public awareness about the product portfolio of SLT.

By expanding broadband access and customer relevant technologies such as optical fibre to the home, 4G LTE and ADSL, we plan to make broadband services more affordable and connect more homes and businesses.

Broadband is a transformational technology. The SLT Group, driven by SLT and Mobitel, is driving an integrated fixed and mobile broadband strategy to create a broadband-enabled nation and an inclusive digital economy.



'Speed Up' island wide campaign

Easy payments through Mobitel mCash →

Partnering with a reputed life insurance company Mobitel developed an mCash platform for the company's life insurance advisors for life insurance policyholders. With the launch of this new facility, the insurer is able to update customers' life insurance policies immediately while customers receive a SMS confirmation of their payment in real time.

Mobitel has made a strong presence countrywide with mCash which enables its customers to maintain a mobile money account for a quick and convenient method of carrying out financial transactions. Licensed under the Central Bank of Sri Lanka, mCash provides a full range of services that include deposits, withdrawals and money transfer facilities.

We partner with reputed global and local organisations for the supply of goods, services and technology in the pursuit of accomplishing our mission. These business partners collaborate with us as we share complementary business goals, and our interactions with them foster mutually beneficial relationships.

→ Strategic Alliances, Collaborations and Joint Ventures

Partnerships →

We build partnerships with industry leaders to leapfrog in delivering cutting edge solutions to our customers while also building internal capacity.

For example 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 by themselves.

Likewise, the cloud-based Cyren web security solution provides advanced cyber security, the Ruckus/Alepo carrier-class Wi-Fi solution bolsters our ADSL data services with a nation-wide network of Wi-Fi hotspots and Synchronoss boosts customer service for the nationwide high-speed broadband network. We have over 40 such alliances and collaborations and more are in the pipeline.

Mobitel recently partnered with Microsoft to introduce Microsoft's cloud based solutions for local businesses. Likewise, Mobitel is the sole official reseller in Sri Lanka for Samsung Knox, a comprehensive enterprise mobility management (EMM) security solution for customers such as financial institutions, law firms, Government agencies and businesses.

Procurement policies and standards for business partners →

In addition to our own written procurement policies and processes, we have taken a closer look at our supply chain. Our new Code of Ethics for suppliers covers many aspects including anti-corruption, labour practices and the environment. This is important, as a responsible supplier who shares our values also mitigates risks against our reputation.

→ Key Achievements

International business →

SLT established five new business partnerships with wholesale and OTT players in the international voice market, while also winning several global bandwidth tenders from global ISPs to provide connectivity from Asia to Europe. The SLTNet POP established in Singapore in June 2015 has been connected with SLT's multiple cable systems such as SEA-ME-WE 3, SEA-ME-WE 4, Dhiraagu-SLT and Bharat-Lanka.

eProcurement system →

SLT upgraded an eProcurement System during the year, the first of its kind in Sri Lanka. SLT's eTender process is mainly for standardised items. The website provides suppliers with up-to-date information they need to provide quality goods at competitive prices, while the automated bidding and selection process ensures good governance oversight over the whole procurement process.

Dealer support →

We continued with our regular dealer training programmes and product updates. As a new feature, we update them on new solutions as well. This has helped dealers to diversify. Those who had sold the traditional voice and data products are now equipped to sell solutions as well. This has also helped them internally in becoming more productivity and efficiency conscious, all of which contribute towards their bottom line.

Nurturing an empowered workforce to deliver superior results lies at the core of our human resource strategy. In turn we make every effort to make work rewarding, ensure fairness and foster equal opportunity and diversity.

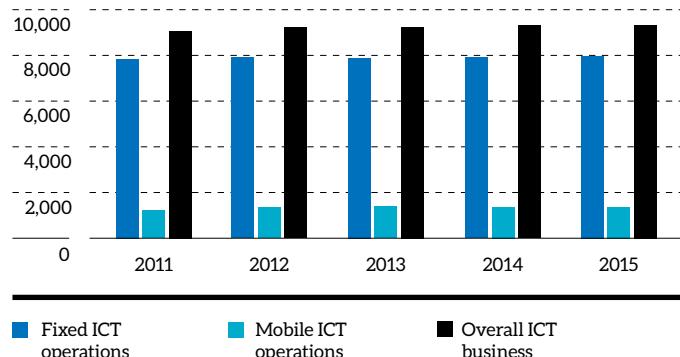
→ Staff Strength

Our ICT business employed a total of 9,331 persons by end 2015 (2014 – 9,307 persons), with fixed ICT operations accounting for 85% or 7,970 persons and mobile ICT operations employing the balance 1,361 persons.

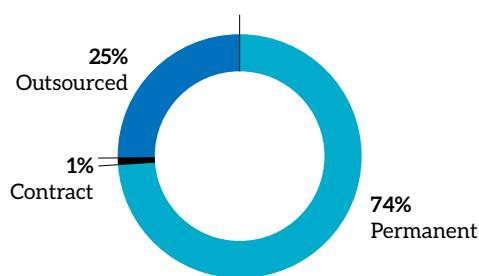
Total workforce by employment type →

Employment type	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Permanent	5,761	1,123	6,884
Contract	44	42	86
Outsourced	2,165	196	2,361
Total	7,970	1,361	9,331

Total workforce by business segment (No.)



Employee composition by type

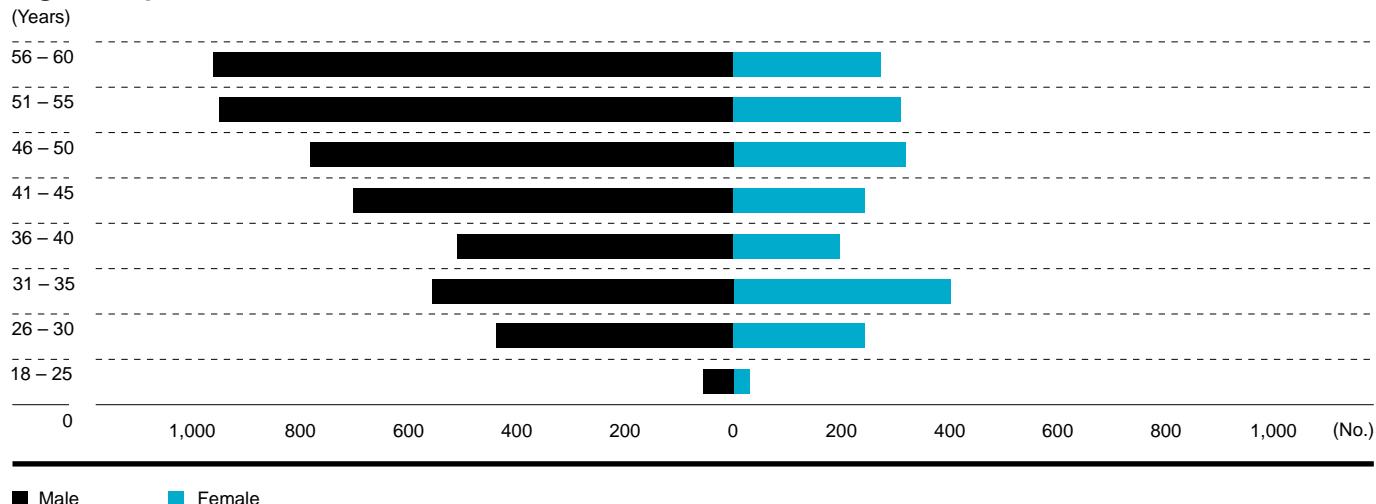


Business segment	Female		Male		Total
	No.	%	No.	%	
Fixed ICT operations	1,676	29	4,129	71	5,805
Mobile ICT operations	339	29	826	71	1,165
Overall ICT business	2,015	29	4,955	71	6,970

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

Employee grade	Female			Male			Female to male ratio in ICT business
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business	
Senior management	16	8	32	65	48	113	1:3.5
Middle management	94	41	135	263	236	499	1:3.7
Executives	206	290	496	441	536	977	1:2.0
Non-executive staff	1,360	0	1,360	3,360	6	3,366	1:2.5
Total	1,676	339	2,015	4,129	826	4,955	1:2.5

Age analysis



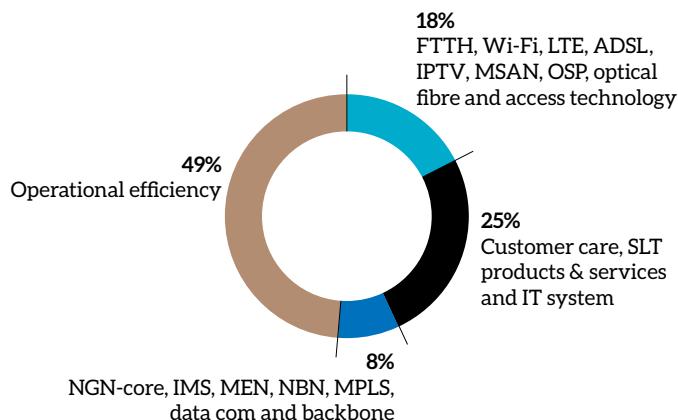
→ Training and Development

Fixed ICT training programmes →

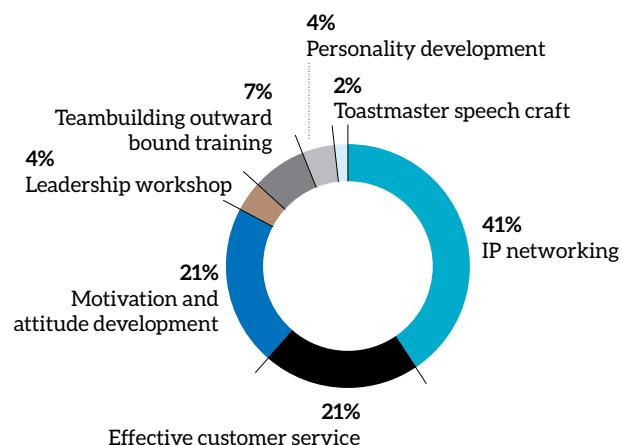
A total of 167,417 person hours of training was provided to SLT employees during 2015, averaging 21 hours per employee. Internal and external programmes accounted for 54% and 46% of training hours respectively.

- Language skill development for contact centre staff and other staff
- City & Guilds train the trainer programme for SLT internal trainers
- Selling skills development for regional sales staff
- Project management training for project managers
- Soft skills development programme for network operations staff
- Team-building training for different staff segments
- Finance for non-finance staff, law for non-legal staff and procurement for non-procurement staff

Fixed ICT internal training (Person hours)



Mobile ICT internal training (Person hours)



Other specialised training programmes →

- SLT Quiz 2015 for regional and plant maintenance staff
- Skills development training for ERP and CRM projects

Professional development →

Employees of both SLT and Mobitel are entitled to reimbursements of membership fees of professional bodies depending on their relevance to the job function. They are also encouraged to pursue higher studies with financial support from the employer subject to certain eligibility criteria and prior management approval.

Going beyond formal educational qualifications, we have also introduced internal programmes that encourage knowledge sharing, job rotation, job enrichment and the like that also help employees to discover and develop their latent talent, thus opening up new career paths and opportunities for upward mobility.

→ Change Management

SLT launched two strategic projects, namely, enterprise resource planning (ERP) and customer relationship management (CRM) to support business growth and competitiveness. The need for high staff commitment and involvement were two pillars we identified at the inception, and the project was rolled out by a dedicated transformation programme office of SLT.

The change management plan commenced with a teaser campaign to give high level awareness to staff in advance. This was followed by a series of interactions by and between project teams and staff (users) on the need of these projects, expected mutual benefits and outcomes. They were supplemented by communications via emails, desktop publications and posters. Employee feedback is obtained after each module of the change management programme to take corrective action. The programme is ongoing, the ultimate objective being to gain enthusiastic employee buy-in and adoption of the new technologies and processes to realise the targeted benefits all round.

→ Fostering Innovation

Innovations through 'quick wins' are circulated among staff through the SLT intranet. Brainstorming sessions, team discussions, presentations on market and competitor intelligence, brand health check studies, 'Amathuma' internal magazine and the quarterly publication 'Benchmark' also help to share knowledge across many aspects such as customers, competitors, overseas telcos, business partners and suppliers as well as emerging trends and changes in the industry.

Mobitel Innovation Centre →

The revolutionary, state-of-the-art Mobitel Innovation Centre was launched in April 2015 at the TRACE Expert City Colombo where several other ICT companies are based.

The Mobitel Innovation Centre will collaboratively work with like-minded institutions, entrepreneurs, SMEs, students and tech-enthusiasts to harness the best technological solutions. The Centre will focus on solutions related to near field communication (NFC), digital connected life, machine to machine (M2M), location and tracking, cloud platform services and Internet of Things (IoT).

→ Employee Relations and Engagement

Meetings →

The Group CEO and senior management visit Regional Offices and address employees on special occasions such as Tools Day, Customer Days and Employee Days. Key decisions are communicated through meetings and circulars. 'Amathuma' magazine also communicates information on our business activities and the latest developments in ICT.

Meetings with Trade Unions are conducted with the Group CEO and senior management inform on business activities and performance as well as to understand employee expectations and level of satisfaction. The Human Resource Division frequently meets Trade Unions to discuss and resolve grievances faced by employees.

We practice an open-door policy and employees may meet any senior manager including Group CEO. It may be to communicate a grievance, to forward a suggestion or simply to strengthen relationships. Two-way communications is encouraged through cross functional meetings and those conducted within business units. Suggestion boxes provide opportunities for employees to forward their ideas.

Grievance handling →

Procedures are in place for employees to raise problems concerning their well-being at work for the attention of management. If an employee believes a work condition or treatment is unjust or is a hindrance to effective operation or will create a problem, it could be escalated through the grievance procedure.

Employees having a grievance can forward it to the respective supervisors/line manager which will be then forwarded to the HR Division for resolution. In the event the supervisor is a party to the grievance, then the employe

has the option of directly escalating the issue to HR instead of consulting the reporting line. HR takes relevant steps to solve the grievance with the consultation of the respective line and head of department, with decisions taken being communicated to the concerned party.

Collective agreements →

There is transparency and consistent application of policies and collective agreements where workers' rights are upheld to a very high standard. All permanent staff members are covered by collective bargaining agreements.

Whistle-blowing policy →

The whistle-blowing policy encourages employees to raise concerns and inform management on acts of misconduct at an early stage.

Employee recognition →

The contribution made by employees is recognised at various forums. Examples include the annual Quality Award to recognise the winners of 5S implementation, QC and CI teams, Kaizen suggestion scheme and ISO 9001 QMS implementation. Different groups have their own evaluation criteria to select best performers of their teams and Annual Award Ceremonies (such as Service Excellence Awards, Star Awards, Sales Awards, Transformers Awards etc.) are conducted to recognise them.

→ Health and Safety

We recognise the importance of providing a healthy work environment as well as the need to balance one's family commitments. All work does not mean no play, and vice versa.

Work-life balance →

We maintain holiday bungalows in seven scenic locations, provide allowances for annual divisional trips to promote camaraderie and bonding, organise numerous social and sports activities, encourage volunteerism and so on.

Fringe benefits provided are comparable to the best in our industry, and include medical insurance, financial support in times of bereavement, concessionary rates on personal ICT packages, laptops and desktops, financial assistance to pursue higher studies etc.

As in the past we organised several supplementary lectures and events on topics such as personality enhancement, psychological approach to life, empowerment of women, pension schemes and life and medical insurance. We also ran a programme on fitness and well-being that included managing one's body mass index through exercise, yoga and diet.

We also initiated action to establish an SLT Welfare Society and a Telecom Club House.

Occupational health and safety →

Our overarching goal is to provide all employees a safe and healthy work environment with zero accidents and zero occupational health risks. This includes training, tools and procedures focused on the preventive side as well as emergency procedures such as evacuation and fire fighting.

Health and safety measures for engineering staff are implemented through specific manuals and procedures published for different categories of staff such as riggers and electricians and duly reinforced through continuous training and evaluations.

Other initiatives include:

- A bi-weekly stress management therapy programme at the SLT HQ which includes a comedy video drama and a short musical aired during lunch time
- A blood pressure campaign to identify and assist employees who suffer from hypertension
- An eye clinic to identify and assist employees affected by problems such as cataract, eye pressure and glaucoma
- Workshops to raise awareness on matters such as first aid, janitorial safety, engineering safety, road safety, ergonomics for computer users and food safety
- Health seminars on skin ailments, mental disorders, heart diseases, stroke, fatty lever and kidney diseases
- A fire and safety assessment leading to an emergency response plan, practice drills and training on fire fighting, evacuation and first aid
- A monthly fumigation programme at all Mobitel locations countrywide to control insects and mosquitoes.

→ Recruitment and Turnover

Key statistics on recruitment and employee turnover during the year under review are given below:

Recruitment by grade →

Grade	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Executive	56	86	142
Non-executive	105	0	105
Total recruitments	161	86	247

Employee turnover by gender →

Gender	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Female turnover	31	20	51
Male turnover	14	38	52
Total turnover	45	58	103

Employee turnover by age group →

Age group	Fixed ICT operations	Mobile ICT operations	Overall ICT business
21 - 25	0	3	3
26 - 30	11	29	40
31 - 35	9	11	20
36 - 40	6	7	13
41 - 45	4	1	5
46 - 50	5	1	6
51 - 55	4	0	4
56 - 60	6	6	12
Total turnover	45	58	103

Employee satisfaction →

Employee satisfaction surveys are carried out regularly to assess the quality of work life. Aspects evaluated include career progression, training opportunities, job satisfaction, teamwork, benefits and rewards, management leadership and relationships as well as performance appraisals.

Providing an IP-based world class broadcasting system →

A leading Sri Lankan private channel sought a world class Internet protocol-based broadcasting solution to empower their TV and radio broadcasting. The solution provided by SLT features high quality digital audio and video transmission via SLT's state-of-the-art optical fibre infrastructure which interconnects the Company's studios, transmission stations and head office. The Company implemented this solution with the support of US-based Telairity Inc., the global leader in encoding technology, in partnership with systems integrator Mitter International Private Limited.

Social and Environmental Capital

Annual Report 2015

Sri Lanka Telecom PLC

Stewardship

Business Model

→ **Management Discussion and Analysis**

Leadership and Recognition

Financial Reports

Supplementary Information

Our approach to corporate responsibility is based on a symbiotic relationship in which we derive financial value from our business operations while in turn we deliver sustainable benefits to our local communities and proactively manage our environmental footprint.

→ The Power to Change

We are unleashing the power of broadband by connecting people, businesses and even machines. It's about the digital revolution that is transforming the way people communicate, access information, transact business and even choose their entertainment, which in turn contribute towards economic development.

Knowledge →

Mobile devices, now relatively inexpensive, have enormously expanded the potential and practicability of personalised learning. They can be used for literacy training, numeracy training, interactive tutoring as well as to access e-books or e-readers, educational games and so on, thereby unlocking that important ingredient among young students – their curiosity. Learning can happen at times and in places previously non-conducive to formal education, and at one's own pace.

Healthcare →

The Internet of Things has the potential to revolutionise healthcare. This includes developments in –

- Hardware (the devices and their technical capabilities).
- Associated services, content and apps.
- Information gleaned from geographic location (e.g. the real-time tracking of diseases or the spread of an epidemic).

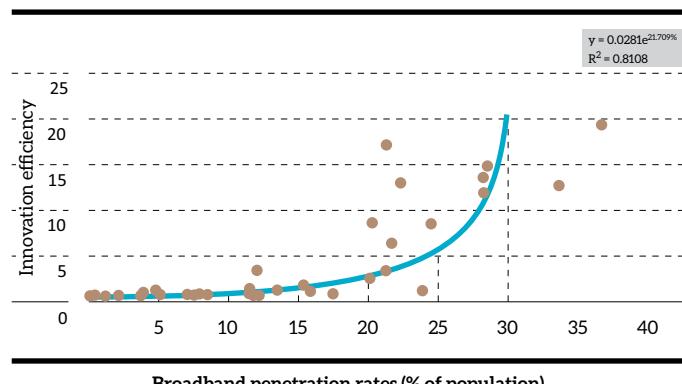
Finance →

Access to banking facilities lag behind mobile phone penetration in emerging market economies and developing countries. But the gap is narrowing as financial institutions begin to see the benefits of Internet and mobile banking that do not require investments in brick and mortar branches and staff, and the opportunity to enter markets that were hitherto too remote or lacked a critical mass. Nevertheless, it will also require a new mindset to serve marginalised groups such as rural women and micro enterprises.

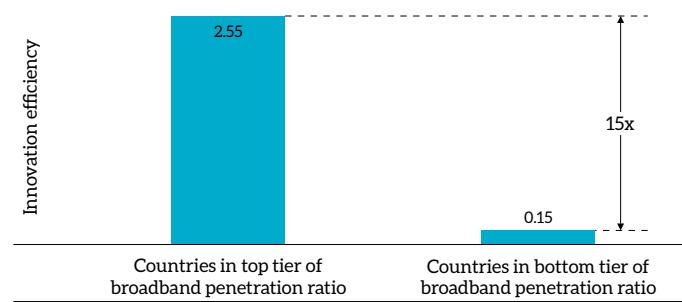
Innovation →

ICT and broadband stoke innovation and entrepreneurship, and they do so exponentially. Countries with higher broadband penetration also see greater innovation. Broadband penetration in Sri Lanka stood at 19.6% of the population by end 2015, up from 2.4% in 2010.

Source: TRCSL, CBSL Annual Report 2014



Source: World Economic Forum



Source: World Economic Forum

Economic growth →

Ours is an integrated broadband strategy comprising both fixed and mobile-ICT solutions that paves the way for a broadband-enabled nation. Research has provided conclusive evidence of a positive correlation between GDP growth and fixed telephony penetration, an even greater impact with mobile telephony penetration, while greatest impact comes with broadband penetration.

→ Bridging the Digital Divide

Our strategies to bridge the digital divide focus on four areas, namely, affordability, availability, affinity and applicability. On the supply side, we provide affordable access to fixed and mobile infrastructure. On the demand side, we are working on customer-focused local content that enhances affinity and applicability.

Demand side challenges →

The provision of local content is one of the biggest challenges in the Sri Lankan context. Most of the services offered by Government ministries, departments and state-owned enterprises are not available on the web. Although we are ahead of other nations in the region in terms of affordability and technology, other aspects need to fit in. There is a limit to what operators can do to drive content. It needs support also from the corporate and Government sector. Some of the steps we have taken in supporting local content development include the following:

- Kiyawamu.lk - Digitising local content in partnership with the national library to develop an online book portal
- Peo TV - Time shift TV (rewind TV), video on demand facilities and local education content
- mCash - Cash transactions 'on the go' via mobile devices including reloading pre-paid telephone services
- mTicketing - Purchasing railway tickets via mobile devices
- mTaxi - Hailing and paying for taxi services via mobile devices
- eChannelling - Access to health services by reserving appointments via both fixed and mobile connections

In terms of infrastructure, we provide multiple broadband connectivity options including fixed wired, fibre to the home or business premises, fixed wireless and mobile over the entire country.

The shared hosting service offered by SLT is the most economical solution since the services are provided in a shared server environment. Multiple web sites hosted on a single physical web server with each site residing within its own partition on the server and separated from other sites in a secure way. Similarly, we offer shared email hosting and database hosting services to add value to our customers.



SLT supported the building of a rehabilitation centre at the Methsewa Foundation for differently-abled children

In collaboration with Asia Foundation a total of

110,000 books
were distributed
during the year 2015




Akaza cloud computing helps to reduce the carbon footprint by eliminating the need for paper-based systems



Mobitel partnered with the Ministry of Education and TRCSL to provide high speed Internet to schools countrywide

The hosting of local content locally provides for a faster Internet experience as the Internet traffic is domestic via the SLT Internet Exchange (SLT IX). Without this, Internet users need to access content through international traffic while meeting global Internet bandwidth limitations, which results in slower speeds as well as higher costs. In some ways, it could be compared to forcing all domestic airline flights to have a stopover in a distant, foreign country!

Supply side challenges →

The main supply side challenge comes from extending present day networks outside urban areas into remote or sparsely populated areas, and upgrading networks to cope with the growth in traffic. Where the business case is compelling, the private sector can take the lead in providing Internet infrastructure and services, but public investment or intervention is sometimes justified where the private sector is unable to provide affordable access.

Our contribution towards improving availability and affordability of Broadband in Sri Lanka include the following:

- **Availability** – Existing infrastructure was upgraded in line with the global technology advancements. Technologies such as LTE, FTTH were introduced to the market to provide superior speed while expanding the reach through additional base stations to cover most of the rural areas.
- **Affordability** – Packages are offered with a choice of download speeds as well as data volumes to suit every purse. Heavy users get special rates while we increased the total volume of the *Abhimaana* package for Government Employees and pensioners by 75% without changing the monthly rental.
- **Accessibility** – We doubled the speed in all packages up to 16 Mbps maximum limit, provide Wi-Fi hotspots in many parts of the country, adopted LTE technology and FTTH for customers to enjoy wireless broadband and ultra-fast speeds.

→ Caring and Sharing

As discussed in the previous and following sections of this Annual Report, our activities arising from our business mandate have contributed directly and indirectly towards the wellbeing of stakeholders and the development of the country at large. Our services have touched the lives of individuals, institutions and enterprises of all sizes – employees, customers, business partners or even competing operators. Our telecom business provides direct employment to over 9,000 people and we support their professional development through training and career advancement. We partner with the Government in its vision to create a technology-empowered nation.

Going beyond our business boundary, we engage with local communities in many ways through community development projects, volunteerism and financial support for charitable causes.

Building religious harmony →

We supported and participated in several religious events celebrated by Buddhists, Hindus, Muslims and Christians across the country. Many of these are annual events.



Communicating good habits to the next generation

Spreading the wealth of knowledge →

In collaboration with Asia Foundation we distributed a total of 110,000 books to school libraries.



Spreading the wealth of knowledge – Book distribution programme

Preserving heritage for tomorrow →

The SLT calendars and complimentary items produced for the year 2015 carried the theme 'Corals of Sri Lanka'. We also supported the planting of medicinal plants in Anuradhapura, Tantirimale and Monaragala.

Theme of calendar and complimentary items for the year 2016 was also produced under the theme of "Wild Fruits of Sri Lanka"



Preserving heritage for tomorrow – Wild fruits of Sri Lanka

Caring for the differently-abled →

SLT provided financial assistance towards building a rehabilitation centre at the Methsewa Foundation in Wellawaya for differently-abled children.

Getting schools connected →

Supporting the national broadband strategy, SLT partnered with the Ministry of Education and the TRCSL to empower the SchoolNet programme by providing next generation network (NGN) broadband Internet access for selected schools in the country.

Phase I of SchoolNet connected 1,500 schools and their ICT labs. Another 1,500 schools will be connected under the phase II of the project.

As part of the Secondary Education Modernisation Project under the Ministry of Education, the initiative is set to revolutionise the way school administrators operate, the way teachers teach, the way parents are involved as well as the way in which children learn. SchoolNet allows teachers and students from schools throughout the nation to access reference material, tutorials, emails and other educational programmes over the Internet. In addition, for the first time teachers will be able to access several lesson plans on their computers. The SchoolNet system which is connected via VPN technology is also supported with multiple broadband technologies like ADSL and 4G/LTE establishing main links at 200 Mbps speeds within the network and also providing 100 Mbps Internet bandwidth to connect to the global Internet.

Sponsorship of events →

SLT sponsored several events during the year in the areas of empowering sports, arts and culture, education and ICT.

Empowering professionalism →

We sponsored and/or participated in several professional events such as National Human Resource Conference, Annual Conference of the Chartered Institute of Marketing, Business Leaders' Summit of the Chartered Institute of Management Accountants, Techno 2015 Exhibition of the Institution of Engineers Sri Lanka and many more.

Supporting national endeavours →

A wide range of projects and activities were undertaken during the year, which include the following:

- Establishing of a communication portal and data centre for the National Drug Protection Authority;
- Communication partner for the National Kidney Movement and National Diabetic Protection;
- Automated the child abuse hotline to improve access by child protection officials;
- Developed a web portal for the eye donation system;
- Provided scholarships to 30 undergraduates to pursue technological studies;
- Offered 25 students, one from each district, scholarships to study at the SLT Campus;
- Invested in upgrading the operating theatre at the Batticaloa hospital.

→ **eCommerce**

The improvement of current platforms and connections make online commerce and trading of products or services possible using Internet networks between retailers and consumers, which in turn leads to fewer trips to shops and a reduction of GHG emissions.

→ **eHealth**

The provision of health resources and care using ICT by delivering information for professionals and consumers, by improving public health services and by enabling patients to manage their own health, eHealth reduces patient transportation and GHG emissions while also saving space in hospitals and clinics.

→ **eLearning**

The deployment of computerised devices in educational and learning environments promotes partnerships with quality training providers, access to wider educational material as well as flexibility in terms of location and timing, thus reducing travel-related GHG emissions.

→ **eBanking**

By accessing banking products and services through electronic delivery channels such as Internet or mobile banking customers reduce the number of trips to their bank while the bank too saves on branch space and staffing.

→ **eBills**

SLT's electronic billing option to post-paid customers is promoted for its environmental and cost-reduction value, while also eliminating possible postal delays.

→ **Product Responsibility**

Our internal work processes as well as our products and services are all geared towards resource efficiency and the mitigation of negative environmental consequences. Listed below are some examples;

- **AKAZA cloud computing** – Helps to reduce the carbon footprint by eliminating the need for paper-based systems and large storage space as all data is stored online in the cloud.

→ **eWork**

By using cloud platforms, connections and communicating devices employees spread across the country communicate via the SLT corporate network for data/file transfer, video conferencing, remote presentations and messaging via voice, broadband and IPTV platforms, all of which ensure speed while reducing GHG emissions arising from commuting.

→ **Energy Management**

In addition to marketing products and services that support good environmental management, we believe in leading by example in our own operations. We continued to implement several initiatives on energy management that support our twin goals of cutting down waste (and hence costs) while reducing our own carbon footprint.

Energy policy →

During the year we established an Energy Policy for SLT. The key aspects of the Policy were communicated to all employees while we also conducted awareness sessions on energy management and ISO 50001. Relevant employees were also trained on operation and maintenance and the use of tools and test equipment.

Projects completed →

The several projects were executed on fuel switching and energy efficiency during the year, and they are summarised below:

→ **Solar water heaters**

Replaced electric geysers with solar water heaters in five circuit bungalows at a total cost of Rs. 747,000 with an expected payback period of 24 to 30 months.

→ **Bio gas plants**

Bio gas plants were installed in nine circuit bungalows at a total cost of Rs. 1,228,000 with an expected payback period of 26 to 30 months. The plants eliminate the need for LPG while providing organic fertiliser and a clean garbage disposal solution as added benefits.

→ **LED lighting**

Two projects were initiated to replace fluorescent tube lights and CFLs with energy efficient LED lighting with an expected payback period of 9 to 21 months.

→ **Solar PV**

An experimental project was launched to study the feasibility of using solar power as the primary source for multiple service access gateways.

Reducing energy and emissions →

Our efforts have borne good results. We see a steady decline in the consumption of purchased electricity as well as our use of fossil fuel in relation to activity level. These measures have not only positively impacted on our greenhouse gas (GHG) emissions but have also resulted in cost savings.

SLT is in the process of migrating from our legacy network to the next generation network which will be completed during 2016. Over the last few years, this migration has resulted in reduced electricity and fuel consumptions and also minimised our environmental impact by lowering GHG emissions.

Revolutionising the healthcare industry in Sri Lanka →

A well-known private hospital in Colombo partnered with SLT for a comprehensive ICT solution. The ICT solution comprises a next generation network (NGN) ultrafast fibre optic data network which is also capable of carrying IP-based high definition voice, a state-of-the-art multimedia call centre, high speed enterprise Wi-Fi including free Wi-Fi and feature-rich PEO TV facilities for each room and visitor lobby areas of the hospital. It also comprises high speed data connectivity between the hospital's network of 44 laboratories located across the country via virtual private network (VPN) technology.

The Marketing Communications Manager of the hospital commented, "Broadband and ICTs are having a real impact on the delivery of healthcare services in a developing country like ours, leading to improved response times in emergency situations, reduced isolation, and better training and equipment for healthcare workers. Newly-introduced solutions such as free Wi-Fi are a growing need amongst patients and guests visiting the hospital. We have opted for fibre optic connectivity which paves the way to a total paperless hospital environment in the near future with the possibility of patients being able to access records online. The 12-agent multi-media call centre will handle inbound general inquiries and consultation appointments while also managing outbound calls to specialists, marketing campaigns, and patient follow-up programmes. Custom designed for our hospital, the multi-media call centre also offers SMS and email notification facilities for patients and consultants".

Driving Two Decades of Internet History in Sri Lanka

Sri Lanka Telecom PLC (SLT) partnered the biggest ICT event in Sri Lanka, 'INET Colombo 2015' to mark the 20th anniversary of the introduction of Internet to Sri Lanka. It was also an occasion to acknowledge the role played by the various organisations and bodies involved in shaping ICT and the Internet in Sri Lanka over the past, particularly the Internet Society Sri Lanka Chapter, Asia Pacific Bureau of Internet Society, LK Domain Registry, University of Moratuwa and Lanka Education and Research Network (LEARN).

The two-day event was held in June 2015 in Colombo. In addition, remote hubs were set up in various parts of the island including Jaffna and Kandy, to enable a wider participation. SLT provided the conference venues with state-of-the-art broadband technologies that ensured Wi-Fi connectivity to all organisers and participants.

As the national ICT solutions provider in the country spanning a period exceeding 150 years, SLT has played an important role in driving ICT and the Internet revolution in the country. SLT introduced email and Internet services through dial-up connectivity in 1996, opening up a new world of opportunities for Sri Lankans and joining Sri Lanka to the worldwide Internet community. With the pace picking up, SLT introduced ISDN (Integrated Services Digital Network) technology to Sri Lanka in 1999, enabling Internet access at speeds that far exceeded those already available. It also enabled the use of new applications such as video conferencing for the first time.

The ensuing years saw SLT expanding its communication network across all parts of the island, replacing the legacy copper networks with optical fibre cabling. In 2002, SLT introduced Asymmetric Digital Subscriber Line (ADSL), offering a giant leap in Internet

access speeds. Sri Lanka was among the first countries in South Asia to experience the benefits of high speed broadband, which in time became powered through multiple technologies including ADSL2+, VDSL2, Ultra speed optical fibre (FTTH/x), carrier-grade Wi-Fi and both fixed and mobile 4G LTE technologies.

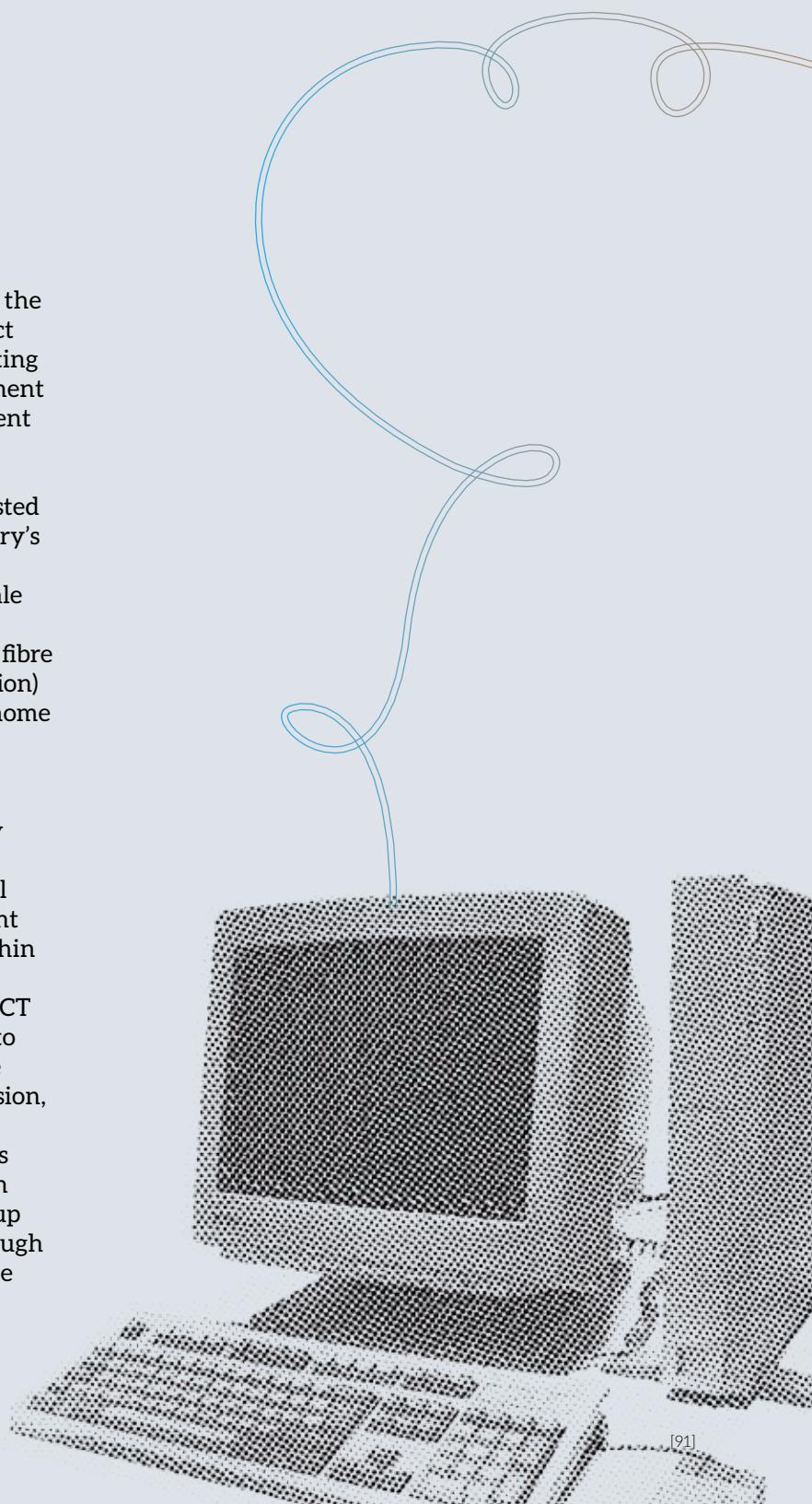
Today, as the national backbone network (NBN) operator, SLT covers the entire country through an optical fibre network that ensures reliability and ultra high speed data transmission. SLT has also partnered with global telecom companies to connect continents and countries with submarine optical fibre cable links such as SEA-ME-WE 3 (South East Asia-Middle East-West Europe), SEA-ME-WE 4, Bharat-Lanka (between India and Sri Lanka) and Dhiraagu-SLT (between Maldives and Sri Lanka). Currently, SLT is 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 24 Tbps which will deliver a massive increase in communications capacity.

SLT has also successfully deployed the world's latest Internet Protocol (IP) version - IPv6 at the LK Domain Registry in Sri Lanka. IPv6 deployment is a key milestone in ICT service enhancement for both SLT and the LK Domain Registry. Similarly, SLT successfully upgraded 'LEARN' - Lanka Education and Research Network - to empower Sri Lanka's higher education. LEARN upgrade consists of enhancing the Internet access bandwidth up to 1.65 Gbps and providing wide area network (WAN) with universities and research institutes countrywide. LEARN interconnects all state-funded universities coming under the University Grants Commission (UGC), a number of public universities that function under other ministries, the UGC, 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 secondary schools island wide and Lanka Government Network (LGN), the network connecting Government institutions in Sri Lanka.

Since obtaining BOI approval in 2007, SLT has invested over USD 485 million towards improving the country's multi-faceted ICT infrastructure, such as Internet data centres, voice services, enterprise and wholesale services, high speed broadband services, PEO (personalised entertainment option) TV expansion, fibre optic network expansion, 4G LTE (long-term evolution) expansion, international connectivity, fibre to the home (FTTH) and Wi-Fi wireless broadband projects.

The world has changed and will continue to change. People's lifestyles have been tremendously transformed by broadband Internet services and technologies – be it for business, education or social purposes. Internet users are now generating content and uploading them onto the web to be shared within their circles of friends. All these need the wide deployment of broadband network. Sophisticated ICT infrastructure and services remains the only way to fulfil the insatiable demand for connectivity, while supporting parallel platforms for interactive television, distance learning, online education, e-health and opportunities for cloud computing, private business networking and much more at superior speed, with high quality and reliability. SLT, along with its Group companies, will continue to support this drive through innovation and investments and deliver sustainable results in the short, medium and long-term.



Awards and Accolades

Annual Report 2015 —————

Sri Lanka Telecom PLC

Stewardship

Business Model

Management Discussion and Analysis

→ **Leadership and Recognition**

Financial Reports

Supplementary Information

Sri Lanka Telecom



Mobitel

World Education Congress Global Awards 2015

Distance Learning Leadership Award 2015 for mLearning with Faculty of Graduate Studies, University of Colombo

Techno 2015 Awards

Award for 'Product with Highest Social Impact'

Techno 2015 Awards

Award for 'Best Demonstration'

mBillionth Awards 2015

'Mobitel mGuide' wins an accolade in the culture and heritage category



Effies 2015

Two nominations for Best TV Commercial in the Broadband Category

European Identity and Cloud Awards 2015

Special Award for Mobile Connect Solution with WS

Sumathi Awards

Runner up for Best TV Commercial - Skype Campaign

2015 PMI Award for Project Excellence - Asia Pacific

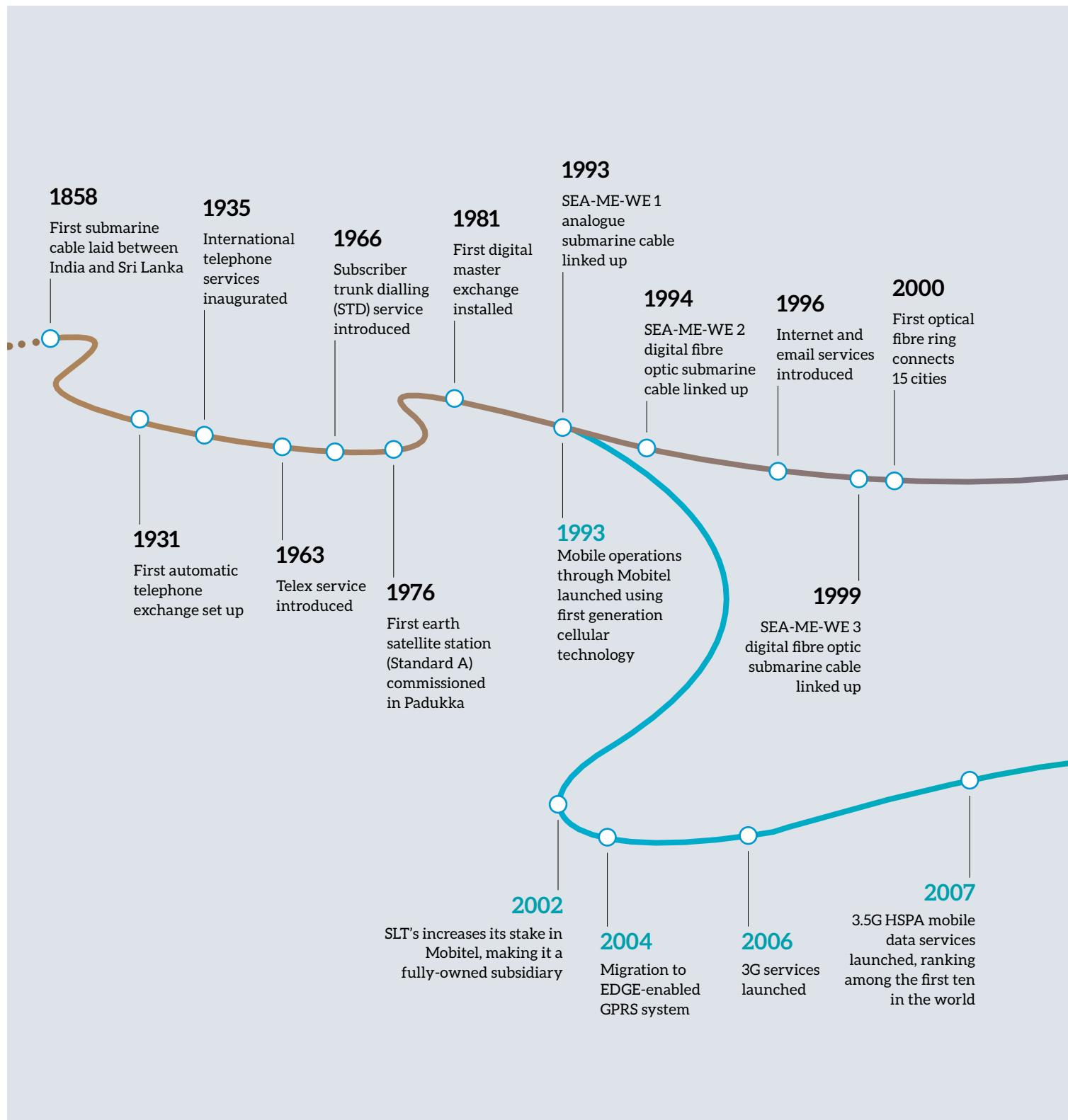
for the Mobitel Stage VII Expansion Project

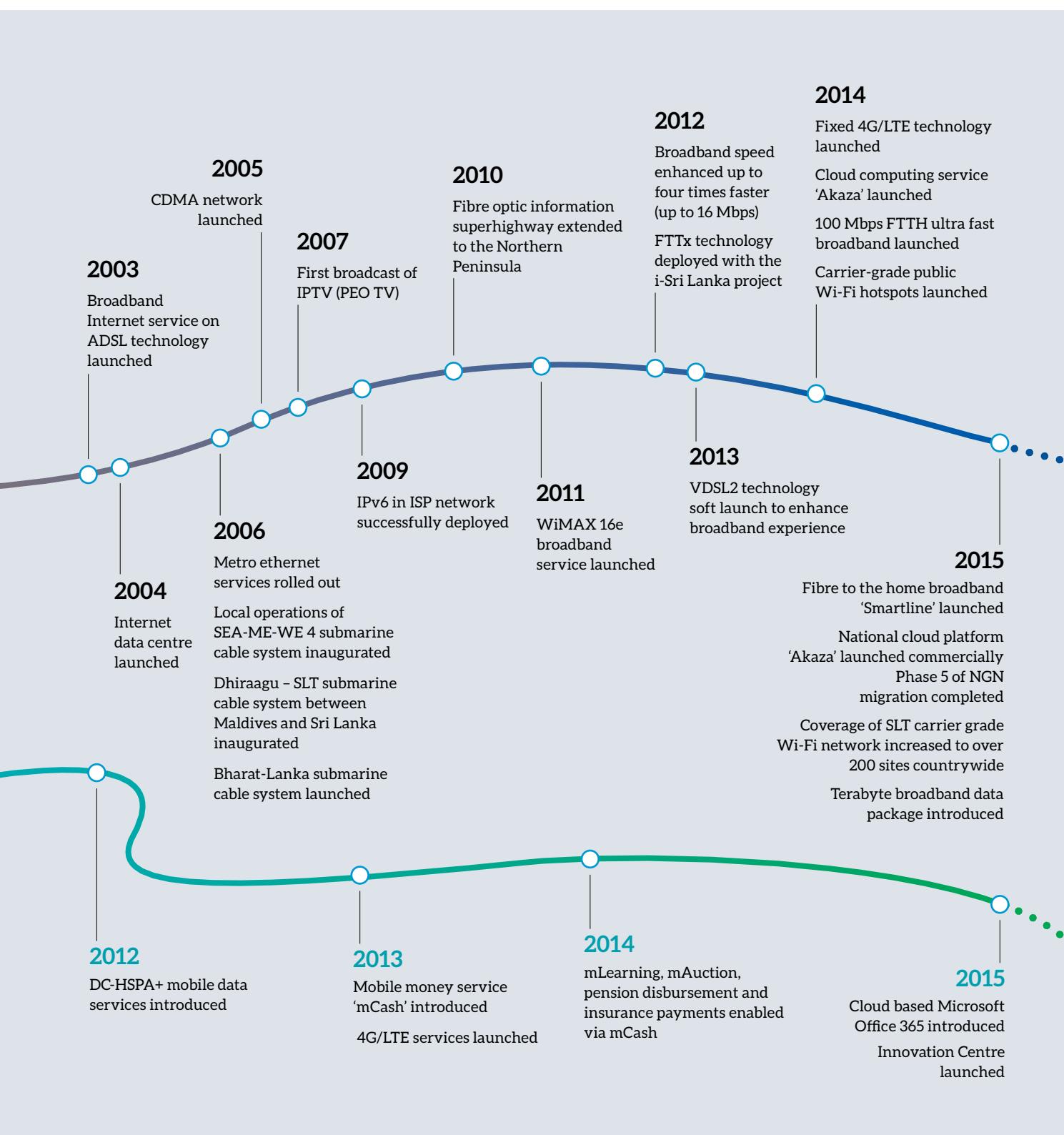
Our Technological Milestones

Annual Report 2015

Sri Lanka Telecom PLC

Stewardship
Business Model
Management Discussion and Analysis
→ Leadership and Recognition
Financial Reports
Supplementary Information





102

103

Financial Reports →

Annual Report of the Board of Directors on the Affairs of the Company -----	98
Statement of Directors in Relation to their Responsibility for the Preparation of Financial Statements -----	103
Audit Committee Report -----	104
Independent Auditors' Report -----	106
Statement of Profit or Loss and Other Comprehensive Income -----	107
Statement of Financial Position -----	108
Statement of Changes in Equity - Group -----	109
Statement of Changes in Equity - Company -----	110
Statement of Cash Flow -----	111
Notes to the Financial Statements -----	112

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

The Directors are pleased to present their report and the audited Financial Statements of the Company, Sri Lanka Telecom PLC and its subsidiaries for the financial year 2015.

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 Telecommunications Act) to which the Department of Telecommunications (DOT) was entitled or subject to immediately before the transfer date of 1 September 1991 were vested with SLT.

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

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. Subsequently, 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%.

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

Annual Report 2015

Sri Lanka Telecom PLC

Stewardship
Business Model
Management Discussion and Analysis
Leadership and Recognition
→ **Financial Reports**
Supplementary Information

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, Wireless broadband, data services, domestic and international leased circuits, frame relay, satellite uplink and maritime transmission.

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

Name of the subsidiary	Business activity
Mobitel (Private) Limited	Mobile telephone services
Sri Lanka Telecom (Services) Limited	Total network solutions
SLT Publications (Private) Limited	Directory publication services
SLT Human Capital Solutions (Private) Limited	Manpower solutions
SLT VisionCom (Private) Limited	IPTV services
Sky Network (Private) Limited	Wireless broadband services
SLT Property Management (Private) Limited	Property management
SLT Campus (Private) Limited	Higher education

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

3 Board of Directors

In terms of Section 168 (1) (h) of the Companies Act No. 07 of 2007, the names of persons who held the office as Directors of the Company as at 31 December 2015 are given below:

Name of Director	Position	Date of appointment	Date of re-election
Mr P G Kumarasinghe Sirisena	Chairman	23.01.2015	13.05.2015
Mr Chan Chee Beng	Director	05.06.2008	09.04.2014
Mr Jeffrey Blatt	Director	05.06.2008	13.05.2015
Mr Lawrence Paratz	Director	26.05.2010	09.04.2014
Ms Lai Choon Foong	Director	09.05.2014	13.05.2015
Ms Nilanthi Pieris	Director	03.02.2015	13.05.2015
Ms Chandra Ekanayake	Director	03.02.2015	13.05.2015
Mr W K H Wegapitiya	Director	02.12.2015	-
Mr Rohan De Silva	Director	30.12.2015	-

Resignations →

The names of persons who ceased to hold office as Directors during the financial year were:

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
Mr Krishantha Cooray	Director	01.12.2015
Mr Firdouse Farook	Director	07.12.2015

4 Appointment and Re-Election of Directors

In terms of the Articles of Association of the Company, the Directors are authorised to appoint any person to be a Director either to fill a casual vacancy or as an additional Director provided that the total number of Directors do not exceed the maximum numbers of Directors specified in the Articles of Association of the Company. The Directors appointed during the year will hold office only until the next Annual General Meeting ('AGM') and shall offer themselves for re-election by the shareholders.

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

Messrs W K H Wegapitiya and Rohan De Silva were appointed as Directors on 2 December 2015 and 30 December 2015 respectively to fill the casual vacancies that arose from the resignation of Messrs Krishantha Cooray and Firdouse Farook. Messrs W K H Wegapitiya and Rohan De Silva retire in terms of Article 97 of the Articles of Association of the Company and being eligible offer themselves for reappointment.

Messrs Chan Chee Beng and Lawrence Paratz, who have been longest in office since their last election, retire by rotation in terms of Articles 91 and 92 of the Articles of Association of the Company and being eligible offer themselves for re-election.

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

5 Board Sub-Committees

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

- Audit Committee
- Remuneration & Nomination Committee
- Senior Tender Board
- Technology Sub-Committee
- Risk Management Committee
- Related Party Transactions Review Committee

Information on the sub-committees is given under 'Corporate Governance' on page 25.

6 Directors' Indemnities and Insurance

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

7 Interest Register and Directors' Interest in Contracts with the Company

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

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

The Directors have no direct or indirect interest in any contract or proposed contact with the Company for the year ended 31 December 2015 other than those disclosed in Note 33.2 to the Financial Statements.

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

8 Related Party Transactions

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

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

There have been no related party transactions exceeding 10% of the equity or 5% of the total assets of the Company during the year under review.

9 Directors' Shareholding

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

10 Remuneration and Other Benefits of Directors

The remuneration and other benefits received by the Directors are given in Note 7 to the Financial Statements on page 133 as required by Section 168 (1) (f) of the Companies Act.

11 Stated Capital

The stated capital of the Company as at 31 December 2015 was Rs. 18,048,600,000 divided into 1,804,860,000 ordinary shares. There were no changes to the issued capital of the Company during the year under review.

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

Substantial shareholding →

The following shareholders held more than 5% of the issued shares as at 31 December 2015:

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

Voting rights →

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

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

12 Financial Statements

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

The significant accounting policies adopted by the Group and the Company in preparing the Financial Statements are set out on Note 3 to the Financial Statements. These policies, and applicable estimation techniques, have been reviewed by the Directors who have confirmed them to be appropriate for the preparation of the 2015 Consolidated Financial Statements. The policies adopted are consistent with those adopted in the previous financial year. However, Super Gain Tax has been accounted in accordance with an accounting treatment recommended by The Institute of Chartered Accountants of Sri Lanka.

The aforementioned Financial Statements for the year ended 31 December 2015 certified by the Chief Financial Officer and signed by two Directors are given on page 108 of this Report.

A statement by the Directors of their responsibilities for preparing the Financial Statements is included in the Statement of Directors' Responsibilities on page 103 while the independent Auditors' Report is set out on page 106 of this Report.

13 Financial Results and Appropriations

	2015		2014	
	Company Rs. million	Group Rs. million	Company Rs. million	Group Rs. million
Revenue	40,565	68,022	38,950	65,040
Profit	1,728	3,724	3,324	6,001
Reserves	58,702	65,240	58,577	63,900

Results of the Company and of the Group are given in the Statement of Profit or Loss and Other Comprehensive Income on page 107.

The movement of the reserves are given in the Statement of Changes in Equity on page 109 and 110 of this Annual Report.

14 Dividends

Subject to the approval of the shareholders, the Directors recommend a first and final dividend of Rs. 0.89 per share (2014 – Rs. 0.89 per share) for the financial year ended 31 December 2015 payable on 24 May 2016 to the shareholders registered as at 12 May 2016.

Prior to recommending the final dividend and in accordance with Section 56 (2) of the Companies Act No. 07 of 2007 the Directors have signed a certificate stating that, in their opinion, based on the available information, the Company will satisfy the Solvency Test immediately after the distribution is made and have obtained a Certificate from the Auditors in terms of Section 57 of the Companies Act.

15 Property, Plant & Equipment

The movements in property, plant & equipment during the year are set out in Note 13 to the Financial Statements. Current status of value of properties is disclosed on page 139.

16 Auditors

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

Audit fees	Rs. 9 million (2014 – Rs. 9 million)
Fees for Non-audit services	Rs. 7 million (2014 – Rs. 8 million)

KPMG has been SLT's Auditors since 2010. SLT Group Audit Committee having considered KPMG's performance and their independence has recommended the reappointment of KPMG by the shareholders as Auditors of the Company for the ensuing year.

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

KPMG have expressed their willingness to continue in office. A resolution to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

17 Statutory Payments and Compliance with Laws and Regulations

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

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

18 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.

19 Donations

During the year, the Directors had approved donations amounting to Rs. 2.0 million for charitable purposes for the year 2015 (2014 – Rs. 50,000). The amount includes contributions on account of Corporate Social Responsibility (CSR) initiatives as well.

20 Employment Policies

SLT has a range of employment policies covering issues such 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.

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

The number of persons employed by SLT is given in Note 7.1 on page 134 (and page 79 under Employee Capital).

21 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 56 to 89 of this Report.

22 Events after the Reporting Date

No events have occurred since the Reporting date and the approval of these consolidated Financial Statements, which would require adjustments to, or disclosure in, these consolidated Financial Statements, that require adjustment or disclosure except for the disclosure in Note 35 to the Financial Statements.

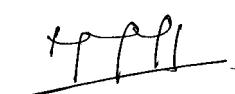
23 Going Concern

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

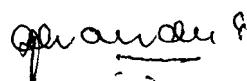
24 Annual General Meeting (AGM)

The AGM will be held at 10.00 a.m. on Thursday, 12 May 2016 at the Main Hall of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7. Details of the Meeting and the resolutions to be proposed are set out in a separate Notice of Meeting which accompanies this Annual Report.

By Order of the Board,
Sri Lanka Telecom PLC



P G Kumarasinghe Sirisena
Chairman



Chandra Ekanayake
Director



Mahesh Athukorale
Company Secretary

29 March 2016
Colombo

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

The responsibility of the Directors in relation to the Financial Statements of the Company and the Group is set out in the following statement. The responsibility of the independent auditors, in relation to the Financial Statements, prepared in accordance with the provisions of the Companies Act No. 07 of 2007 ('the Act') and SLFRS is set out in the Independent Auditors' Report on page 106.

The Financial Statements comprise:

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

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 (SLFRS/LKAS) 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 external 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 external 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

29 March 2016
Colombo

Audit Committee Report

→ Role of the Committee

The Audit Committee ('AC') is a Sub-Committee of the Board of Directors and is accountable to the Board.

The Committee is responsible for supporting the Board in ensuring that the Group's financial results, internal controls and risk management are effectively managed in line with best practices and in compliance with accounting standards of The Institute of Chartered Accountants of Sri Lanka, requirements of the Listing Rules of the Colombo Stock Exchange and other relevant laws and regulations.

The terms of reference of the Committee is available on the Company's website and it is reviewed as and when necessary to reflect any changes.

→ Composition

The AC comprises of four NEDs including two INEDs. Members of the Committee are Mr Chan Chee Beng, Ms Lai Choon Foong, Ms Chandra Ekanayake and Ms Nilanthi Pieris. Mr Chan is Fellow Member of the Institute of Chartered Accountants of England & Wales and 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 a good mix of skills and expertise in commercial, financial and audit matters arising from the senior positions they hold or previously held in other organisations. This composition meets the requirements of the Listing Rules of the CSE. The Company Secretary is Secretary to the AC.

→ Meetings

The Committee had five meetings during the year 2015 and attendance at these meetings is shown in the Corporate Governance Report on page 28. The Group Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit attend all meetings by invitation. The External Auditors are also requested to attend the meetings as and when required.

The Chairman of the Committee reports the proceedings of the Committee to the Board after every Committee meeting. Minutes of the meetings were circulated to the Board and significant issues were brought up and discussed at Board meetings.

→ Activities

The Committee dealt with the following key activities during the financial year 2015:

- Reviewed the quarterly and Annual Financial Statements together with the External Auditors and CFO and recommended to the Board for approval.
- Reviewed new, updates and enhancements of the key internal policies and procedures recommended by management to ensure effective internal control.
- Reviewed the Internal Audit Plan and monitored the performance of the Internal Audit Function against the plan.
- Reviewed internal audit reports including the control issues and recommendations and management action taken to resolve the issues.
- Reviewed the External Audit Plan including the audit approach, scope of audit and fees.
- Reviewed the results and recommendations of External Auditors and management action taken to address the control issues.
- Reviewed and monitored the External Auditors' independence and engagement to perform non-audit services.
- Recommended the reappointment of KPMG as the External Auditors for the financial year 2016 to the Board for approval of the shareholders.

→ Internal Control and Risk Management

The Committee reviewed the effectiveness of the Group's internal controls and corporate risks to provide reasonable assurance that there is no material misstatement or loss, the Group's assets are safeguarded and the financial information used within the business and for external reporting is reliable.

A summary of the risk management framework is set out on page 32.

→ Financial Reporting and Audit

The Committee reviewed the Financial Statements including compliance with accounting standards as well as statutory and regulatory requirements, any changes in accounting policies and any significant events or activities with material impact on the Financial Statements.

→ External Audit

The Committee reviewed the External Auditors' Audit Plan including the scope of the work and audit approach. The Committee had assessed the work of the External Auditors and the effectiveness of the audit process on an annual basis, and recommended the reappointment of KPMG as Auditors of the Company for the year 2016 for the approval of the Board and subject to the approval of the shareholders at the AGM.

→ Internal Audit

The Committee reviewed the Internal Audit Plan including the use of external specialist assistance for special and technical audits and monitored the performance of the Internal Audit function against the plan. It also reviewed the internal audit reports including the control issues and recommendations and management action taken to resolve the issues.

On behalf of the Board Audit Committee,



Chan Chee Beng
Chairman of the Board Audit Committee

29 March 2016

Independent Auditors' Report



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

Annual Report 2015 ————— Sri Lanka Telecom PLC
Stewardship
Business Model
Management Discussion and Analysis
Leadership and Recognition
→ **Financial Reports**
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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, 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 107 to 164 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, 2015, 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:

- The basis of opinion and scope and limitations of the audit are as stated above
- 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, 2015, 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

29 March 2016

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA P.Y.S. Perera FCA C.P. Jayatilake FCA
T.J.S. Rajakarier FCA W.W.J.C. Perera FCA Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA W.K.D.C. Abeyrathne ACA S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA R.M.D.B. Rajapakse ACA Ms. B.K.D.T.N. Rodrigo ACA
R.H. Rajan ACA
Principals - S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

Statement of Profit or Loss and Other Comprehensive Income

(All amounts in Sri Lanka rupees million)

	Notes	2015	2014	Group	Company
For the year ended 31 December				2015	2014
Revenue	6	68,022	65,040	40,565	38,950
Operating costs	7	(48,014)	(46,268)	(30,421)	(29,559)
Operating profit before depreciation and amortisation		20,008	18,772	10,144	9,391
Depreciation	13	(12,567)	(12,325)	(7,524)	(6,875)
Amortisation of intangible assets	14&15	(652)	(736)	(249)	(289)
Operating profit		6,789	5,711	2,371	2,227
Refunds on Telecommunication Development Charge (TDC)	8	-	1,259	-	937
Other income		280	582	171	362
Dividend income		-	-	713	660
Interest expense and finance costs	9	(270)	(198)	(30)	(49)
Foreign exchange (loss)/gain	9.a	(2,128)	(13)	(916)	14
Interest income	10	844	910	486	708
Profit before tax		5,515	8,251	2,795	4,859
Income tax expenses	11	(1,791)	(2,250)	(1,067)	(1,535)
Profit for the year		3,724	6,001	1,728	3,324
Other comprehensive income					
Defined benefit plan actuarial (loss)/gain	26	(8)	(478)	4	(438)
Tax on other comprehensive income	23	(1)	122	(1)	122
Other comprehensive income for the year net of tax		(9)	(356)	3	(316)
Total comprehensive income for the year		3,715	5,645	1,731	3,008
Profit attributable to:					
Owners of the Company		3,724	6,001	1,728	3,324
Total comprehensive income attributable to:					
Owners of the Company		3,715	5,645	1,731	3,008
Earnings per share					
- Basic (Rs.)	12	2.06	3.32	0.96	1.84

The Notes on pages 112 to 164 form an integral part of these Financial Statements.

Statement of Financial Position

(All amounts in Sri Lanka rupees million)

Annual Report 2015
 Stewardship
 Business Model
 Management Discussion and Analysis
 Leadership and Recognition
 → **Financial Reports**
 Supplementary Information

Sri Lanka Telecom PLC

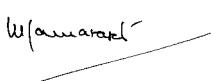
As at 31 December	Notes	Group		Company		
		2015	2014	2015	2014	
Assets						
Non-current assets						
Property, plant & equipment	13	99,283	90,935	70,081	60,221	
Intangible assets and goodwill	14	2,891	3,412	1,084	1,326	
Financial prepayments	15	-	79	-	-	
Investments in subsidiaries	16	-	-	14,220	14,189	
Deferred tax assets	23	37	46	-	-	
Other receivables	18	2,908	2,789	2,908	2,789	
Total non-current assets		105,119	97,261	88,293	78,525	
Current assets						
Inventories	19	874	475	561	282	
Trade and other receivables	20	14,033	13,335	13,091	12,728	
Current tax receivable		1	88	-	83	
Other investments	17	1,043	6,750	641	6,397	
Cash and cash equivalents	21	5,475	4,695	475	1,002	
Total current assets		21,426	25,343	14,768	20,492	
Total assets		126,545	122,604	103,061	99,017	
Equity						
Capital and reserves						
Stated capital	29	18,049	18,049	18,049	18,049	
Insurance reserve	27	605	560	605	560	
Retained earnings		46,586	45,291	40,048	39,968	
Equity attributable to equity holders of the company		65,240	63,900	58,702	58,577	
Non-controlling interest		-	-	-	-	
Total equity		65,240	63,900	58,702	58,577	
Liabilities						
Non-current liabilities						
Grants	28	16	22	16	22	
Borrowings	22	14,949	17,986	12,025	11,700	
Deferred income	24	2,370	2,578	2,315	2,512	
Deferred tax liabilities	23	3,600	2,805	3,594	2,801	
Employee benefits	26	4,353	3,875	3,892	3,512	
Trade and other payables	25	2,935	2,407	252	250	
Total non-current liabilities		28,223	29,673	22,094	20,797	
Current liabilities						
Borrowings	22	9,446	9,136	4,147	4,359	
Deferred income	24	2,027	2,398	661	706	
Current tax liabilities		447	442	15	-	
Trade and other payables	25	21,162	17,055	17,442	14,578	
Total current liabilities		33,082	29,031	22,265	19,643	
Total liabilities		61,305	58,704	44,359	40,440	
Total equity and liabilities		126,545	122,604	103,061	99,017	

The Notes on pages 112 to 164 form an integral part of these Financial Statements.

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

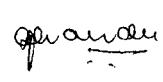
The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors on 29 March 2016.

Signed for and behalf of the Board,


Udeni K. Samararatne
Chief Financial Officer


P G Kumarasinghe Sirisena
Chairman

29 March 2016


Chandra Ekanayake
Director

Statement of Changes in Equity - Group

(All amounts in Sri Lanka rupees million)

Group	Notes	Attributable to owners of the Company				
		Stated capital	Insurance reserve	Retained earnings	Total	Total equity
Balance as at 1 January 2014	18,049	500	41,240	59,789	59,789	59,789
Total comprehensive income for the year						
Net profit for the year 2014	-	-	6,001	6,001	6,001	6,001
Other comprehensive income						
Defined benefit plan actuarial (loss)/gain, net of tax	-	-	(356)	(356)	(356)	(356)
Total other comprehensive income	-	-	(356)	(356)	(356)	(356)
Total comprehensive income for the year	-	-	5,645	5,645	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)	(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	63,900	63,900

Group	Notes	Attributable to owners of the Company				
		Stated capital	Insurance reserve	Retained earnings	Total	Total equity
Balance as at 1 January 2015	18,049	560	45,291	63,900	63,900	63,900
Super gain tax (Note)						
Balance as at 1 January 2015 (Restated)	18,049	560	44,522	63,131	63,131	63,131
Total comprehensive income for the year						
Net profit for the year 2015	-	-	3,724	3,724	3,724	3,724
Other comprehensive income						
Defined benefit plan actuarial (loss)/gain, net of tax	-	-	(9)	(9)	(9)	(9)
Total other comprehensive income	-	-	(9)	(9)	(9)	(9)
Total comprehensive income for the year	-	-	3,715	3,715	3,715	3,715
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Dividends to equity shareholders	-	-	(1,606)	(1,606)	(1,606)	(1,606)
Insurance reserve						
Transfer to insurance reserve	27	-	45	(45)	-	-
Balance as at 31 December 2015	18,049	605	46,586	65,240	65,240	65,240

The Notes on pages 112 to 164 form an integral part of these Financial Statements.

Note

As per the provisions of Part iii of the Finance Act, No. 10 of 2015, which was certified on 30 October 2015, the Group was liable for Super Gain Tax (SGT) of Rs. 769 million. According to the Act, SGT was deemed to be expenditure in the Financial Statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards; hence the expense of SGT is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by The Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

Statement of Changes in Equity - Company

(All amounts in Sri Lanka rupees million)

Annual Report 2015

Sri Lanka Telecom PLC

Stewardship
Business Model
Management Discussion and Analysis
Leadership and Recognition
→ **Financial Reports**
Supplementary Information

Company	Notes	Attributable to owners of the Company			Total equity
		Stated capital	Insurance reserve	Retained earnings	
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 (loss)/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

Company	Notes	Attributable to owners of the Company			Total equity
		Stated capital	Insurance reserve	Retained earnings	
Balance as at 1 January 2015		18,049	560	39,968	58,577
Total comprehensive income for the year					
Net profit for the year 2015		-	-	1,728	1,728
Other comprehensive income					
Defined benefit plan actuarial (loss)/gain, net of tax		-	-	3	3
Total other comprehensive income		-	-	3	3
Total comprehensive income for the year		-	-	1,731	1,731
Transactions with owners, recorded directly in equity					
Contribution by and distribution to owners					
Dividends to equity shareholders		-	-	(1,606)	(1,606)
Insurance reserve					
Transfer to Insurance Reserve	27	-	45	(45)	-
Balance as at 31 December 2015		18,049	605	40,048	58,702

The Notes on pages 112 to 164 form an integral part of these Financial Statements.

Statement of Cash Flow

(All amounts in Sri Lanka rupees million)

	Notes	Group		Company	
		2015	2014	2015	2014
For the year ended 31 December					
Cash flows from operating activities					
Cash generated from operations	30	23,454	20,355	12,980	11,322
Interest received		849	918	491	716
Interest paid		(1,209)	(279)	(709)	(366)
Tax paid		(1,665)	(823)	(177)	(216)
Gratuity paid (Note 26)		(164)	(124)	(143)	(100)
Net cash generated from operating activities		21,265	20,047	12,442	11,356
Cash flows from investing activities					
Acquisition of property, plant & equipment		(20,340)	(20,178)	(16,113)	(16,438)
Acquisition of intangible assets	14	(37)	(75)	(7)	(2)
Proceeds from disposal of property, plant & equipment		40	79	20	67
Proceeds/(purchase) of short-term investments		5,962	(3,350)	6,011	(3,092)
Investments in subsidiaries		-	-	(25)	(33)
Net cash/(used) in investing activities		(14,375)	(23,524)	(10,114)	(19,498)
Cash flows from financing activities					
Proceeds from borrowings		3,464	13,430	2,816	13,092
Finance lease principal repayments		(68)	(77)	(47)	(59)
Repayment of borrowings		(7,855)	(6,780)	(4,291)	(2,456)
Dividends paid to the equity shareholders		(1,606)	(1,534)	(1,606)	(1,534)
Net cash (used)/generated from financing activities		(6,065)	5,039	(3,128)	9,043
Increase/(decrease) in cash and cash equivalents		825	1,562	(800)	901
Movement in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year (Note 21)		3,774	2,194	1,002	83
Effect of exchange fluctuation on cash and cash equivalents		21	18	21	18
		3,795	2,212	1,023	101
Increase/(decrease) in cash and cash equivalents		825	1,562	(800)	901
At the end of year	21.a	4,620	3,774	223	1,002

The Notes on pages 112 to 164 form an integral part of these Financial Statements.

Notes to the Financial Statements

(All amounts in Sri Lanka rupees million)

Annual Report 2015 ————— Sri Lanka Telecom PLC
Stewardship
Business Model
Management Discussion and Analysis
Leadership and Recognition
→ **Financial Reports**
Supplementary Information

1 Reporting Entity

Sri Lanka Telecom PLC (the 'Company') is a company domiciled in Sri Lanka. The address of the Company's registered office is Lotus Road, Colombo 1. The separate Financial Statements relates to Sri Lanka Telecom PLC. The Consolidated Financial Statements of the Company as at and for the year ended December 2015 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, directory publishing and provision of manpower. The Company is a quoted public Company which is listed on the Colombo Stock Exchange.

2 Basis of Preparation

(a) Statement of compliance →

The Financial Statements of the Group and the Company which comprises the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) as laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 and 2007.

(b) Approval of Financial Statements by Directors →

The Financial Statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 29 March 2016.

(c) Basis of measurement →

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

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

The Financial Statements have been prepared on a going concern basis.

(d) Functional and presentation currency →

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

(e) Use of estimates and judgments →

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standard 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 critical 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 32 - Provisions and contingencies
- Note 23 - Deferred tax
- Note 24 - Deferred income
- Note 26 - Employee benefits

(f) Changes in accounting policies →

No changes in accounting policies have taken place during the year ended 31 December 2015.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in Financial Statements and have been applied consistently by the Group entities where applicable, except the following:

The Company has adopted the following Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax.

Statement of Alternative Treatment (SoAT) on accounting for super gain tax →

As per the Provisions of Part III of the Finance Act No. 10 of 2015 which was certified on 30 October 2015, the Group was liable for super gain tax of Rs. 769 million. According to the Act, the super gain tax was deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by The Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

(a) Basis of consolidation →

(i) Business combinations →

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

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not 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 that are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements from the date on which control commences until the date on which control ceases.

(ii-a) Critical 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-b) below:

(ii-b) Interest in subsidiaries →

Set out below are the Group's subsidiaries as at 31 December 2015:

Name of entity	Place of business/ country of incorporation	Percentage of ownership	Principal activities
Mobitel (Private) Limited	Colombo/Sri Lanka	100.00%	Mobile service provider
Sri Lanka Telecom (Services) Limited	Colombo/Sri Lanka	99.99%	Providing network solutions for corporate customers and small 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.

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

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

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

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

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

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

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

(i-ii) Non-derivative financial liabilities – Measurement →

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

(i-iii) Fair value measurement →

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

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

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

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

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

Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of 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.

(iv) Reclassifications →

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

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

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

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

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

(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.

(vi) Impairment →

Non-derivative financial assets →

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

Objective evidence that financial assets are impaired includes -

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

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

Financial assets measured at amortised cost

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

Available-for-sale financial assets

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 the statement of profit or loss; otherwise, it is reversed through OCI.

Non-financial assets →

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

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

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

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

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

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

(d) Property, plant & equipment →

(i) Recognition and measurement →

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that asset. When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

(ii) Subsequent costs →

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

(iii) Depreciation →

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

Depreciation method, useful lives and residual values are reviewed at each Reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	5 - 40 years
Ducts, cables and other outside plant	5 - 12.5 years
Submarine cables	19 - 25 years
Telephone exchanges	8 - 12.5 years
Transmission equipment and towers	12.5 - 40 years
Motor vehicles	5 years
CDMA handsets	3 years
PABX system	1 - 6 years
Other fixed assets	4 - 10 years

(iv) Capital work-in-progress →

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

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

(v) Derecognition →

The carrying amount of an item of property, plant & equipment is derecognised on disposal. Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment, and are recognised net within 'other income' in the Statement of Profit or Loss and Other Comprehensive Income.

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

(vi) Borrowing cost →

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

(e) Intangible assets →

(i) Goodwill →

Goodwill arises on the acquisition of subsidiaries.

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

(Subsequent measurement →

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets →

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

(iii) Licenses →

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

(iv) Subsequent expenditure →

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

(v) Amortisation →

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

Software	2 - 10 Years
License and spectrum fees	2 - 10 Years

(f) Leased assets →

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

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

(g) Inventories →

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

(h) Share capital →**Ordinary share capital →**

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

(i) Government grants →

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

(j) Employee benefits →**(i) Defined contribution plans →**

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

Employees' Provident Fund →

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

All employees of subsidiaries of the Group are members of Employees' Provident Fund (EPF), to which the respective subsidiaries contribute 12% of such employees' basic salary

and allowances. Employees of Sri Lanka Telecom (Services) Limited are members of Employees' Provident Fund (EPF), where the Company contribute 15% of such employees' basic salary and allowances.

Employees' Trust Fund →

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

(ii) Defined benefit plans →

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

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

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

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

Trade and other payables are stated at their cost.

(l) Commitments and contingencies →

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

(m) Revenue →

(i) Goods →

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Equipment sale →

Revenue from sales of telecommunications equipment is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecommunications equipment and ongoing service) is allocated to those components that are separable based on the estimated fair value of the components.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

Sale of directories →

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

(ii) Services →

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the profit or loss in proportion to the services delivered at the Reporting date. In respect of services invoiced in advance, amounts are deferred until provision of the service.

Domestic and international call revenue, rental income →

Fixed line →

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

Mobile revenue →

Mobile revenue comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging and the provision of other mobile telecommunications services. Mobile monthly access charges are invoiced and recorded as part of a periodic billing cycle. Air time, either from contract customers as part of the invoiced amount or from prepaid customers through the sale of prepaid cards, is recorded in the period in which the customer uses the service.

Revenue from other network operators and international settlements →

The revenue received from other network operators, local and international, for the use of the Group's telecommunication network are recognised, net of taxes, based on usage taking the traffic minutes/per second rates stipulated in the relevant agreements and regulations and based on the terms of the lease agreements for fixed rentals.

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

Revenue from broadband →

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

Revenue from other ICT services →

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

Deferred income →

The connection fees relating to Public Switch Telephone Network (PSTN) are deferred over a period of 15 years. Revenue is recognised on an annual basis irrespective of the date of connection.

IRU revenue relating to leasing of SEA-ME-WE 4 cable capacity are recognised on a straight line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue. In the event, that a customer terminates an IRU prior to the expiry of the contract and releases the Company from the obligation to provide future services, the remaining unamortised deferred revenue is recognised in the period the contract is terminated.

Backhauling revenue which is leasing of SEA-ME-WE 3 cable capacity is recognised on a straight line basis over the period of contracts. Amounts received in advance for any services are recorded as deferred revenue.

Revenue from the sale of prepaid CDMA cards is deferred until such time as the customer uses the call time, downloadable quota or the credit expires.

Sale of mobile recharge cards and reloads for prepaid subscribers are initially recognised as deferred revenue until such time as the subscribers use the services or credit period expires.

CDMA revenue →

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

(n) Expenditure →

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

(o) Lease payments →

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

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

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease.

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

(p) Finance income and expenses →

The Group's finance income and finance cost include:

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

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

(q) Income tax →

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

(i) Current taxation →

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

Provisions for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

(ii) Deferred taxation →

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

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

No deferred taxation is provided for Mobitel (Private) Limited due to fact that the income taxes are computed and paid at 2% on revenue.

(iii) Economic Service Charge (ESC) →

ESC is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is deductible from the income tax liability. Any unclaimed payment can be carried forward and set off against the income tax payable as per the relevant provision in the Act.

(iv) Sales tax →

Revenue, expenses and assets are recognised net of the amount of sale tax, except: where sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable.

(r) Earnings per share →

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

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

(s) Insurance reserve →

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

(t) Dividend distribution →

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

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

(u) Comparatives →

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the Financial Statements are amended, comparative amounts are reclassified unless it is impracticable.

(v) Statement of Cash flow →

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

(w) Events after the reporting period →

All material events after the Reporting date have been considered and where appropriate, adjustments or disclosures have been made in respective Notes to the Financial Statements.

(x) Directors' responsibility statement →

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements.

(y) Critical accounting estimates, assumptions and judgments →

In the preparation of these Financial Statements, a number of estimates and assumptions have been made relating to the performance and the financial position of the Group. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Group's most critical accounting policies, which are those that are most important to the presentation of its financial performance and position. These particular policies require subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are uncertain.

(i) Depreciation of property, plant & equipment →

The Group assigns useful lives and residual values to property, plant & equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Where the Company determines that the useful life of property, plant & equipment should be shortened or residual value reduced, it depreciates the net carrying amount in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Group's Financial Statements when the change in estimate is determined.

(ii) Impairment of property, plant & equipment and intangible assets →

The Group assesses the impairment of property, plant & equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important and which could trigger an impairment review include the following:

- a. obsolescence or physical damage;
- b. significant changes in technology and regulatory environments;
- c. significant under performance relative to expected historical or projected future operating results;
- d. significant changes in the use of its assets or the strategy for its overall business.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units require significant judgment.

(iii) Revenue recognition →

Judgment is required in assessing the application of the principles of revenue recognition in respect of revenues. This includes presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

(iv) Valuation of receivables →

The provision for impairment losses for trade and other receivables reflects the Group's estimates of losses arising from the failure or inability of customers to make required payments. The provision is based on the ageing of customer accounts, customer credit-worthiness and the Group's historical write-off experience etc. Changes to the provision may be required if the financial condition of its customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs.

(z) New accounting standards issued but not effective as at Reporting date →

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for the financial periods beginning on or after 1 January 2016. The Group has not assessed the potential impact on its Financial Statements resulting from their application.

SLFRS 9 – Financial Instruments: Classification and Measurement →

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities, depending on the entity's business model for managing contractual cash flows characteristics of the financial asset.

SLFRS 9 will be effective for financial periods beginning on or after 1 January 2018.

SLFRS 15 – Revenue from contract with customers →

SLFRS 15 establishes a comprehensive framework for determining revenue recognition by a 5-step model and will replace the existing LKAS 18 and LKAS 11. This standard contains single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model feature a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The new standard will result in significant impacts across the telecommunications sector, requiring companies to assess how their financial reporting, information systems and processes will be affected. In particular accounting subsidised handsets, portfolio accounting, multiple user plan, early upgrade right, non-refundable fees, one-off credits and customer retention-type discounts, contracts paid over a period of more than one year, indirect channel sales, commissions and other contract costs, transition options, etc.

SLFRS 15, will be applicable for the financial periods beginning on or after 1 January 2018.

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 ad procedures. The results of which are reported to the Audit Committee.

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

- Credit risk
- Liquidity risk
- Market risk

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

4.1 Credit Risk →

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arise principally from the Group's receivables from customers.

Carrying amount of financial assets represents the maximum credit exposure.

4.1.1 Trade receivables →

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

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

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

As at 31 December 2015, the maximum exposure to credit risk for trade by geographic region was as follows:

Rs. million	Group		Company	
	2015	2014	2015	2014
Sri Lanka	15,802	13,900	11,880	10,602
Middle East	533	405	482	382
Asia	510	548	372	327
Europe	754	1,427	973	1,097
Australia	35	40	37	25
Other	451	196	151	137
Total Trade Receivables	18,085	16,516	13,895	12,570

As at 31 December 2015, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

Rs. million	Group		Company	
	2015	2014	2015	2014
Wholesale customers	5,120	4,000	4,388	3,813
Retail customers	10,751	10,252	8,043	7,486
Other network operators	1,625	1,134	1,357	1,134
Other	589	1,130	107	137
Total Trade Receivables	18,085	16,516	13,895	12,570

As at 31 December the Group's most significant customer was Dialog Axiata PLC which accounted for Rs. 320 million of trade receivables (2014 - Rs. 407 million).

Impairment →

As at 31 December 2015, the aging of trade receivables that were not impaired was as follows:

Rs. million	Group		Company	
	2015	2014	2015	2014
Past due 1 year	131	82	447	378
Past due 2 years and above	4	9	300	28
	135	91	747	406

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. 692 million (2014 - Rs. 365 million).

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

Rs. million	Group		Company	
	Impairment	Impairment	Impairment	Impairment
Balance as at 1 January 2014			5,662	4,486
- Impairment loss recognised			898	591
- Amounts written off			-	-
Balance as at December 2014			6,560	5,077
- Impairment loss recognised			1,177	865
- Amounts written off			(172)	(162)
Balance as at 31 December 2015			7,565	5,780

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. 5,475 million as at 31 December 2015 (2014 - Rs. 4,695 million)

4.1.4 Employee loans →

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

4.2 Liquidity risk →

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

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

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

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

Rs. million	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years
Group					
As at 31 December 2015					
Bank overdrafts	855	855	-	-	-
Bank borrowings and others	16,857	4,972	4,014	7,871	-
Vendor financing	6,435	3,562	2,154	719	-
Lease liabilities	248	57	58	133	-
	24,395	9,446	6,226	8,723	-
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	-

Rs. million	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years
Company					
As at 31 December 2015					
Bank overdrafts	252	252	-	-	-
Bank borrowings and others	15,745	3,860	4,014	7,871	-
Lease liabilities	175	35	35	105	-
	16,172	4,147	4,049	7,976	-
As at 31 December 2014					
Bank overdrafts	-	-	-	-	-
Bank borrowings and others	15,837	4,299	3,297	8,241	-
Lease liabilities	222	60	162	-	-
	16,059	4,359	3,459	8,241	-

4.3 Market risk →

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

4.3.1 Currency risk →

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

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

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

	Group USD million
As at December 2015	
Foreign trade receivables	16
Secured bank loans	(52)
Unsecured loans	(109)
Trade payables	(3)
Net statement of financial position exposure	(149)
As at December 2014	
Foreign trade receivables	21
Secured bank loans	(15)
Unsecured loans	(120)
Trade payables	(2)
Net statement of financial position exposure	(116)

	Company USD million
As at December 2015	
Foreign trade receivables	14
Secured bank loans	-
Unsecured loans	(109)
Trade payables	(1)
Net statement of financial position exposure	(97)
As at December 2014	
Foreign trade receivables	16
Secured bank loans	-
Unsecured loans	(120)
Trade payables	(1)
Net statement of financial position exposure	(105)

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

	Average rate	Year end spot rate		
	2015	2014	2015	2014
USD	136.16	130.56	144.06	131.87
EUR	150.55	173.47	157.32	160.51

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				
2015 December				
USD (10%)	(2,325)	2,325	(2,325)	2,325
2014 December				
USD (10%)	(1,777)	1,777	(1,777)	1,777
Company				
2015 December				
USD (10%)	(1,574)	1,574	(1,574)	1,574
2014 December				
USD (10%)	(1,579)	1,579	(1,579)	1,579

4.3.2 Interest rate risk →

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

To minimise the adverse impact of variable interest rate borrowings due to an upward movement of USD interest rates in the market, the Company has obtained an interest rate SWAP and arrangements are being made to obtain an interest rate CAP.

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

Interest rate sensitivity of the Company was computed using a floor interest rates (Minimum) of 2.5% and 4.75% CAP interest rate (Maximum) of 6.00% as stipulated in the loan agreements. The Group interest rate sensitivity was computed based on a 100 basis point increase or decrease. This analysis assumes that all other variables, in particular, foreign

currency exchange rates, remain constant. The sensitivity of interest rate movement is shown below:

Rs. million	Profit or loss	
	Increase in interest rate	Decrease in interest rate
Group		
2015 December		
Variable rate instruments	(96)	85
2014 December		
Variable rate instruments	(100)	76
Company		
2015 December		
Variable rate instruments	(21)	10
2014 December		
Variable rate instruments	(38)	14

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 (2015)	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	18 & 20	-	-	16,941	15,999	-
Other investments	17	-	-	1,043	641	-
Total		-	-	17,984	16,640	-

Type of the Financial Instrument (2014)

Trade and other receivables	18 & 20	-	-	16,124	15,517	-
Other investments	17	-	-	6,750	6,397	-
Total		-	-	22,874	21,914	-

Financial liabilities →

Type of the Financial Instrument (2015)	Note	Fair value through profit or loss Group/Company	Other financial liabilities (Note 4.4.1)	
			Group	Company
Trade and other payables	25	—	24,097	17,694
Borrowings	22	—	24,395	16,172
Total		—	48,492	33,866

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

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

4.5 Capital Management →

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

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	Group		Company	
	2015	2014	2015	2014
Total borrowings	24,395	27,122	16,172	16,059
Total equity	65,240	63,900	58,702	58,577
Total capital	89,635	91,022	74,874	74,636
Gearing ratio (%)	27.2	29.8	21.6	21.5

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 at least on quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Fixed ICT operations includes supply of fixed telecommunication services.
- Mobile ICT operations includes supply of mobile telecommunication services.
- Other segment operations includes Directory publication and support services. None of these segments meet the quantitative thresholds for determining reportable segments in 2015 or 2014.

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 2015 →

(All amounts in Sri Lanka rupees million)

Information about reportable segments →

	Fixed ICT operations		Mobile ICT operations		Other segments operations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
External revenue	37,213	35,708	30,195	28,325	614	1,007	68,022	65,040
Inter-segment revenue	3,352	3,242	2,363	2,275	2,379	1,706	8,094	7,223
Reportable segment revenue	40,565	38,950	32,558	30,600	2,993	2,713	76,116	72,263
Reportable segment profit before tax	2,795	4,859	3,363	3,500	170	322	6,328	8,681
Interest revenue	486	708	332	177	26	25	844	910
Interest expenses	(30)	(49)	(228)	(140)	(12)	(9)	(270)	(198)
Depreciation and amortisation	(7,773)	(7,164)	(5,364)	(5,817)	(82)	(80)	(13,219)	(13,061)
Reportable segment assets	103,061	99,017	42,606	41,591	1,940	1,684	147,607	142,292
Capital expenditure	16,120	16,440	4,218	3,800	39	13	20,377	20,253
Reportable segment liabilities	44,359	40,440	22,936	23,177	1,462	1,290	68,757	64,907

	2015	2014
Reconciliations of information on reportable segments		
Revenue		
Total revenue for reportable segments	73,123	69,550
Revenue for other segments	2,993	2,713
Reportable segment revenue	76,116	72,263
Elimination of inter-segment revenue	(8,094)	(7,223)
Consolidated revenue	68,022	65,040

Notes to the Financial Statements

Annual Report 2015

— Sri Lanka Telecom PLC

- Stewardship
- Business Model
- Management Discussion and Analysis
- Leadership and Recognition

→ **Financial Reports**

- Supplementary Information

	2015	2014	
Profit or loss			
Total profit or loss for reportable segments	6,158	8,359	
Profit or loss for other segments	170	322	
Reportable segment profit before tax	6,328	8,681	
Elimination of inter-segment profits	(813)	(430)	
Consolidated profit before tax	5,515	8,251	
Assets			
Total assets for reportable segments	145,667	140,608	
Assets for other segments	1,940	1,684	
	147,607	142,292	
Elimination of inter-segment assets	(21,062)	(19,688)	
Consolidated total assets	126,545	122,604	
Liabilities			
Total liabilities for reportable segments	67,295	63,617	
Liabilities for other segments	1,462	1,290	
	68,757	64,907	
Elimination of inter-segment liabilities	(7,452)	(6,203)	
Consolidated total liabilities	61,305	58,704	
	Reportable segment totals	Adjustments	Consolidated totals
Other material items (2015)			
Interest revenue	844	–	844
Interest expense	(270)	–	(270)
Capital expenditure	20,377	–	20,377
Depreciation and amortisation	(13,219)	–	(13,219)
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)

6 Revenue

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

	Group		Company	
	2015	2014	2015	2014
Release of deferred connection charges	529	586	529	586
Rental income	6,580	6,588	4,959	4,911
Domestic call revenue	23,102	22,314	4,738	5,098
Receipts from other network operators - Domestic	1,874	1,767	729	755
International call revenue	2,250	2,291	776	921
Receipts from other network operators - International	102	96	2	13
International settlements	9,765	10,826	6,677	6,864
CDMA revenue	1,290	1,481	1,290	1,481
Broadband revenue	11,351	8,232	6,913	6,199
Data and other services	11,179	10,859	13,952	12,122
	68,022	65,040	40,565	38,950

7 Operating Costs

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

	Group		Company	
	2015	2014	2015	2014
Staff costs (Note 7.1)	15,557	14,150	11,014	10,322
Directors' emoluments	21	20	19	17
Payments to international network operators	1,444	1,499	1,444	1,499
Payments to other network operators				
- International	2,953	2,761	2,209	1,982
- Domestic	2,107	2,016	786	822
Int'l Telecommunication Operators Levy (Note 8)	1,861	2,186	1,052	1,297
Auditors' remuneration				
Audit				
- KPMG	11	11	9	9
- Other auditors	4	4	-	-
Non-audit				
- KPMG	7	8	7	8
- Others	4	6	4	6
Repairs and maintenance expenditure	3,871	3,419	3,054	2,696
Provision for doubtful debts	1,188	937	882	630
Impairments/(reversals) of inventory	201	13	201	13
Impairment of property, plant & equipment (Note 13)	886	518	190	518
Other operating expenditure	17,899	18,720	9,550	9,740
	48,014	46,268	30,421	29,559

7.1 Staff costs →

	Group		Company	
	2015	2014	2015	2014
Salaries, wages, allowances and other benefits	13,746	12,545	9,612	9,059
Post employment benefits				
- Defined contribution plans	1,177	1,087	875	814
- Defined benefit obligations (Note 26)	634	518	527	449
	15,577	14,150	11,014	10,322
Average number of persons employed	9,972	9,985	5,824	5,786

8 Refunds on Telecommunication Development Charge (TDC)

In accordance with the Finance Act No. 11 of 2004, all Telecommunication Gateway Operators are required to pay a levy defined as the Telecommunication Development Charge (TDC) to the Government of Sri Lanka, based on international call minutes terminated in the country. This levy was made effective from 03 March 2003, where initially the levy was defined in such a way that Operators were allowed to claim the 2/3rd of 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	
	2015	2014	2015	2014
TDC refund	-	1,259	-	937

The TDC Refund received in 2014 corresponds to the period from April 2009 to July 2010 which was the last claim obtained under the respective regulation.

International Telecommunication Operators Levy (ITL) recognised as expense for the period is as follows:

	Group		Company	
	2015	2014	2015	2014
ITL	1,861	2,186	1,052	1,297

9 Interest Expense and Finance Costs

	Group		Company	
	2015	2014	2015	2014
Rupee loans [see Note (a) below]	3	53	-	-
Foreign currency loans [see Note (a) below]	975	824	760	481
Other charges [see Note (b) below]	52	68	30	49
Total interest and finance cost	1,030	945	790	530
Interest capitalised	(760)	(747)	(760)	(481)
Net total interest and finance cost	270	198	30	49

(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	
	2015	2014	2015	2014
Net foreign exchange (loss)/gain	(2,128)	(13)	(916)	14

(a) Foreign currency (loss) or gain of the Company mainly includes –

- i. Exchange gain of Rs. 385 million (2014 – Rs. 129 million) arising from revaluation of receivables, fixed deposits and bank balances maintained in USD.
- ii. Exchange loss of Rs. 1,301 million (2014 – Rs. 115 million) arising from revaluation of USD syndicate loans.

(b) Foreign currency (loss) or gain of the Group mainly includes –

- i. Exchange gain of Rs. 400 million (2014 – of Rs. 129 million) arising from revaluation of the receivables, fixed deposits and bank balances maintained in USD.
- ii. Exchange loss of Rs. 418 million on payment to foreign suppliers (2014 – Rs. 5 million).
- iii. Exchange loss of Rs. 2,110 million (2014 – Rs. 137 million) arising from revaluation of USD syndicate loan and other term loans.

10 Interest Income

	Group		Company	
	2015	2014	2015	2014
Interest income from: -				
Repurchase agreement – Repos	375	187	48	28
Fixed Deposits	172	271	141	228
Staff Loan Interest	297	452	297	452
	844	910	486	708

The interest income on bank deposits reflect the prevailing rates on the date of respective investments.

- (a) The weighted average interest rates on bank deposits and Government Securities in LKR were 7.06% (2014 – 8.96 %) and 6.07% (2014 – Nil) respectively for restricted investments.
- (b) The weighted average interest rate on bank deposits in USD was 3.16% (2014 – 3.65%).

- (c) The weighted average interest rates on investments in Government Securities were 5.83 % (2014 – 6.05%).
- (d) The weighted average interest rates on staff loans are between 12 % and 14% (2014 – 12% -14%).
- (e) According to the Section 137 of the Inland Revenue Act No. 10. of 2006, any person who derives income from the secondary market transactions in Government Securities is entitled to a notional tax credit in relation to the tax payable by such a person. Notional tax credit would be determined by grossing up of the income from the secondary market transactions to an amount equal to 1/9th. Accordingly, Company has accounted for Rs. 3 million as notional tax credit for the year 2015. (2014 – Rs. 3 million).

11 Income Tax Expenses

Tax recognised in statement of profit or loss

	Group		Company	
	2015	2014	2015	2014
Current tax expense				
Current year	987	1,061	275	358
	987	1,061	275	358
Deferred tax expense				
Origination and reversal of temporary differences (Note 23)	804	1,189	792	1,177
	804	1,189	792	1,177
Tax expense	1,791	2,250	1,067	1,535

Tax recognised in other comprehensive income - Group →

	2015			2014		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Defined benefit plan actuarial (loss)/gain	(8)	(1)	(9)	(478)	122	(356)
	(8)	(1)	(9)	(478)	122	(356)

Tax recognised in other comprehensive income - Company →

	2015			2014		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Defined benefit plan actuarial (loss) /gain	4	(1)	3	(438)	122	(316)
	4	(1)	3	(438)	122	(316)

Reconciliation of effective tax rate	Group/2015		Group/2014	
	%		%	
Profit before tax	-	5,515	-	8,251
Tax using the Company's domestic tax rate	28.00	1,544	28.00	2,310
Effect of different tax rates [Notes (a) & (b) below]	(5.44)	(300)	(4.08)	(337)
Non-deductible expenses	14.16	781	6.47	534
Income not subject to tax	(4.24)	(234)	(3.10)	(257)
	32.48	1,791	27.27	2,250

Reconciliation of effective tax rate	Company/2015		Company/2014	
	%		%	
Profit before tax	-	2,795	-	4,859
Tax using the Company's domestic tax rate	28.00	783	28.00	1,361
Non-deductible expenses	18.75	524	8.20	398
Income not subject to tax	(8.59)	(240)	(4.6)	(224)
	38.16	1,067	31.60	1,535

Current income tax charge of the Group/Company is made up as follows:

	Group		Company
	2015	2014	2015
			2014
Sri Lanka Telecom PLC	275	358	275
Mobitel (Private) Limited	638	644	-
Sri Lanka Telecom (Services) Limited	2	14	-
SLT Human Capital Solutions (Private) Limited	2	(1)	-
SLT Publications (Private) Limited	68	43	-
SLT VisionCom (Private) Limited	2	3	-
Sky Network (Private) Limited	-	-	-
SLT Property Management (Private) Limited	-	-	-
SLT Campus (Private) Limited	-	-	-
	987	1,061	275
			358

- (a) Pursuant to agreements dated 15 January 1993 and 26 February 2001, entered into with the Board of Investment of Sri Lanka under Section 17 of the Board of Investment Act No. 4 of 1978, 15 years tax exemption period granted to Mobitel (Private) Limited expired on 30 June 2009 and as per the agreement, Mobitel (Private) Limited opted for the turnover based tax option in which 2% was charged on the turnover for a further period of 15 years commencing from 1 July 2009.
- (b) As per the amendment to Inland Revenue Act No. 22 of 2011, for the year of assessment 2015/2016, SLT Human Capital Solutions (Private) Limited is liable for income taxes at the rate of 10 % on their taxable income.

(c) As per the agreement with the Board of Investment of Sri Lanka (BOI) dated 19 November 2009, under Section 17 of BOI Act No. 4 of 1978, the Sky Network (Private) Limited is exempt from income tax for a period of 6 years. For the above purpose, the year of assessment shall be reckoned from the year in which the Company commences to make profits or any year of assessment not later than two years reckoned from the date on which the Company commences commercial operation, whichever is earlier as may be specified in a certificate issued by the Board. In view of the above, the Company is not liable to income tax on business profit.

12 Earnings per Share

The basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	Group		Company
	2015	2014	2015
			2014
Net profit attributable to equity holders (Rs. million)	3,724	6,001	1,728
Weighted average number of ordinary shares in issue (million)	1,805	1,805	1,805
Basic earnings per share (Rs.)	2.06	3.32	0.96
			1.84

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 2014	356	3,007	85,791	19,660	76,882	31,683	12,643	230,022
Additions	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

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 2015	357	3,079	91,524	22,020	72,371	35,365	18,785	243,501
Additions	-	-	685	50	1,912	1,859	17,300	21,806
Transfers from capital work in progress	-	224	3,213	666	2,493	1,324	(7,920)	-
Disposals	-	-	(103)	(96)	(80)	(103)	-	(382)
As at 31 December 2015	357	3,303	95,319	22,640	76,696	38,445	28,165	264,925

Accumulated depreciation

As at 1 January 2015	-	(1,831)	(71,858)	(16,052)	(35,231)	(27,594)	-	(152,566)
Disposals	-	-	103	97	74	103	-	377
Impairments loss	-	-	-	-	(696)	(190)	-	(886)
Depreciation charge	-	(99)	(3,008)	(1,023)	(5,718)	(2,719)	-	(12,567)
As at 31 December 2015	-	(1,930)	(74,763)	(16,978)	(41,571)	(30,400)	-	(165,642)
Carrying value as at 31 December 2015	357	1,373	20,556	5,662	35,125	8,045	28,165	99,283

Notes to the Financial Statements

Annual Report 2015 ————— Sri Lanka Telecom PLC
 Stewardship
 Business Model
 Management Discussion and Analysis
 Leadership and Recognition
 → **Financial Reports**
 Supplementary Information

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	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

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 2015	357	3,052	90,752	22,042	23,058	33,282	18,235	190,778
Additions	-	-	685	50	111	1,526	15,208	17,580
Transfers from capital work-in-progress	-	224	3,213	666	1,275	1,324	(6,702)	-
Disposals	-	-	(103)	(96)	(14)	(49)	-	(262)
As at 31 December 2015	357	3,276	94,547	22,662	24,430	36,083	26,741	208,096
Accumulated depreciation								
As at 1 January 2015	-	(1,831)	(71,280)	(16,077)	(15,071)	(26,298)	-	(130,557)
Disposals	-	-	103	96	8	49	-	256
Impairments loss	-	-	-	-	-	(190)	-	(190)
Depreciation charge	-	(99)	(2,944)	(1,023)	(1,063)	(2,395)	-	(7,524)
As at 31 December 2015	-	(1,930)	(74,121)	(17,004)	(16,126)	(28,834)	-	(138,015)
Carrying value as at 31 December 2015	357	1,346	20,426	5,658	8,304	7,249	26,741	70,081

- (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 of the business and the related assets and liabilities of SLT were transferred to SLTL as part of the privatisation process.
- (b) The cost of fully-depreciated assets still in use in the Company as at 31 December 2015 was Rs. 53,843 million (2014 – Rs. 49,285 million). The cost of fully-depreciated assets still in use in the Group as at 31 December 2015 was Rs. 55,005 million (2014 – Rs. 59,385 million).
- (c) No assets have been mortgaged or pledged as security for borrowings of the Group.
- (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 the demarcations and extents of such land and buildings could not be traced. The Company has initiated action to transfer legal title documentations.
- (e) The property, plant & 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. 605 million (2014 – Rs. 560 million) (Note 27).
- (f) Impairment of assets of Company mainly consists of the carrying value of switches Nil (2014 – Rs. 29 million) that were impaired as a result of implementation of Next Generation Network (NGN), IPTV CPE Rs. 50 million (2014 - Nil) and impairment provision for IPTV equipments and switches Rs. 140 million (2014 Rs. 489 million). Impairment of assets of Group mainly consists of impairment of Network assets Rs. 696 million (2014 – Rs. 29 million), IPTV CPE Rs. 50 million (2014 - Nil) and impairment provision for IPTV equipment and switches Rs. 140 million (2014 – Rs. 489 million).
- (g) Additions include assets costing Rs. Nil (2014 – Rs. 11 million) obtained under finance leases (where the Company is the lessee) and the additions of the Group includes assets costing Rs. Nil obtained under finance leases (2014 – Rs. 78 million) where the Group is the lessee.
- (h) The Company capitalised borrowing costs amounting to Rs. 760 million during the year (2014 – Rs. 481 million). Borrowing cost capitalised from a Group perspective amounted to Rs. 760 million (2014 – Rs. 747 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	
	2015	2014	2015	2014
Cost	557	557	440	440
Accumulated depreciation	(358)	(286)	(302)	(247)
Carrying value	199	271	138	193

(j) Property, plant & equipment include submarine cables. The total cost and accumulated depreciation of all cables under this category are as follows:

	Group/Company	
	2015	2014
Cost	6,640	6,304
Accumulated depreciation as at 1 January	(4,887)	(4,711)
Depreciation charge for the year	(158)	(176)
Carrying amount	1,595	1,417

14 Intangible Assets

Group →

	Goodwill	Licences	Software	Others	Total
Cost					
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
Balance as at 1 January 2015	394	4,061	2,775	330	7,560
- Acquisitions			37	-	37
Balance as at 31 December 2015	394	4,061	2,812	330	7,597
Accumulated amortisation					
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
Balance as at 1 January 2015	253	1,279	2,286	330	4,148
- Amortisation		380	178	-	558
Balance as at 31 December 2015	253	1,659	2,464	330	4,706
Carrying Amounts					
December 2015	141	2,402	348	-	2,891
December 2014	141	2,782	489	-	3,412

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:

	2015	2014
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:

	2015 %	2014 %
Growth rate	6-9	8-12
Discount rate	10	10.22

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 2015 for the above CGU (2014 - Rs. Nil).

Company →

	Licences	Software	Others	Total
Cost				
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
Balance as at 1 January 2015	1,430	1,698	330	3,458
Acquisitions	-	7	-	7
Balance as at 31 December 2015	1,430	1,705	330	3,465
Accumulated amortisation				
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
Balance as at 1 January 2015	318	1,484	330	2,132
- Amortisation	142	107	-	249
Balance as at 31 December 2015	460	1,591	330	2,381
Carrying amounts				
December 2015	970	114	-	1,084
December 2014	1,112	214	-	1,326

15 Financial Prepayments

	Group	
	2015	2014
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	920	823
Amortisation for the year	94	97
As at 31 December	1014	920
Carrying amount - Current	83	98
Carrying amount - Non-current	-	79
As at 31 December	83	177

16 Investments in Subsidiaries

	2015	2014
Opening net book amount	14,189	14,156
Impairment of investment	-	-
Additions	31	33
Closing net book amount	14,220	14,189

Details of the subsidiary companies in which the Company had control as at 31 December are set out below:

Name of the Company	Investment Rs. million	Company holding %	Investment Rs. million	Company holding %
Mobitel (Private) Limited [See Note (b) below]	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]	14	100	8	100
SLT Campus (Private) Limited [See Note (h) below]	50	100	25	100
	14,220		14,189	

The Directors believe that the fair value of each of the companies listed above do not differ significantly from their book values.

- (a) This investment in subsidiary company consists of 2,500,000 shares representing 99.99% of stated capital of Sri Lanka Telecom (Services) Limited.
 - (b) The Company owns 1,320,013,240 shares representing 100% of the entire Ordinary Share Capital of Mobitel (Private) Limited.
 - (c) This investment in subsidiary company consists of 5,000,000 shares representing the entire stated capital of SLT Publications (Private) Limited.
 - (d) This investment in subsidiary company consists of 50,000 shares representing the entire stated capital of SLT Human Capital Solutions (Private) Limited.
 - (e) This investment in subsidiary company consists of 10,000,000 shares representing the entire stated capital of SLT VisionCom (Private) Limited.
 - (f) This investment in subsidiary company consists of 42,071,251 shares representing a 99.94% holding of the issued stated capital and 6,000,000 12% cumulative and redeemable preference shares of Sky Network (Private) Limited. The investment is fully impaired.
 - (g) This investment in subsidiary company consists of 1,500,001 shares representing the entire stated capital of SLT Property Management (Private) Limited.
 - (h) This investment in subsidiary company consists of 5,000,001 shares representing the entire stated capital of SLT Campus (Private) Limited.
- All the subsidiaries except for Mobitel (Private) Limited are audited by KPMG.

17 Other Investments

	Group		Company	
	2015	2014	2015	2014
Current investments				
Fixed deposits	1,043	6,750	641	6,397
	1,043	6,750	641	6,397

Fixed deposits are classified as loans and receivables and measured at amortised cost.

Fixed deposits with a carrying value of Rs. 618 million (2014 - Rs. 568 million) are restricted at bank.

Interest rates of other investments are as follows:

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Fixed deposits - Restricted at bank	7.06	8.96	7.06	8.96
Repurchase agreement - Restricted at bank	6.07	-	6.07	-
Fixed deposits - LKR	6.00-7.00	6.00-7.00	Nil	Nil
Fixed deposits - USD	2.00-3.16	3.65	3.16	3.65
Repurchase agreement - Repo	4.00-7.00	6.05	5.83	6.05

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	
	2015	2014	2015	2014
Non-current	2,908	2,789	2,908	2,789
Current	719	695	711	686
	3,627	3,484	3,619	3,475
Employee loans	3,096	2,947	3,088	2,938
Prepaid staff cost	531	537	531	537
	3,627	3,484	3,619	3,475
Prepaid staff cost 1 January	537	640	537	640
Additions	138	180	138	180
Amortisation	(144)	(283)	(144)	(283)
Prepaid staff cost at 31 December	531	537	531	537

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	
	2015	2014	2015	2014
CDMA equipment	406	370	406	370
Cable and networks	577	293	577	293
Other consumables	591	414	238	182
	1,574	1,077	1,221	845
Provision for change in carrying value of inventories	(700)	(602)	(660)	(563)
	874	475	561	282

(a) Inventories include telecommunication hardware, CDMA handsets, consumables and office stationery. Inventory is stated net of provisions for slow moving and obsolete items.

20 Trade and Other Receivables

	Group		Company	
	2015	2014	2015	2014
Domestic trade receivables	15,802	13,900	11,880	10,602
Foreign trade receivables	2,283	2,616	2,015	1,968
	18,085	16,516	13,895	12,570
Less: Provision for bad and doubtful receivables	(7,565)	(6,560)	(5,780)	(5,077)
Less: Interest/revenue in suspense	(19)	(19)	-	-
Trade receivables - Net	10,501	9,937	8,115	7,493
Amount due from subsidiaries [Note 33.1 (j)]	-	-	3,821	3,871
Amount due from related companies [Note 33.2 (f)]	67	272	67	272
Advances and prepayments [See Note (a) below]	1,726	1,908	258	260
Employee loans (Note 18)	719	695	711	686
Other receivables [See Note (b) below]	1,020	523	119	146
Amounts due within one year	14,033	13,335	13,091	12,728

(a) Advances and prepayments of the Company mainly consist of advances on building rent of Rs. 8 million (2014 – Rs. 9 million), payments for software maintenance of Rs. 181 million (2014 – Rs. 186 million), Prepaid Frequency charges Rs. 51 million (2014 – Rs. 40 million), Advances and prepayments of the Group mainly consist of advances on building and tower rent of Rs. 152 million (2014 – Rs. 139 million) payments for software maintenance of Rs. 181 million (2014 – Rs. 186 million), Prepaid TRC Frequency Rs. 953 million (2014 – Rs. 952 million) and current portion of financial prepayment Rs. 83 million (2014 – Rs. 98 million).

(b) Other receivables of the Company consist of refundable deposits of Rs. 113 million (2014 – Rs. 99 million). Other receivables of the Group mainly consist of refundable deposits of Rs. 113 million (2014 – Rs. 99 million), receivables from sales agents Rs. 96 million (2014 – Rs. 53 million) and site rentals receivables from other operators. Rs. 492 million (2014 – Rs. 214 million).

21 Cash and Cash Equivalents

	Group		Company	
	2015	2014	2015	2014
Cash at bank and in hand	389	1,123	37	369
Call deposits	438	400	438	398
Fixed deposits	9	14	-	-
Repurchase agreements - Repo	4,639	3,158	-	235
	5,475	4,695	475	1,002

21 a. For cash flow purpose →**Cash and cash equivalents**

	Group		Company	
	2015	2014	2015	2014
Cash and cash equivalents	5,475	4,695	475	1,002
Bank overdrafts	(855)	(921)	(252)	-
	4,620	3,774	223	1,002

22 Borrowings

	Group		Company	
	2015	2014	2015	2014
Current (due within one year)				
Bank overdrafts	855	921	252	-
Bank borrowings and others [See Note 22 (e) below]	4,972	5,356	3,860	4,299
Vendor financing	3,562	2,777	-	-
Lease liabilities	57	82	35	60
	9,446	9,136	4,147	4,359
Non-current (due after one year)				
Bank borrowings and others [See Note 22 (e) below]	11,885	12,656	11,885	11,538
Vendor financing	2,873	5,096	-	-
Lease liabilities	191	234	140	162
	14,949	17,986	12,025	11,700
Total borrowings	24,395	27,122	16,172	16,059

(a) The interest rate exposure of the borrowings of the Group and the Company were as follows:

	Group		Company	
	2015	2014	2015	2014
Total borrowings				
- at fixed rates	13,359	14,622	13,291	13,580
- at floating rates	11,036	12,500	2,881	2,479
	24,395	27,122	16,172	16,059

The currency exposure of the borrowings of the Group and the Company as at the Reporting date were as follows:

	Group		Company	
	2015	2014	2015	2014
Foreign currency	23,267	25,807	15,745	15,837
Local currency	1,128	1,315	427	222
	24,395	27,122	16,172	16,059

(b) Effective interest rates of the Group and the Company are as follows:

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Average effective interest rates:				
- Bank overdrafts	6.39-10.00	6.10-10.00	6.39	7.39
- Foreign bank borrowings	1.26-2.26	1.20-2.24	-	-
- Bank borrowings (USD loan)	4.86	4.98	4.86	4.98
- Bank borrowings	7.65 - 8.25	7.34 - 8.25	-	-
- Lease liabilities	8.00-16.00	8.00-16.00	8.00-10.00	8.00-10.00
- Vendor financing	2.30 - 4.33	1.95 - 4.15	-	-

(c) Maturity analysis of the Group and the Company is as follows:

	Group		Company	
	2015	2014	2015	2014
Maturity of non-current borrowings: (excluding finance lease liabilities)				
- Between 1 and 2 years	6,168	7,664	4,014	3,297
- Between 3 and 5 years	8,590	10,088	7,871	8,241
- Over 5 years	-	-	-	-
	14,758	17,752	11,885	11,538

(d) Analysis of the finance lease liabilities of the Group and the Company are follows:

	Group		Company	
	2015	2014	2015	2014
Finance lease liabilities – minimum lease payments				
- Not later than 1 year	108	122	79	88
- Later than 1 year and not later than 5 years	191	289	128	198
	299	411	207	286
Less: future finance charges on finance leases	(51)	(95)	(32)	(64)
Present value of finance lease liabilities	248	316	175	222
Representing lease liabilities:				
- Current	57	82	35	60
- Non-current	191	234	140	162

- (e) During the year the Company drew down 1st tranche of USD term loan amounting to USD 20 million (equivalent to Rs. 2,816 million). The total amount of the term loan was USD 75 million.
- (f) The loan covenants include submission of Audited Financial Statements to the lenders within a specified period from the financial year end, maintenance of covenant ratios and to maintain adequate accounting records in accordance with Sri Lanka Accounting standards.
- (g) The Directors believe that the Company and the Group will have sufficient funds available to meet its present loan commitments.
- (h) Lease liabilities of the Company and the Group are effectively secured by the lessor against the rights to the title of the asset.
- (i) Bank borrowings and supplier credits of Mobitel (Private) Limited, a subsidiary of the Company, are secured, *inter alia*, by corporate guarantees given by the Company.

- (j) Mobitel (Private) Limited has borrowed Rs. 612 million during the year for the purpose of Capital Expansion Projects.
- (k) Guarantee facilities amounting to Rs. 26 million (2014 - 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 income tax for the Company is provided under the liability method using a principal tax rate of 28% (for the year 2014 - 28%).

The amount shown in the Statement of Financial Position represents the following:

	Group		Company	
	2015	2014	2015	2014
Deferred tax liabilities	3,600	2,805	3,594	2,801
Deferred tax assets	(37)	(46)	-	-
	3,563	2,759	3,594	2,801

The movement in the deferred tax account is as follows:

	Group		Company	
	2015	2014	2015	2014
At beginning of year	2,759	1,692	2,801	1,746
Release to comprehensive income (Note 11)	804	1,189	792	1,177
Release to other comprehensive income (Note 11)	1	(122)	1	(122)
At end of year	3,563	2,759	3,594	2,801

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	
	2015	2014	2015	2014	2015	2014
Property, plant & equipment	-	-	7,626	6,453	7,626	6,453
Defined benefit obligations	(1,096)	(987)	-	-	(1,096)	(987)
Provisions	(2,181)	(1,841)	-	-	(2,181)	(1,841)
Deferred income	(786)	(856)	-	-	(786)	(856)
Tax losses	-	(10)			-	(10)
Tax (assets) liabilities before set off	(4,063)	(3,694)	7,626	6,453	3,563	2,759
Set off of tax	4,063	3,694	(4,063)	(3,694)	-	-
Net tax (assets) liabilities	-	-	3,563	2,759	3,563	2,759

Movement in deferred tax balances during the year – Group →

	Balance 1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2014	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2015
Property, plant & equipment	4,934	1,519	-	6,453	1,173	-	7,626
Defined benefit obligations	(765)	(100)	(122)	(987)	(109)	1	(1,096)
Provisions	(1,508)	(333)	-	(1,841)	(340)	-	(2,181)
Deferred income	(937)	81	-	(856)	70	-	(786)
Tax losses	(32)	22	-	(10)	10	-	-
	1,692	1,189	(122)	2,759	804	1	3,563

Movement in deferred tax balances during the year – Company →

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Property, plant & equipment	-	-	7,620	6,450	7,620	6,450
Defined benefit obligations	(1,089)	(983)	-	-	(1,089)	(983)
Provisions	(2,150)	(1,810)	-	-	(2,150)	(1,810)
Deferred income	(787)	(856)	-	-	(787)	(856)
Tax (assets) liabilities before set off	(4,026)	(3,649)	7,620	6,450	3,594	2,801
Set off of tax	4,026	3,649	(4,026)	(3,649)	-	-
Net tax (assets) liabilities	-	-	3,594	2,801	3,594	2,801

Movement in deferred tax balances during the year – Company →

	Balance 1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2014	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2015
Property, plant & equipment	4,932	1,518	-	6,450	1,170	-	7,620
Defined benefit obligations	(763)	(98)	(122)	(983)	(107)	1	(1,089)
Provisions	(1,486)	(324)	-	(1,810)	(340)	-	(2,150)
Deferred income	(937)	81	-	(856)	69	-	(787)
	1,746	1,177	(122)	2,801	792	1	3,594

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. 190 million (2014 - 195 million) that can be carried forward against future taxable income.

	Adjusted tax losses available for carry forward as at 31 December	
	2015	2014
SKY Network (Private) Limited	52	52
SLT VisionCom (Private) Limited	138	143
	190	195

24 Deferred Income

Deferred Income

- The connection fees relating to Public Switch Telephone Network (PSTN) are deferred over a period of 15 years. Revenue is recognised on an annual basis irrespective of the date of connection.
- Revenue from the sale of prepaid credit, Internet is deferred until such time as the customer uses the call time, downloadable quota or the credit expires.
- Backhauling revenue which is leasing of SEA-ME-WE 3 cable capacity is recognised on a straight line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue.
- Directory income includes amounts collected for directories not yet printed. Such income will be recognised as income depending on the percentage of directories distributed to the end customer as described in accounting policy (m) (i).
- IRU revenue relating to leasing of SEA-ME-WE 4 cable capacity is recognised on a straight line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue. In the event that a customer terminates an IRU prior to the expiry of the contract and releases the Company from the obligation to provide future services, the remaining unamortised deferred revenue is recognised in the period the contract is terminated.

	Group	Company	
	2015	2014	2015
At end of year	4,397	4,976	2,976
Representing deferred income – Current	2,027	2,398	661
– Non-current	2,370	2,578	2,315
	4,397	4,976	3,218

25 Trade and Other Payables

	Group		Company	
	2015	2014	2015	2014
Amounts due within one year				
Domestic trade payables	1,890	1,524	318	499
Foreign trade payables	464	214	183	95
Amount due to subsidiaries [Note 33.1 (j)]	-	-	3,050	2,028
Amount due to related companies [Note 33.2 (f)]	46	47	46	47
Capital expenditure payables [See Note (a) below]	10,965	7,693	8,778	7,245
Social security and other taxes [See Note (b) below]	1,355	796	824	763
Interest payable	229	489	-	-
Other payables [See Note (c) below]	6,213	6,292	4,243	3,901
	21,162	17,055	17,442	14,578
Amounts due after one year				
International direct dialling deposits	232	232	232	232
PSTN guarantee deposits	20	18	20	18
Domestic trade payables	673	614	-	-
Capital expenditure payables	2,010	1,543	-	-
	2,935	2,407	252	250

(a) Capital expenditure payables of the Company mainly consist of contractors' payables and retention of Rs. 7,642 million (2014 - Rs. 6,104 million) and advances on network restoration after road works of Rs. 1,115 million (2014 - Rs. 1,132 million). Capital expenditure payables of the Group mainly consist of contractors' payable and retention of Rs. 9,829 million (2014 - Rs. 6,551 million) and advances on network restoration after road works of Rs. 1,115 million (2014 - Rs. 1,132 million).

(b) Social security and other taxes of the Company mainly consist of Telecommunication Levy (TL) of Rs. 485 million (2014 - Rs. 445 million), Cess Rs. 70 million (2014 - Rs. 67 million), IDD Levy of Rs. 14 million (2014 - Rs. 16 million), EPF payable of Rs. 91 million (2014 - Rs. 86 million). Social security and other taxes of the Group mainly consist of Telecommunication Levy (TL) of Rs. 852 million (2014 - 633 million), Cess of Rs. 131 million (2014 - 127 million). IDD Levy payable of Rs. 29 million (2014 - 36 million).

(c) Other payables of the Company mainly consist of dividend payable to the Government of Sri Lanka of Rs. 244 million (2014 - Rs. 244 million), payable for unpaid supplies of Rs. 1,746 million (2014 - Rs. 1,242 million), International Telecommunication Operators' Levy payable of Rs. 157 million (2014 - Rs. 206 million) and accrued expenses and other payables of Rs. 1,243 million (2014 - Rs. 1,201 million). Other payables of the Group mainly consist of dividend payable to the Government of Sri Lanka of Rs. 244 million (2014 - Rs. 244 million), payable for unpaid supplies of Rs. 1,746 million (2014 - Rs. 1,242 million), International Telecommunication Operators' Levy payable of Rs. 224 million (2014 - Rs. 231 million), and accrued expenses and other payables of Rs. 2,852 million (2014 - Rs. 3,661 million).

26 Employee Benefits

	Group		Company	
	2015	2014	2015	2014
Total employee benefit liability as at 1 January	3,875	3,003	3,512	2,725
Movement in present value of employee benefit liabilities				
Current service cost	410	205	352	162
Interest cost	224	313	175	287
Actuarial loss/(gain)	8	478	(4)	438
Benefit paid during the year	(164)	(124)	(143)	(100)
Balance as at 31 December	4,353	3,875	3,892	3,512
The expenses recognised in the income statement				
Current service cost	410	205	352	162
Interest cost	224	313	175	287
	634	518	527	449
Recognised in other comprehensive income				
Actuarial (gain)/loss	8	478	(4)	438
	8	478	(4)	438

The principal actuarial assumptions used were as follows:

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Discount rate (long-term)	10.0 – 10.5	9.5 – 10	10.0	10.0
Future salary increases	8.5 – 9.5	8.5	8.5	8.5

In addition to above, demographic assumptions such as mortality, withdrawal, retirement age were considered for the actuarial valuation. In 2015, 1967/70 Mortality Table issued by the Institute of Actuaries London (2014 - 1967/70 Mortality Table) was taken as the base for the valuation.

The provisions for defined obligations of Sri Lanka Telecom PLC, SLT Human Capital Solutions (Private) Limited, SLT Publications (Private) Limited, Sri Lanka Telecom (Services) Limited and Mobitel (Private) Limited are actuarially valued by Actuarial and Management Consultants (Private) Limited and Piyal S Goonetilleke and Associates respectively. The employee benefit liability of all other companies in the Group are based on gratuity formula.

The provision for defined benefit obligations is not externally funded.

Sensitivity analysis →

Reasonably possible changes at the Reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below.

The sensitivity of the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate as depicted on page 156.

Notes to the Financial Statements

Annual Report 2015 ————— Sri Lanka Telecom PLC
 Stewardship
 Business Model
 Management Discussion and Analysis
 Leadership and Recognition
 → **Financial Reports**
 Supplementary Information

Sri Lanka Telecom PLC →

	Effect on charge to the statement of profit or loss and other comprehensive income		Effect on net defined benefit liability	
	Increase	Decrease	Increase	Decrease
2015				
Discount rate (Change by 1%)	(179)	200	(179)	200
Salary increment rate (Change by 1%)	221	(201)	221	(201)
2014				
Discount rate (Change by 1%)	(172)	193	(172)	193
Salary increment rate (Change by 1%)	211	(191)	211	(191)

Mobitel (Private) Limited →

	Effect on charge to the statement of profit or loss and other comprehensive income		Effect on net defined benefit liability	
	Increase	Decrease	Increase	Decrease
2015				
Discount rate (Change by 1%)	(23)	27	(23)	27
Salary increment rate (Change by 1%)	28	(25)	28	(25)
2014				
Discount rate (Change by 1%)	(19)	22	(19)	22
Salary increment rate (Change by 1%)	21	(19)	21	(19)

27 Insurance Reserve

	Group/Company	
	2015	2014
As at 1 January	560	500
Transferred from retained earnings	45	60
As at 31 December	605	560

As stated in Accounting Policy 3(s) the Company transfers annually from the retained earnings an amount equal to 0.1% of additions to property, plant & equipment to an insurance reserve. An equal amount is invested in a sinking fund to meet any funding requirements for potential losses from uninsured property, plant & equipment.

Management regularly monitors the charges made against the insurance reserve and the adequacy of the provision made.

28 Grants

	Group		Company	
	2015	2014	2015	2014
Balance at 1 January	22	28	22	28
Grant credited to profit or loss	(6)	(6)	(6)	(6)
Balance at 31 December	16	22	16	22

Grant in Company and Group consists of Exchange equipment received from Alcatel CIT France in 2005.

29 Stated Capital

	Company	
	2015	2014
Issued and fully Paid		
1,804,860,000 ordinary shares	18,049	18,049

The stated capital is made up as follows:

	2015		2014	
	Holding %	Number of shares	Holding %	Number of shares
Government of Sri Lanka	49.50	893,405,709	49.50	893,405,709
Global Telecommunications Holdings N.V.	44.98	811,757,869	44.98	811,757,869
Public shareholders	5.52	99,696,422	5.52	99,696,422
	100	1,804,860,000	100	1,804,860,000

30 Cash Generated from Operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2015	2014	2015	2014
Profit before tax	5,515	8,251	2,795	4,859
Adjustments for:				
Depreciation (Note 13)	12,567	12,325	7,524	6,875
Grant amortisation (Note 28)	(6)	(6)	(6)	(6)
Amortisation of intangible assets (Note 14)	558	639	249	289
Amortisation of financial prepayments (Note 15)	94	97	–	–
Provision/write off of bad and doubtful debts	1,188	937	882	630
Provision for fall in value of inventories	201	13	201	13
Interest expense and finance costs (Note 9)	270	198	30	49
Foreign exchange (loss)/gain (Note 9.a)	2,128	13	916	(14)
Interest income (Note 10)	(844)	(910)	(486)	(708)
Connection fees amortisation	(579)	(532)	(242)	(274)
Profit on sale of property, plant & equipment	(33)	528	(14)	(64)
Impairment of assets (Note 13)	886	518	190	518
Provision for retirement benefit obligations (Note 26)	634	518	527	449
	22,579	22,589	12,566	12,616
Changes in working capital				
– Receivables and prepayments	(1,862)	(2,999)	(1,260)	(2,544)
– Inventories	(1,307)	(1,450)	(1,187)	(1,513)
– Payables	4,044	2,215	2,861	2,763
Cash generated from operations	23,454	20,355	12,980	11,322

31 Capital Commitments

The Group and the Company have purchased commitments in the ordinary course of business as at 31 December 2015 are as follows:

	Group		Company	
	2015	2014	2015	2014
Property, plant & equipment				
– approved but not contracted	28,468	33,829	28,468	33,829
– approved and contracted	13,724	15,069	11,838	12,371
	42,192	48,898	40,306	46,200

	Group		Company	
	2015	2014	2015	2014
Operating lease commitments				
The future minimum lease payments other commitment payments as follows:				
- Not later than 1 year	85	141	85	118
- Later than 1 year and not later than 5 years	95	221	95	153
	180	362	180	271

Other financial commitments →

Except for any regular maintenance contracts entered into with third parties in the normal course of business, there are no other material financial commitments that requires separate disclosure.

32 Contingencies

- (a) Global Electroteks Limited initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from Sri Lanka Telecom PLC ('SLT') for alleged unlawful disconnection of interconnection services. Further trial will be held on 30 March 2016.
- (b) Appeal Case filed by Directories Lanka Private Limited (DLPL) against SLT against the dismissal of CHC 2/2006(3) claimed damages of Rs. 250 million, for alleged unfair competition with regard to artwork on the cover page of the Directory by SLT. The proceedings have not commenced. DLPL appealed against the above order.
- (c) 12/2008 CBCU, an inquiry by Sri Lanka Customs – A consignment of CDMA equipment was detained in October 2008 by the Customs Authority. Subsequently the equipment were cleared pending the Inquiry, based on a cash deposit and bank guarantee submitted by SLT for the total value of Rs. 122,189,514. The Order was delivered in 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.

(d) Customs Case No. ADP/031/2009 – Goods valued at USD 996,785.65, which was imported under the last consignment of equipment for NGN Phase II expansion project, was detained by the Customs in May 2009. Subsequently, the equipment was cleared in July 2009. Pending the Inquiry, SLT placed a bank guarantee to the value of Rs. 35,000,000. The Customs Inquiry against SLT is pending.

(e) Ahmedabad City Civil Court, India 802/2014 – Legal action filed in April 2014 against SLT claiming for damages of Indian Rs. 161,521,447 for malicious prosecution in relation to the SLT-Dhiraagu undersea cable. The case is proceeding and SLT is jointly handling with Dhiraagu Telecom of Maldives.

(f) Labour Tribunal Colombo Case Nos. 08/760/2014, 08/820/2014, 08/821/2014 and 08/819/2014 – Former employees of SLT Human Capital Solutions (Private) Limited (HCS) filed legal action in January 2014 against SLT and HCS at Labour Tribunal Colombo against termination of their employment by HCS. The proceedings were stayed until the determination of revision application in High Court, Colombo.

(g) 25 of Debt Collectors who served at SLT on commission basis made an application at Labour Department claiming EPF from SLT. The Labour Commissioner by his Order in February 2015 directed SLT to pay EPF. However, SLT filed writ application against the Order in May 2015 and obtained an interim injunction staying the operation of the Order and the same is proceeding. The case is fixed for objection on 29 March 2016.

In addition to the above referred cases there are other claims by employees and third parties for damages and other relief. In the opinion of the Directors none of these actions are likely to result in a material liability to the Company and its subsidiaries.

The Company has provided guarantees on behalf of its subsidiaries for following credit and trade finance facilities:

- (i) Facilities amounting to USD 147 million (2014 - USD 194.2 million) for Mobitel (Private) Limited for the GSM roll-out stages 4, 6 and 7.
- (ii) Facilities amounting to Rs. 26 million (2014 - 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 2015.

The Company has provided guarantees on behalf of Mobitel for the following loans and obligations.

USD 147 million (2014 - USD 194.2 million) for Mobitel (Private) Limited for the GSM rollout stages 4, 6 and 7.

33 Related Party Transactions

33.1 →

	Company	
	2015	2014
(a) Mobitel (Private) Limited →		
Sale of goods and services		
Provision of E1 links	1,586	1,747
Leased line	1,247	975
Interconnection charges	312	325
TDM, VOIP platform and transit	190	173
	3,335	3,220
Purchase of goods and services		
Call charges on official mobile phone	62	47
Interconnection charges	1,704	1,658
Antenna tower space	585	565
Building rent	3	3
E1 link	-	1
Commission on bill collection	4	-
	2,358	2,274

As per the TRC approval dated 19 May 2014, Mobitel is entitled to receive discounts if the Company uses more than 3,500 E1 Links.

Further, Mobitel receives discounts on infrastructure services provided by Sri Lanka Telecom PLC.

————— Company
 2015 2014

(b) Sky Network (Private) Limited →

Sale of goods and services

Supply of services	-	-
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Purchase of goods and services

Service provisioning	-	-
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Impairment of related party receivable amounting Rs. 61 million was made during the year.

————— Company
 2015 2014

(c) SLT Publications (Private) Limited →

Sale of goods and services

Supply of services	5	4
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Purchase of goods and services

Directory distribution and other services	148	-
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SLT Publications provides event management services to SLT PLC. As per the agreement, SLT Publications entitle to receive a retainer for the services provided.

Impairment of related party receivable amounting to Rs. 8.3 million was made during the year.

————— Company
 2015 2014

(d) Sri Lanka Telecom (Services) Limited →

Sale of goods and services

Supply of services	4	4
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Purchase of goods and services

Project-related services	316	112
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The Company has provided guarantees on behalf of Sri Lanka Telecom (Service) Limited for the following loans and obligations:

Facilities amounting to Rs. 26 million (2014 - Rs. 26 million) for Sri Lanka Telecom (Services) Limited to obtain facilities for working capital requirements.

	Company	
	2015	2014

(e) SLT Human Capital Solutions (Private) Limited →

Sale of goods and services

Supply of services	6	6
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Purchase of goods and services

Provision of manpower service	1,477	1,181
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(f) SLT VisionCom (Private) Limited →

Sale of goods and services

Supply of services	2	8
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Purchase of goods and services

Service provisioning	123	122
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Ad-Insertion revenue →

Sri Lanka Telecom received an ad-insertion revenue from SLT VisionCom (Private) Limited amounting to Rs. 4.1 million. SLT's share of revenue is based on the following percentages:

Advertisement on PEO TV - EPG -	34%	
Channel advertisement -	17%	

Service Fee →

Sri Lanka Telecom PLC pays VisionCom (Private) Limited the total cost incurred plus a 5% margin which amounted to Rs. 123 million in 2015.

	Company	
	2015	2014

(g) SLT Property Management (Private) Limited →

Sale of goods and services

Supply of services	-	-
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Purchase of goods and services

Service provisioning	-	5
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	Company	
	2015	2014

(h) SLT Campus (Private) Limited →

Sale of goods and services

Supply of services	-	-
--------------------	---	---

Purchase of goods and services

Service provisioning	-	-
----------------------	---	---

	Company	
	2015	2014

(i) Fees for secondment of personnel and services provided to/ by SLT PLC →

SLT Publications (Private) Limited	43	36
SLT Human Capital Solutions (Private) Limited	3	10
SLT VisionCom (Private) Limited	-	-
	46	46

Notes to the Financial Statements

Annual Report 2015 ————— Sri Lanka Telecom PLC
 Stewardship
 Business Model
 Management Discussion and Analysis
 Leadership and Recognition
 → **Financial Reports**
 Supplementary Information

————— Company

2015 2014

(j) Outstanding balances arising from sale/purchase of services →

Receivable from subsidiaries

	2015	2014
Mobitel (Private) Limited	3,266	3,317
SLT Publications (Private) Limited	241	223
SLT Human Capital Solutions (Private) Limited	158	146
SLT VisionCom (Private) Limited	31	41
Sri Lanka Telecom (Services) Limited	10	19
Sky Network (Private) Limited	62	120
SLT Property Management (Private) Limited	13	5
SLT Campus (Private) Limited	40	-
	3,821	3,871

Payable to subsidiaries

	2015	2014
Mobitel (Private) Limited	2,372	1,569
SLT Publications (Private) Limited	132	67
SLT Human Capital Solutions (Private) Limited	317	225
Sri Lanka Telecom (Services) Limited	222	166
Sky Network (Private) Limited	1	1
SLT Campus (Private) Limited	6	-
	3,050	2,028

33.2 Transactions with other related parties →

————— Group

2015 2014

————— Company

2015 2014

(a) Maxis Communications Berhad and its subsidiaries →

Sale of goods and services

	2015	2014	2015	2014
Sale of SEA-ME-WE 3 cable capacity	10	10	10	10
International incoming traffic	117	243	117	241
	127	253	127	251

Purchase of goods and services

	2015	2014	2015	2014
International outgoing traffic	43	85	43	85

(b) Upali Group of Companies →

Sale of goods and services

	2015	2014	2015	2014
Providing voice and data services	-	10	-	9

	Group		Company	
	2015	2014	2015	2014
(c) Nawaloka Group →				
Sale of goods and services				
Providing voice and data services	-	6	-	6
Purchase of goods and services				
Medical services	-	10	-	9
(d) SriLankan Airlines Limited →				
Sale of goods and services				
Providing voice, data and infrastructure services	-	221	-	220
(e) Sri Lanka Cricket →				
Sale of goods and services				
Providing voice and data services	-	1	-	1
Cricket team and umpire sponsorship	-	7	-	-
(f) Outstanding balances arising from sale/ purchase of services →				
Receivable from related companies				
Upali Group of Companies	-	2	-	2
Nawaloka Group	-	1	-	1
SriLankan Airlines Limited	-	144	-	144
Sri Lanka Cricket	-	3	-	3
Maxis Communications Berhad and its subsidiaries	67	122	67	122
	67	272	67	272
Payable to related company				
Maxis Communications Berhad and its subsidiaries	46	47	46	47

(g) Government-related key institutions →

The Government of Sri Lanka holds 49.5% of the voting rights of the Company as at 31 December 2015 through the Secretary to the Treasury and those have significant influence over the financial and operating policies of the Company. Accordingly, the Company has considered the Government of Sri Lanka as a related party according to LKAS '24 Related Party Disclosure'.

During the year ended 31 December 2015, 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 are as given below:

- (i) Revenue from provision of telecommunication services during the year ended 31 December 2015 amounted to Rs. 3,845 million (2014 - Rs. 4,450 million) and credit receivables as at 31 December 2015 amounted to Rs. 1,379 million (2014 - Rs. 784 million).
- (ii) Deposits, repurchase agreements (Repo) and borrowings of the Group at/from Government banks amounted to Rs. 1,465 million (2014 - Rs. 7,020 million) and Rs. 287 million (2014 - Rs. 2,479 million) respectively as at 31 December 2015.
- (iii) Dividend payable to the Government amounting to Rs. 244 million (2014 - 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 2015	Company 2014	Group 2015	Company 2014
Short-term benefits	269	238	195	189
Post-employment benefits	29	24	20	20
Salaries and other benefits	298	262	215	209

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 Notes 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	
	2015	2014
Reversal of deferred revenue recognised in statement of profit or loss and Other comprehensive income by Mobitel (Private) Limited	(100)	(92)
Other comprehensive income by Mobitel (Private) Limited	-	-
Receipt of refund during the year from TDC recognised in the Consolidated Financial Statements	-	322

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 (2014 - Rs 0.89 per share) on voting shares of the Company to be paid by way of cash dividend for the financial year ended 31 December 2015.

Further, this dividend is to be approved at the Annual General Meeting to be held on 12 May 2016. This proposed final dividend has not been recognised as a liability as at 31 December 2015. 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 29 March 2016 has been audited by KPMG.

Except as disclosed above, no other events have arisen since the Statement of Financial Position date which require changes to, or disclosure in the Financial Statements.

Supplementary Information

Our Subsidiary Businesses

The core business of the SLT Group is ICT, comprising fixed and mobile segments. Fixed ICT operations are carried out by SLT (the holding company of the Group) while mobile ICT operations come under SLT's fully-owned subsidiary Mobitel (Private) Limited. Our Annual Report 2015 focuses on our ICT business and the SLT Group.

We give below a snapshot of our seven subsidiary businesses while excluding Mobitel, as mobile ICT operations have already been included in our discussion on the SLT ICT business.

→ Sri Lanka Telecom (Services) Limited

Business domain →

ICT-based infrastructure solutions and systems integrated solutions to corporate customers and small businesses.

Key achievements →

- Appointed as a distributor of NEC PBX range, an addition to existing leading brands such as CISCO, hp, 3M and TRENDnet
- TRENDnet products launched
- Partnership with AVAYA
- Partnership with Myanmar Power and Technology to explore business opportunities in Myanmar
- Nearly 35% of MSAN cut-overs of SLT's network modernisation project in the Central Province completed

→ SLT Publications (Private) Limited

Business domain →

Directory information and publication services through SLT Rainbow Pages.

Key achievements →

- The popular SLT Rainbow Pages Western Province Directory published annually
- IT based directory with web portal and mobile apps developed
- A tourist and wedding directory, a niche market area, hosted on the web with regular updating
- Facility for SMEs to list in the SLT directory free of charge launched as per MoU signed with the Ministry of Industries

→ SLT Visioncom (Private) Limited

Business domain →

Internet protocol Television (IPTV) support services delivered through SLT PEO TV.

Key achievements →

- Subscriber base increased by 39% in 2015, with a corresponding revenue growth of 50%
- New channels, including live coverage of sessions of Sri Lanka Parliament, introduced
- PEO TV now delivered on FTTH where viewers can watch High Definition channels
- Enhanced state-of-the-art PEO TV platform introduced by upgrading features such as Movies, Self-Care and Subscription Video On Demand (SVOD)
- Picture-In-Picture (PIP), a feature which enables watching two channels on the same screen with advanced channel swapping capability, introduced
- Work on multi screen capabilities to watch TV on any device (mobile, tablet or PC/laptop) in progress

→ SLT Human Capital Solutions (Private) Limited

Business domain →

Workforce solutions.

Key achievements →

- HR outsourcing and shared services, including sales services, technical assistance and call centre operations provided to the SLT Group and others in the public and private sectors
- Assessment and people profiling services provided to customers seeking to examine the key competencies of candidates when making decisions on recruitment, retention and development
- HR IT solutions rolled out to customers, such as the our web-based eMpower system that automates the main HR-related functions of an organisation from recruitment to retirement
- HR consultancy services provided in areas such as industrial relations, HR operations, HR strategy and process development

→ SLT Campus (Private) Limited

Business domain →

Higher education services in ICT and business management.

Key achievements →

- First intake of 25 students to pursue a four-year BSc Engineering degree with options to specialise in electronics and power engineering, electronics and telecommunication engineering or electronics and engineering management
- Collaboration with Lancaster University, UK initiated through a Letter of Intent
- 'Presidential Scholarship Scheme' inaugurated
- Postgraduate Research Unit established
- Professional courses, certifications and training programmes conducted through the Professional Education Learning Centre of SLTC City Campus located at TRACE Expert City, Colombo
- ISO 9001:2008 certification obtained during the year

→ Sky Network (Private) Limited

Business domain →

Implementation and management of wireless broadband projects of SLT.

Key achievements →

- SLT 4G LTE implementation
- SLT carrier grade Wi-Fi deployment, resulting in the number of sites countrywide increasing to more than 200 by end 2015

→ SLT Property Management (Private) Limited

Business domain →

Management of SLT's real estate resources.

Key achievements →

- Idle and under-utilised land and assets owned by the Group identified for development, such as the proposed construction of a branch office for Mobitel in Anuradhapura
- Lateral diversification in the areas of telecommunication, civil engineering construction, power and energy and water supply and drainage being explored

Ten Year Progress – Group

(All amounts in Sri Lanka rupees million)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Financial position - Group										
Property, plant & equipment	99,283	90,935	80,506	73,602	67,705	61,258	65,896	57,073	53,881	54,202
Total assets	126,545	122,604	108,047	104,510	96,603	87,030	90,220	93,199	85,372	84,042
Current assets	21,426	25,343	20,598	25,712	24,341	21,238	19,764	32,389	28,609	27,292
Current liabilities	33,082	29,031	26,526	28,091	23,948	22,691	27,403	32,819	16,830	16,370
Borrowings	24,395	27,122	20,690	17,852	14,709	11,316	13,351	21,716	19,285	20,785
Equity	65,240	63,900	59,789	55,987	53,660	49,849	46,311	47,525	41,900	37,866
Performance										
Revenue	68,022	65,040	60,144	56,771	51,644	50,250	48,077	47,044	43,234	40,691
Operating profit	6,789	5,711	6,491	6,055	5,169	5,144	2,547	7,809	9,176	9,895
Finance cost	2,398	211	1,177	2,233	841	1,012	2,024	2,130	2,232	1,884
Earnings before tax	5,515	8,251	7,365	5,851	6,162	5,961	1,395	9,560	8,399	9,227
Taxation	1,791	2,250	1,946	1,930	1,657	2,018	617	2,193	2,759	3,789
Earnings after tax	3,724	6,001	5,419	3,921	4,505	3,943	778	7,367	5,640	5,438
Cash flow										
Net operating cash flows	21,265	20,047	15,386	16,094	20,250	15,260	18,213	16,214	15,090	13,435
Net cash used in investing activities	14,375	23,524	16,507	15,362	22,968	7,975	7,238	15,288	10,073	9,197
Net cash used in/(from) financing activities	6,065	(5,039)	57	174	1,494	3,965	11,408	526	2,555	5,093
Key financial indicators										
Earnings per share (Rs.)	2.06	3.32	3.00	2.17	2.50	2.18	0.44	4.08	3.12	3.01
Return on assets (%)	5.36	4.66	6.01	5.79	5.36	5.91	2.82	8.38	10.75	11.77
Return on equity (%)	5.71	9.39	9.06	7.00	8.40	7.91	1.68	15.50	13.46	14.36
Operating margin (%)	9.98	8.78	10.79	10.67	10.01	10.24	5.30	16.60	21.22	24.32
Asset turnover (No. of times)	0.54	0.53	0.56	0.54	0.54	0.58	0.53	0.50	0.51	0.48
Current ratio (No. of times C.L.)	0.65	0.87	0.78	0.92	1.02	0.94	0.72	0.99	1.70	1.67
Quick asset ratio (No. of times C.L.)	0.62	0.86	0.69	0.84	0.93	0.88	0.65	0.91	1.61	1.58
Gearing ratio (Debt to Rs. 1/- of total equity)	0.27	0.30	0.26	0.24	0.21	0.19	0.22	0.31	0.32	0.35
Interest cover (No. of times interest)	6.35	9.73	9.58	6.73	11.43	6.89	1.69	5.49	4.76	5.90

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)	Location	Extent (Hectare)	Value of land (Rs. million)
No. 108 & 109, Walawwaththa Road, Anuradhapura	0.2434	24	Nalandarama Road, Nugegoda	0.1970	156
Maithripala Senanayake Mawatha, Anuradhapura	0.1125	56	High Level Road, Nugegoda	0.1170	116
Maithripala Senanayake Mawatha, Anuradhapura	0.3355	166	Polhengoda Road, Narahenpita	0.3030	240
Galkandehena, Kekirawa	0.1310	12	Pottoda, Katunayaka	0.3039	12
14, Nivanthaka Chethiya Road, Anuradhapura	0.0466	4	Thimbirigaskatuwa, Pottode, Negombo	0.6037	24
Mannar Road, Medawachchiya	0.3315	5	Thimbirigaskatuwa, Pottode, Negombo	1.7160	68
Medawachchiya Road, Medawachchiya	0.1468	2	St. Joseph's Street, Negombo	0.6787	191
Nochchiyagama Idama, Nochchiyagama	0.1800	9	Queen Elizabeth Drive, Nuwara Eliya	0.2354	93
Behind the Mosque, Maithripala Senanayake Mawatha, Anuradhapura	0.1769	24	Main Street, Panadura	0.2542	126
Nivanthaka Chethiya Road, Anuradhapura	0.0971	12	Bandaragama	0.2803	55
Galkantha Mawatha, Ampara	0.7657	91	Anguruwatta Road, Horana	0.2177	52
Ratnapura Road, Eheliyagoda	0.0802	14	Sri Gunarathana Mawatha, Panadura	0.2952	47
Station Road, Batticaloa	0.4383	61	Hotel Road, Mount Lavinia	0.1913	95
Lower King's Street, Badulla	0.4020	48	Airport Junction, Ratmalana	0.2076	62
Batticaloa Road, Bibile	0.0890	9	Main Street, Ratnapura	0.3645	86
Lower King's Street, Badulla	0.0340	4	Old Negombo Road, Ja-Ela	0.0870	43
Ridikotaliyagama, Mahiyanganaya	0.0790	5	Minuwangoda Road, Kotugoda	8.0937	440
Circuit Bangalow, Namunukula	0.2100	10	Ragama Road, Ragama	0.2048	40
Senanayake Mawatha, Bandarawela	0.0705	11	Negombo Road, Welisara	2.2280	484
Anduwakelepathana, Haputale	0.4080	32	Old Negombo Road, Wattala	0.1012	80
6, Senanayake Mawatha, Bandarawela	0.2380	56	Aliyamalagala, Anuradhapura	0.2027	2
8, Wakwella Road, Galle	0.1697	50	Post Office Road, Eppawela	0.0914	3
Court Road, Gampaha	0.1523	54	Kuda Galnewa Road, Galnewa	0.1453	1
Lotus Road, Colombo	1.3154	2600	Police Station Road, Horowpothana	0.4180	2
Dickmans Road, Colombo 5	0.3360	291	Kahatagasdigiliya, Anuradhapura	0.0993	1
No. 5, Anderson Road, Colombo 5	0.1889	299	Padaviya Road, Kebithigollewa	0.2628	8
No. 7, Anderson Road, Colombo 5	0.1363	216	Anuradhapura - Kurunegala Road, Thambuttegama	0.0860	7
No. 9, Anderson Road, Colombo 5	0.1949	308	Hospital Road, Inginiyagala	0.0470	1
No. 17, Sugathodaya Mawatha, Colombo 2	0.2190	346	Badulla Road, Padiyatatalawa	0.1020	2
Main Street, Kalutara	0.3035	108	Panama Road, Pottuvil	0.2570	15
Primrose Hill, Kandy	0.0534	4	No. 63, Cemetery Road, Veedukkadu, Batticaloa	0.1019	5
Prince Street, Kandy	0.2251	89	Ketawala Road, Hali Ela	0.0940	22
Punchi Borella, Maradana	0.2625	212	Ella Road, Namunukula	0.1485	9
Base Line Road, Welikada	3.0880	1099	Dammeria Estate Road, Passara	0.2460	17
Tangalle Road, Matara	0.2880	148	Poonagala Road, Balagala	0.1264	5
Satellite Earth Station, Padukka	13.8960	165	Railway Station Road, Ella	0.0330	4
			Haputalegama Road, Diyathalawa	0.0226	6

Location	Extent (Hectare)	Value of land (Rs. million)	Location	Extent (Hectare)	Value of land (Rs. million)
Wellawaya Road, Koslanda	0.0440	3	Danbar Road, Hatton	0.8306	41
Ettampitiya Road, Pattiyagedara	0.1568	6	Pundaluoya	0.2620	2
Wellawaya Road, Monaragala	0.3160	41	Talawakelle	0.1813	9
Vishaka Hill, Bandarawela	0.0958	11	Debathgama Road, Gevilipitiya	0.1200	1
Divitotawela, Welimada	0.1112	11	Kandy Road, Ballapana	0.1031	4
Ella Road, Wellawaya	0.1300	10	Bulathkohupitiya Road, Kegalle	1.4515	244
Kurunegala Road, Mukalanhena Village	0.3190	9	Kegalle Road, Ampe North, Kotiyakumbura	0.1012	6
Old Town-Madampe Road, Ihalagama Village	0.1048	12	Aranayaka Road, Mawanella	0.0910	6
Marawila-Nattandiya Road, Ihalagama Village	0.0507	5	Nawa Rohala Road, Warakapola	0.0867	6
Puttalam	0.3054	42	Alawwa-Giriulla Road, Alawwa	0.0760	3
Galle Main Street, Baddegama	0.1340	8	No. 67, Gettuwana, Kurunegala	0.2730	27
Galle Road, Elpitiya	0.1460	6	No. 116/53, Tank Circular Road, Kurunegala	0.2060	24
Galle Road, Gintota	0.0513	5	Galgamuwa-Ehetuwewa Road, Arsonwewa	0.1580	2
Galle Road, Habaraduwa	0.0796	8	Pannala-Kurunegala Road, Pahala Narangamuwa	0.1010	1
Akuressa Road, Imaduwa	0.2150	4	Hettipola Road, Dolahamuna	0.0980	5
Galle Road, Kosgoda	0.0920	6	No. 7, Gattuwana Circular Road, Gattuwana, Kurunegala	0.1210	12
Galle Road, Nagoda	0.1230	1	Madampe-Narammala Road, Kuliyapitiya	0.2298	45
Church Street, Galle	0.2520	50	No. 139, Kandy Road, Kurunegala	0.9200	164
Donald Janz Road, Galle	0.0510	5	Wariyapola Road, Narammala	0.0970	5
Makumbura Road, Udugama	0.1391	3	Anuradapura Road, Nikadalupotha	0.1180	1
Dunaly Estate, Galaha	0.1253	2	Puttalum Road, Nikaweratiya	0.0850	4
Gonahena, Nawalapitiya	0.2782	22	Negombo Road, Pannala	0.0940	3
No. 6, Galaha Road, Peradeniya	0.1089	28	Polgahawela-Kegalle Road, Galaboda, Polgahawela	0.1998	8
Pussellewa Exchange, Nuwara Eliya Road	0.2155	9	Wariyapola-Ganewatta Road, Wariyapola	0.1077	4
Udawalagedara Watta, Gampola	0.0285	6	Kalmunai Road, Akkaraipattu	0.2050	49
Nittambuwa Road, Kirindiwela	0.2129	17	Yard Road, Kalmunai	1.2250	170
Naligama Road, Mirigama	0.1874	15	Telecom Road, Paiyagala North	0.0253	3
Kandy Road, Pasyala	0.0534	4	Mangala Road, Beruwala	0.2100	21
Negombo Road, Veyangoda	0.0889	7	Telecom Road, Palligoda, Matugama	0.0597	8
New Kandy Road, Waliveriya	0.0438	7	Telecom Road, Pahala Welgama, Bulathsinghala	0.1934	1
Rideeyagama Road, Ambalanthota	0.1720	3	Telecom Road, Meegahatenna	0.2618	2
No. 66, Barrak Street, Hambantota	0.1920	7	Digana	0.1986	8
No. 6, Tower, Hill Road, Hambantota	0.2150	11	Galagedara Exchange, Rambukkana Road	0.1386	5
Kotuwegoda Road, Tangalle	0.1960	31	Kadugannawa Exchange, Kandy Road	0.0356	3
Tissamaharama Road, Tissamaharama	0.0820	5	Primrose Hill, Kandy	0.1233	2
Beliatta Road, Walasmulla	0.0803	8	Rikillagaskada	0.1300	4
Kotabo Road, Weeraketiya	0.1700	10			

Portfolio of Lands

Annual Report 2015

Sri Lanka Telecom PLC

Stewardship
Business Model
Management Discussion and Analysis
Leadership and Recognition
Financial Reports
→ **Supplementary Information**

Location	Extent (Hectare)	Value of land (Rs. million)	Location	Extent (Hectare)	Value of land (Rs. million)
Station Road, Mannar	0.3238	10	Saviapragasa Vidyasalai Veethy Road, Vavuniya	0.4047	40
Akuressa	0.0711	14	Eramadu Road, Pulmoddai	0.3103	5
Matugoba, Kotapola	0.1770	2	Nilaveli Road, Nilaveli	0.0581	2
Dickwella	0.1554	2	Temple Road, Mutur	0.2838	8
Beruwewela, Hakmana	0.1260	6	Pulmoddai Road, Kuchchaveli	0.0690	1
Kamburupitiya	0.0890	7	Periyathumunai Road, Kinniya	0.1080	7
Godawa, Dickwella	0.1036	4	Off Main Street, Hingurakgoda	0.0583	4
Ihala Ganegama, Malimbada	0.0690	7	Main Street, Valachchenai	0.2036	6
Urubokka	0.1290	4	Trinco Road, Eravur	0.0925	13
Pelena, Weligama	0.1069	15	Kandapola	0.0894	7
Matale Road, Dambulla	0.4150	25	Badalgama-Mahaoya Road, Badalgama	0.0984	4
Naula	0.3050	6	Digana, Ahaspokuna	0.3560	4
No. 1/3, King Street, Matale	0.3342	66	Balungala Wattta	0.2317	1
Akuramboda Wattta, Pallepola	0.0970	3	Telicom Road, Pahala, Nebeda	0.1032	1
Exchange Building, Badalgama	0.0303	1	Telicom Road, Agalawatta	0.0080	1
Negombo-Mirigama Road, Kelepitimulla Village	0.1710	6	Ibbagamuwa-Keppettipola Road, Rideegama	0.2530	3
St. Christopher Lane, Kochchikade	0.0410	5	Bulathkohupitiya Road, Moradana Pahala	0.0969	1
Wennappuwa-Lunuwila Road, Wennappuwa	0.0900	5	Watawala	0.1210	4
Police Station Road, Ragala	0.0791	10	Watagoda	0.1850	2
Gonakele, Maturata	0.1670	5	Upcot	0.1495	1
Gampola Road, Thawalantenna	0.0982	12	Maskeliya	0.1046	2
Welimada Road, Udupussellawa	0.0906	4	Ginigathhena Land, Kurundugolla	0.1310	2
Ragala Road, Wathumulla	0.0770	3	Killarney Estate Road, Bogawantalawa	0.1247	3
Telecom Road, Urugala-Ingiriya	0.2800	28	Mavihena Road, Kandalama	0.1555	2
Batticaloa Road, Pollonnaruwa	0.3129	9	Pathirajakanda Estate Road, Pathirajakanda	0.1010	1
New Town, Ratnapura	0.0632	5	Galle Road, Ambalangoda	0.7900	15
Embilipitiya-Pelmadulla Road, Kahawatta	0.0250	1	Chilaw-Puttalam Road, Rajakadaluwa	0.1490	6
Kalawana-Weddagala Road, Obokka	0.2060	2	Chilaw-Puttalam Road, Kuruwikulam	0.2023	3
Ratnapura Road, Kiriella	0.0875	2	Poonagala Estate, Ampitikanda	0.1920	5
Ratnapura Road, Kolonna	0.3320	3	Haldummulla	0.0990	2
Kuruwita-Udakada Road, Delgamuwa, Kuruwita	0.0653	2	Beddegama, Namunukula	0.1373	3
New Town, Ratnapura	0.0531	4	Madulsima	0.3870	15
Nivitigala-Kahawatta Road, Nivitigala	0.2830	3	Batticaloa Road, Lunugala	0.1346	13
Pelmadulla-Kuttagitiya Road, Pelmadulla	0.0950	5	Mahakele Road, Kandaketiya	0.0253	2
Rakwana-Godakawela Road, Rakwana	0.2035	2	Exchange Building, Makandura	0.4040	6
Batticaloa Road, China Bay	0.0678	4	Exchange Building, Balangoda	0.0807	11
Lane Off Inner Harbour Road, Trincomalee	0.3294	65	Minnana Town, Awissawella	0.3655	22
Post Office Road, Kantalai	0.1244	9	Havelock Road, Colombo 5	0.0253	30
Mannar Road, Vavuniya	0.3060	33	Vaverset Place, Colombo 5	0.0179	18
Station Road, Vavuniya	0.1500	18	IDH Road, Kalapaluwawa, Angoda	0.0364	6

Location	Extent (Hectare)	Value of land (Rs. million)
Godaporagahalanda, 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 Watta, Kotuwegoda, Kotte	0.0311	5
Bogahawitta, Nawala	0.0304	12
Millennium City, Athurugiriya	0.0197	2
Asdiyapokunawatta, Mulleriyawa, Angoda	0.0379	4
Primrose Hill, Kandy	0.0751	6
Heiyanduwa, Biyagama	0.0506	7
Hettiyavita, Biyagama	0.0374	5
Walawewwatta, Delgoda	0.0320	3
Ketakelagahawatta, Ranmuthugala, Kadawatha	0.0329	5
Ihala Karagahamuna, Kadawatha	0.0430	3
Puwakgahalanda, Siyambalape	0.0202	2
Mawaramandiya Road, Makola North	0.0192	2
Pitipana North, Homagama	0.0253	2
Panagoda, Homagama	0.0253	3
Mattegoda, Nugegoda	0.1265	36
320/2, Old Kottawa Road, Embuldeniya, Nugegoda	0.0234	7
Gangodawila, Nugegoda	0.0186	7
Sudharshi Mawatha, Kalubowila	0.0241	10
No. 67, Mahinda Place, Kirulapone	0.0244	24
Delgahalanda, Ihala Bope, Padukka	0.0266	1
Rukmalgama, Maharagama	0.0817	8
Srimathi Road, Keselwatta, Panadura	0.0632	15
St. Anthony's Road, Moratumulla, Moratuwa	0.0276	4
3A, Rawatawatte Road, Moratuwa	0.0202	4
Millagahakanatta, Molpe, Ratmalana	0.0257	3
Kahatagahalanda Estate, Makandana, Ratmalana	0.0177	2
Gorakagahawatta, Wethara	0.0253	2
Batakeththara, Piliyandala	0.0253	4
Bokundara, Piliyandala	0.0316	4
Godaparagahalanda, Honnanthara, Piliyandala	0.0519	5
Kandawala Estate, Borupana, Ratmalana	0.0190	4
Madangahawatta, Laxapathiya, Moratuwa	0.0253	4
Keerakotuwa, Nawanuge Road, Peliyagoda	1.6432	325
Awissawella, Ratnapura Road, Welikanna	0.1623	3
Kotawera Pallegama, Welimada	0.0526	2

Location	Extent (Hectare)	Value of land (Rs. million)
Puttalam Road, Chilaw	0.2708	54
Kiribathkumbura, Pilimathalawa	0.5805	11
No. 47/1A, Church Road, Mattakkuliya	0.0303	15
Nawalapitiya Road, Ginigathena	0.1420	3
Alpitiya Road, Alpitiya	0.1789	2
Dambulla Road, Ibbagamuwa	0.1011	2
Telecom Road, Dodangoda	0.1510	9
Namadagala Village, Medamahanuwara	0.1247	1
Pallekele-Kundasale	0.0899	9
Pugoda Road, Giridara, Dompe	0.0050	1
Mandawala Road, Owtigama Pugoda	0.0253	2
Ukuwela, Matale	0.0506	1
Magammana, Homagama	0.0151	1
Telecom Road, Mahaaruggoda	0.0759	4
Kudugalla Road, Wattegama	0.1511	7
No. 27, Station Road, Batticaloa	0.0585	9
Karainagar	0.0507	1
Ariyalai, Jaffna	0.0658	4
Point Pedro, Jaffna	0.0809	3
Pandathirippu, Jaffna	0.0514	1
Pesalei	0.0908	1
Dalupothawatta, Pillewatta, Udugampola	0.0025	1
Total		11,995

GRI Content Index

Annual Report 2015 ————— Sri Lanka Telecom PLC
 Stewardship
 Business Model
 Management Discussion and Analysis
 Leadership and Recognition
 Financial Reports
 → **Supplementary Information**

Index No.	Description	Reported In	Page No.
STRATEGY AND ANALYSIS			
G4-1	Statement from the Chairman	Message from the Group Chairman	7
G4-2	A description of key impacts, risks and opportunities	Business Model and Customer Capital	40-42, 72
ORGANISATIONAL PROFILE			
G4-3	Name of the Organisation	Business Model	36
G4-4	Primary brands, products and services	Business Model	37
G4-5	Location of the organisation's headquarters	Corporate Information	Inner back cover
G4-6	Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report	Business Model	36
G4-7	Nature of ownership and legal form	Corporate Information	Inner back cover
G4-8	Markets served	Business Model	37
G4-9	Scale of the reporting organisation	Business Model	36
G4-10	Total workforce by employment type, employment contract and region, broken down by gender	Employee Capital	79
G4-11	Report the percentage of total employees covered by collective bargaining agreements	Employee Capital	82
G4-12	Organisation's supply chain	Institutional Capital	62
G4-13	Significant changes during the reporting period regarding the size, structure or ownership	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
G4-15	List externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	Business Model	50
G4-16	List of memberships of associations and national or internal advocacy organisations	Business Model	50
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Operational structure of the organisation	Business Model	36-37
G4-18	Process for defining report content	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
G4-19	Material aspects identified for report content	Business Model	51
G4-20	Aspect boundary for identified material aspects within the organisation	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
G4-21	Aspect boundary for identified material aspects outside the organisation	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
G4-22	Report the effect of any restatements of information provided in previous reports and the reasons for such restatements	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organisation	Business Model	47-49
G4-25	Basis for identification and selection of stakeholders with whom to engage	Business Model	47-49
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Business Model	47-49
G4-27	Key topics raised through stakeholders' engagement and how the organisation responded to them	Business Model	47-49

Stewardship
 Business Model
 Management Discussion and Analysis
 Leadership and Recognition
 Financial Reports
Supplementary Information ←

Index No.	Description	Reported In	Page No.
REPORT PROFILE			
G4-28	Reporting period	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
G4-29	Date of most recent previous report	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
G4-30	Reporting cycle	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
G4-31	Contact point for questions regarding the report or its contents	Welcome to Sri Lanka Telecom PLC's Annual Report 2015	03
GRI CONTENT INDEX			
G4-32	Compliance with GRI G4 guidelines, GRI content index and the external assurance report	GRI Content Index	172
ASSURANCE			
G4-33	Policy and current practice with regard to seeking external assurance for the report	None	-
GOVERNANCE			
G4-34	Governance structure of the organisation including committees under the highest governance body responsible for decision-making on economic, environmental and social impacts	Corporate Governance	25
ETHICS AND INTEGRITY			
G4-56	The values, principles, standards and norms of behaviour	Institutional Capital	62
ECONOMIC			
Aspect: Economic Performance			
G4-EC1	Direct economic value generated, distributed and retained	Financial Capital	61
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Employee Capital	
Aspect: Market Presence			
G4-EC6	Proportion of senior management hired from the local community at locations of significant operations	Employee Capital	83
Aspect: Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported	Social and Environmental Capital	85-87
G4-EC8	Positive and negative indirect economic impacts	Social and Environmental Capital	85-87
ENVIRONMENTAL			
Aspect: Energy			
G4-EN3	Energy consumption within the organisation	Social and Environmental Capital	89
G4-EN6	Reductions in energy consumption	Social and Environmental Capital	89
G4-EN7	Reductions in the energy requirements of Products and Services	Social and Environmental Capital	89
Aspect: Emissions			
G4-EN19	Reduction of GHG emissions	Social and Environmental Capital	89
SOCIAL			
Labour Practices and Decent Work			
Aspect: Employment			
G4-LA1	Total number and rate of new employee hires and employee turnover by age group, gender and region	Employee Capital	83
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employee Capital and Notes to the Financial Statements	82, 119-120

Index No.	Description	Reported In	Page No.
Aspect: Occupational Health and Safety			
G4-LA8	Health and safety topics covered in formal agreements	Employee Capital	82
Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Employee Capital	80
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employee Capital	80
G4-LA11	Percentage of employees receiving regular performance and career development reviews by gender and employee category	Employee Capital	80
Aspect: Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Corporate Governance and Employee Capital	25, 79-80
Aspect: Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Corporate Governance and Notes to the Financial Statements	29, 119
Aspect: Labour Practices Grievance Mechanisms			
G4-LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	Employee Capital	81
SOCIETY			
Aspect: Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	Social and Environmental Capital	86
Aspect: Anti-Competitive Behaviour			
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Institutional Capital	63
Aspect: Compliance			
G4-SO8	Monetary value of fines and the number of non-monetary sanctions	Institutional Capital	63
Aspect: Product and Service Labelling			
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Customer Capital	71
G4-PR5	Results of surveys measuring customer satisfaction	Customer Capital	71
Aspect: Marketing Communications			
G4-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	Institutional Capital	63
Aspect: Customer Privacy			
G4-PR8	Total number of substantial compliance regarding breaches of customer privacy and losses of customer data	Institutional Capital	63
Aspect: Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning provision and use of products and services	Institutional Capital	63

Abbreviations

4G	- Fourth Generation	KPO	- Knowledge Process Outsourcing
ADSL	- Asymmetric Digital Subscriber Line	KPI	- Key Performance Indicator
ASPI	- All Share Price Index	LEARN	- Lanka Education and Research Network
BPM	- Business Process Management	LED	- Light Emitting Diode
BPO	- Business Process Outsourcing	LGN	- Lanka Government Network
BPR	- Business Process Re-engineering	LTE	- Long-Term Evolution
BSS	- Billing Support System	Mbps	- Megabits per second
CDMA	- Code Division Multiple Access	MEF	- Metro Ethernet Forum
CEA	- Communications Enabled Applications	MEN	- Metro Ethernet Network
CLI	- Caller Line Identification	MIMO	- Multiple-Input and Multiple-Output
CRM	- Customer Relationship Management	MPEG	- Moving Picture Experts Group
DC HSPA+	- Dual-Carrier High Speed Packet Access	MPLS	- Multiprotocol Label Switching
DEL	- Direct Exchange Line	MSAN	- Multi-Service Access Nodes
E1	- E - Carrier System Level 1	NBN	- National Backbone Network
EBITDA	- Earnings Before Interest, Taxes, Depreciation and Amortisation	NED	- Non-Executive Director
EFTNS	- External Fixed Telecommunications Network Services	NFC	- Near Field Communication
EPF	- Employees' Provident Fund	NGN	- Next Generation Network
ERP	- Enterprise Resource Planning	NOC	- Network Operating Centre
ETA	- Electronic Travel Authorisation	NRI	- Network Readiness Index
ETF	- Employees' Trust Fund	OSS	- Operational Support System
FCR	- Fault Clearance Rate	OTT	- Over the Top
FTTB	- Fibre-To-The-Building/Business	PEO TV	- Personalised Entertainment Option Television
FTTC	- Fibre-To-The-Curb	PoP	- Point of Presence
FTTH	- Fibre-To-The-Home	PSTN	- Public Switched Telephone Network
FTTN	- Fibre-To-The-Node	PTC	- Pacific Telecommunications Council
Gbps	- Gigabits per second	RAS	- Revenue Assurance System
GDP	- Gross Domestic Product	SAFA	- South Asian Federation of Accountants
GITR	- Global Information Technology Report	SBN	- SLT Backbone Network
GPS	- Global Positioning System	SDH	- Synchronous Digital Hierarchy
GRI	- Global Reporting Initiative	SDM	- Space Division Multiplex
CSR	- Global Symposium for Regulators	SEA ME WE	- South East Asia-Middle East-West Europe
GTH	- Global Telecommunications Holdings	SLBN	- Sri Lanka Telecom Broadband Network
HDTV	- High Definition Television	SLFRS	- Sri Lanka Accounting Standards
HSPA	- High Speed Packet Access	SLIM	- Sri Lanka Institute of Marketing
ICT	- Information and Communication Technologies	SME	- Small and Medium Enterprise
ICTA	- Information and Communication Technology Agency of Sri Lanka	SMS	- Short Message Service
IDD	- International Direct Dialling	SOA	- Service Oriented Architecture
IFRS	- International Financial Reporting Standards	STM-1	- Synchronous Transport Module Level-1
IGW	- International Gateway	SVOD	- Subscription Video on Demand
IMS	- IP Multimedia Subsystem	TRCSL	- Telecommunication Regulatory Commission of Sri Lanka
INED	- Independent Non-Executive Director	UMTS	- Universal Mobile Telecommunications System
IoT	- Internet of Things	VDSL	- Very High Bit Rate Digital Subscriber Line
IP	- Internet Protocol	VoD	- Video on Demand
IP-VPN	- Internet Protocol Virtual Private Network	VoIP	- Voice over Internet Protocol
IPTV	- Internet Protocol Television	VPN	- Virtual Private Network
ISP	- Internet Service Provider	WAP	- Wireless Access Protocol
ITU	- International Telecommunication Union	WiMAX	- Worldwide Interoperability for Microwave Access

Notice of Annual General Meeting

SRI LANKA TELECOM PLC
(Company Registration No. PQ 7)
Lotus Road, Colombo 01.

NOTICE IS HEREBY GIVEN that the Nineteenth (19th) Annual General Meeting of Sri Lanka Telecom PLC will be held on 12 May 2016 at 10.00 am at the Main Conference Hall of Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, for the purpose of conducting the following Business:

Agenda

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31 December 2015 with the Report of the Auditors thereon.
2. To declare a first and final dividend of Eighty Nine Cents (0.89 Cents) per share as recommended by the Directors.
3. To re-elect as a Director, Mr Chan Chee Beng, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
4. To re-elect as a Director, Mr Lawrence Paratz, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
5. To elect as a Director, Mr W K H Wegapitiya, who retires in terms of Article 97 of the Articles of Association.
6. To elect as a Director, Mr Rohan De Silva, who retires in terms of Article 97 of the Articles of Association.
7. To reappoint KPMG, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration.
8. To authorise the Directors to determine and make donations to charities.
9. Special business

To consider and thought it fit pass the following resolution as a special resolution to amend the Articles of Association of the Company:

Special resolution

RESOLVED that the Articles of Association of the Company be amended by the deletion of the existing Articles numbered 109 and 110 and substitution therefor the following Articles numbered as 109 and 110:

“109. The Board shall appoint an Audit Committee in terms of the Listing Rules of the Colombo Stock Exchange to oversee the internal audit policy of the Company. The Chief Internal Auditor shall be present at all Audit Committee meetings by invitation. The decisions of the Audit Committee shall be recommended to the Directors for their approval or amendment, as the case may be.”

“110. The Board of Directors shall appoint a Remuneration Committee in terms of the Listing Rules of the Colombo Stock Exchange to oversee the remuneration policy of the Company for non-executive Directors as well as remuneration policy and incentive schemes for the Company’s senior management. The decision of the Remuneration Committee shall be recommended to the Directors for their approval or amendment as the case may be.”

10. 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

29 March 2016
Colombo

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.

Form of Proxy

I/We (holder of NIC No.) of being a member/members of Sri Lanka Telecom PLC hereby appoint (holder of NIC No.) of whom failing*

Mr P G Kumarasinghe Sirisena	whom failing*
Mr Chan Chee Beng	whom failing*
Mr Jeffrey Jay Blatt	whom failing*
Mr Lawrence Paratz	whom failing*
Ms Lai Choon Foong	whom failing*
Ms Chandra Ekanayake	whom failing*
Ms Nilanthi Pieris	whom failing*
Mr W K H Wegapitiya	whom failing*
Mr Rohan De Silva	

as my/our* proxy to represent me/us* to speak and vote for me/us* and on my/our* behalf as indicated below at the 19th Annual General Meeting of the Company, to be held on 12 May 2016 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

- | | For | Against |
|---|--------------------------|--------------------------|
| 1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31 December 2015 with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To declare a first and final dividend of Eighty Nine Cents (0.89 Cents) per share as recommended by the Directors. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect as a Director, Mr Chan Chee Beng, who retires in by rotation in terms of Articles 91 and 92 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect as a Director, Mr Lawrence Paratz, who retires in by rotation in terms of Articles 91 and 92 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To elect as a Director, W K H Wegapitiya, 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 Rohan De Silva, who retires in terms of Article 97 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To reappoint KPMG, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To authorise the Directors to determine and make donations to charities. | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To pass a Special Resolution to amend the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |

In witness my/our hand/seal given on this day of Two Thousand and Sixteen.

.....
Signature

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, Company Secretary's Officer, 1st Floor, Old CTO Building, Lotus Road, Colombo 01 not later than 48 hours before the time fixed for the holding of the meeting.

Corporate Information

Name of the Company

Sri Lanka Telecom PLC

Legal Form

A public limited liability company incorporated in Sri Lanka in September 1996, under the Conversion of Public Corporations of Government Owned Business Undertakings into Public Limited Companies Act No. 23 of 1987 and quoted on the Colombo Stock Exchange in January 2003.

Company Registration Number

PQ 7

Stock Exchange Listing

1,804,860,000 Ordinary Shares of the Company are listed in the Colombo Stock Exchange.

Registered Address

Telecom Headquarters, Lotus Road,
Colombo 01.

Board of Directors

Mr P G Kumarasinghe Sirisena - Chairman

Mr Chan Chee Beng

Mr Jeffrey Jay Blatt

Mr Lawrence Paratz

Ms Lai Choon Foong

Ms Nilanthi Pieris

Ms Chandra Ekanayake

Mr W K H Wegapitiya

Mr Rohan De Silva

Audit Committee

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

Remuneration & Nomination Committee

Mr Jeffrey Jay Blatt - Chairman
Mr P G Kumarasinghe Sirisena
Mr Chan Chee Beng

Risk Management Committee

Mr Jeffrey Jay Blatt - Chairman
Mr Lawrence Paratz
Ms Lai Choon Foong
Ms Chandra Ekanayake
Mr W K H Wegapitiya
Mr Rohan De Silva

Technology Sub-committee

Mr Lawrence Paratz - Chairman
Mr Jeffrey Jay Blatt
Mr W K H Wegapitiya
Mr Rohan De Silva

Senior Tender Board

Mr Jeffrey Jay Blatt - Chairman
Mr Lawrence Paratz
Ms Lai Choon Foong
Ms Nilanthi Pieris
Mr W K H Wegapitiya
Mr Rohan De Silva

Related Party Transactions Review Committee

Mr Chan Chee Beng
Ms Lai Choon Foong
Ms Chandra Ekanayake
Ms Nilanthi Pieris

Auditors

KPMG (Chartered Accountants),
No. 32A, Sir Mohamed Macan Markar Mawatha,
Colombo 03.

Company Secretary

Mr Mahesh Athukorale

Credit Rating

By Fitch Ratings Lanka Limited

AAA (lka)

(National long-term currency)

BB-

(Long-term local and foreign currency)

By Standards & Poor's

B+

(Local and foreign currency)

Bankers

Bank of Ceylon

Citibank N.A.

Commercial Bank of Ceylon PLC

Deutsche Bank

Hatton National Bank PLC

HSBC Bank

Nations Trust Bank PLC

NDB Bank PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

Standard Chartered Bank



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